



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

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

(Stock Code: 1919)



ANNUAL REPORT
2021



Important notice

The Board of Directors (the “**Board**”), the Supervisory Committee (the “**Supervisory Committee**”), the directors (the “**Directors**”), the supervisors (the “**Supervisors**”) and senior management of COSCO SHIPPING Holdings Co., Ltd. (the “**Company**” or “**COSCO SHIPPING Holdings**”, together with its subsidiaries, the “**Group**”) declare that there is no false information, misleading statements or material omissions in this annual report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

All Directors attended the Board meeting held on, Wednesday, 30 March 2022.

ShineWing Certified Public Accountants, LLP and PricewaterhouseCoopers have issued standard and unqualified auditor’s reports for the Company.

Mr. Wan Min (chairman and executive Director), Mr. Yang Zhijian (executive Director and general manager), Mr. Zhang Mingwen (person-in-charge of accounting) and Mr. Xu Hongwei (head of the accounting department), declare that they confirm the truthfulness, accuracy and completeness of the financial reports in this report.

The Board proposes the payment of a final dividend of RMB0.87 per share (tax inclusive) to the shareholders of the Company (the “**Shareholder(s)**”) for the year 2021, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company.

Is there any occupancy of non-operating funds by controlling shareholders or its related parties?

No.

Are there any guarantees provided to a third-party in violation of stipulated procedures?

No.

Forward-looking statements

None of the forward-looking statements including future plan in this annual report constitutes a commitment by the Company to the investors. Investors are advised to be aware of the investment risks.

Material risk warning

Investors are advised to read the “Potential risks” of “Management Discussion and Analysis” as set out in this annual report carefully.

Miscellaneous

Not applicable.

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Company's Basic Information

I. Company's Information

Legal Chinese name	中遠海運控股股份有限公司
Legal Chinese stock short name	中遠海控
English name	COSCO SHIPPING Holdings Co., Ltd.
English stock short name	COSCO SHIP HOLD
Legal representative	WAN Min

II. Contact Persons and Methods

	Secretary to Board of Directors	Representative of securities affairs
Name	GUO Huawei	ZHANG Yueming
Contact address	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC
Telephone	(8621) 60298619	(8621) 60298619
Facsimile	(8621) 60298618	(8621) 60298618
E-mail	investor@coscoshipping.com	

III. Basic Profile

Registered address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Pilot Free Trade Zone (Tianjin Port Free Trade Zone), Tianjin, the PRC
Postal code	300461
Place of business	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC
Postal code	200080
Company's website	http://hold.coscoshipping.com
Company's email	investor@coscoshipping.com

Company's Basic Information

IV. Information Disclosure and Inspection

Designated newspapers for disclosure of the Company's information Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily

Website designated by the China Securities Regulatory Commission ("CSRC") for publishing the annual report www.sse.com.cn

Place for inspection of annual report 8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC

V. Information on the Company's Shares

Type of share	Place of listing	Stock short name	Stock code	Stock short name before change
A Shares	Shanghai Stock Exchange	COSCO SHIP HOLD	601919	China COSCO
H Shares	Hong Kong Stock Exchange	COSCO SHIP HOLD	01919	China COSCO

Company's Basic Information

VI. Other Information

Domestic auditor engaged by the Company	Name: Office address: Name of signing auditor:	ShineWing Certified Public Accountants, LLP 8/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing, the PRC Wang Hui and Zhang Min
International auditor engaged by the Company	PricewaterhouseCoopers <i>Certified Public Accountants</i> <i>Registered Public Interest Entity Auditor</i> 22nd Floor, Prince's Building, Central, Hong Kong	
Other information	Place of business in Hong Kong 48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong Major bankers Bank of China, Agricultural Bank of China, China Merchants Bank, etc. Legal advisers as to Hong Kong law Paul Hastings Address: 22/F, Bank of China Tower, 1 Garden Road, Hong Kong Legal advisers as to PRC law Commerce and Finance Law Offices Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Beijing, the PRC Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 188 Yanggao South Road, Pudong New District, Shanghai, the PRC Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	

Chairman's Statement

Dear Shareholders,

First of all, on behalf of the Board, I would like to thank Mr. Xu Lirong, the former chairman, for his excellent leadership and his valuable contribution to the Company. Meanwhile, I would also like to express my appreciation and gratitude to our staff, both onshore and offshore, for their diligence and dedication.

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

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

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

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

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

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

Chairman's Statement

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

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

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

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

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

Actively fulfill corporate social responsibility and promote green and sustainable development

The company actively fulfills its corporate social responsibility by providing support to the container logistics supply chain and the smooth flow of the global supply chain through measures such as stabilizing transportation capacity, ensuring container supply and rendering excellent services. In 2021, the Company provided solutions to transportation problems, including launching 30 designated voyages on major routes such as the Trans-Pacific routes, Asia-Europe routes, Intra-Asia routes (towards Australia-New Zealand) and other international routes (towards Mexico). The Company also provided customized services by launching the “Express Service” in North America to overcome port congestion in certain areas. The Company widely received positive responses from customers, by shortening the whole transportation process of the Trans-Pacific route to 19 days.

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

Chairman's Statement

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

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

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

WAN Min

Chairman of the Board

30 March 2022

Summary of Accounting Data

Results for the year ended 31 December 2021 (the “Reporting Period”) prepared under the Hong Kong Financial Reporting Standards

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000	Change in Amount RMB'000
Revenue from continuing operations	333,693,611	171,258,834	162,434,777
Profit before income tax from continuing operations	127,949,302	13,947,709	114,001,593
Profit after income tax from continuing operations	103,852,551	13,187,494	90,665,057
Profit for the year	103,852,551	13,187,494	90,665,057
Profit attributable to equity holders of the Company	89,296,138	9,927,098	79,369,040
Basic earnings per share (RMB)	5.59	0.62	4.97
Final dividend per share (RMB)	0.87	–	0.87
Final dividend payout ratio	15.56%	–	15.56%
Total assets	413,668,081	271,926,074	141,742,007
Total liabilities	234,807,539	193,229,017	41,578,522
Non-controlling interests	45,766,217	34,783,191	10,983,026
Equity attributable to equity holders of the Company	133,094,325	43,913,866	89,180,459
Net (cash)/debt to equity ratio	-58.49%	53.80%	Not applicable
Gross profit margin	41.99%	14.10%	27.89%

Management Discussion and Analysis

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

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

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

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

Management Discussion and Analysis

(II) Major Profit or Loss Items and Cashflow Analysis

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

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

Management Discussion and Analysis

2. Revenues

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

Overview

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

Revenue from container shipping business

In 2021, the revenue from container shipping business amounted to RMB327,926,780,000, representing an increase of RMB161,918,188,000 or 97.54% as compared to the last year, of

which COSCO SHIPPING Lines generated revenues of RMB223,146,874,000 from container shipping business, representing an increase of RMB111,009,604,000 or 98.99% as compared to the last year.

Revenue from terminal business

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

Major customers

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

3. Costs

Cost analysis

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

Management Discussion and Analysis

Overview

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

Container shipping business cost

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

Terminal business cost

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

4. Other profit or loss items

Other income and expense, net

In 2021, the other income and expense, net was RMB735,175,000, representing a decrease of RMB711,971,000 as compared to the last year. COSCO SHIPPING Ports Limited (“**COSCO SHIPPING Ports**”) has disposed of 30% of equity interest in Tianjin Port Euroasia International Container Terminal Co., Ltd. resulting in net gain

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

Selling, administrative and general expenses

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

Management Discussion and Analysis

Finance income

The finance income of the Group in 2021 amounted to RMB1,102,552,000, representing an increase of RMB468,283,000 or 73.83% as compared to the last year. Due to the combined effect of an increase of 123.91% in the balance of average monetary funds in 2021 as compared to the last year and a decrease in deposit interest rates as compared to the last year, interest income increased as compared to the last year.

Finance costs

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

Share of profits of joint ventures and associated companies

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

Income tax expenses

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

Major suppliers

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

5. Cash flow

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

(1) Net cash flow from operating activities

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

Management Discussion and Analysis

(2) Net cash flow from investing activities

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

(3) Net cash flow from financing activities

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

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

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

(III) Working Capital, Financial Resources and Capital Structure

Overview

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

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

Management Discussion and Analysis

Debt analysis

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

Borrowings by categories

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

Borrowings by currency

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

Management Discussion and Analysis

Secured borrowings

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

Company's guarantees

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

Contingent liabilities

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

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

Foreign exchange risk

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

Capital commitments

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

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

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

Management Discussion and Analysis

Facilities

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

Financing plans

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

(IV) Investment Analysis

1. Overall analysis of external equity investments

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

2. Financial assets at fair value

Unit: RMB'000

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

Management Discussion and Analysis

(V) Industry Operation Information

Container shipping business

In 2021, under the impact of multiple factors such as the uncertainties of COVID-19 development, increase in demand and limited supplies, the global supply chain continued to face with challenges and assaults from complicated conditions such as congested ports, shortage of containers and delays in inland transportation, the demand and supply forces of container transportation were in tense and tight conditions, the average level of China Containerized Freight Index (CCFI) in 2021 was 2,615.54 points, representing an increase of 165.69% year-on-year.

During the Reporting Period, facing the adverse environment arising from the impact of COVID-19 on the global industrial chains and supply chain cycles, the Company continued to increase its own global competitiveness, future creativity and adaptability to the changing external environment, followed the path of solid and high-quality development, and realized growth in both quantity and income of containers. The Company accelerated the realization of transforming from best scale to best efficiency and paved a powerful foundation for sustainable high-quality development of the Company.

During the Reporting Period, the Company accelerated the development of a new landscape for globalized development, by focusing on services to external trade and services to international and domestic markets, continuous support was provided to link emerging markets with international trade, and steadfastly promote a balanced layout for globalized development. Meanwhile, the Company adopted proactive measures to tackle the bottleneck problem in supply chain,

commencing from targeted allocation of freight capacity and optimization of distribution of shipping routes swiftly and striving to resolve difficulties faced by customers. The Company fully leveraged on the advantages of synergy between dual brands and continuously expanding advantages in geographical coverage, resources and shipping routes network. By launching multiple measures at the same time, such as launching rapidly a number of special shipping and railway routes including the Pacific shipping route, Asia and Europe shipping route, Mexico shipping route and the Australia and New Zealand shipping route, the urgent needs of customers due to difficulties in outward shipment were greatly alleviated, and the stability of the global industrial chain was firmly secured, which had fully reflected the height, width, speed and precision of the Company's services, and the Company was effectively motivated to advance from a global carrier to a carrier for the world.

The Company continued to promote the development of a full-process and end-to-end logistics supply chain business. The end-to-end path was innovated and upgraded continuously, the smooth operation of the multimodal transportation of non-railway and sea transport between Hunan and Guangdong, the new land and sea corridor between the bay area and western area and others had motivated the Company to march a solid step forward to participate deeply in the development of corridor products and enhance our integrated land and sea service capabilities. Meanwhile, the Company continued to leverage the strength of marine hub of Port Piraeus to actively promote the establishment of the Asia and Europe land and sea fast routes. During the Reporting Period, the market influence of service corridors such as the Asia and Europe land and sea fast routes, the Asia and Europe liners and trains and the land and sea new corridor in the western area became stronger.

Management Discussion and Analysis

At the same time, the Company also adapt to the needs of the digitization era proactively, by focusing on technological guidance, motivated by digitization, exploring the deep value of data, and promoting the transformation of business digitization, high-quality development of the Company was effectively assured. During the Reporting Period, the Company realized the integration of multiple new technologies including big data, block chain, internet of things and artificial intelligence, and achieved a breakthrough in the innovation of service value. During the Reporting Period, GSBN implemented real operation in Hong Kong, the container pick-up service based on block chain technology went fully online in Chinese regions, paperless customs clearance was implemented from domestic to overseas freight, and the service efficiency was freshly reformed. E-commerce platforms for both domestic and international trade continued to go beyond traditional thinking and business modes and provided customers with full-process, multi-channel and visual-tracking online shipping services and products, thus shortening the upstream and downstream distances, enlarging coverage persistently and increasing the influence of brand value.

Terminal business market

In 2021, the global economy and trade began to recover, with uncertainties imposed by the COVID-19 epidemic for the economic recovery of countries around the world. However, compared to 2020, China's import and export of goods grew rapidly in 2021. The total import and export of goods for the year was RMB39,100 billion, representing an increase of 21.4% from 2020. In 2021, the throughput of Chinese ports amounted to 282,720,000 TEUs, representing an increase of 7.0% as compared to that of last year and 5.8 percentage points faster as compared to the same period in 2020, of which, the throughput of coastal ports amounted to 249,330,000 TEUs, representing an increase of 6.4% as compared to that of last year and 4.9 percentage points faster as compared to the same period in 2020; the throughput of river ports amounted to 33,400,000 TEUs, representing an increase of 11.3% as compared to that of last year and 11.8 percentage points faster as compared to the same period in 2020.

During the Reporting Period, with the fluctuations of the epidemic, the Company continued to promote high-quality development of the terminal business and proactively seize the strategic development opportunities to promote scale expansion of the Company, gradually improving the global terminal layout. The Company continued to deepen lean operation to promote the improvement in quality and efficiency of terminals. The expansion of supply chain extension projects was accelerated to supplement new points for revenue growth. Information construction was accelerated to seize the opportunities of digital development.

During the Reporting Period, the Company continued to deepen the strategy of lean operation, promoted the improvement in quality and efficiency of the terminal asset portfolio, strengthened the ability to manage and control terminals and constructed the core competitiveness of the Company. In respect of increasing revenue, the Company continued to proactively enhance its commercial marketing capability · strengthened its market insights and analytical capability of customer value, focused on the needs of customers and improved and upgraded market expansion. In respect of cost cutting, the controlled terminals under the Group proactively control the cost per TEU, identifying aspects and processes to optimize costs and striving to enhance the competitive advantage of cost, lower the costs and improve efficiency, to control the cost per TEU and improve the revenue per TEU.

During the Reporting Period, the Company constantly innovated its business model, developed its supply chain business and accelerated the construction of backend extension supply chain platform of ports and terminals. With terminals as the base, the Company developed supply chain warehouse service. With supply chain platform as the link, the logistics network was gradually built and service categories were expanded to better appeal to and retain customers, bringing new points for revenue growth and striving to build a globally leading integrated logistics supply chain service ecology.

Management Discussion and Analysis

Container shipping business

(1) Shipping volume

Shipping volume of the Group (TEU)

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

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

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

(2) Revenue from routes

Revenue from routes by the Group (RMB'000)

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

Management Discussion and Analysis

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

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

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

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

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

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

Management Discussion and Analysis

(3) Major performance indicators

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

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

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

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

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

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

Management Discussion and Analysis

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

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

Note:

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

Terminal business

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

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

Management Discussion and Analysis

Major acquisition and disposal of assets and equity

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

Other significant events

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

COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd. is an indirect wholly-owned subsidiary of COSCO SHIPPING. Accordingly, COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd. is a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”), and the July Transaction constitutes a discloseable transaction and a connected transaction of the Company.

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

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

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

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

Management Discussion and Analysis

Dividend

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

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

Subsequent events

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

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

(I) Industry pattern and development trend

Container shipping market

In recent years, there have been challenges to the globalization process, the global economy was on a winding path to recovery, and the growth of demand for container transportation was slow and flat. The COVID-19 pandemic has accelerated the change in the global economy since 2020, created systematic impact on the global industrial chain and supply chain and promoted accelerated development and reform of the container shipping industry. As the trend of regionalization of global trade developed rapidly, the industrial chain becomes more fragmented, and the New International Land-Sea Trade Corridor, China-Europe

Railway Express and other efficient new trade models gradually mature, and they bring more challenges to the container transportation and logistic process in terms of the service providers' timeliness, organizing ability and professional ability. Meanwhile, technological development leads to industrial reform, close integration of digital technology and global trade and the thriving of the new cross-border e-commerce model, at the same time imposing higher demands for the stability and reliability of the supply chain.

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

Management Discussion and Analysis

Terminal business market

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

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

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

(II) Development strategy

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

Management Discussion and Analysis

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

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

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

(III) Operation plan

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

Container shipping business

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

Through scientific research and analysis of the trend of global industry and value chain adjustments, we will accelerate the optimisation of our fleet structure and market layout, and continue to effectively deploy our capacity flexibly against the backdrop of continued severe congestion and supply chain disruptions in major ports around the world. Gathering quality resources from both internal and external sources, we will further explore market potential and expand our leading position in the mainline market, while achieving optimal allocation of cargo capacity and sustainable development and driving service quality to a higher level in our continuous enhancement process of our operational efficiency. In January 2022, the OCEAN Alliance, which operates our dual brands, launched the upgraded DAY6 route product. There will be upgrade in the route product for 8 routes with an additional of 3 routes, totalling to 42 routes with a shipping capacity of 4.43 million TEUs. At the same time, we steadfastly strengthened our investment in and development of capacity in emerging markets, regional markets and third-country markets. In early 2022, with the RCEP agreement coming into effect at the beginning of the year, it will significantly

Management Discussion and Analysis

enhance the level of economic integration in the Asia-Pacific region, facilitating the forming of a supply chain and value chain in the region based on its comparative advantage and the development of 'trade creation' effect. According to the forecast of the United Nations Conference on Trade and Development (UNCTAD), the tariff cuts will increase the trade volume in the region by approximately US\$42 billion, and the new trade effect in the region will be approximately US\$17 billion. The Company will accurately meet service needs, accelerate the optimization of network layout, and capitalize on the incremental value.

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

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

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

Promoting technology upgrade and building a new digital shipping ecosystem

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

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

Management Discussion and Analysis

Terminal business

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

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

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

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

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

Management Discussion and Analysis

(IV) Possible Risks

1. Risks of Political Policies

Description of the risks

Changes in the political structure within some countries or regions, changes in the geopolitical landscapes between countries or regions, and even possible diplomatic or military conflicts may have an uncertain impact on the continued development and stable operation of the global business network, the stability of the regional markets related to individual routes or terminals and the operation of local markets for the Company in 2022.

Analysis for causes and impacts of the risks

At present, the global political situation is undergoing drastic changes, with an increased probability of military, diplomatic and trade conflicts in many countries and regions, which will have a greater impact on the global operations of the Company.

Strategies and suggestions for addressing the risks

- (1) To establish a sound mechanism for the collection, tracking and research of geopolitical information on a regular basis.
- (2) To explore the development of a country-specific risk assessment mechanism in the decision-making process of major operations and investments.
- (3) To incorporate unexpected risks and high-risk events into the mechanism for collecting and reporting on the prevention and resolution of major risks and risk events of the Company.

2. Risks of Regulatory Policies of the Industry

Description of the risks

The global economic, trade and political landscapes have become increasingly complex, with international organisations and major countries or regions making adjustments to their policies on trade, investment, taxation, environmental protection, anti-monopolies, navigational safety, shipping technologies and logistics operations, and increasing their enforcement efforts in the form of compliance regulation.

Management Discussion and Analysis

Analysis for causes and impacts of the risks

In 2022, the global shipping and terminal industry will face a more complex international and national regulatory environment. Possible changes in the regulatory policies or enforcement requirements of different countries and regions in respect of the international taxation regulation, environmental protection, anti-monopolies, cross-border data transfers, investments and mergers and acquisitions and information security will have an impact on the compliance operation of the Company.

Strategies and suggestions for addressing the risks

- (1) To clarify the obligations of different levels of operating entities and organisations in terms of regulatory identification, identify macro policies and laws and regulations which have a material impact on the operations of the Company, analyse the extent of the impact of policies and regulations on the Company and utilise the information platform to achieve a dynamic and efficient management.
- (2) To actively track changes in different policies, and conduct proper compliance response and on-going compliance risk assessment.
- (3) To establish a policy risk response and compliance management evaluation mechanism by combining the mechanisms of compliance management and internal control evaluation.

3. Risks of Economic Volatility

Description of the risks

The slow recovery of the global macro economy, the stagnation or downturn in investment, trade or consumption in key sectors or regions could cause a slower than expected growth in total logistics demand.

Causes and impacts of the risks

The speed of mutation of new coronaviruses and the effectiveness of vaccines, changes in geopolitical relations and economic and trade patterns, inflation and changes in public debts, the recovery and continued restructuring of global supply chains, and regional conflicts or social unrest are the prevailing five major uncertainties for the global macroeconomic recovery. Under the triple pressures of shrinking demands, supply impacts and weakening expectations, coupled with the impacts of recurring epidemics, the economic recovery in China has become more unstable and uneven.

Strategies and suggestions for addressing the risks

- (1) To conduct tracking studies on the macroeconomic and strategic issues.
- (2) To strengthen sensitivity to market and competitive changes.
- (3) To promote a “globalisation” strategy to take advantage of imbalances in regions and industries to hedge risk impacts.

Management Discussion and Analysis

Profit Distribution of Ordinary Shares or Capitalization of Surplus Reserves Proposals

(I) Formulation, implementation or adjustment of cash dividend policies

The 2nd Extraordinary General Meeting of the shareholders of COSCO SHIPPING Holdings in 2012 reviewed and approved the plan of “Amendment to the Articles of Association of COSCO Shipping Holdings Co., Ltd.”. Article 192 of the amendment stipulates that the company’s profit distribution policy is as follows:

1. Profit distribution principles: The Company should implement positive profit distribution policies and value investors’ reasonable investment return and the Company’s sustainable development to maintain the continuity and stability of profit distribution policy. The cumulative profit distribution in cash by the Company in the last three years was in principle not less than 30% of the average annual distributable profits of the Company for the last three years.

2. Profit distribution frequency: In principle, the Company distributes profit once a year. When conditions permit, the Board may recommend the Company to distribute interim cash dividends according to the earnings and capital requirement of the Company.
3. Profit distribution decision-making system and procedures: The profit distribution proposal of the Company shall be formulated and reviewed by the Board and submitted to the general meeting for approval. Independent Directors shall express their opinions clearly in regard to the profit distribution proposal. The Supervisory Committee shall supervise the implementation of the profit distribution proposal.

Final Dividend of the Company for year 2021

The Board recommend the payment of a final dividend of RMB0.87 per ordinary share (inclusive of applicable tax) for the year ended 31 December 2021 (2020: Nil), subject to the approval of shareholders at the forthcoming annual general meeting of the Company.

Significant Events

- I. If there is an earning forecast as regard to the assets or projects of the Company and the Reporting Period remains in the earning prediction period, the Company will give an explanation as to the achievement of the original forecast as regard to the assets or projects and the relevant reasons**

Not applicable

- II. Material Litigation and Arbitration**

There was no material litigation and arbitration in this year

- III. Material Contracts and Performance Thereof**

Not applicable

(I) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)

Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	Date of guarantee agreement		Commencement date of guarantee	End date of guarantee	Type of guarantee	Collateral (if any)	Whether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Counter guarantee	Whether it is a connected party guarantee	Connected relationship
				Date of guarantee agreement	Date of guarantee agreement										
COSCO SHIPPING Ports (Antwerp) NV	Subsidiary	Antwerp Gateway NV	214,404,786.38	15 June 2020	15 June 2020	15 June 2020	29 June 2040	General guarantee	We are interested in equity interest of the beneficiary	No	No	-	Yes	Yes	Associates
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)															
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)															
Guarantees provided by the Company and its subsidiaries for its subsidiaries															
Total amount of the guarantees provided to subsidiaries during the Reporting Period															
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)															
Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)															
Total amount of guarantees (A+B)															
Total amount of guarantees as a percentage to the net assets of the Company (%)															
Of which:															
Amount of guarantees provided to shareholders, ultimate controller and its connected parties (C)															
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)															
The portion of total amount of guarantee in excess of 50% of the net assets (E)															
Total amount of the above three categories of guarantees (C+D+E)															
Explanation on outstanding guarantees which may cause several and joint liability															
Explanation on guarantees															

Significant Events

Significant Events

(II) Other material contracts

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

Significant Events

IV. Other Significant Events

1. Pursuant to the approval of by the Board on 30 March 2021 and the approval at the annual general meeting of the Company on 28 May 2021, the Company, based on the total share capital of the Company as at 13 July 2021 (the “**Record Date**”), proposed to issue three (3) capitalization Shares to all Shareholders for every ten (10) Shares by way of capitalization of capital reserve (the “**Capitalization Issue**”). As at the Record Date, the total number of the issued Shares of the Company was 12,315,998,889 Shares, comprising 9,735,398,889 A Shares and 2,580,600,000 H Shares. As such, the number of capitalization Shares under the Capitalization Issue was 3,694,799,667 Shares, comprising 2,920,619,667 new A Shares and 774,180,000 new H Shares. The completion of issuance of 2,920,619,667 new A Shares and 774,180,000 new H Shares took place on 15 July 2021 and 28 July 2021, respectively. Please refer to (i) the circular of the Company dated 13 May 2021 in relation to, among others, the Capitalization Issue; (ii) the announcement of the resolutions passed at the annual general meeting of the Company dated 28 May 2021; and (iii) the update announcement of the Company dated 7 July 2021 for the details of the Capitalization Issue.
2. At the tenth meeting of the sixth session of the Board, the Board of the Company approved the resolution on the amendments to the Articles of Association of the Company to reflect the completion of the Capitalization Issue and the changes in the total number of issued shares and registered capital of the Company as a result of the exercise of the share options under the Share Option Incentive Scheme as at 31 July 2021. On 31 July 2021, the total number of issued shares increased from 12,259,529,227 shares to 16,012,917,249 shares as a result of (i) the completion of the Capitalization Issue and (ii) the exercise of share options by the participants under the Share Option Incentive Scheme, and the registered capital of the Company was increased from RMB12,259,529,227 to RMB16,012,917,249. Please refer to the announcement of the Company dated 29 October 2021 for details.

V. Fulfillment of Social Responsibilities

(I) Poverty alleviation work of the Company and charitable and other donations of the Group

In strict accordance with the latest requirements of the State’s poverty alleviation work of “removing the title (i.e., poverty-stricken counties) without removing the other four (i.e., the responsibilities, policies, assistance and supervision)”, COSCO SHIPPING Holdings has made every effort to promote the industrial assistance, deepen the revitalization of villages and actively fulfill the social responsibility of central enterprises. Since the start of this year, the Company has thoroughly sorted out the State’s recent policies on the targeted poverty alleviation and village revitalization, understood the spirit and substance of the policies, analyzed and summarized the effectiveness of

Significant Events

the targeted assistance efforts over the years, identified its weak points, improved them in a targeted manner and consolidated and developed the results of the poverty alleviation and revitalization efforts. We have formulated the guidelines, objectives and principles of our efforts to assist and revitalise targeted villages, and further improved our organisational structure and work responsibilities. We have combined the actual conditions of the poverty-alleviation areas of Luolong County and Leiwuqi County in Tibet, Chishui City in Guizhou and Yongde County in Yunnan to provide tailor-made assistance and to provide assistance to ensure that those who have overcome poverty can continue to do so and achieve the common prosperity. We have been actively cooperating with the local governments in the overall planning and deployment of poverty alleviation and village revitalisation, combining the industrial strengths of COSCO SHIPPING Holdings to implement village revitalisation projects which are in line with the actual conditions of the local areas, increasing our investment efforts, allocating funds according to the progress of project implementation and ensuring timely availability of funds to facilitate the steady implementation of village revitalisation goals and making positive contributions to the economic and social development of counterparts.

We also organised the “Mountain Meets Sea and Heart to Heart” donation campaign to enhance the sense of social responsibility of staff and contribute to consolidating the achievements of poverty alleviation.

During the Reporting Period, the Group’s charitable and other donations amounted to RMB350 million.

(II) Social responsibilities

In 2021, COSCO SHIPPING Holdings continued performing the obligations of the United Nations Global Compact comprehensively by fulfilling various undertakings provided in the Global Compact, especially the principles in various areas, including environmental protection, labor, human rights and anti-corruption. Green, low-carbon and sustainable development concepts were established internally in the enterprise, striving to achieve coordinated harmony between socio-economic development and the population, resources and environment within the enterprise by increasing the utilization level of resources continuously and strongly enhancing the awareness of conservation, environmental protection and ecology within the enterprise. Proactive improvements were made to governance measures to support the sustainable development of the enterprise to ensure suitable regulatory and management procedures for business. While doing a good job to contain and control the spreading of the epidemic, we implemented the dual circulation strategy, i.e. promotion of a new ecosystem and establishment ourselves as a first-class enterprise, in order to create values for our customers and perform our social responsibilities.

The environmental, social and governance report of the Company for 2021 in accordance with Appendix 27 to the Listing Rules will be published simultaneously with the publication of this annual report.

Significant Events

(III) Environmental protection

Relevant information in relation to ecology protection, pollution prevention and implementation of social responsibilities

COSCO SHIPPING Holdings emphasized on green operation and environmental protection, strictly complied with international convention, local and international laws, regulations and various provisions and requirements relating to environmental protection, and actively fulfilled various applicable international and local proposed standards, regulations and relevant requirements relating to environmental protection. Technological innovations were actively introduced to protect scarce resources and effective measures were also taken to reduce negative impact on the environment. COSCO SHIPPING Lines, COSCO SHIPPING Ports and OOIL, which are under the Company, cooperated with professional third-party institutions to closely monitor the latest changes in the domestic and international environmental protection trends and continuously assimilated new requirements and new standards into the responsive policies and administrative measures for environmental protection. In addition, with ISO140001 and ISO50001 as the guidelines, we put forward the establishment of a better operation environment and an energy management system. Through review by the external environment and the internal energy management system, we kept improving the environment and energy management mechanism.

Carbon emission reduction measures taken during the Reporting Period and their effectiveness

The Company actively explored high-quality fuel application and put forward three major tasks, namely fuel oil usage control, marine fuel conservation and shore power transformation. We strived to set scientific and feasible targets and enhance the control and management of our fuel oil usage. In response to the IMO 2020 Sulphur Limit Order issued by the International Maritime Organization, COSCO SHIPPING Holdings strictly abided by the relevant international regulations; OOIL, its subsidiary, completely switched to usage of low-sulfur oil; and COSCO SHIPPING Lines adopted a combination of low-sulfur oil and the installation of desulfurization towers and successfully met the sulfur emission cap requirements set by the IMO. Facing the increasingly strict regulatory control and requirement for the global shipping industry, we strengthened the collection and analysis of fuel consumption data of our vessels and formulated a strict daily dynamic monitoring system for our vessels which implements throughout management and testing covering fuel budget (pre-event guidance), operations monitoring (in -process monitoring) and fuel cost analysis (post-event analysis) and enforces closed-loop management of fuel usage. In addition, we conducted 24-hour real-time monitoring of the fuel consumption of ships and realized the transition from emphasis on “average speed” to “average power” of shipping, and thus we reduced the instantaneous fuel consumption and carbon emissions of our vessels.

Changes in Equity and Shareholders' Information

I. Changes in Equity

During the Reporting Period, as a result of the implementation of the Capitalization Issue, based on the total share capital of 12,315,998,889 Shares as at the Record Date, three Shares were issued to all Shareholders for every 10 Shares being held. Accordingly, a total of 3,694,799,667 Shares were issued, which include: 3,677,858,768 Shares issued for the total share capital of 12,259,529,227 Shares as at the end of 2020; and 16,940,899 Shares issued for 56,469,662 Shares as a result of exercise of the relevant share options before the issuance in July 2021.

With effect from 3 June 2021, the first exercise period of the initial grant of options under the Share Option Incentive Scheme of the Company commenced. As at 31 December 2021, the options have been exercised and the registration of transfer of 59,796,816 Shares has been completed. The additional shares are all unrestricted shares and do not have any material impact on the financial position and results of operations of the Company.

As at 31 December 2021, the number of shares subject to selling restrictions held by China COSCO SHIPPING amounted to 1,328,115,666 Shares, for which the lock-up period had expired on 24 January 2022 and such shares were free of transfer restrictions since then. For details, please see the overseas regulatory announcement of the Company dated 17 January 2022.

II. Shareholder and actual controller

(I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period	548,081
Total number of ordinary Shareholders as at the end of the month before the disclosure date of the annual report	551,559

Changes in Equity and Shareholders' Information

- (II) Shareholdings of the top 10 Shareholders and top 10 holders of tradable shares (or shareholders not subject to selling restrictions) as the end of the Reporting Period

Unit: Share

Shareholdings of the top 10 Shareholders							
Name of Shareholder (In full)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Type	Percentage (%)	Number of shares subject to selling restrictions	Pledge or freezing Shares	Nature of shareholders
China Ocean Shipping Company Limited	1,367,278,393	5,924,873,037	A SHARES	37.00	0	Nil	State-owned legal person
HKSCC Nominees Limited	774,180,000	3,354,780,000	H SHARES	20.95	0	Unknown	Other
China COSCO SHIPPING Corporation Limited	351,888,231	1,373,515,666	A SHARES	8.58	1,328,115,666	Nil	State-owned legal person
China Securities Finance Corporation Limited	67,936,956	373,927,475	A SHARES	2.33	0	Nil	State-owned legal person
Hong Kong Securities Clearing Company Limited	-51,236,133	245,232,092	A SHARES	1.53	0	Nil	Other
Industrial and Commercial Bank of China-SSE 50 Trading – Index Securities Investment Open-ended Fund (中國工商銀行－上證 50 交易型開放式指數證券投資基金)	53,551,670	53,551,670	A SHARES	0.33	0	Nil	State-owned legal person
Everbright Jin'ou Asset Management Limited (光大金甌資產管理有限公司)	-5,306,548	45,189,740	A SHARES	0.28	0	Nil	State-owned legal person
Chen Deyong	22,379,600	41,553,700	A SHARES	0.26	0	Nil	Domestic non-state-owned legal person
Maoming Carlyle Investment Management Co., Ltd. (茂名凱雷投資管理有限公司)	15,726,530	30,360,119	A SHARES	0.19	0	Nil	State-owned legal person
Eastern Airlines Industry Investment Co., Ltd.	-8,275,0629	29,683,278	A SHARES	0.19	0	Nil	State-owned legal person

Changes in Equity and Shareholders' Information

The top ten shareholders holding shares not subject to trading moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium held		Type and number of shares	
		Type	Number	
China Ocean Shipping Company Limited	5,924,873,037	RMB-denominated ordinary shares	5,924,873,037	
HKSCC Nominees Limited	3,354,780,000	Overseas listed foreign shares	3,354,780,000	
China Securities Finance Corporation Limited	373,927,475	RMB-denominated ordinary shares	373,927,475	
Hong Kong Securities Clearing Company Limited	245,232,092	RMB-denominated ordinary shares	245,232,092	
Industrial and Commercial Bank of China-SSE 50 Trading – Index Securities Investment Open-ended Fund (中國工商銀行－上證 50 交易型開放式指數證券投資基金)	53,551,670	RMB-denominated ordinary shares	53,551,670	
Everbright Jin'ou Asset Management Limited (光大金甌資產管理有限公司)	45,189,740	RMB-denominated ordinary shares	45,189,740	
Chen Deyong	41,553,700	RMB-denominated ordinary shares	41,553,700	
Maoming Carlyle Investment Management Co., Ltd. (茂名凱雷投資管理有限公司)	30,360,119	RMB-denominated ordinary shares	30,360,119	
Eastern Airlines Industry Investment Co., Ltd.	29,683,278	RMB-denominated ordinary shares	29,683,278	
Lin Chen	23,606,800	RMB-denominated ordinary shares	23,606,800	
Explanations on the special repurchase accounts among the top ten shareholders	None			
Explanations on the voting rights entrusted by or to or waived by the aforesaid shareholders	–			
The explanations to the connected relationship or parties acting in concert among the aforesaid shareholders:	China Ocean Shipping Company Limited is a wholly-owned subsidiary of the Group. Others are unknown.			
Description of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable			

Note: As at the end of the Reporting Period, China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司) and its subsidiaries held 186,252,000 H shares of the Company, representing approximately 5.55% of the H shares in issue of the Company, which were included in the total number of shares held by HKSCC NOMINEES LIMITED. China COSCO Shipping Corporation Limited and its subsidiaries held approximately 46.74% of the shares of the Company in aggregate.

Changes in Equity and Shareholders' Information

III. Controlling shareholder and actual controller

(I) Specific description of controlling shareholder

1 Legal person

Details of controlling shareholder:

Name	China Ocean Shipping Company Limited
Person in charge or legal representative	Wan Min
Date of establishment	22 October 1983
Principal business	International freight; supporting international freight; procurement of ships, containers and maintenance and spare parts manufacturing business; ship escrowing business; domestic and foreign shipping business-related ship materials, spare parts, communications services; business operators, cargo agency business and seafarers assigned to the management of enterprises (market players shall select operating items and operate autonomously according to law; international freight, supporting International freight and items that shall be approved according to law can be operated upon approval by relevant departments; the enterprise shall not engage in business activities prohibited by the industrial policies and restricted items of this country and city (note: Beijing).)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Ports (1199HK) 50.23%; COSCO SHIPPING International (Hong Kong) (0517HK) 68.57%; COSCO SHIPPING International (Singapore) (COS SP) 53.35%; Piraeus Port Authority S.A. (PPA GA) 67%; OOIL (0316HK) 71.07%; Hainan Strait Shipping (002320) 58.98%. Major shareholdings: China Merchants Bank (600036, 3968HK) 6.46%; China Merchants Securities (600999, 6099HK) 6.26%; Guangzhou Port (601228) 7.92%; Qingdao Port (601298, 6198HK) 19.79%; Beibu Gulf Port (000582) 10.66%; Qilu Expressway (1576HK) 30.00%; etc.
Others	Nil

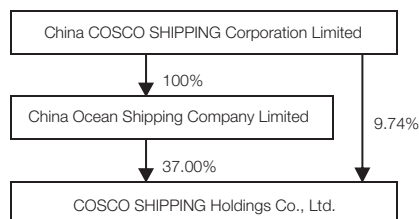
Changes in Equity and Shareholders' Information

Details of indirect controlling shareholder:

Name	China COSCO SHIPPING Corporation Limited
Person in charge or legal representative	Wan Min
Date of establishment	5 February 2016
Principal business	International freight, supporting International freight; import and export of goods and technology; agent of international freight by sea, road, and air; rental of self-owned ship; ship, container, steel sales; marine engineering equipment design; terminal and port investment; communications equipment sales, information and technical services; warehousing (except dangerous chemicals); technology development related to shipping, spare parts, technology transfer, technical advice, technical services, equity investment funds. (Business activities can only operate after being approved by the relevant departments in accordance with the law.)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	<p>Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Development (2866HK) 45.81%; COSCO SHIPPING Energy Transportation (1138HK) 45.28%; COSCO SHIPPING Ports (1199HK) 50.23%; COSCO SHIPPING Technology (002401) 48.91%; COSCO SHIPPING International (Hong Kong) (0517HK) 68.57%; COSCO SHIPPING International (Singapore) (COS SP) 53.35%; Piraeus Port Authority S.A. (PPA GA) 67%; OOIL (0316HK) 71.07%; Hainan Strait Shipping (002320) 58.98%.</p> <p>Major shareholdings: China Merchants Bank (600036, 3968HK) 9.97%; China Merchants Securities (600999, 6099HK) 10.02%; Shanghai International Port (Group) (600018) 15.07%; Guangzhou Port (601228) 7.92%; Qingdao Port (601298, 6198HK) 21.27%; Beibu Gulf Port (000582) 10.66%; Rizhao Port Jurong (6117HK) 6.39%; Qilu Expressway (1576HK) 30.00%; CHINA BOHAI BANK (9668HK) 11.12%; ST 海醫(600896) 7.73%; SRCB (601825) 8.29%.</p>
Others	Nil

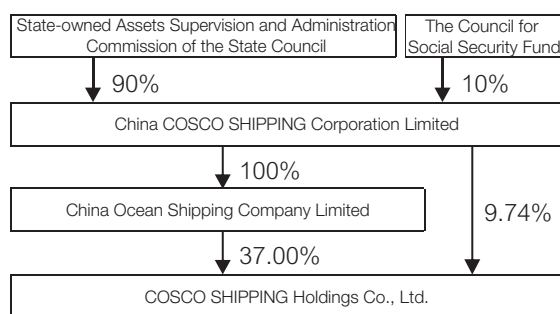
Changes in Equity and Shareholders' Information

2 The relationship of the property and control between the Company and controlling shareholders



(II) Specific description of actual controller

1 The relationship of the property and control between the Company and the actual controller



Corporate Bonds

I. Overview of corporate bonds

Unit: 100 million Currency: US Dollar

Bonds Name	Bond code	Issuing date	Date of maturity	Balance of bonds	Interest rate	Repayment method of principal with interest	Stock exchange
COSCO Finance (2011) Ltd. 4% Credit Enhanced Bonds due 2022	04584	4 December 2012	3 December 2022	10.00	4%	Interest shall be payable in arrears equally and biannually on 3 June and 3 December. The bonds shall be redeemed on 3 December 2022	Hong Kong Stock Exchange
COSCO SHIPPING Ports Finance (2013) Co., Ltd. 4.375% Guaranteed Notes due 2023	5900	31 January 2013	31 January 2023	3.00	4.375%	Interest shall be payable twice a year while principal shall will be paid when the notes fall due	Hong Kong Stock Exchange

II. Use of proceeds raised from the public issuance of the Company's bonds

1. Use of proceeds at the end of Reporting Period

Unit: 100 million dollars Currency: USD

Name of Bond	Total amount of proceeds	Used amount	Unused amount	Operation of the special account of proceeds (if any)	Rectification of inappropriate use of proceeds (if any)	Consistent with the purpose, usage and other agreements as stated in the prospectus
The 4% Credit Enhanced Bonds due 2022 issued by COSCO Finance (2011) Ltd.:	10	10	0	–	–	Yes
The 4.375% Guaranteed Notes due 2023 issued by COSCO SHIPPING PORTS FINANCE (2013) CO., LTD.	3	3	0	–	–	Yes

The progress and operational benefits of using proceeds in construction projects

Not applicable

Corporate Bonds

Explanation on change of the use of above proceeds in the Reporting Period

Not applicable

Other explanations

Not applicable

III. Accounting data and financial indicators of the Company during the last two years immediately before the end of the Reporting Period

Key indicator	2021	2020	Year-on-year increase or decrease (%)
EBITDA (RMB'000)	144,600,892	30,426,297	375.25
Liquidity ratio	1.67	0.97	71.66
Quick ratio	1.61	0.91	76.60
Asset-liability ratio (%)	56.76	71.06	Down by 14.3 percentage points
All debt ratio of EBITDA	197.18%	32.73%	Up by 164.45 percentage points
Interest coverage ratio	35.87	4.37	721.74
Cash interest coverage ratio	89.58	14.54	516.12
Interest coverage ratio of EBITDA	39.43	7.37	435.34
Loan repayment rate (%)	100.00	100.00	—
Interest coverage (%)	100.00	100.00	—

Note: The above accounting data and financial indicators are stated according to the audited financial statement of A shares of the Company prepared in accordance with PRC GAAP.

Directors, Supervisors and Senior Management

Mr. WAN Min¹ (萬敏)

Mr. Wan, aged 53, is currently the chairman of the board and the secretary of the party committee of China COSCO SHIPPING Corporation Limited, the chairman of the board and an executive director of the Company and the chairman of the board and an executive director of Orient Overseas (International) Limited (a non-wholly owned subsidiary of the Company and a company listed on the Stock Exchange (Stock Code: 316)). He had served as the general manager and the deputy secretary of the party committee of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), the deputy general manager and a member of the party committee of China Ocean Shipping (Group) Company (currently known as China Ocean Shipping Company Limited), a director, the general manager and the deputy secretary of the party committee of China COSCO SHIPPING Corporation Limited, the chairman of the Board and a non-executive Director of the Company, and the chairman of the board of China Tourism Group Co., Ltd.. Mr. Wan has over 30 years of experience in corporate management and has extensive experience of operation management in shipping and tourism industries. Mr. Wan has served as the chairman of the board and the secretary of the party committee of China COSCO SHIPPING Corporation Limited since October 2021. Mr. Wan graduated from Shanghai Maritime College (currently known as Shanghai Maritime University) majoring in transportation management and engineering, and obtained a master's degree in business administration from Shanghai Jiao Tong University. He is an engineer.

Mr. XU Lirong² (許立榮)

Mr. Xu, aged 64, was previously an executive Director and the chairman of the Board and was previously the chairman of the board and the party secretary of China COSCO SHIPPING Corporation Limited and an executive director and the chairman of the board of directors of Orient Overseas (International) Limited. Mr. Xu started his career in March 1975. Mr. Xu was previously the deputy chief, assistant to the general manager, deputy manager and general manager of Shanghai Ocean Shipping Co., Ltd's shipping manager department; the deputy manager, the manager and the party secretary of COSCO Shanghai Freight Forwarding Company; the president and the party secretary of the Shanghai Shipping Exchange; the general manager, a member of the party committee and the deputy party secretary of COSCO Container Lines Co., Ltd.; the deputy general manager, a member of the party committee and the deputy party secretary of China COSCO Holdings Company Limited; the vice president, the chairman of the labor union and a member of the party committee of China Ocean Shipping (Group) Company (currently known as China Ocean Shipping Company Limited, the direct controlling Shareholder); a director, the general manager, a member of the party committee, the chairman of the board and the party secretary of China Shipping (Group) Company (currently known as China Shipping Group Company Limited, a subsidiary of China COSCO SHIPPING); and the chairman of the board of directors and a member of the executive committee of Orient Overseas Container Line Limited. Mr. Xu obtained an MBA degree from Shanghai Maritime University. He is a senior engineer.

Directors, Supervisors and Senior Management

Mr. HUANG Xiaowen (黃小文)

Mr. Huang, aged 59, is the deputy general manager and member of the party group of China COSCO SHIPPING Corporation Limited, the vice chairman of the Board and an executive Director of the Company, an executive director and the chief executive officer of Orient Overseas (International) Limited (a non-wholly owned subsidiary of the Company and a company listed on the Stock Exchange (stock code:316)), and serves as director of certain subsidiaries of China COSCO SHIPPING. Mr. Huang started his career in 1981 and had served as the section chief of the container shipping section of Guangzhou Ocean Shipping Company Limited (廣州遠洋運輸公司); the general manager of container transportation department of China Ocean Shipping Company (formerly known as “China Ocean Shipping (Group) Company”); the container business advisor of Shanghai Haixing Shipping Co., Ltd. (上海海興輪船股份有限公司); the executive deputy general manager, managing director and deputy party secretary of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) (formerly known as “China Shipping Container Lines Co., Ltd.”, a company listed on the Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)); the chairman of China Shipping Haisheng Co., Ltd. (中海(海南)海盛船務股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600896)); the deputy general manager and a member of the party group of China Shipping (Group) Company; the vice chairman and an executive director of COSCO SHIPPING Holdings Co., Ltd.; the chairman of COSCO SHIPPING Lines Co., Ltd.; the chairman of COSCO SHIPPING Bulk Co. Ltd. (中遠海運散貨運輸有限公司); the chairman and an executive director of COSCO SHIPPING Energy Transportation Co., Ltd., (中遠海運能源運輸股份有限公司) (a company listed on the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026)); the chairman of the board of directors and non – executive director of COSCO SHIPPING Ports Limited (中遠海運港口有限公司) (a non-wholly owned subsidiary of the Company and a company listed on the Stock

Exchange (stock code: 1199)); and an executive director and chief executive officer of OOIL. Mr. Huang has more than 30 years of experience in the shipping industry. Mr. Huang graduated from China Europe International Business School with an EMBA degree and is a senior engineer.

Mr. YANG Zhijian (楊志堅)

Mr. Yang, aged 57, is the employee representative director of China COSCO SHIPPING Corporation Limited, an executive Director, the general manager and deputy party secretary of the Company, the chairman of the board, general manager and deputy party secretary of COSCO SHIPPING Lines Co., Ltd. (a wholly-owned subsidiary of the Company), an executive director of Orient Overseas (International) Limited, the chairman of the board, chief executive officer and chairman of the executive committee of Orient Overseas Container Line Limited, and a director of several subsidiaries of COSCO SHIPPING. He previously held various positions including the head of Ocean Transportation Division of Shanghai Ocean Shipping Co., Ltd., the head of planning and cooperation office under the Corporate Planning Division and deputy general manager of marketing department of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), the deputy general manager of Hong Kong Ming Wah Shipping Co., Ltd., the general manager of the Trade Service Division and the general manager of the Asia-Pacific Trade Division of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), general manager and deputy party secretary of Shanghai PANASIA Shipping Company Limited, assistant to the general manager and deputy general manager of COSCO Logistics Co., Ltd. (currently known as COSCO SHIPPING Logistics Co., Ltd.), the deputy general manager, general manager and deputy party secretary of COSCO SHIPPING Bulk Co., Ltd. Mr. Yang has over 30 years of experience in the maritime industry and has extensive experience in container shipping, logistics and bulk shipping. Mr. Yang graduated from Shanghai Maritime University with EMBA degree. Mr. Yang is an economist.

Directors, Supervisors and Senior Management

Mr. FENG Boming (馮波鳴)

Mr. Feng, aged 52, is an executive Director of the Company and the chairman of the board of directors and an executive director of COSCO SHIPPING Ports Limited (a company listed on the Stock Exchange (stock code: 1199)). Mr. Feng is an executive director of Orient Overseas (International) Limited (a company listed on the Stock Exchange (stock code: 316)) and a non-executive director of each of the following listed companies: COSCO SHIPPING International (Hong Kong) Co., Limited (a company listed on the Stock Exchange (stock code: 517)), Qingdao Port International Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601298) and on the Stock Exchange (stock code: 6198)) and Piraeus Port Authority S.A. (a company listed on the Athens Stock Exchange). Mr. Feng is also a director of each of COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Investment Holdings Co., Limited (formerly known as COSCO SHIPPING Financial Holdings Co., Limited), Hainan Harbour & Shipping Holding Co., Ltd. and certain subsidiaries of COSCO SHIPPING. Mr. Feng has previously held various positions including the manager of the commercial section of the ministry of trade protection of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), the general manager of COSCO Container Hong Kong Mercury Co., Ltd., the general manager of the management and administration department of COSCO Holdings (Hong Kong) Co., Ltd., the general manager of COSCO International Freight (Wuhan) Co., Ltd./COSCO Logistics (Wuhan) Co., Ltd., the supervisor of the strategic management implementation office of China Ocean Shipping Co., Ltd./China COSCO Holdings Company Limited and a non-executive Director of the Company, a non-executive director of COSCO SHIPPING Ports Limited, a non-executive director of COSCO SHIPPING Development Co. Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601866) and the Stock Exchange (stock code: 2866)) and a non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600026) and the Stock Exchange (stock code: 1138)), a director of COSCO SHIPPING Bulk Co., Ltd. and the general manager of the strategic and corporate management department of COSCO SHIPPING and its subsidiaries (other than the Group) (the “COSCO SHIPPING Group”). Mr. Feng has over 20 years of work experience in the shipping industry. He has extensive

experience in ports management and operation, enterprise strategy management, business management and container shipping management. Mr. Feng graduated from University of Hong Kong with a master of business administration degree and is an economist.

Mr. WU Dawei (吳大衛)

Mr. Wu, aged 68, is an independent non-executive Director of the Company. Mr. Wu previously studied at China Europe International Business School and Cheung Kong Graduate School of Business and has received EMBA degree. He is also a researcher-level senior engineer. Mr. Wu previously served as the deputy head and the head of Huaneng Shanghai Shidongkou No. 2 power plant (華能上海石洞口第二電廠), the deputy general manager of Huaneng International Power Development Company (Shanghai Branch) (華能國際電力開發公司上海分公司) (person in charge), the deputy general manager, a party member and director of Huaneng Power International Co., Ltd. (華能國際電力股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600011)), and the chairman of Huaneng Weihai power plant (威海電廠), Xindian power plant (辛店電廠), Rizhao power plant (日照電廠) and Xinhua power plant (新華電廠). He was also the party secretary and a director of Shanghai Times Shipping Company Limited (上海時代航運有限公司), the deputy chief engineer of China Huaneng Group and the general manager and party secretary of China Huaneng Group (East China Branch), the general manager and deputy party secretary (responsible for leading the work of party group) of Huaneng International Power Development Company, the chief economist of China Huaneng Group, the chairman of Huangneng Shanghai Gas Turbine Power Generation Co., Ltd., the director of Huaneng International Power Development Company and an independent director of JinLiHua Electric Co., Ltd. (金利華電氣股份有限公司) (a company listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300069)). Mr. Wu has more than 20 years' experience in corporate management and extensive experience in corporate governance of listed companies. Mr. Wu currently serves as an independent non-executive director of the Company and as an independent director of Zhongtian Technology Co., Ltd., and has obtained an independent director qualification certificate issued by the Shanghai Stock Exchange in February 2013.

Directors, Supervisors and Senior Management

Mr. ZHOU Zhonghui (周忠惠)

Mr. Zhou, aged 74, is an independent non-executive Director of the Company. Mr. Zhou is a post-graduate and has a doctorate degree, and he is a certified public accountant. He is a fellow member of the Chinese Institute of Certified Public Accountants. He previously worked at Shanghai University of Finance and Economics, School of Accountancy as a lecturer, associate professor and professor. He also served as the chief financial officer of Hongkong Xinlong Co., Limited (香港鑫隆有限公司), the general manager, chief accountant and senior partner of PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所), the chief accountant of China Securities Regulatory Commission, a member of the International Advisory Committee of China Securities Regulatory Commission, a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants and an executive director of the China Association of Chief Financial Officers (中國總會計師協會). Mr. Zhou has been serving as an independent non-executive director of BesTV (a company previously listed on the Shanghai Stock Exchange (stock code: 600637)), an independent non-executive director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603885)). Mr. Zhou served as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601601) and the Stock Exchange (stock code: 02601)) and an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688505) and the Stock Exchange (stock code: 01349), an independent nonexecutive director of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002352)), an independent non-executive director of CITIC Securities Co., Ltd. (中信證券股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030), a member of the consultative committee of the China Appraisal Society and a member of the chief financial officer professional committee of the China

Association for Public Companies. Mr. Zhou has served as an external supervisor of Shanghai Oriental Pearl Group Co., Ltd. (上海東方明珠新媒體股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600637)) since June 2015.

Mr. TEO Siong Seng (張松聲)

Mr. Teo, aged 67, is an independent non-executive Director of the Company. Mr. Teo graduated from Glasgow University with a First Class Honours Degree in Naval Architecture & Ocean Engineering. Mr. Teo currently serves as the managing director of the Pacific International Lines Pte Ltd, and the chairman and chief executive officer of Singamas Container Holdings Limited (勝獅貨櫃企業有限公司) (a company listed on the Stock Exchange (stock code: 716)). Mr. Teo currently also serves as an honorary president of Singapore Chinese Chamber of Commerce & Industry and an honorary vice chancellor of National University of Singapore. He was also the chairman of Singapore Business Federation, a committee member of Committee on the Future Economy, a board member of Enterprise Singapore, the president of Singapore Shipping Association, the president of Singapore Shipping Association, the chairman of Singapore Maritime Foundation (SMF), and the president of Lloyd's Register Asia Shipowners' Committee. Mr. Teo Siong Seng previously served as an independent non-executive director of the Company and COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601866) and the Stock Exchange (stock code: 2866)). He is also currently an independent director of COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600026) and the Stock Exchange (stock code: 1138), an independent director of Keppel Corporation (a company listed on the Singapore Exchange Limited (stock code: BN4)), Wilmar International (a company listed on the Singapore Exchange Limited (stock code: F34)) and the chairman of China-Singapore International Logistics Park (Nanning). Mr. Teo has extensive experience in corporate governance in terms of shipping companies and listed companies.

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Prof. MA Si-hang Frederick (馬時亨)

Prof. Ma Si-hang Frederick, aged 70, is an independent non-executive Director of the Company and also an independent non-executive director of FWD Group, Guangshen Railway Co. Ltd. (a company listed on the Stock Exchange (stock code: 525) and the Shanghai Stock Exchange (stock code: 601333)), HH&L Acquisition Co. (a company listed on New York Stock Exchange (stock code: HHLA)) and Unicorn II Holdings Limited. Prof. Ma is an honorary professor of the Faculty of Economic and Finance of the University of Hong Kong, a Permanent Honourable President of Hong Kong Special Schools Council, an honorary professor of Faculty of Business Administration of the Chinese University of Hong Kong, a member of the Hong Kong Chief Executive's Council of Advisers on Innovation and Strategic Development, the chairman of the Council of the Education University of Hong Kong, a member of the International Advisory Council of China Investment Corporation, a member of the Global Advisory Council of Bank of America and a member of the International Advisory Council of Investcorp. Prof. Ma previously served as the managing director of UK branch of RBC Dominion Securities Inc., the vice chairman and managing director of Kumagai Gumi Co. Ltd. (Hong Kong Branch), the managing director and head of Asia of the private banking department of Chase Bank, the Asia Pacific Chief Executive Officer of JPMorgan Chase's private banking (a company listed on the New York Stock Exchange (stock code: JPM)), the financial controller and executive director of PCCW Limited (a company listed on the Stock Exchange (stock code: 0008)), the Chairman of MTR Corporation Limited, the Secretary for Financial Services and the Treasury, the Secretary for Commerce and Economic Development, the non-executive chairman of China Strategic Holdings Limited (a company listed on the Stock Exchange (stock code: 0235)), an independent non-executive director of China Resources Land Limited (a company listed on the Stock Exchange (stock code: 1109)), an independent non-executive director of Hutchison Port Holdings Limited, an external director of China Oil and Foodstuffs Corporation, an external director of the China Mobile Communications Group Co. Ltd. (a company listed on the Stock Exchange (stock code: 941)), an independent non-executive director of the Agricultural

Bank of China, an independent non-executive director of Aluminum Corporation of China Limited (a company listed on the Shanghai Stock Exchange (stock code: 601600) and the Stock Exchange (stock code: 2600)), the non-executive chairman of MTR Corporation Limited (a company listed on the Stock Exchange (stock code: 66)), a non-executive director of Husky Energy Inc. (a company listed on Toronto Stock Exchange (stock code: HSE)) and a director of New Frontier Health Corporation. Prof. Ma graduated with a Bachelor of Arts (Honours) degree from the University of Hong Kong majoring in economics and history. He was conferred the Honorary Doctor of Social Sciences by Lingnan University in October 2014, the Honorary Doctor of Social Sciences by City University of Hong Kong in October 2016, and was awarded the Gold Bauhinia Star and appointed a Non-Official Justice of the Peace.

Mr. YANG Shicheng (楊世成)

Mr. Yang Shicheng, aged 57, is currently the chairman and the shareholder representative Supervisor of the Supervisory Committee of the Company and also serves as a full-time external director of COSCO (Tianjin) Co., Ltd. and COSCO SHIPPING Bulk Co., Ltd. and a supervisor of COSCO SHIPPING (Dalian) Co., Ltd. (中遠海運(大連)有限公司)/COSCO Shipping Ferry Co., Ltd. Mr. Yang had been the deputy manager of the business department of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司), the director of the business division under the transportation department, the deputy general manager of the transportation department, the executive vice dean (corresponding to the level of the department principal) of the research and development center and a member of the Party Committee of China Ocean Shipping (Group) Company, the general manager of COSCO (UK) Ltd., the deputy general manager and a member of the Party Committee of COSCO SHIPPING Energy Transportation Co., Ltd. and the chairman and the party secretary of the Party Committee of COSCO SHIPPING Investment Dalian Co., Ltd. (中遠海運大連投資有限公司). Mr. Yang Shicheng graduated from the University of Bristol in U.K, majoring in business law and holding a master's degree in laws. He is a senior economist.

Directors, Supervisors and Senior Management

Mr. DENG Huangjun (鄧黃君)

Mr. Deng, aged 60, is currently an employee Supervisor of the Company. Mr. Deng was previously the executive director and deputy general manager of COSCO SHIPPING Ports Limited and the director of several subsidiaries. Mr. Deng joined China Ocean Shipping Company Limited (a controlling shareholder of the Company) in 1983. He had previously been the section manager of the cost section of finance department of Shanghai Ocean Shipping Co., Ltd., the deputy manager of finance division and the manager of the settlement division of COSCO SHIPPING Lines Co., Ltd., the deputy general manager and the general manager of the finance and accounting department of COSCO SHIPPING Lines Co., Ltd., the chief financial officer of COSCO SHIPPING Lines Co., Ltd. and the chief financial officer of the Company. Mr. Deng graduated from Shanghai Maritime Institute, majoring in shipping accounting. He is a senior accountant.

Mr. SONG Tao (宋濤)

Mr. Song Tao, aged 48, is currently a supervisor representing staff and workers of the Company and the secretary of the Party Committee and the deputy general manager of Shanghai PanAsia Shipping Co., Ltd.* (上海泛亞航運有限公司) (a subsidiary of the Company). Mr. Song had been the deputy general manager, the deputy general manager (presiding over the work) and the general manager of the internal trade department of China Shipping Container Lines Co., Ltd. (currently known as COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司), a company listed on the Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)), the general manager of the domestic operation department and the director of the comprehensive division of China Shipping Container Lines Co., Ltd., the general manager, the deputy secretary of the Party Committee and the secretary of the Disciplinary Committee of Shanghai Puhai Shipping Co., Ltd.* (上海浦海航運有限公司) (a subsidiary of the Company). Mr. Song graduated from Shanghai Maritime Transportation Institute with an undergraduate degree, majoring in marine communication and navigation.

Mr. MENG Yan (孟焰)

Mr. Meng Yan, aged 66, is currently an independent Supervisor. Mr. Meng has been working at the Central University of Finance and Economics since 1982 and was the deputy director and the director of its Accounting Department and the dean of its Faculty of Accounting. He is currently a professor and a tutor of doctorate students of the Faculty of Accounting of Central University of Finance and Economics. Mr. Meng is also an executive director of the Accounting Society of China (中國會計學會), an executive director of China Society for Finance and Accounting, and an independent non-executive director of Beijing Bashi Media Co., Ltd., Sinotrans Limited, Qi An Xin Technology Group Inc. (a company listed on the Shanghai Stock Exchange (stock code: 688561)), Beijing Capital Co., Ltd. and Changchun Engley Automobile Industry Co., Ltd. (長春英利汽車工業股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601279)). Mr. Meng graduated from the Research Institute for Fiscal Science of the Ministry of Finance and obtained a doctorate degree in economics (accounting). He has been entitled to the governmental special allowance from the State Council of the PRC since 1997. He was named the National Outstanding Teacher in 1993 and was given the Higher Education National Level Teaching Award of by Ministry of Education of the PRC in 2011.

Mr. ZHANG Jianping (張建平)

Mr. Zhang Jianping, aged 56, is currently an independent Supervisor. He is a professor and tutor of PhD candidates of the International Business School and the director of the Capital Market and Investment and Financing Research Center of the University of International Business and Economics. Mr. Zhang was the vice president of the International Business School of the University of International Business and Economics, the visiting professor of the EMBA senior financial management programs of more than ten universities, the financial and strategic consultant of more than ten companies, the chief consultant of the financial department group of a

Directors, Supervisors and Senior Management

municipal people's government, a member of the expert committee of the China General Chamber of Commerce and a director of the Beijing Accounting Society. He has obtained ten national and provincial honors and four school-level honors, published (including co-editing) 16 books, authored more than 20 scientific research papers and hosted and participated in 15 national, provincial and school-level discussions. He is currently an independent non-executive director of Hunan Valin Steel Co., Ltd. (湖南華菱鋼鐵股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000932)), Shen Zhen Worldunion Properties Consultancy Co., Ltd. (深圳世聯行地產顧問股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002285)), China First Heavy Industries Co., Ltd. (中國第一重型機械股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601106)), and Cinda Securities Company Limited (信達證券股份有限公司), respectively. Mr. Zhang graduated from the University of International Business and Economics with a doctorate degree of transnational business management.

Mr. YE Jianping (葉建平)

Mr. Ye Jianping, aged 58, is currently the deputy general manager of the Company. He is the Chief Operating Officer, a director of the office of chief executive officer, the corporate and human resources department, the corporate operation department, the freight dispatching centre, the fleet management department and the global and regional management department of Orient Overseas Container Line Limited and the deputy general manager of COSCO SHIPPING Lines Co., Ltd.. Mr. Ye has been a director of Orient Overseas Container Line Limited since 2018 and a member of Executive Committee of Orient Overseas Container Line Limited since 2015. He had served as a director of Asia-Europe Trade Department, a director of Intra-Asia Trade Department and the Chief Executive Officer of OOCL Logistics. Mr. Ye graduated from Lixin Accounting Institute (currently known as Shanghai Lixin University of Accounting and Finance) with a Diploma of Accounting, and obtained a Master of Business Administration from Oklahoma City University.

Mr. ZHANG Mingwen (張銘文)

Mr. Zhang Mingwen, aged 43, is the chief financial officer (總會計師) of the Company (the “**Chief Financial Officer**”), the chief financial officer of Orient Overseas (International) Limited, and a director, the chief financial officer and the member of the executive committee of Orient Overseas Container Line Limited. Mr. Zhang previously served as the deputy section chief and vice director of the capital centre of the planning and finance department of China Shipping (Group) Company (currently known as China Shipping Group Company Limited), the assistant to the general manager of the planning and finance department of China Shipping (Group) Company and the assistant to the general manager of the financial capital department of China Shipping (Group) Company, the deputy chief financial officer and the chief financial officer of China Shipping Container Lines Co., Ltd. and the chief financial officer of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司). Mr. Zhang has 20 years of working experience in the shipping industry and has extensive experience in areas including finance and capital management, shipping finance and capital operation. Mr. Zhang graduated from the Faculty of Finance of Shanghai University of Finance and Economics majoring in investment economics and from the Antai College of Economics & Management of Shanghai Jiao Tong University majoring in business administration, and obtained a bachelor's degree in economics and a master's degree in business administration. Mr. Zhang is a Chartered Financial Analyst (CFA) and a senior accountant.

Directors, Supervisors and Senior Management

Mr. Steve SIU (蕭啟豪)^s

Mr. Siu, aged 64, was the deputy general manager of the Company. Mr. Siu joined OOIL in 1987 and served in various capacities of OOIL for 30 years, including: the chief information officer, a director of the corporate services department and a member of the executive committee of Orient Overseas Container Line Limited, the chief executive officer of CargoSmart (Hong Kong) Limited and the deputy general manager of COSCO SHIPPING Lines Co., Ltd.. Mr. Siu holds a Bachelor of Science degree and a Master of Science degree from University of Essex, UK, and a Master of Business Administration degree jointly awarded by Northwestern University and the Hong Kong University of Science and Technology.

Mr. CHEN Shuai (陳帥)

Mr. Chen, aged 47, is currently the deputy general manager of the Company, deputy general manager of COSCO SHIPPING Lines Co., Ltd., a director of Shanghai PANASIA Shipping Co., Ltd. (上海泛亞航運有限公司) and a director and a member of the executive committee of Orient Overseas Container Line Limited and a director of several subsidiaries of the Company. Mr. Chen joined the Group in July 1995, had served in various capacities, including the assistant to manager and the deputy manager of container shipping division I of China Shipping Container Lines Co., Ltd., the assistant to general manager of China Shipping Container Lines (Hong Kong) Co., Ltd., the general manager of America division of China Shipping Container Lines Co., Ltd., and the assistant to general manager and deputy general manager of China Shipping Container Lines Co., Ltd. Mr. Chen graduated from Shanghai Maritime Academy with major in marine engineering management.

Mr. GUO Huawei (郭華偉)

Mr. Guo, aged 56, is currently the secretary to the Board and company secretary of the Company, and the general legal counsel and the chairman of the labour union of the Company. Mr. Guo was the deputy department head (in charge of the work) of the enterprises restructure department of the management division, the deputy general manager and the deputy general manager (in charge of the work) of the capital operation division of COSCO, the general manager of the investor relationship department and the strategic development department of COSCO Corporation (Singapore) Limited. Mr. Guo has extensive experience in the shipping industry and in capital operation and is currently a fellow member of The Institute of Chartered Secretaries and Administrators (FCIS) and The Hong Kong Institute of Chartered Secretaries (FCS). Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He holds a doctorate degree and is a senior economist.

Remarks:

1. Effective from 29 December 2021, Mr. Wan Min was appointed as an executive Director and elected as the chairman of the Board of the Company. For details, please refer to the announcement of the Company dated 29 December 2021.
2. On 6 December 2021, Mr. Xu Lirong resigned as the chairman of the Board and an executive Director of the Company. For details, please refer to the announcement of the Company dated 6 December 2021.
3. On 19 February 2021, Mr. Steve SIU voluntarily resigned as the deputy general manager of the Company due to retirement with immediate effect.
4. This section was prepared based on the information available on 20 April 2022, being the latest practicable date before printing of this annual report for ascertaining certain information herein.

Corporate Governance Report

I. Corporate Governance

During the Reporting Period, the Company strictly complied with the requirements of laws and regulations, including Company Law, the Listing Rules, Code of Corporate Governance for Listed Companies, Guidance on the Establishment of Independent Director System in Listed Companies, Rules of Shareholders' General Meeting of Listed Companies and Guidance for Articles of Association of Listed Companies, and constantly improved the corporate governance and the standard operating level. The Company focused on the roles and functions of the board and the professional committees. In light of the current actual situation of the Company, the Company has made full use of the functions of the Board and the professional committees to ensure that the functions and responsibilities of the Shareholders' general meetings, meetings of the Board and the Supervisory Committee are fully fulfilled and to protect the interests of the Shareholders and the Company.

During the Reporting Period, the Company attempted to meet the best standards of governance and strengthened internal governance by improving the corporate governance structure to promote the construction of a long-term mechanism of compliance management and standardize "the operation of the three meetings" to improve operational efficiency; establishing a communication platform to set up a mechanism for collaborated working process and operation to enhance the planning efficiency and foresight of various works; improving the internal control system and risk management process to clarify the main responsibility and management responsibilities to distinguish accountability and ensure the effectiveness of measures; and through improvements of on-the-job training, updates of regulatory regulations, management of equity information, regular report of information and on-site research and inspection, the functions of independent directors and intermediary institutions were fully utilized to promote the performance of duties and responsibilities of the Directors, Supervisors and senior management effectively.

Corporate Governance Report

II. Model Code for Securities Transactions by Directors

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

III. Report on the Company’s compliance with the Corporate Governance Code

The Company has adopted its own corporate governance code, which incorporates all the code provisions and a majority of the recommended best practices in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Board has reviewed the daily corporate governance of the Company according to the relevant provisions of the Code of Corporate Governance set out in Appendix 14 to the Listing Rules and considered that the Company has operated according to the code provisions during the Reporting Period, and complied with the requirements of the provisions of the Corporate Governance Code, with an effort to carry out the recommended best practices.

To the knowledge of the Directors, there is no information that would reasonably indicate that the Company had not complied with the Corporate Governance Code at any time during the year ended 31 December 2021.

Corporate Governance Report

A. Directors

A1. The Board

Principle of the Code

- *The board should assume responsibility for its leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should take decisions objectively in the best interests of the issuer.*
- The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

The corporate governance situation of the Company

- The Board fully represents the Shareholders' interests and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association. The Board monitors and implements the Company's operation management, so as to achieve a steady return of long term results.
- Directors attend Board meetings as scheduled and carefully review materials of the meetings and actively fulfill their responsibilities. Independent non-executive Directors regularly inspect the management of connected transactions of the Company.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance																																																										
<ul style="list-style-type: none">The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. Accordingly, a regular meeting does not include the practice of obtaining board consent through circulating written resolutionsTo disclose the attendance of each director, by name, at the board and general meetings pursuant to the mandatory disclosure requirements under the Corporate Governance Report	Yes	<p>In 2021, the Company convened 12 Board meetings. Attendance of members of the Board at Board meetings in 2021 was near to 100% and details of the attendance of Board meetings and general meetings are listed as follows:</p> <table><tr><th rowspan="3"></th><th colspan="4">(Number of meetings attended/ Number of meetings which should be attended)</th></tr><tr><th colspan="2">Board</th><th colspan="2">General</th></tr><tr><th>meetings</th><th>Attendance</th><th>meetings</th><th>Attendance</th></tr><tr><td>WAN Min</td><td>2/2</td><td>100%</td><td>–</td><td>–</td></tr><tr><td>XU Lirong</td><td>9/9</td><td>100%</td><td>2/2</td><td>100%</td></tr><tr><td>HUANG Xiaowen</td><td>12/12</td><td>100%</td><td>3/3</td><td>100%</td></tr><tr><td>YANG Zhijian</td><td>12/12</td><td>100%</td><td>3/3</td><td>100%</td></tr><tr><td>FENG Boming</td><td>12/12</td><td>100%</td><td>3/3</td><td>100%</td></tr><tr><td>WU Dawei</td><td>12/12</td><td>100%</td><td>3/3</td><td>100%</td></tr><tr><td>ZHOU Zhonghui</td><td>12/12</td><td>100%</td><td>3/3</td><td>100%</td></tr><tr><td>TEO Siong Seng</td><td>12/12</td><td>100%</td><td>3/3</td><td>100%</td></tr><tr><td>MA Si-hang Frederick</td><td>12/12</td><td>100%</td><td>3/3</td><td>100%</td></tr></table>		(Number of meetings attended/ Number of meetings which should be attended)				Board		General		meetings	Attendance	meetings	Attendance	WAN Min	2/2	100%	–	–	XU Lirong	9/9	100%	2/2	100%	HUANG Xiaowen	12/12	100%	3/3	100%	YANG Zhijian	12/12	100%	3/3	100%	FENG Boming	12/12	100%	3/3	100%	WU Dawei	12/12	100%	3/3	100%	ZHOU Zhonghui	12/12	100%	3/3	100%	TEO Siong Seng	12/12	100%	3/3	100%	MA Si-hang Frederick	12/12	100%	3/3	100%
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Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> All directors are given an opportunity to include matters in the agenda for regular board meetings 	Yes	Relevant notice will be given to the Directors and sufficient time will be given for them to suggest proposals to be included in the agenda of Board meetings. All Directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.
<ul style="list-style-type: none"> Notice of at least 14 days should be given of a regular board meeting 	Yes	Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time pursuant to the Articles of Association.
<ul style="list-style-type: none"> Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting, and should be open for inspection at any reasonable time by any director 	Yes	The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by Directors at any time.
<ul style="list-style-type: none"> Minutes of the board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached 	Yes	Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by the Directors in the meetings, and confirmed by the Directors.
<ul style="list-style-type: none"> Directors should be entitled to seek independent professional advice in accordance with the agreed procedures at the issuer's expense 	Yes	In respect of matters requiring opinions from professional institutions, the Company has appointed professional institutions upon Director's request to provide independent opinions at the expense of the Company.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> If a substantial shareholder or a director has conflict of interest in a material matter, the matter should be dealt with by a physical board meeting rather than a written resolution 	Yes	<p>The Company has adopted provisions in respect of abstaining from voting of connected Directors in the Articles of Association and the Rules of Procedures of the Board.</p> <p>The matters in which a substantial shareholder or a director had conflict of interests were dealt with by a physical board meeting, details of which:</p> <ol style="list-style-type: none"> The fourth meeting of the sixth session of the Board considered the resolution in relation to the 2020 assessment result of senior management of COSCO SHIPPING Holdings, on which Yang Zhijian abstained from voting. The eighth meeting of the sixth session of the Board considered the resolution in relation to the ordering of new 13000-16000 TEUs container vessels by COSCO SHIPPING Holdings, on which Xu Lirong, HUANG Xiaowen, Yang Zhijian and Feng Boming abstained from voting. The ninth meeting of the sixth session of the Board considered the resolution in relation to the adjustment to the caps of continuing connected transactions of COSCO SHIPPING Holdings in 2021 and 2022, on which Xu Lirong, HUANG Xiaowen, Yang Zhijian and Feng Boming abstained from voting.
<ul style="list-style-type: none"> To arrange appropriate insurance cover in respect of legal action against the directors 	Yes	<p>The Company has purchased liability insurance for the Directors, Supervisors and members of the senior management.</p>

Corporate Governance Report

A2. Chairman and Chief Executive

Principle of the Code

- *Clear division of responsibilities between the management of the board and the day-to-day management of business, to ensure the balance of power and authority.*

The corporate governance situation of the Company

- The Company has clearly specified the duties of the Chairman and the general manager, and separated the functions of the Board and management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Work of the General Manager, so as to ensure the balance of power and authority and the independence of Board decisions, thereby ensuring the independence of the daily operation activities of management.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> • The roles of the chairman and chief executive should be separate, and the division of responsibilities between them should be clearly established and set out in writing 	Yes	Mr. Xu Lirong, former chairman, and Mr. Wan Min has successively served as the chairman of the Company during the Reporting Period and no chief executive officer has been appointed by the Company.
<ul style="list-style-type: none"> • The chairman should ensure that all directors are properly briefed on issues arising at board meetings 	Yes	In respect of matters to be considered by the Board, adequate information has been provided to the Directors with sufficient communication before the meeting, and special meetings have been convened upon the request of the Directors to report on the matters concerned. Detailed explanations would be made at the meeting by the chairman of the Board or management of the Company on the motions where necessary.
<ul style="list-style-type: none"> • The chairman should ensure that the directors receive adequate information in a timely manner which must be accurate, clear, complete and reliable 	Yes	The chairman of the Board has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the Directors each month and the management of the Company has presented the key data of performance to members of the Board each month, so that the Directors may obtain timely and adequate information.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The chairman should be primarily responsible for drawing up and approving the agenda of the board meetings 	Yes	Agenda of Board meetings are discussed by the chairman of the Board with the executive Directors and the Board secretary and are decided after taking into consideration of all the matters proposed by each Director.
<ul style="list-style-type: none"> The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established 	Yes	The chairman of the Board assumes an important role in the promotion of the development of the Company's corporate governance, delegates the Board secretary to set up a good corporate governance system and procedure, supervises management to loyally implement the various systems, and ensures the regularized operation of the Company.
<ul style="list-style-type: none"> The chairman should encourage all directors to make full and active contribution to the board's affairs, ensure the board will act in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues, and ensure the board decisions fairly reflect board consensus 	Yes	The chairman of the Board has encouraged all Directors to be involved in the affairs of the Board and make effective contribution to the Board and requested the Board to act in the best interests of the Company.
<ul style="list-style-type: none"> The chairman should at least annually hold meetings with the independent non – executive directors without the presence of other directors 	Yes	The chairman of the Board has communicated fully with independent non-executive Directors face-to-face appropriately before the start and after the end of physical Board meetings. In 2021, the chairman of the Board had a face-to-face communication with independent non-executive Directors at the Board meeting, on which relevant issues the independent non-executive Directors cared about were communicated and discussed in furtherance.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole 	Yes	The chairman of the Board has placed great emphasis on the effective communication between the Company and the Shareholders, attended Shareholders' general meetings in person and continued to promote and improve investor relationship, and has dedicated himself to realizing maximum returns of Shareholders.
<ul style="list-style-type: none"> The chairman should promote a culture of openness and debate by facilitating the effective contribution of non – executive directors in particular, and ensuring constructive relations between executive and non – executive directors 	Yes	The chairman of the Board has placed great emphasis on the contributions of Directors to the Board, and made efforts to ensure the executive Directors and non-executive Directors maintain constructive relations with each other.

A3. Board composition

Principle of the Code

- The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business. The Board should ensure that changes to its composition can be managed without undue disruption. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.*

The corporate governance situation of the Company

- As at 31 December 2021, the Board comprised eight members, including four executive Directors and four independent non-executive Directors.
- The independent non-executive Directors have expertise and experience in areas such as shipping, corporate management, finance and laws and are able to make independent judgments, which ensures the decisions of the Board are made prudently and comprehensively.
- There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions and Recommended Best Practices

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The independent non – executive directors should be identified in all corporate communications that disclose the names of directors 	Yes	The Company has disclosed the name of the members of the Board according to the category of the Directors in all corporate communications which disclose the name of directors.
<ul style="list-style-type: none"> An issuer should maintain on its website and on the Exchange’s website an updated list of its directors identifying their role, function and independence 	Yes	The Company has published the list of Board members and their biographies on its website and the website of the Hong Kong Stock Exchange, setting out their roles, functions and independence.
<p>Recommended Best Practices</p> <p>The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies</p>	Yes	<p>There is no proposed director holds cross-directorships or has significant links with other directors through involvements in other companies or bodies occurred in the Company.</p> <p>The Company strictly complied with the requirements of independence of non-executive directors under the Listing Rules.</p>

Corporate Governance Report

A4. Appointments, re-election and removal

Principle of the Code

- *There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.*

The corporate governance situation of the Company

- The Company has set up a nomination committee under the Board. The nomination committee shall make proposals on the appointment, re-election, removal and relevant procedures of the candidates of Directors, present the proposals for the Board's consideration, which will finally be determined by the Shareholders' meeting. The resignation of a Director and the reason for such resignation shall be disclosed in a timely manner.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> • Non-executive directors should be appointed for a specific term subject to re – election 	Yes	As provided in the Articles of Association, the Directors (including non-executive Directors) shall be elected at the Shareholders' general meeting for a term of three years, subject to re-election.
<ul style="list-style-type: none"> • Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment 	Yes	The Directors appointed to fill in temporary vacancies are subject to re-election by Shareholders at the Shareholders' general meeting.
<ul style="list-style-type: none"> • Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years 	Yes	The Directors are subject to re-election by the shareholders' general meeting according to the sessions of the Directors.
<ul style="list-style-type: none"> • If an independent non – executive director serves more than nine years, any proposal of further appointment of such independent non-executive director shall be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected 	Yes	Article 108 of Chapter 10 of the Articles of Association specifies that the term of office of an independent Director shall not exceed six years. It is the Company's practice to hold re-election when such term expires.

Corporate Governance Report

A5. Nomination Committee

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The issuer should establish a nomination committee which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors 	Yes	The Board has set up a nomination committee, of which the chairman is an independent non-executive Director and the members include one executive Director and one independent non-executive Director.
<ul style="list-style-type: none"> The issuer should set out specific written terms of reference of the nomination committee 	Yes	The Company has adopted the Operation Rules of the Nomination Committee, specifying the powers and duties of the nomination committee, and published its terms of reference on the websites of the Company and the Hong Kong Stock Exchange.
<ul style="list-style-type: none"> The nomination committee should make available its terms of reference explaining its roles and the authority delegated to it by the board 		
<ul style="list-style-type: none"> The issuer should provide the nomination committee with sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice at the expense of the issuer 	Yes	The Company has actively assisted the nomination committee in performing their work, so as to ensure they are adequately resourced to discharge their duties. For matters that require advice from professional institutions, the Company has engaged the professional institutions for independent advice at its own expense.
<ul style="list-style-type: none"> Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the circular accompanying the notice of the relevant general meeting should specify the reason for such election and other information required by the Listing Rules 	Yes	During the Reporting Period, no independent non-executive directors was appointed by the Company.

Corporate Governance Report

A6. Responsibilities of directors

Principle of the Code

- *Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.*

The corporate governance situation of the Company

- The Company has adopted the Rules of Procedures of the Board of Directors, Guidelines of the Work of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the Directors, so as to ensure that all Directors fully understand their roles and responsibilities.
- The Board secretary is responsible for ensuring that all Directors receive the Company's latest business development and renewed statutory information.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> • Every newly appointed director should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies 	Yes	Upon the appointment of a new Director, the Company has provided related information to the new Director in a timely manner and arranged training for the Director, including introduction of the Company's business, responsibilities of Directors, the Company's rules and regulations and domestic and overseas laws, regulations and regulatory requirements.
<ul style="list-style-type: none"> • Functions of non-executive directors 	Yes	The non-executive Directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinions on the decisions of the Board.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> Every director should ensure that he can give sufficient time and attention to the issuer's affairs 	Yes	All Directors have diligently discharged their duties and taken their responsibilities seriously. The attendance of Directors at the meetings of the Board and various special committees in 2021 was relatively high, indicating that the Directors have spent sufficient time on the Company's business.
<ul style="list-style-type: none"> The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in issuer's securities 	Yes	According to the relevant requirements of the Model Code, the Company shall give notice of blackout period to Directors, Supervisors and senior management within the specified period prior to the issue of annual, interim and quarterly reports to restrict them from dealing in the Shares within the specified period.
<ul style="list-style-type: none"> All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director 	Yes	All Directors have the opportunities to attend professional training programmes arranged by the Company during their terms of appointment at the expense of the Company, and their records of trainings attended shall be provided to the Company. The Company has provided assistance to Directors to participate in the relevant training programmes organized by the Stock Exchange, the Shanghai Stock Exchange and other regulatory authorities. The Company has also engaged legal consultants and staff from regulatory authorities at home and abroad to provide training programmes.
<ul style="list-style-type: none"> The directors should at the time of their appointments (and thereafter) disclose their positions and other significant commitments in other entities 	Yes	Each of the Directors has upon the acceptance of appointment provided the Company with his or her positions and other major commitments in other companies and updated the Company if any changes arise.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> Independent non-executive directors and other non – executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. In general, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders 	Yes	All Directors (including independent non-executive Directors and other non-executive Directors) have actively attended Board meetings, meetings of the board committees and general meetings of the Company.
<ul style="list-style-type: none"> Independent non-executive directors and other non – executive directors should make a positive contribution to the development of the issuer’s strategies and policies through independent, constructive and informed comments 	Yes	All non-executive Directors have been able to provide independent and constructive opinions with grounds to the Company in formulating strategies and policies.

A7. Supply of and access to information

<p><i>Principle of the Code</i></p> <ul style="list-style-type: none"> <i>Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make informed decisions and perform their duties and responsibilities.</i>
<p>The corporate governance situation of the Company</p> <ul style="list-style-type: none"> The Board secretary is responsible for the provision of all information to the Directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company’s business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Corporate Governance Report

Code Provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least three days before the intended date of a board or board committee meeting (or other agreed period) 	Yes	All documents of the past meetings of the Board and special committees were sent to each of the Directors at least three days before the meetings.
<ul style="list-style-type: none"> Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. To fulfil his duties properly, a director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management 	Yes	Management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The Directors have been able to communicate with management of the Company by themselves to obtain further information required.
<ul style="list-style-type: none"> All directors are entitled to have access to the board papers and related materials. The papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors, should receive a prompt and full response if possible 	Yes	The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all Directors at any time. The Company has arranged related personnel to give timely response in respect of the questions raised by the Directors.

Corporate Governance Report

B. Remuneration of Directors and senior management and Board evaluation

B1. The level and make-up of remuneration and disclosure

Principle of the Code

- *An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.*

The corporate governance situation of the Company

- The Company has set up a remuneration committee. The terms of reference of the Remuneration Committee includes determination and review of the remuneration policies and plans of the directors and managers of the Company.
- In 2021, the remuneration committee convened four meetings to consider the Proposal for the 2020 Annual Appraisal of the Senior Management of COSCO SHIPPING Holdings, the Proposal on the 2020 Annual Remuneration Redemption Plan of the Senior Management of COSCO SHIPPING Holdings, the Proposal on Adjusting the List of Incentive Objects and the Number of Share Options Granted for the First Time and Cancellation of Certain Stock Options Granted but Not Exercised, the Proposal on the confirmation of eligibility for the exercise conditions for the first exercise period of the Share Options Granted for the First Time under the Stock Option Incentive Scheme, the Proposal on Adjusting the Exercise Price and Number of Options under the Stock Option Incentive Scheme, the Proposal on Adjusting the List of Incentive Objects and Number of Options for Share Options Granted for the First Time and Cancellation of Certain Stock Options Granted but Not Exercised, the Proposal on Establishing a Term System and Contractual Management System for the Management of COSCO SHIPPING Holdings and the Proposal on Signing of Term Contract Documents with Members of the Management. The Company made recommendations to the Board in respect of the 2020 corporate performance appraisal and individual performance appraisal of senior management, the previous revisions of the Share Option Incentive Scheme of COSCO SHIPPING Holdings, the adjustment on the list of incentive objects and the number of share options granted for the first time, the agreement on granting share options to the incentive objects and the agreement to the term system and contractual management plan and supporting systems for the management of COSCO SHIPPING Holdings.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary 	Yes	The remuneration committee has communicated with the Chairman and the President in respect of the remuneration of the Directors, Supervisors and senior management and should have access to independent professional advice if necessary.
<ul style="list-style-type: none"> Functions of the remuneration committee 	Yes	The Company has established the Operation Rules for the Remuneration Committee of the Company, clearly setting out the duties of the remuneration committee.
<ul style="list-style-type: none"> The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the issuer's website 	Yes	The terms of reference of the remuneration committee have been published on the Company's website and the website of the Hong Kong Stock Exchange.
<ul style="list-style-type: none"> The remuneration committee should be provided with sufficient resources to perform its duties 	Yes	The Company's human resources department and the general office have actively cooperated with the remuneration committee to perform their works in the discharge of their duties.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> Issuers should disclose the details of the remuneration payable to members of senior management by band in their annual reports 	Yes	The Company has disclosed the remuneration of all senior management by band in its annual reports and accounts.
Recommended Best Practices		
<ul style="list-style-type: none"> A significant portion of executive directors' remuneration should link rewards to corporate and individual performance 	Yes	The remuneration of the executive Directors and senior management are in general linked with the performance of the Company and their individual performance.
<ul style="list-style-type: none"> Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports 	Yes	The Company has disclosed the remuneration and names of the Directors, Supervisors and senior management in the annual reports and accounts.
<ul style="list-style-type: none"> The board should conduct a regular evaluation of its performance 	Yes	The Board has carried out such evaluation annually.

C. Accountability and Audit

C1. Financial reporting

Principle of the Code

- The board should present a balanced, clear and comprehensive assessment of the company's performance, position and prospects.*

The corporate governance situation of the Company

- All regular financial reports issued to the Shareholders by the Board were in compliance with the regulatory requirements of both the stock exchanges of Hong Kong and Shanghai, and the Company continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, the Company has been proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval 	Yes	Management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
<ul style="list-style-type: none"> Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules 	Yes	Management of the Company has submitted the main performance data to the members of the Board on a monthly basis.
<ul style="list-style-type: none"> The directors should acknowledge in the Corporate Governance Report their responsibilities for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements 	Yes	<p>The Directors have acknowledged their responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year.</p> <p>The auditors' reports have specified the reporting responsibilities of the auditors.</p>

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives 	Yes	The Company has disclosed the foundation for creating or retaining value in the long run and the strategies to achieve targets of the Company in annual reports.
<ul style="list-style-type: none"> The board should present a balanced, clear and understandable assessment in annual and interim reports, and other financial disclosures required by the Listing Rules 	Yes	In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
<ul style="list-style-type: none"> An issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter 	Yes	In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within one month after the end of the first and third quarter, and the information disclosed are sufficient for the Shareholders to assess the Company's performance, financial position and prospects.
<ul style="list-style-type: none"> Once an issuer announces quarterly financial results, it shall continue to do so for each of the first 3 and 9 months periods of subsequent financial years 		

Corporate Governance Report

C2. Risk management and internal controls

Principle of the Code

- *The board is responsible for evaluating and determining the nature and extent of the risks which it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.*

The corporate governance situation of the Company

- The Company has established an internal control system, to review the relevant financial, operational and regulatory control procedures from time to time and update and refine the internal control system according to the actual situation from time to time, so as to protect the Company's assets and the Shareholders' interests.
- In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the Accounting Standards for Business Enterprises and HKFRSs, and provided independent and objective appraisals and suggestions by way of audit reports.
- The Company has strict rules on the treatment and release of inside information in accordance with relevant requirements of the Listing Rules and the Securities and Futures Ordinance (the "SFO") and prohibits any unauthorized use or release of confidential or inside information. The Directors, Supervisors and senior management of the Company have adopted all reasonable measures to ensure proper precautionary measures are in place to prevent the Company from violating relevant disclosure requirements.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls 	Yes	<p>The Board has overall responsibility for assessing and determining the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness for the purpose of ensuring the Shareholder's investment and Group assets. To this end, management continues to allocate resources to internal control and risk management systems to manage (rather than eliminate) the risk of failing to meet business objectives, and to provide reasonable, though not absolute, assurance against material misstatement or loss. The Board had conducted an annual review of the Group's risk management and internal control systems for the year ended 31 December 2021 and considered them effective and adequate.</p> <p>The Company has placed strong emphasis on its internal control, and has established an internal control system and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's chief financial officer has reported to the Audit Committee and the Board on the internal control each year for the appraisals by all Directors.</p>
<ul style="list-style-type: none"> The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions 	Yes	<p>The Company has placed strong emphasis on the professional management and training of finance personnel to improve their professional skills and comprehensive quality. The Company organized annual continuing education for finance personnel on-the-job to attend on time according to the requirements of the Accounting Law 《會計法》 and planned and arranged finance personnel to receive relevant professional training on accounting standards depending on the changes in the state's finance and tax policies and work requirements, with sufficient training expenses budget as a guaranty.</p>

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and on internal control code provisions during the Reporting Period 	Yes	The Company has disclosed how it complied with the code provisions on internal control during the Reporting Period in accordance with the relevant requirements of the Corporate Governance Report.
<ul style="list-style-type: none"> The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report 	Yes	The Company has an internal audit function which the supervision and audit department of the Company is responsible for. The Board has authorized the Audit Committee to review the effectiveness of internal audit function of the Company, to monitor the establishment and implementation of the Company's internal audit function and to urge the internal audit function is adequately resourced and has appropriate standing in the Company. The Audit Committee has reviewed the effectiveness of the Company's internal audit function during the Reporting Period.

Corporate Governance Report

C3. Audit Committee

Principle of the Code

- *The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Listing Rules should have clear terms of reference.*

The corporate governance situation of the Company

- The Board has set up an audit committee, chaired by Mr. Zhou Zhonghui, an independent non-executive Director. Other members include Mr. Wu Dawei (an independent non-executive Director) and Prof. Ma Si-hang Frederick (an independent non-executive Director), all of whom have professional skills and experience on financial management or legal issues and are non-executive Directors (including two independent non-executive Directors). One independent Director with professional qualification and professional experience in financial management has also been appointed.
- The Audit Committee is mainly responsible for the supervision of the internal system set up by the Company and its subsidiaries and its implementation, audit on the financial information and disclosures of the Company and its subsidiaries, review on the internal control system (including financial control and risk management) of the Company and its subsidiaries, planning of material connected transactions and communications, supervisions and verifications on the Company's internal and external audits.
- In 2021, the audit committee held four meetings in total, at which 22 issues such as the annual reports, interim reports, quarterly reports, effectiveness of risk management and internal control, internal audit, appointment of domestic and international accountancy firms, etc. were fully reviewed and considered. The audit committee fully affirmed the work efficiency of COSCO SHIPPING Holdings, while providing recommendations in respect of expanding the global coverage and improving the shipping competitiveness, respectively.

The audit committee arrived at the opinion that the financial reports of COSCO SHIPPING Holdings for various periods in 2021 which had been reviewed were prepared in compliance with the accounting standards of China and Hong Kong, the content of disclosure therein also satisfied the requirements of the listing system and regulations of both places.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> Full minutes of the audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comments and records within a reasonable time after the meeting 	Yes	The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The Audit Committee secretary shall be responsible for making detailed records in the minutes of meetings of the Audit Committee on the matters considered in the meetings and submitting such records to the relevant management, departments and intermediary agencies present in the meetings for amendment and confirmation. After being confirmed by all the members of the audit committee present in the meetings, such records shall be signed by the chairman.
<ul style="list-style-type: none"> A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of the person ceasing: <ul style="list-style-type: none"> (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later. 	Yes	On the date which is two years prior to the appointment of each of Mr. Zhou Zhonghui as the chairman of the Audit Committee; and Mr. Wu Dawei as a member of the Audit Committee, each of them was not a partner of the Company's existing auditing firm nor had any financial interest in the firm.
<ul style="list-style-type: none"> The terms of reference of the audit committee 	Yes	The Company has formulated the Terms of Reference of the Audit Committee which specifies the scope of duties and authorities of the committee in various aspects, including relationship with the Company's auditors, review on the financial information of the Company, supervision and control of the financial reporting system of the Company, internal control procedures and the rules of procedures for meetings.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the issuer's website 	Yes	The Terms of Reference of the Audit Committee has been published on the website of the Company and the Hong Kong Stock Exchange.
<ul style="list-style-type: none"> Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view 	Yes	The Board has no disagreements with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.
<ul style="list-style-type: none"> The audit committee should be provided with sufficient resources to perform its duties 	Yes	The Company actively assisted the Audit Committee to perform its work. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.
<ul style="list-style-type: none"> Employees of the issuer can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action 	Yes	The Company has formulated the Rules of Procedures of the Audit Committee, which facilitates the setting up of channels for reporting possible improprieties in financial reporting, internal control or other matters so that the Company can carry out fair and independent investigation of these matters and take appropriate follow-up actions.
<ul style="list-style-type: none"> The audit committee should act as the key representative body for overseeing the issuer's relationship with the external auditor 	Yes	The whole Audit Committee should act as the principal representative between the Company and external auditors, and is responsible for the monitoring and coordination of their relationship.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
<ul style="list-style-type: none"> The audit committee should establish a whistleblowing policy and system for employees and other parties who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee, about possible improprieties in any matter related to the issuer 	Yes	The Company has set up a system of reporting of the fraudulent cases to the Directors and formulated the “Rules of Procedures of Internal Reporting of Information Regarding Material Breach” of the Company which was approved by the Board and the Audit Committee. The rules require that any violation shall be promptly and separately disclosed to provide details known to the Company.

D. Delegation by the Board

D1. Management Functions

Principle of the Code

- An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on matters that must be approved by it before decisions are made on the issuer's behalf.

The corporate governance situation of the Company

- The main powers of the Board include to convene Shareholders' general meetings, to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies, to prepare the Company's annual financial budgets, final accounts and profit distribution plans, to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans, and to implement resolutions of the general meetings.
- The Board may delegate part of its powers to the special committees and management, and specify matters that must be approved by the Board.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf 	Yes	Management is accountable to the Board. The Management's main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. Management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
<ul style="list-style-type: none"> An issuer shall formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs 	Yes	In the Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to management.
<ul style="list-style-type: none"> An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management 	Yes	In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specifically set out the division of responsibilities between the Board and management, and has made announcements to the public.
<ul style="list-style-type: none"> Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment 	Yes	Each of the new Directors has received a formal appointment letter, specifying the principal terms and conditions relating to such appointment.

Corporate Governance Report

D2. Board committees

Principle of the Code

- *Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*

The corporate governance situation of the Company

- The Board has five subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the audit committee, the remuneration committee and the nomination committee are independent non-executive Directors.
- Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

The attendance of the meetings of special committees (number of meetings attended/number of meetings to be attended)

	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee
WAN Min ⁽¹⁾					
XU Lirong ⁽²⁾	–	–	–	–	–
HUANG Xiaowen	–	–	–	–	–
YANG Zhijian	–	–	–	–	1/1
FENG Boming	2/2	4/4	–	–	–
WU Dawei	–	4/4	4/4	4/4	1/1
ZHOU Zhonghui	–	–	4/4	4/4	–
TEO Siong Seng	2/2	4/4	–	4/4	–
MA Si-hang Frederick	2/2	–	4/4	–	1/1

Corporate Governance Report

Notes:

- (1) On 29 December 2021, shareholders of the Company approved the appointment of Mr. Wan Min as an executive Director at an extraordinary general meeting. On the same date, as elected and approved by the Board, Mr. Wan Min was approved to be the chairman of the Board. For details, please refer to announcements dated 6 December 2021 and 29 December 2021, respectively, and a circular dated 14 December 2021.
- (2) Mr. Xu Lirong voluntarily tendered his resignation as the chairman of the Board and an executive Director with effect from 6 December 2021 due to change of job positions. For details, please refer to an announcement of the Company dated 6 December 2021.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The board should give them sufficiently clear terms of reference of board committees to enable them to perform their functions properly 	Yes	The Board has five subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee. Each of the committees has specific working guidelines, setting out the terms of reference of the committees.
<ul style="list-style-type: none"> The terms of reference of board committees should require them to report back to the board on their decisions and recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements) 	Yes	The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

Corporate Governance Report

D3. Corporate Governance Functions

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The terms of reference of the board of directors (or a committee or committees performing this function) should include at least: <ul style="list-style-type: none"> (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report. 	Yes	The Company has amended the terms of reference of the audit committee, risk management committee, nomination committee and remuneration committee, arranged professional trainings for Directors, Supervisors and senior management, provided supervisory reports to Directors, Supervisors and senior management regularly or from time to time, and formulated and implemented "Rules of Procedures of Internal Reporting of Information Regarding Material Breach" of the Company according to the Listing Rules.
<ul style="list-style-type: none"> The board should be responsible for performing corporate governance duties set out in the above terms of reference 	Yes	The Board has made corporate decisions and instructed the management to conduct daily management and operation in strict compliance with the Listing Rules, the Corporate Governance Code and the Articles of Association.

Corporate Governance Report

E. Communication with Shareholders

E1. Effective communication

Principle of the Code

- *The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*

The corporate governance situation of the Company

- The Board endeavours to maintain continued communications with the Shareholders, and has taken annual general meetings and extraordinary general meeting as major opportunities to have contact with the Shareholders, and all holders of the shares of the Company are entitled to attend the meetings.
- The Company issued notices and circulars of general meetings according to the Articles of Association and the Listing Rules, setting out details of resolutions to be considered at the meetings and the voting procedures.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> • For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid “bundling” resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, issuers should explain the reasons and material implications in the notice of meeting 	Yes	Each substantially separate issue submitted for consideration at the general meeting has been raised as an individual resolution. The Company has not included different issues in one resolution in any of the past general meetings.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. An issuer's management should ensure the external auditors attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence 	Yes	<p>The chairman of the Board has attended the annual general meetings and extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and management to reply to the enquiries of the Shareholders in the meetings.</p> <p>The external auditors of the Company have attended all past annual general meetings and extraordinary general meetings of the Company, and were well-prepared to answer the enquiries from the Shareholders.</p>
<ul style="list-style-type: none"> The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings 	Yes	<p>The Company has strictly complied with the requirements of the Articles of Association and dispatched the written notices at least 45 days before the annual general meetings or extraordinary general meetings, informing the details of business to be considered at the meetings and the date, time and venue of the meetings to the Shareholders whose names appeared on the register.</p>
<ul style="list-style-type: none"> The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness 	Yes	<p>The Company has added relevant articles in the Articles of Association, further defining the specific procedures for the Shareholders to express their opinions.</p>
<ul style="list-style-type: none"> The issuer should have a policy on payment of dividends and should disclose it in the annual report 	Yes	<p>The Company formulated the policy on payment of dividends, for the details, please refer to the sub-section headed "III. Profit Distribution of Ordinary Shares or Capitalization of Surplus Reserves Proposals" in the section headed "Management Discussion and Analysis" in this annual report.</p>

Corporate Governance Report

Nomination Policy for Directors and Board Diversity Policy

The Company has adopted the Board Diversity Policy, and the Board understood and confirmed that diversity of Board members will be beneficial to enhance the efficiency of the Board and maintain a high standard of corporate governance, which will become one of the key factors for the sustainable development of the Company and maintenance of competitive advantages of the Company. To achieve diversity of Board members, when appointing the Directors, the Company will consider on the overall needs of the Board and consider various objective conditions of the candidates comprehensively, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and term of service, and an appropriate balance will be maintained if practicable.

The board diversity policy of the Company is summarized as follows:

- the Company ensures that the Board has a balance of skills, experience and diversity of perspectives of the Board appropriate to the requirements of supporting the execution of its business strategy;
- selection of candidates will be based on a number of factors including but not limited to age, culture and educational background, race, industry experience, skills, knowledge and length of service. The appointment of the Board members should be based on meritocracy and diversity of perspectives appropriate to the Group's business and specific needs and the contribution that the selected candidates will bring to the Board; and
- the Nomination Committee will take into consideration of the board diversity policy in selecting and nominating eligible and qualified candidates to become the Board members.

For example, our independent non-executive Director Mr. Zhou Zhonghui is a fellow member of the Chinese Institute of Certified Public Accountants and a member of the chief financial officer professional committee of the China Association for Public Companies. He previously worked at Shanghai University of Finance and Economics, School of Accountancy as a professor and served as the chief accountant of the CSRC; our independent non-executive Director Mr. Wu Dawei previously served as the general manager of Huaneng International Power Development (華能國際電力開發公司) and the chief economist of China Huaneng Group; our independent Director Mr. Teo Siong Seng currently serves as the executive chairman of the Pacific International Lines Pte Ltd; Prof. Ma Si-hang Frederick, our independent non-executive Director, is an honorary professor of the Faculty of Economics and Finance of The University of Hong Kong and the Faculty of Business Administration of The Chinese University of Hong Kong, respectively, and serves as an independent non-executive director of FWD Group and as a director in New Frontier Health Corporation and other companies.

The above members of the Board of the Company are of diversified professional, educational and cultural background with extensive law and accounting knowledge, and also possess considerable experience in management of shipping related services and governance of listed companies, which enable them to provide diverse opinion for the Board on decision making.

Corporate Governance Report

Rights of the Shareholders

Pursuant to the mandatory disclosure requirements in item O of Appendix 14 to the Listing Rules, listed companies should disclose in their corporate governance report information relating to rights of shareholders, including (i) how shareholders can convene an extraordinary general meeting; (ii) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and (iii) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

The Company has strictly complied with relevant domestic and foreign laws and regulations and has taken various measures to actively create conditions in accordance with requirements of the Articles of Association with a view to ensuring that rights of the Shareholders can be well achieved.

According to the latest Articles of Association approved at the 2020 first extraordinary general meeting of the Company on 30 November 2020, the Board shall convene an extraordinary general meeting within two months at the request of the Shareholders individually or jointly holding 10% or more shares of the Company. The Shareholders individually or jointly holding over 10% of the shares of the Company for more than 90 consecutive days may convene and preside over an extraordinary general meeting himself or themselves. The Shareholders individually or jointly holding over 3% of the shares of the Company may submit proposals to the Company. The Shareholders individually or jointly holding 3% or more of the shares of the Company may propose ex tempore motions no later than ten days prior to the convening of the shareholders general meeting by submitting the same in writing to the convener who shall issue a supplementary notice of general meeting within two days upon receipt of the motions to announce the details of such motions. For details, please refer to article 66, article 68 and article 92 of the Articles of Association. In addition, according to the provisions of article 54 of the Articles of Association, shareholders of the Company have the right to supervise and manage the Company's business operations, make recommendations or inquiries.

The Company values and welcomes the Shareholders, investors and the public to make enquiries and suggestions to the Company. For contact information of the Company, please see the section headed "Company's Basic Information" in this annual report.

E2. Voting by Poll

Principle of the Code

- *The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*

The corporate governance situation of the Company

- The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association.
- The Company has confirmed the validity of all Shareholders present and who voted in the meetings, appointed the Supervisors, share registrar, legal advisors and representatives of shareholders as the scrutineers, and appointed lawyers to issue legal opinions on the procedures of general meetings and results of voting. Results of voting were announced on designated newspapers and the websites of the relevant stock exchanges and the Company.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll 	Yes	Prior to the commencement of a general meeting, the chairman of the meeting shall explain the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the annual general meetings, there are arrangements for questions by the Shareholders.

F. Company Secretary

Principle of the Code

- The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.*

The corporate governance situation of the Company

- Currently the Company has appointed a company secretary who is responsible for enhancing the corporate governance of the Company and providing assistance to the Directors for duty performance and organizing information disclosure of the Company.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
<ul style="list-style-type: none"> The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs 	Yes	The company secretary is an employee of the Company and has acquired understanding of the daily operation of the Company.
<ul style="list-style-type: none"> The board should approve the selection, appointment or dismissal of the company secretary 	Yes	The appointment of the current company secretary was approved at the 5th meeting of the 3rd session of the Board.
<ul style="list-style-type: none"> The company secretary should report to the board chairman and/or the chief executive 	Yes	The company secretary reports to the Chairman and/or the president.
<ul style="list-style-type: none"> All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed 	Yes	The company secretary has established an effective communication channel with all Directors, so as to assist the Board and the president to be in compliance with domestic and foreign laws and regulations, the Articles of Association and other relevant requirements when performing his duties.

Remuneration of members of senior management by band during the Reporting Period

	2021
HK\$2,500,001 to HK\$3,000,000 (equivalent to approximately RMB2,080,000 to RMB2,490,000)	1
HK\$6,000,001 to HK\$6,500,000 (equivalent to approximately RMB4,980,000 to RMB5,400,000)	1
HK\$7,000,001 to HK\$7,500,000 (equivalent to approximately RMB5,810,000 to RMB6,230,000)	1
HK\$20,000,001 to HK\$20,500,000 (equivalent to approximately RMB16,610,000 to RMB17,020,000)	1
Total	4

Corporate Governance Report

Summary report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board

The Company has formulated the Terms of Reference of the Audit Committee, which have defined the duties and responsibilities of the audit committee, including its relationship with external accounting firm, the review of financial information of the Company, the review of the financial controls, internal controls and risk management, the review of whether the investigations regarding the financial reporting, internal control, risk management and other matters that are not in the ordinary course of business of the Company were conducted independently and fairly, and whether appropriate actions or remedial actions have been taken.

The audit committee under the 6th session of the Board has comprised Mr. Zhou Zhonghui (the chairman of the audit committee of the Company), Mr. Wu Dawei (independent non-executive Director) and Prof. Ma Si-hang Frederick (independent non-executive Director).

During the Reporting Period, the audit committee held four meetings, at which it reviewed the annual reports, interim reports, quarterly reports, annual budget plans, continuing connected transactions reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, effectiveness of internal audit functions, appointment of accountancy firms and considered issues including Future Trends in the Container Transportation Industry. The audit committee fully affirmed the work efficiency of COSCO SHIPPING Holdings, while at the same time provided opinions and recommendations on the controllable variables such as the freight volume, the port throughput, the management fees, the operating costs and the fuel prices, as well as the cost control and cash coordination, respectively.

The audit committee arrived at the opinion that the financial reports of COSCO SHIPPING Holdings for various periods in 2021 which had been reviewed were prepared in compliance with Accounting Standards for Business Enterprises and HKFRSs, the content of disclosure therein also satisfied the requirements of the listing system and regulations of both places.

Summary report on the performance of the remuneration committee under the Board

The remuneration committee under the 6th session of the Board comprised Mr. Wu Dawei (chairman of the remuneration committee of the Company), Mr. Zhou Zhonghui (independent non-executive Director) and Mr. Teo Siong Seng (independent non-executive Director).

Corporate Governance Report

During the Reporting Period, the remuneration committee held four meetings, at which it considered the Proposal for the 2020 Annual Appraisal of the Senior Management of COSCO SHIPPING Holdings, the Proposal on the 2020 Annual Remuneration Redemption Plan of the Senior Management of COSCO SHIPPING Holdings, the Proposal on Adjusting the List of Incentive Objects and the Number of Share Options Granted for the First Time and Cancellation of Certain Stock Options Granted but Not Exercised, the Proposal on the confirmation of eligibility for the exercise conditions for the first exercise period of the Share Options Granted for the First Time under the Stock Option Incentive Scheme, the Proposal on Adjusting the Exercise Price and Number of Options under the Stock Option Incentive Scheme, the Proposal on Adjusting the List of Incentive Objects and Number of Options for Share Options Granted for the First Time and Cancellation of Certain Stock Options Granted but Not Exercised, the Proposal on Establishing a Term System and Contractual Management System for the Management of COSCO SHIPPING Holdings and the Proposal on Signing of Term Contract Documents with Members of the Management. The Company made recommendations to the Board in respect of the 2020 corporate performance appraisal and individual performance appraisal of senior management, the previous revisions of the Share Option Incentive Scheme of COSCO SHIPPING Holdings, the adjustment on the list of incentive objects and the number of share options granted for the first time, the agreement on granting share options to the incentive objects and the agreement to the term system and contractual management plan and supporting systems for the management of COSCO SHIPPING Holdings.

The remuneration committee arrived at the opinion that the remuneration of the Company's senior management in 2021 was in compliance with the requirements of performance appraisal and remuneration management system of the Company and the relevant decision-making procedures were lawful and valid.

Summary report on the performance of the nomination committee under the Board

The nomination committee under the 6th session of the Board comprised Prof. Ma Si-hang Frederick (chairman of nomination committee of the Company), and other members are Mr. Yang Zhijian (executive Director) and Mr. Wu Dawei (independent non-executive Director).

During the Reporting Period, the nomination committee held one meeting, in which it considered and approved the nomination of Mr. Wan Min as a candidate for executive director and chairman of the 6th session of the Board.

Corporate Governance Report

Auditors and their remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and ShineWing Certified Public Accountants, LLP, as the domestic auditor of the Company for 2021. Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Group during the year amounted to RMB54,041,000, RMB9,731,000 and RMB13,316,000, respectively.

Nature of services

	2021 (RMB' 000)	2020 (RMB' 000)
Audit services	54,041	56,580
Audit related services	9,731	10,122
Non-audit services		
• Tax related services	9,563	9,184
• Circular related services	2,120	2,060
• Other advisory services	1,633	4,106

Amendments to Articles of Association

During the Reporting Period, the Company amended the Articles of Association. For details on the amendments to the Articles of Association, please refer to the sub-section headed “IV. Other Significant Events” under the section of “Significant Events” in this report.

Directors' Report

Directors' Report

The Board is pleased to present the Directors' Report of the year 2021 together with the audited financial statements of the Group for the year ended 31 December 2021.

Principal Business

During the Reporting Period, the Group was principally engaged in providing container shipping, managing and operating container terminals and other terminal related businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2021 are set out in note 45 to the consolidated financial statements.

Business Review

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Discussion and Analysis of the Board Concerning the Future Development of the Company" on pages 5 to 7 and pages 25 to 31 respectively. The particulars of important events affecting the Group that have occurred since the end of the financial year 2021 and the description of possible risks and uncertainties that the Group may be facing are set out in the sections headed "Subsequent events" and "(IV) Possible risks" on page 25 and pages 30 to 31. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 9 to 32 of this report. For details of the discussion on the Company's environmental policies and performance, please refer to "(II) Social responsibilities" and "(III) Environment protection" on page 37 to 38.

Compliance with the relevant laws and regulations which have a significant impact on the Group

During the Reporting Period, the Company further optimized corporate governance and operation efficiency strictly in compliance with applicable laws and regulations, including the Company Law, the Code of Corporate Governance for Listed Companies 《上市公司治理準則》, the Guiding Opinions for the Establishment of Independent Directorship by Listed Companies 《關於在上市公司建立獨立董事制度的指導意見》, the Rules for the General Meetings of Shareholders of Listed Companies 《上市公司股東大會規則》, the Guidelines on Articles of Association of Listed Companies 《上市公司章程指引》 and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange 《上海證券交易所股票上市規則》. During the Reporting Period, in compliance with the requirements of regulatory authorities in a timely manner and following the requirements related to risk management and internal control of State-owned Enterprises, the Company further refined its internal control system and risk management procedures. The budget management for the whole system was also strengthened and the organization structure and accountability system of the assets supervision were further improved. Moreover, the Company actively participated in training programmes for directors, supervisors and senior management of listed companies organized by regulatory authorities, and raised the awareness of all employees on compliance through effective trainings. In addition, the Listing Rules, the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-backs are also applicable to the Company and the Group is committed to ensuring the compliance with such requirements through various measures such as internal control and approval procedures, trainings and supervision on different business segments.

Directors' Report

Relationships with major stakeholders

The Company continues to engage with its employees, suppliers and customers through different channels to develop mutually beneficial relationships and promote sustainability. An account of the Company's key relationship with its employees is set out in the section headed "Employees and Remuneration Policies" on page 120. An account of the Company's relationship key relationship with its customers and suppliers are set out in the sections headed "(III) Operation plan" and "Major Suppliers and Customers" on pages 27 to 29 and page 97, respectively. The Company also recognises its obligations as a responsible member of the communities in which the Company operates. For details of the Company's engagement in and contributions to these communities, please refer to the section headed "V. Fulfillment of Social Responsibilities" on pages 36 to 38.

Results of the Group

The Group's results for the year ended 31 December 2021 are set out on pages 146 to 147 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2021, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the consolidated financial statements. There were no distributable reserves of the Company as at 31 December 2021.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 25 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the Reporting Period are set out in notes 6 and 8 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 29 to the consolidated financial statements.

Directors' Report

Pre-emptive Rights

The Articles of Association and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to the Shareholders on a pro-rata basis to their shareholdings.

Tax Relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Share Capital

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year under review amounted to approximately RMB350 million.

Directors and Supervisors

The Directors during the year under review and up to the date of this report were as follows:

Name	Date of appointment as Director	Date of resignation as Director
<i>Executive Directors</i>		
WAN Min (Chairman) ⁽¹⁾	29 December 2021	N/A
XU Lirong (Former Chairman) ⁽²⁾	30 August 2018	6 December 2021
HUANG Xiaowen (Vice chairman)	30 November 2020	N/A
YANG Zhijian	9 October 2019	N/A
FENG Boming	9 October 2019	N/A
<i>Independent non-executive Directors</i>		
WU Dawei	25 May 2017	N/A
ZHOU Zhonghui	25 May 2017	N/A
TEO Siong Seng	25 May 2017	N/A
MA Si-hang Frederick	30 November 2020	N/A

Directors' Report

Notes:

- (1) On 29 December 2021, shareholders of the Company approved the appointment of Mr. Wan Min as an executive Director at an extraordinary general meeting. On the same date, upon passing by the Board, Mr. Wan Min was appointed the chairman of the Board. For details, please refer to announcements dated 6 December 2021 and 29 December 2021, respectively, and a circular dated 14 December 2021.
- (2) Mr. Xu Lirong voluntarily tendered his resignation as the chairman of the Board and an executive Director with effect from 6 December 2021 due to change of job positions. For details, please refer to an announcement of the Company dated 6 December 2021.

The Supervisors during the year under review and up to the date of this report were as follows:

Name	Positions	Date of appointment as Supervisor	Date of resignation as Supervisor
YANG Shicheng	Chairman of the supervisory committee, shareholder Supervisor	30 November 2020	N/A
DENG Huangjun	Employee Supervisor	30 January 2019	N/A
SONG Tao	Employee Supervisor	30 November 2020	N/A
MENG Yan	Independent Supervisor	20 May 2014	N/A
ZHANG Jianping	Independent Supervisor	20 May 2014	N/A

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all four independent non-executive Directors are considered to be independent.

Biographies of the Directors, Supervisors and Members of the Senior Management

Biographies of the Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 47 to 54 of this report.

Competing Interest

None of the Directors or Supervisors has interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Directors' Report

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connected transactions during the Reporting Period are as follows:

1. COSCO SHIPPING Ports, Piraeus Port Authority S.A. ("**PPA**") and Piraeus Container Terminal S.A ("**PCT**") (an indirect non-wholly owned subsidiary of the Company) entered into a concession agreement dated 25 November 2008, which was amended by the amendment agreement dated 20 December 2014 entered into between PCT and PPA (the "**Concession Agreement**").

On 10 August 2016, a party to the Concession Agreement (i.e. PPA) became a subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited, which is a subsidiary of China COSCO SHIPPING, the indirect controlling Shareholder. PPA has therefore become a connected person of the Company. The continuing transactions under the Concession Agreement have therefore become continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 17 August 2016.

2. On 30 October 2019, the Company and COSCO SHIPPING entered into the financial services agreement (the "**Financial Services Agreement**") in relation to the provision of certain financial services by COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**") to the Company and its subsidiaries for a term of three years from 1 January 2020 to 31 December 2022. On 30 August 2021, the Company revised the annual caps for the deposit services under the Financial Services Agreement for the two years ending 31 December 2022, while the annual caps for the loan services and the other financial services contemplated thereunder remain unchanged.

COSCO SHIPPING is the indirect controlling Shareholder and is also the de facto controller of COSCO SHIPPING Finance, and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Financial Services Agreement constitutes a connected transaction of the Company.

For details of the above transaction, please refer to the announcements of the Company dated 30 October 2019 and 30 August 2021 and the circulars of the Company dated 5 December 2019 and 24 September 2021.

Directors' Report

3. On 30 October 2019, the Company and COSCO SHIPPING entered into the master shipping services agreement (the **"Master Shipping Services Agreement"**) in relation to mutual provision of shipping services between the Group and the COSCO SHIPPING Group for a term of three years from 1 January 2020 to 31 December 2022. On 30 August 2021, the Company revised the annual caps for the Group's provision of shipping services to the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement for the two years ending 31 December 2022, while the annual caps for the Group's provision of shipping services to the COSCO SHIPPING Group contemplated thereunder remain unchanged.

COSCO SHIPPING is the indirect controlling Shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Shipping Services Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcements of the Company dated 30 October 2019 and 30 August 2021 and the circulars of the Company dated 5 December 2019 and 24 September 2021.

4. On 30 October 2019, the Company and COSCO SHIPPING entered into the master port services agreement (the **"Master Port Services Agreement"**) in relation to mutual provision of port services between the COSCO SHIPPING Group and the Group for a term of three years from 1 January 2020 to 31 December 2022. On 30 August 2021, the Company revised the annual caps for the Group's purchase of services from the COSCO SHIPPING Group contemplated under the Master Port Shipping Services Agreement for the two years ending 31 December 2022, while the annual caps for the Group's provision of services to the COSCO SHIPPING Group contemplated thereunder remain unchanged.

COSCO SHIPPING is the indirect controlling Shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Port Services Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcements of the Company dated 30 October 2019 and 30 August 2021 and the circulars of the Company dated 5 December 2019 and 24 September 2021.

Directors' Report

5. On 30 October 2019, the Company and COSCO SHIPPING entered into the master vessel and container asset services agreement (the **"Master Vessel and Container Asset Services Agreement"**) in relation to, among others, the leasing of vessels and containers by the Group from the COSCO SHIPPING Group and the sale of containers by COSCO SHIPPING Group to the Group for a term of three years from 1 January 2020 to 31 December 2022.

COSCO SHIPPING is the indirect controlling Shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Vessel and Container Asset Services Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 5 December 2019.

6. On 30 October 2019, the Company and COSCO SHIPPING entered into the new master general services agreement (the **"Master General Services Agreement"**) in relation to mutual provision of general services between the Group and the COSCO SHIPPING Group for a term of three years from 1 January 2020 to 31 December 2022.

COSCO SHIPPING is the indirect controlling Shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master General Services Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 5 December 2019.

7. On 30 October 2019, the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries (excluding the Company and its subsidiaries and other subsidiaries of COSCO SHIPPING which are listed on a stock exchange)) entered into the trademark licence agreement (the **"Trademark Licence Agreement"**), pursuant to which COSCO SHIPPING has granted a non-exclusive licence to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for a term from 1 January 2020 to 31 December 2022.

COSCO SHIPPING is the indirect controlling Shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Trademark Licence Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 5 December 2019.

Directors' Report

8. On 30 October 2019, the Company and Pacific International Lines Pte Ltd ("**Pacific International Lines**") entered into the master shipping and terminal services agreement (the "**PIL Master Shipping and Terminal Services Agreement**") in relation to the mutual provision of shipping services and terminal services between the Group and Pacific International Lines and/or its subsidiaries and associates ("**Pacific International Lines Group**") for a term of three years from 1 January 2020 to 31 December 2022.

Mr. Teo Siong Seng (an independent non-executive Director), together with his family members (as defined in Chapter 14A of the Listing Rules), is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the PIL Master Shipping and Terminal Services Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 5 December 2019.

9. On 30 October 2019, the Company and Shanghai International Port (Group) Co., Ltd. ("**SIPG**") entered into the shipping and terminal services agreement (the "**SIPG Shipping and Terminal Services Agreement**") in relation to the provision of shipping services by the Group to SIPG and its subsidiaries or associates (the "**SIPG Group**") and provision of terminal services by the SIPG Group to the Group for a term of three years from 1 January 2020 to 31 December 2022.

SIPG holds 20% of the equity interests in Shanghai Pan Asia Shipping Co., Ltd. ("**Shanghai Pan Asia**"), a non-wholly subsidiary of the Company. Accordingly, SIPG is a substantial shareholder of Shanghai Pan Asia and is therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the SIPG Shipping and Terminal Services Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 5 December 2019.

10. On 15 July 2021, the buyer, COSCO (CAYMAN) Mercury Co., Ltd. (a wholly-owned subsidiary of the Company), or its nominee entered into ten shipbuilding contracts with the Builder, COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd. (an indirect wholly-owned subsidiary of COSCO SHIPPING), comprising (1) six 14,092 TEU Container Vessel Shipbuilding Contracts for the construction of six units of 14,092 TEU container vessels at an aggregate consideration of US\$876 million and (2) four 16,180 TEU Container Vessel Shipbuilding Contracts for the construction of four units of 16,180 TEU container vessels at an aggregate consideration of US\$620 million. The total consideration under the ten shipbuilding contracts is US\$1,496 million (the "**July Transaction**").

Directors' Report

COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. The builder, Cosco Shipping Heavy Industry (Yangzhou) Co., Ltd., is an indirect wholly-owned subsidiary of COSCO SHIPPING. Accordingly, Cosco Shipping Heavy Industry (Yangzhou) Co., Ltd. is a connected person of the Company under Chapter 14A of the Listing Rules, and the transaction constitutes a disclosable and connected transaction of the Company.

For details, please refer to the announcement dated 15 July 2021, the circular dated 5 August 2021 and the announcement of the resolutions passed at the Extraordinary General Meeting dated 29 October 2021 of the Company.

11. On 2 September 2021, the buyers (ten indirect wholly-owned subsidiaries of OOIL, and therefore indirect non-wholly owned subsidiaries of the Company) respectively entered into the new shipbuilding contracts on substantially the same terms with the respective builders, Dalian KHI and Nantong KHI for the construction of the respective new vessels for an aggregate consideration of US\$1,575.80 million for all the new vessels.

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

For details, please refer to the announcement dated 2 September 2021, the circular dated 24 September 2021 and the announcement of the resolution passed at the Extraordinary General Meeting dated 29 October 2021 of the Company.

With respect to the related party transactions as disclosed in note 44 to the consolidated financial statements, those transactions which constitute connected transactions or continuing connected transactions of the Company have been disclosed above or constitute fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the above connected transactions and continuing connected transactions. The Company has followed the pricing policies and guidelines set out in the relevant announcements and circulars when determining the pricing and terms of the above continuing connected transactions during the Reporting Period.

Directors' Report

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2021 in relation to the non-exempt continuing connected transactions of the Group:

The annual caps and actual transaction amounts in respect of the non-exempt continuing connected transactions of the Group

Transactions	Transactional annual cap for the year ended 31 December 2021	Actual transaction amount for the year ended 31 December 2021
	RMB'000	RMB'000
1. Transactions under the Financial Services Agreement		
(a) Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group	75,000,000	74,682,116
2. Transactions under the Master Shipping Services Agreement		
(a) Purchase of shipping services from the COSCO SHIPPING Group	38,000,000	23,112,678
(b) Provision of shipping services to the COSCO SHIPPING Group	7,500,000	5,499,384
3. Transactions under the Master General Services Agreement		
(a) Purchase of general services from the COSCO SHIPPING Group	400,000	198,825
(b) Provision of general services to the COSCO SHIPPING Group	90,000	24,432
4. Transactions under the Master Port Services Agreement		
(a) Purchase of port services from the COSCO SHIPPING Group	4,500,000	3,014,618
(b) Provision of port services to the COSCO SHIPPING Group	800,000	185,446
5. Transactions under the Master Vessel and Container Asset Services Agreement	37,000,000	4,345,888
6. Transactions under the PIL Master Shipping and Terminal Services		
(a) Purchase of services from Pacific International Lines	320,000	103,131
(b) Provision of services to Pacific International Lines	900,000	62,779
7. Transactions under the SIPG Shipping and Terminal Services Agreement		
(a) Purchase of terminal services from Shanghai International Port Group	3,200,000	1,532,424
(b) Provision of shipping services to Shanghai International Port Group	500,000	11,530

Directors' Report

Review of Continuing Connected Transactions for 2021

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirm that these transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions for the year ended 31 December 2021 (the “**Transactions**”) in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor’s letter has been provided by the Company to the Stock Exchange.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2021, so far as was known to the Directors, save as disclosed below, there was no person (other than a Director, Supervisor or chief executives of the Company) who had any other interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name	Capacity and nature of interest	Number of shares/Percentage of total issued share capital of the Company					
		Long position	% (approx.)	Short position	% (approx.)	Lending pool	% (approx.)
China Ocean Shipping Co., Ltd. (a State-owned enterprise in China and a direct controlling shareholder of the Company)	Beneficial owner	A Shares: 5,924,873,037	37.00	-	-	-	-
China COSCO SHIPPING Corporation Limited (a State-owned enterprise in China and an indirect controlling shareholder of the Company)	Beneficial owner Interest of controlled corporation	A Shares: 1,373,515,666	8.58				
		A Shares: 5,924,873,037					
		H Shares: 186,252,000 ⁽¹⁾					
		Subtotal: 6,111,125,037	38.16				
		Total: 7,484,640,703	46.74	-	-	-	-
China Shipping Group Co., Ltd.	Interest of controlled corporation	H Shares: 186,252,000 ⁽¹⁾	1.16	-	-	-	-
BlackRock, Inc. ⁽²⁾	Interest of controlled corporation	H Shares: 240,841,970	1.50	H Shares: 5,178,750	0.03	-	-

Notes:

- (1) Such H Shares were directly held by Peaktrade Investments Limited (“**Peaktrade**”), representing approximately 5.55% of the total issued H Shares as at 31 December 2021. Peaktrade was directly and wholly-owned by COSCO SHIPPING (Hong Kong) Co., Limited, which was directly and wholly-owned by China Shipping Group Co., Ltd., which was in turn directly and wholly-owned by China COSCO SHIPPING Corporation Limited.
- (2) BlackRock, Inc. held relevant interests and short positions in the H Shares through a series of its controlled corporations, representing approximately 7.18% and 0.15% of the total issued H Shares respectively as at 31 December 2021.

Directors' Report

A Share Option Incentive Scheme

On 3 December 2018, the Board approved the Company's proposed adoption of the Share Option Incentive Scheme. In order to further optimize the Share Option Incentive Scheme, the Board approved the Company's proposed adoption of the further revised share option incentive scheme (the **"Further Revised Scheme"**) on 7 May 2019. On 30 May 2019, the Further Revised Scheme was considered and approved by the extraordinary general meeting, A Share class meeting and H Share class meeting of the Company. Pursuant to the Further Revised Scheme, the total number of underlying A Shares in relation to the share options to be granted shall not exceed 218,236,900 A Shares, representing approximately 2.25% of the A share capital of the Company and approximately 1.78% of the total issued share capital of the Company as at 30 June 2020.

On 3 June 2019 (the **"Date of Grant for the First Batch of the Share Options"**), pursuant to the authorization at the General Meetings, 192,291,000 share options were granted by the Board to 465 participants in the first batch under the Further Revised Scheme. The exercise price was RMB4.10 per A Share. The exercise price will be adjusted in accordance with the relevant requirements under the Further Revised Scheme upon occurrence of the adjustment events (including but not limited to the conversion of capital reserve into share capital, bonus issue, sub-division or consolidation of Shares, rights issue or distribution of dividends of the Company). On the Date of Grant for the First Batch of the Share Options, the closing price of A Shares was RMB4.82 per A Share. The closing price of A Shares on the trading day immediately before the Date of Grant for the First Batch of the Share Options was RMB4.78 per A Share.

In the process of registration after the Date of Grant for the First Batch of the Share Options, five participants (not being senior management of the Company) did not accept the share options granted to them due to personal reasons. Under the Further Revised Scheme, the number of participants who were granted share options in the first batch has been adjusted from 465 to 460 and the number of the share options granted in the first batch has been adjusted from 192,291,000 to 190,182,200. For details, please refer to the overseas regulatory announcement of the Company dated 19 July 2019. On 24 July 2019, COSCO SHIPPING Holdings completed the registration in respect of the grant of the share options in the first batch with 190,182,200 share options and 460 participants registered. For details, please refer to the overseas regulatory announcement of the Company dated 25 July 2019.

In order to further enhance the corporate governance of the Company and to promote the Company's operating results and sustainable and healthy development, on 30 March 2020, the Board approved the inclusion of, among others, Directors (excluding independent Directors) to the further revised scope of the participants of the Share Option Incentive Scheme (the **"Participant(s)"**). The relevant amendments were approved by the shareholders of the Company at the shareholders' meetings and the class meetings on 18 May 2020 (the **"Share Option Incentive Scheme (Revised)"**). Please refer to the related announcements of the Company dated 30 March 2020 and 18 May 2020.

On 29 May 2020 (the **"Date of Grant for Reserved Share Options"**), 16,975,200 reserved share options were granted by the Board to 39 participants under the Share Option Incentive Scheme (Revised). The exercise price was RMB3.50 per A Share. The exercise price will be adjusted in accordance with the relevant requirements under the Share Option Incentive Scheme (Revised) upon occurrence of the adjustment events (including but not limited to the conversion of capital reserve into share capital, bonus issue, sub-division or consolidation of Shares, rights issue or distribution of dividends of the Company). On the Date of Grant for Reserved Share Options, the closing price of A Shares was RMB3.16 per A Share. The closing price of A Shares on the trading day immediately before the Date of Grant for Reserved Share Options was RMB3.19 per A Share. Please refer to the related announcement of the Company dated 29 May 2020. On 7 July 2020, COSCO SHIPPING Holdings completed the registration in respect of the grant of the Reserved Share Options with 16,975,200 share options and 39 participants registered. For details, please refer to the overseas regulatory announcement of the Company dated 8 July 2020.

Directors' Report

On 17 May 2021, the Company convened the sixth meeting of the sixth session of the Board and the fourth meeting of the sixth session of the Supervisory Committee, where the Proposal on Adjusting on Scope of Incentive Objects of the Share Option Incentive Scheme, Number of Share Options and Cancellation of Partial Granted but Outstanding Share Options 《關於調整股票期權激勵計劃首次授予激勵對象名單、期權數量並註銷部分已獲授但未行權的股票期權的議案》 and the Proposal on Fulfillment of Exercise Conditions Under the First Grant of Share Option Incentive Scheme 《關於股票期權激勵計劃首次授予期權第一個行權期符合行權條件的議案》 were passed. It was agreed to cancel the 6,791,000 share options granted to the 17 participants in the first batch of incentive objects who no longer complied with the conditions of such incentive due to reasons including resignation, retirement and dismissal, and the number of incentive objects in the first batch and that of the share options initially granted to be adjusted from 460 to 443, and from 190,182,200 to 183,391,200, respectively. It was also agreed to eliminate Sinotrans from the peer benchmark companies, along with the approval for the incentive objects who have fulfilled the exercise conditions under the first grant of Share Option Incentive Scheme to exercise their stock options.

On 7 July 2021, the Company convened the seventh meeting of the sixth session of the Board and the fifth meeting of the sixth session of the Supervisory Committee, where the Proposal on Adjusting the Exercise Price and Number of Options under the Stock Option Incentive Scheme 《關於調整股票期權激勵計劃行權價格及期權數量的議案》 and the Proposal on Adjusting the List of Incentive Objects and the Number of Share Options Granted for the First Time and Cancellation of Certain Stock Options Granted but Not Exercised 《關於調整股票期權首次授予激勵對象名單和期權數量並註銷部分已獲授但未行權的股票期權的議案》 were passed. It was agreed that the Company would adjust both the exercise price and number of stock options under the Stock Option Incentive Scheme according to the actual circumstance of the capitalization of capital reserve in 2020. It was also agreed to cancel the 345,000 share options (equivalent to 448,500 share options upon the adjustment of the number of stock options) granted to one participant in the first batch of incentive objects who no longer complied with the conditions of such incentive due to his/her dismissal, and the number of incentive objects in the first batch and that of the share options initially granted but not exercised (upon the adjustment of the number of stock options) to be adjusted from 443 to 442, and from 164,997,999 to 164,549,499, respectively.

Directors' Report

Movements of share options during the Reporting Period are set out below:

(1) Share options granted to the directors and chief executive of the Company

		Number of share options							
Name of Participant	Position of Participant	Outstanding	Granted	Exercised	Cancelled	Lapsed	Adjusted	Outstanding	Date of grant
		as at 1 January 2021	during the Reporting Period	during the Reporting Period	during the Reporting Period	during the Reporting Period	during the Reporting Period Note (2)	as at 31 December 2021	
YANG Zhijian	Director and General Manager	936,000	–	–	–	–	280,800	1,216,800	Note (3)
FENG Boming	Director	936,000	–	–	–	–	280,800	1,216,800	Note (3)

(2) Share options granted to all participants

		Number of share options							
		Outstanding	Granted	Exercised	Cancelled	Lapsed	Adjusted	Outstanding	
	Number of	as at	during the	during the	during the	during the	during the	as at	
Participants	Participants	1 January	Reporting	Reporting	Reporting	Reporting	Reporting	31 December	Date of
	(person-time)	2021	Period	Period	Period	Period	Period	2021	grant
Directors and chief executive of the Company	2	1,872,000	–	–	–	–	561,600	2,433,600	Note (3)
Senior management of the Company	4	2,835,000	–	935,550	–	–	569,835	2,469,285	Note (5)
	2	1,508,000	–	–	1,508,000	–	–	0	Note (5)
Other key business personnel and management personnel of the Company	438	180,211,200	–	58,861,266	–	–	37,403,126	158,753,060	Note (5)
	16	5,628,000	–	–	5,731,500	–	103,500	0	Note (5)
	37	15,103,200	–	–	–	–	4,530,960	19,634,160	Note (3)
Total	499	207,157,400	0	59,796,816	7,239,500	0	43,169,021	183,290,105	

Notes:

- (1) On 7 July 2021, the Board of Directors agreed that the Company to adjust the exercise price and the number of share options under the Share Option Incentive Scheme (Revised) in accordance with the Conversion Capital Reserve to Share Capital of the Company for 2020 and the Share Option Incentive Scheme (Revised). After the adjustments, the exercise price of options granted for the first time but not yet exercised was adjusted from RMB4.10 per A share to RMB3.15 per A share, and the number of share options granted for the first time but not yet exercised was adjusted from 126,921,538 to 164,997,999. The above changes in the exercise price and the number of the share options granted for the first time but not yet exercised were registered with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 27 August 2021.

Directors' Report

- (2) On 7 July 2021, the Board of Directors agreed that the Company to adjust the exercise price and the number of share options under the Share Option Incentive Scheme (Revised) in accordance with the Conversion Capital Reserve to Share Capital of the Company for 2020 and the Share Option Incentive Scheme (Revised). After the adjustment, the exercise price of reserved share options was adjusted from RMB3.50 per A share to RMB2.69 per A share, and the number of reserved share options was adjusted from 16,975,200 to 22,067,760. The above changes in the exercise price and the number of the reserved share options were registered with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 24 August 2021.
- (3) Such A share options were granted on 29 May 2020 (i.e. the Date of Grant for Reserved Share Options).
- (4) On 17 May 2021, the Board of Directors approved the cancellation of 6,791,000 share options granted to but not exercised by the 17 grantees who were no longer eligible for the scheme due to reasons such as resignation, retirement and dismissal in accordance with the Share Option Incentive Scheme (Revised). On July 7, 2021, the Board of directors also agreed to cancel the 345,000 share options granted to but not yet exercised by the grantee of the First Batch of Share Options who was no longer eligible for the scheme due to dismissal (which was 448,500 share options after adjustment of the number of share options).
- (5) Such A share options were granted on 3 June 2019 (i.e. the Date of Grant for the First Batch of the Share Options).

Validity Period

The Further Revised Scheme (subsequently revised as the "Share Option Incentive Scheme (Revised)") shall be effective for 10 years upon approval by the shareholders' meetings on 30 May 2019.

Exercise Period

- (i) The exercise period in respect of the first batch of the share options commences on the first trading day after the expiration of the 24-month period (two years) from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options) and ending on the last trading day of the 36-month period from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options). The exercisable share options shall be 33% of the total number of share options granted;
- (ii) The exercise period in respect of the second batch of the share options commences on the first trading day after the expiration of the 36-month period (three years) from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options) and ending on the last trading day of the 48-month period from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options). The exercisable share options shall be 33% of the total number of share options granted; and
- (iii) The exercise period in respect of the third batch of the share options commences on the first trading day after the expiration of the 48-month period (four years) from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options) and ending on the last trading day of the 84-month period from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options). The exercisable share options shall be 34% of the total number of share options granted.

Directors' Report

Conditions of Exercise

The following conditions must be satisfied before the share options (including the share options granted on 3 June 2019 and the reserved share options granted on 29 May 2020 by the Company) become effective and exercisable by the Company and the Participants pursuant to the terms of the Share Option Incentive Scheme:

- (i) the Company having achieved the following performance targets, and none of the circumstances as stipulated in the relevant requirements of the SASAC and the CSRC that the share options shall not become effective having occurred:

Exercise period	Performance targets
Exercise period in respect of the first batch of the share options	<p>(a) the EOE for 2020 shall be no less than 12.15% and the 75th percentile of the peer benchmark companies;</p> <p>(b) the growth rate of the net profit attributable to the owners of the parent company for 2020 shall be no less than 8% as compared to that of the financial year ended 31 December 2018; and</p> <p>(c) the EVA for 2020 shall reach the target assigned by COSCO SHIPPING and the change in EVA is greater than 0.</p>
Exercise period in respect of the second batch of the share options	<p>(a) the EOE for 2021 shall be no less than 13% and the 75th percentile of the peer benchmark companies;</p> <p>(b) the growth rate of the net profit attributable to the owners of the parent company for 2021 shall be no less than 18% as compared to that of the financial year ended 31 December 2018; and</p> <p>(c) the EVA for 2021 shall reach the target assigned by COSCO SHIPPING and the change in EVA is greater than 0.</p>
Exercise period in respect of the third batch of the share options	<p>(a) the EOE for 2022 shall be no less than 14% and the 75th percentile of the peer benchmark companies;</p> <p>(b) the growth rate of the net profit attributable to the owners of the parent company for 2022 shall be no less than 30% as compared to that of the financial year ended 31 December 2018; and</p> <p>(c) the EVA for 2022 shall reach the target assigned by COSCO SHIPPING and the change in EVA is greater than 0.</p>

Directors' Report

- (ii) the Participants of the share options granted on 3 June 2019 having met the following conditions conducted pursuant to the revised appraisal measures for the Share Option Incentive Scheme, and none of the circumstances under which a person shall not become a Participant as set out in the Share Option Incentive Scheme having occurred:

Exercise of the first batch of the Share Options	Exercise of the second batch of the Share Options	Exercise of the third batch of the Share Options
the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2020	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2021	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2022

- (iii) the Participants of the reserved share options granted on 29 May 2020 having met the following conditions conducted pursuant to the revised appraisal measures for the Share Option Incentive Scheme, and none of the circumstances under which a person shall not become a Participant as set out in the Share Option Incentive Scheme having occurred:

Exercise of the first batch of the Share Options	Exercise of the second batch of the Share Options	Exercise of the third batch of the Share Options
the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2021	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2022	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2023

- (iv) According to relevant regulations, in order to protect the interests of the minority Shareholders and potential shareholders of the Company, in connection with the non-public issuance of A shares by the Company, the Directors (excluding independent non-executive Directors) and senior management of the Company have undertaken to ensure the Company's strict implementation of the remedial measures of the current return. The Directors (excluding independent non-executive Directors) and senior management of the Company who are also Participants under the Share Option Incentive Scheme, in addition to fulfilling the conditions of exercise above, shall also fulfill the condition of the Company implementing the remedial measures of the current return. The remuneration committee of the Company will appraise the implementation of the remedial measures of the return by the Company.

If one or more of the conditions of exercise in respect of any exercise period are not satisfied, such part of the share options shall lapse and be cancelled by the Company.

Directors' Report

The COSCO SHIPPING Ports Share Option Scheme

On 8 June 2018, the Company and COSCO SHIPPING Ports held an annual general meeting and a special general meeting respectively to consider and approve the adoption of the COSCO SHIPPING Ports Share Option Scheme. The main terms of the COSCO SHIPPING Ports Share Option Scheme are as follows:

The COSCO SHIPPING Ports Share Option Scheme was designed to enable COSCO SHIPPING Ports (i) to establish and cultivate a performance-oriented culture, under which value is created for the shareholders of COSCO SHIPPING Ports, and to establish an interests-sharing and restraining mechanism between the shareholders and the management of COSCO SHIPPING Ports; (ii) to further improve COSCO SHIPPING Ports' corporate governance structure and provide a unified mechanism to balance the interests among the shareholders, decision-makers and executives of COSCO SHIPPING Ports to secure stable and long-term development of COSCO SHIPPING Ports; (iii) to coordinate the short-term and long-term incentives of the management and professional talents of COSCO SHIPPING Ports, to cultivate and strengthen the key personnel, to attract different kinds of talents more flexibly and to improve the long-term development of COSCO SHIPPING Ports; (iv) to effectively motivate the management and key personnel to enhance their performance and the core competitiveness of COSCO SHIPPING Ports; and (v) to further enhance COSCO SHIPPING Ports' competitive advantage in the labour market, to attract, retain and incentivise senior management and personnel at key positions of COSCO SHIPPING Ports for achieving the strategic targets of COSCO SHIPPING Ports, to enhance the realisation of the long-term strategic targets of COSCO SHIPPING Ports and to strengthen cohesion of COSCO SHIPPING Ports.

Eligible participants for the COSCO SHIPPING Ports Share Option Scheme include the directors of COSCO SHIPPING Ports, key management personnel such as senior management members at the headquarters of COSCO SHIPPING Ports and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of COSCO SHIPPING Ports, and senior management members of COSCO SHIPPING Ports' subsidiaries excluding independent non-executive directors, shareholders or de facto controllers of COSCO SHIPPING Ports who on their own or in aggregate holding more than 5% of the shares of COSCO SHIPPING Ports and their respective spouses, parents, children or other associates (as defined under the Listing Rules).

The number of share options to be granted to each participant of the COSCO SHIPPING Ports Share Option Scheme shall be determined on the basis that the estimated benefit upon exercise of the share options will not exceed 40% of twice of his/her total annual emolument (inclusive of the estimated benefit upon exercise of the share options) which was determined according to the annual salary level in 2016. If the results of COSCO SHIPPING Ports is exceptionally outstanding, the cap on the benefit upon exercise of the share options mentioned above may be adjusted according to the regulations of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會) (the "**SASAC**"). The specific operation and arrangement will be implemented by the board of directors of COSCO SHIPPING Ports in accordance with the then regulations of the SASAC.

The maximum entitlement for any one participant of the COSCO SHIPPING Ports Share Option Scheme (including exercised, cancelled and outstanding options) in any 12 months' period shall not exceed 1% of the total number of shares of COSCO SHIPPING Ports in issue.

Directors' Report

As at the date of this report, a total of 49,219,498 shares of COSCO SHIPPING Ports (representing approximately 1.48% of the existing issued shares of COSCO SHIPPING Ports) may be issued upon exercise of all options which were granted and yet to be exercised under the COSCO SHIPPING Ports Share Option Scheme. According to the provisions of the COSCO SHIPPING Ports Share Option Scheme, no share options could be granted under the COSCO SHIPPING Ports Share Option Scheme since 19 June 2019 (i.e. one year from the date of the initial grant).

The share options under the COSCO SHIPPING Ports Share Option Scheme cannot be exercised during the two-year period commencing from the date of grant of the share options (the **"Restriction Period"**). Subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, and each batch of share options vested is exercisable within the relevant exercise period. For details of the vesting and exercise periods in respect of the share options granted, please refer to the table and relevant notes of the table regarding movement of the share options during the year 2021 which is set out at the end of this section.

The validity period within which the participants of the COSCO SHIPPING Ports Share Option Scheme can take up the underlying shares of COSCO SHIPPING Ports under the share options is five years from the date of grant of the share options and no consideration is payable on acceptance of the share options.

The exercise price in relation to each share option is determined based on the principle of fair market value and in any event should be the highest of: (i) the closing price of the shares of COSCO SHIPPING Ports as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on the date when an option was formally granted; (ii) the average closing price of the shares of COSCO SHIPPING Ports as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date on which an option was formally granted; and (iii) the nominal value of the shares of COSCO SHIPPING Ports.

The COSCO SHIPPING Ports Share Option Scheme is valid and effective for a period of ten years commencing from the date of adoption and will expire on 7 June 2028.

Directors' Report

Movements of the share options granted under the COSCO SHIPPING Ports Share Option Scheme, during the year are set out below:

Category	Exercise price per share HK\$	Number of share options					Outstanding at 31 December 2021	% of total number of issued Shares	Exercise period	Notes
		Outstanding at 1 January 2021	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed/Cancelled during the year				
Directors of COSCO SHIPPING Ports										
Mr. Zhang Dayu	7.27	1,200,000	–	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
Mr. DENG Huangjun	7.27	1,200,000	–	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
Dr. WONG Tin Yau, Kelvin	7.27	1,200,000	–	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
		3,600,000	–	–	–	–	3,600,000			
Continuous contract employees										
	7.27	38,499,415	–	–	(465,951)	(425,686)	37,607,778	1.13%	19.6.2020-18.6.2023	(1), (3), (4)
	8.02	604,971	–	–	–	–	604,971	0.02%	29.11.2020-28.11.2023	(5)
	8.48	848,931	–	–	–	(399,205)	449,726	0.01%	29.3.2021-28.3.2024	(6), (7)
	7.27	666,151	–	–	–	(531,008)	135,143	0.00%	23.5.2021-22.5.2024	(8), (9)
	7.57	1,273,506	–	–	–	(424,078)	849,428	0.03%	17.6.2021-16.6.2024	(10), (11)
Others	7.27	6,312,220	–	–	465,951	(483,491)	6,294,680	0.19%	19.6.2020-18.6.2023	(1), (3), (4), (12)
		48,205,194	–	–	–	(2,263,468)	45,941,726			
		51,805,194	–	–	–	(2,263,468)	49,541,726			

Notes:

- The share options were granted on 19 June 2018 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK\$7.27 per share. According to the provisions of the COSCO SHIPPING Ports Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 19 June 2020; (b) 33.3% of the share options will be vested on 19 June 2021; and (c) 33.4% of the share options will be vested on 19 June 2022. Details of the vesting conditions for the share options are more particularly set out in section headed "11. Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options" of the circular of the Company dated 18 May 2018.
- These share options represent the personal interest held by the relevant director of COSCO SHIPPING Ports as a beneficial owner.
- These 465,951 share options were transferred from the category of "continuous contract employees" to the category of "others" pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.
- Amongst the 425,686 share options, 398,546 share options were lapsed due to resignation or retirement of the relevant employees and 27,140 share options were cancelled according to the results of personal performance appraisal of the relevant employees pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.

Directors' Report

- (5) The share options were granted on 29 November 2018 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK\$8.02 per share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 29 November 2020; (b) 33.3% of the share options were vested on 29 November 2021; and (c) 33.4% of the share options will be vested on 29 November 2022.
- (6) The share options were granted on 29 March 2019 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK\$8.48 per share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, such share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 29 March 2021; (b) 33.3% of the share options will be vested on 29 March 2022; and (c) 33.4% of the share options will be vested on 29 March 2023.
- (7) Amongst the 399,205 share options, 116,512 share options were lapsed due to retirement of the relevant employees and 282,693 share options were cancelled due to the dissatisfaction of the performance targets of COSCO SHIPPING Ports pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.
- (8) The share options were granted on 23 May 2019 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK\$7.27 per share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, such share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 23 May 2021; (b) 33.3% of the share options will be vested on 23 May 2022; and (c) 33.4% of the share options will be vested on 23 May 2023.
- (9) Amongst the 531,008 share options, 309,180 share options were lapsed due to resignation of the relevant employees and 221,828 share options were cancelled due to the dissatisfaction of the performance targets of COSCO SHIPPING Ports pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.
- (10) The share options were granted on 17 June 2019 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK\$7.57 per share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 17 June 2021; (b) 33.3% of the share options will be vested on 17 June 2022; and (c) 33.4% of the share options will be vested on 17 June 2023.
- (11) These 424,078 share options were cancelled due to the dissatisfaction of the performance targets of COSCO SHIPPING Ports pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.
- (12) These 483,491 share options were lapsed upon the six months after resignation or retirement of the relevant employees pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.
- (13) No share options were granted or exercised under the COSCO SHIPPING Ports Share Option Scheme during the year.

Capital Increase and Employees' Participation Plan Implemented by Shanghai Pan Asia Shipping Company Limited

Pursuant to the Opinion on Commencement of Pilot Employee Stock Ownership by Stated-Owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133) 《關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革[2016]133號)), during 2017, Shanghai Pan Asia, a subsidiary of COSCO SHIPPING Lines, decided to implement the capital increase and employees participation plan. Shanghai Pan Asia introduced certain strategic investor(s) by participating in the public tender for subscribing for equity on the Shanghai United Assets and Equity Exchange. The subscription price per unit will be not less than the appraised net asset value (after the filing procedures having been completed) per unit of the registered capital of Shanghai Pan Asia. Meanwhile, it introduced employees' participation through the employees' participation platform, under which employees will subscribe for equity interests at the final subscription price of strategic investor(s). Please refer to the announcement of COSCO SHIPPING Holdings dated 18 April 2017 for details.

Directors' Report

As at the end of June 2017, COSCO SHIPPING Lines, Shanghai Pan Asia, Shanghai Fosun Industrial Investment Company Limited (上海復星產業投資有限公司) (a strategic investor) (“**Fosun Industrial Investment**”) and Ningbo Hongyang Investment and Management LLP (寧波泓陽投資管理合夥企業(有限合夥)) (the employees’ participation platform) (“**Hongyang**”) signed an agreement on capital increase and completed the change of industrial and commercial registration. As at the end of 2021, the equity interest in Shanghai Pan Asia was held by COSCO SHIPPING Lines, Shanghai International Port (Group) Co., Ltd., Fosun Industrial Investment, Hongyang and 共青城寰海投資管理合夥企業(有限合夥) (Fosun Group Project Team) as to 62%, 20%, 9.9382%, 8% and 0.0618%, respectively. The participating employees, of a total number of 141, are core management personnel of Shanghai Pan Asia, accounting for 33.3% of its total headcount.

Directors’ and Supervisors’ Interests in Shares, Underlying Shares and Debentures

As at 31 December 2021, the interests of the Directors and Supervisors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Capacity	Number of Shares held as at 31 December 2021	Approximated percentage of total number of the relevant class of the issued share capital	Approximated percentage of total number of the issued share capital
Mr. YANG Zhijian ¹	Beneficial owner	130,000 H Shares	0.00388%	0.00081%
	Beneficial owner	1,216,800 A Shares	0.00961%	0.00760%
Mr. FENG Boming	Beneficial owner ²	1,216,800 A Shares	0.00961%	0.00760%
	Interest of spouse ³	471,630 A Shares	0.00373%	0.00295%
Mr. TEO Siong Seng	Beneficial owner	146,250 H Shares	0.00436%	0.00091%

Note:

- As at 31 December 2021, Mr. Yang Zhijian held 1,216,800 A share options under the A share option incentive scheme of the Company.
- As at 31 December 2021, Mr. Feng Boming held 1,216,800 A share options under the A share option incentive scheme of the Company.
- As at 31 December 2021, the spouse of Mr. Feng Boming held 10,000 A shares and 461,630 A share options under the A share option incentive scheme of the Company.

Directors' Report

(b) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director/ Supervisor	Capacity	Number of shares held	Percentage of total number of issued shares of the relevant class of the relevant associated corporation	Approximate percentage of total number of the issued share capital of the relevant associated corporations
COSCO SHIPPING Development	Mr. YANG Zhijian	Beneficial owner	400,000 H shares	0.01088%	0.00294%
	Mr. FENG Boming	Beneficial owner	22,100 A shares	0.00022%	0.00016%
	Mr. DENG Huangjun	Interest of spouse	38,000 A shares	0.00038%	0.00028%
COSCO SHIPPING Ports	Mr. FENG Boming	Beneficial owner	32,379 ordinary shares	0.00098%	0.00098%
	Mr. DENG Huangjun ¹	Beneficial owner	1,253,154 ordinary shares	0.03780%	0.03780%

Note:

- As at 31 December 2021, Mr. DENG Huangjun was interested in 53,154 shares and 1,200,000 share options of COSCO SHIPPING Ports.

(c) Long positions in the underlying shares of equity derivatives of the Company

Nil.

Share options were granted by COSCO SHIPPING Ports to its certain directors (some of whom were also Directors and Supervisor of COSCO SHIPPING Holdings) pursuant to the share option scheme of COSCO SHIPPING Ports. Details of the Directors' and Supervisor's interest in share options granted by COSCO SHIPPING Ports are set out under the previous section headed "COSCO SHIPPING Ports Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2021, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Report

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO SHIPPING Ports, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2021 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	RMB'000
Non-current assets	11,150,251
Current assets	2,040,415
Current liabilities	(776,815)
Non-current liabilities	(10,217,327)
Net assets	2,196,524
Share Capital	129,962
Reserves	1,808,251
Non-controlling interests	258,311
Capital and reserves	2,196,524

As at 31 December 2021, interests in such affiliated companies attributable to COSCO SHIPPING Ports amounted to RMB2,190,053,000.

Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the Directors and the Supervisors and the five highest paid individuals of the Group are set out in note 38 to the consolidated financial statements.

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2021.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Report

Interests of Directors and Supervisors in Contracts or Arrangements

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contracts or arrangements of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2021.

Permitted Indemnity Provisions

At no time during the Reporting Period and as at the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors of the Company (whether made by the Company or otherwise) or the directors or supervisors of an associated corporation of the Company (if made by the Company).

The Company has arranged appropriate liability insurance for the Directors and Supervisors concerning the relevant legal action they may be faced with.

Board Committees

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance is essential and makes important contribution to the corporate success and to enhancing Shareholder value. Please refer to pages 55 to 95 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2021, there were approximately 30,980 employees in the Group. Total staff costs of the Group for the year, including directors' remuneration, was approximately RMB17,927,199,000 in total.

During the Reporting Period, to enhance the quality and capability of its human resources as well as team spirit and to fully cope with the business development of the Company, the Group organised many professional and comprehensive training programmes. The remuneration policies of the Group (including with respect to emolument payable to the Directors) are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Directors' Report

Shareholders' General Meetings

Meeting session	Date of meeting	The designated website for the publication on the announcement of the resolutions	The date of publication of the announcement of the resolutions
2020 Annual General Meeting	28 May 2021	www.sse.com.cn www.hkexnews.hk	28 May 2021
2021 First Extraordinary General Meeting	29 October 2021	www.sse.com.cn www.hkexnews.hk	29 October 2021
2021 Second Extraordinary General Meeting, 2021 First A Share Class Meeting and 2021 First H Share Class Meeting	29 December 2021	www.sse.com.cn www.hkexnews.hk	29 December 2021

Explanation on general meetings

Please refer to relevant announcements for details.

Objections of independent non-executive directors on relevant matters of the Company

Not applicable

Major opinions and recommendations made by special committees under the Board when performing duties during the Reporting Period

Strategic Development Committee

In 2021, the strategic development committee held two meetings to consider and unanimously approve the 2021 Investment Plan and Disposal Plan of COSCO SHIPPING Holdings and the Development Plan of COSCO SHIPPING Holdings during the 14th Five-Year, respectively. The strategic development committee believes that the 2021 Investment Plan and Disposal Plan of COSCO SHIPPING Holdings is in line with the Company's overall strategic goals for future development, and the Development Plan of COSCO SHIPPING Holdings during the 14th Five-Year is of instructive significance in the Company's business development in the next five years and will help the Company achieve higher quality and sustainable development goals.

Directors' Report

Audit Committee

In 2021, the audit committee of the Board held four meetings, at which the issues considered included reviewing the annual report, interim report, quarterly reports, annual budget plans, continuing connected transactions reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, effectiveness of internal audit functions, appointment of accountancy firms and considered issues including Report on Future Development Trends of the Container Transportation Industry by the strategic development division. The audit committee fully affirmed the work efficiency of COSCO SHIPPING Holdings, while at the same time provided opinions and recommendations on the controllable variables such as the freight volume, the port throughput, the management fees, the operating costs and the fuel prices, as well as the cost control and cash coordination, respectively.

The audit committee of the Board is of the view that the financial reports of COSCO SHIPPING Holdings for various periods in 2021 which had been reviewed were prepared in compliance with Accounting Standards for Business Enterprises and HKFRSs, and the content of disclosure therein also satisfied the requirements of the listing system and regulations of China and Hong Kong.

Remuneration Committee

In 2021, the remuneration committee of the Board held four meetings, at which it considered the Proposal for the 2020 Annual Appraisal of the Senior Management of COSCO SHIPPING Holdings, the Proposal on the 2020 Annual Remuneration Redemption Plan of the Senior Management of COSCO SHIPPING Holdings, the Proposal on Adjusting the List of Incentive Objects and the Number of Share Options Granted for the First Time and Cancellation of Certain Stock Options Granted but Not Exercised, the Proposal on the confirmation of eligibility for the exercise conditions for the first exercise period of the Share Options Granted for the First Time under the Stock Option Incentive Scheme, the Proposal on Adjusting the Exercise Price and Number of Options under the Stock Option Incentive Scheme, the Proposal on Adjusting the List of Incentive Objects and Number of Options for Share Options Granted for the First Time and Cancellation of Certain Stock Options Granted but Not Exercised, the Proposal on Establishing a Term System and Contractual Management System for the Management of COSCO SHIPPING Holdings and the Proposal on Signing of Term Contract Documents with Members of the Management. The Company made recommendations to the Board in respect of the 2020 corporate performance appraisal and individual performance appraisal of senior management, the previous revisions of the Share Option Incentive Scheme of COSCO SHIPPING Holdings, the adjustment on the list of incentive objects and the number of share options granted for the first time, the agreement on granting share options to the incentive objects and the agreement to the term system and contractual management plan and supporting systems for the management of COSCO SHIPPING Holdings.

Directors' Report

The remuneration committee arrived at the opinion that the remuneration of the Company's senior management in 2021 was in compliance with the requirements of performance appraisal and remuneration management system of the Company and the relevant decision-making procedures were lawful and valid.

Nomination Committee

In 2021, the nomination committee held one meeting to nominate Mr. Wan Min to be a candidate for executive director and chairman of the sixth session of the Board.

Risk Management Committee

In 2021, the risk management committee of the Board held four meetings, whereby it reviewed the evaluation report of internal control of the Company and the amendments to the rules of procedures of the Risk Management Committee. Through systematic inspection and assessment, it is of the view that COSCO SHIPPING Holdings has a relatively reasonable and effective internal control and risk management system which provides reasonable assurance to achieve the risk management objective of the Company and the Company is able to analyze the existing conditions of its own control system objectively and to improve, satisfy and adapt to the development requirements of the Company in a timely manner.

The establishment and implementation of the appraisal system and incentive mechanism for senior management during the Reporting Period

Pursuant to the Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd. (considered and approved by the remuneration committee of the fifth session of Board and the Board of the Company), annual salary were paid to senior management members of the Company, including the general manager, deputy general managers, Chief Financial Officer and secretary to the Board. The annual salary comprises basic salary, annual salary based on performance, and task accomplishment bonus, among which, the performance-based annual salary is linked to the appraisal results of the Company and individual appraisal results of the senior management of the Company, and it shall be submitted to the Board of the Company to determine after consideration by the remuneration committee; task accomplishment bonus shall be determined by the accomplishment condition of the Company's annual task objectives.

Internal Control and Self-evaluation Report

According to the requirements of corporate internal control standard system, the Board is responsible for establishing, improving and effectively implementing the internal control, evaluating the effectiveness of the internal control and disclosing the internal control evaluation report accurately. The Supervisory Committee shall supervise the internal control established and implemented by the Board. The management is responsible for organizing and leading the day-to-day operation of the internal control of the Company. The Board, the Supervisory Committee and the Directors, Supervisors and senior management officers of the Company confirm that information contained in this report is true, accurate, and complete without any false and misleading statements or material omissions, and assume several and joint liability for the above.

Directors' Report

The objectives of the Company's internal control are to reasonably guarantee the authenticity and completeness of information of the compliance, asset security, financial report and relevant information of operation and management of the Company, improve the operating efficiency and results, and promote the realization of development strategies. Due to the inherent limitations of the internal control, reasonable guarantees shall only be provided for realizing the above objectives. In addition, changes in situation may result in that the internal control becomes inappropriate or the extent to which the compliance with policies and process is lessened. There may be certain risks in presuming the effectiveness of future internal control according to the evaluation results of the internal control.

The Company's self-evaluation of internal control in 2021

1. On the reference date of the internal control evaluation report of the Company, there were no material defects of internal control in financial reporting.
2. Evaluation work on internal control: the Company completed the self-evaluation work on internal control within the year in an integrated manner of sampling evaluation by the headquarter and the self-evaluation by each unit. Units included in the evaluation were samples picked by the headquarter. All other units completed the self-evaluation in accordance with the requirement of the headquarter. Therefore, overall, the scope of the evaluation covered most of the units within the scope of the listing. The primary businesses and affairs included in the evaluation were governance structure, organizations, development strategies, internal audit, internal monitoring, corporate culture, risk management, information and communication, asset management, investment management, capital management, procurement management, connected transactions, freight forwarding business management (including foreign trade and domestic trade), ship business management, container management, marketing management, legal affair management, production and operation management, contract management, comprehensive budget management, financial report management, human resources management, information system management, and internal system management.
3. Defects of internal control and rectification: the rectification of the Company's defects of internal control from the last year was completed. This year's internal control is in good condition. The Company will continue to strengthen the daily monitoring and annual evaluation of internal control in the next year to ensure the effectiveness of internal control and continuously enhance the management standard of the Company through the establishment of internal control system and the evaluation of internal control.

The Company's self-evaluation report on internal control for 2021 was published on the website of Shanghai Stock Exchange and the website of the Company on 30 March 2022.

Audit report on internal control

In accordance with the relevant requirements, such as the guidelines on internal control audit, the Company engaged ShineWing Certified Public Accountants to audit and prepare the audit report on the internal control of the Company.

For details of the internal control audit report, please refer to the report of the Company released on 30 March 2022 on the website of Shanghai Stock Exchange.

Directors' Report

I. Positions of current Directors, Supervisors and senior management and those who resigned during the Reporting Period

(I) Position in the Controlling Shareholder and other subsidiaries of the Company

Name	Name of entity	Position	Date of appointment	Date of termination
WAN Min	China COSCO SHIPPING Corporation Limited	Chairman of the Board and Secretary of the Party Committee	October 2021	N/A
	Orient Overseas (International) Limited	Chairman of the Board and Executive Director	December 2021	N/A
XU Lirong	China COSCO SHIPPING Corporation Limited	Director and Party Secretary	January 2016	October 2021
	Orient Overseas (International) Limited	Chairman of the Board, Executive Director	August 2018	December 2021
HUANG Xiaowen	China COSCO SHIPPING Corporation Limited	Deputy General Manager	January 2016	N/A
	Orient Overseas (International) Limited	Executive Director, Chief Executive Officer	August 2020	N/A
	Star Cruise International Co. Ltd (星旅郵輪國際有限公司)	Chairman	June 2019	N/A
YANG Zhijian	China COSCO SHIPPING Corporation Limited	Staff Director	May 2019	N/A
	COSCO SHIPPING Lines Co., Ltd.	Chairman, General Manager and Party Secretary	August 2019	N/A
	Orient Overseas (International) Limited	Executive Director	September 2019	N/A
	Orient Overseas Container Line Limited	Director, Chief Executive Officer (CEO) and member of the Executive Committee	September 2019	N/A
	Orient Overseas Container Line Limited	Chairman of the Board and Chairman of the Executive Committee	March 2020	N/A
	Hainan Harbor & Shipping Holding Co., Ltd.	Director	November 2019	N/A
FENG Boming	COSCO SHIPPING Ports Limited	Chairman of the Board and Executive Director	September 2019	N/A
	Orient Overseas (International) Limited	Executive Director	September 2019	N/A
	Qingdao Port International Co., Ltd.	Non-executive Director	June 2020	N/A

Directors' Report

Name	Name of entity	Position	Date of appointment	Date of termination
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	March 2016	N/A
	COSCO SHIPPING Investment Holdings Co., Ltd.	Director	March 2016	N/A
	Piraeus Port Authority S.A.	Non-executive Director	June 2016	N/A
	China Shipping (North America) Company Limited	Director	March 2017	N/A
	China Shipping (Europe) Company Limited	Director	March 2017	N/A
	COSCO SHIPPING International (Hong Kong) Co., Ltd.	Non-executive Director	January 2018	N/A
	Hainan Harbor & Shipping Holding Co., Ltd.	Director	November 2019	N/A
TEO Siong Seng	COSCO SHIPPING Energy Transportation Co., Ltd.	Independent Non-executive Director	December 2015	N/A
YANG Shicheng	COSCO SHIPPING (Tianjin) Company Limited	Full-time External Director	June 2020	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Full-time External Director	June 2020	N/A
	COSCO SHIPPING (Dalian) Co., Ltd./COSCO Shipping Ferry Co., Ltd.	Supervisor	June 2020	N/A
SONG Tao	Shanghai Pan Asia Shipping Company Limited	Party Secretary and Deputy General Manager	March 2016	N/A
DENG Huangjun	COSCO SHIPPING Ports Limited	Executive Director and Deputy General Manager	October 2015	April 2022
YE Jianping	Orient Overseas Container Line Limited	Director and Member of Executive Committee	November 2015	N/A
		Chief Operation Officer	January 2020	N/A
	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	February 2021	N/A
ZHANG Mingwen	Orient Overseas (International) Limited	Chief Financial Officer (CFO)	August 2018	N/A
	Orient Overseas Container Line Limited	Director, Chief Financial Officer and Member of Executive Committee	August 2018	N/A
Steve SIU	COSCO Container Lines Co., Ltd.	Deputy General Manager	February 2019	February 2021
CHEN Shuai	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2016	N/A
	Orient Overseas Container Line Limited	Director and Member of Executive Committee	October 2019	N/A

Directors' Report

(II) Position in other entities

Name	Name of entity	Position	Date of appointment	Date of termination
WAN Min	China National Travel Service Group Corporation Limited	Chairman	December 2017	October 2021
Huang Xiaowen	China Marine Bunker (Petro China) Co., Ltd.	Chairman	July 2017	N/A
	China Shipping & Sinopec Suppliers Co., Ltd.	Deputy chairman	June 2017	N/A
	China LNG Shipping (Holdings) Limited	Chairman	July 2017	N/A
WU Dawei	Jiangsu Zhongtian Technology Co., Ltd.	Independent Non-executive Director	June 2019	N/A
ZHOU Zhonghui	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Independent Non-executive Director	May 2013	N/A
	S.F. Holding Co., Ltd.	Independent Non-executive Director	December 2016	N/A
	Oriental Pearl Group Co., Ltd.	External Supervisor	June 2015	N/A
	CITIC Securities Company Limited	Independent Non-executive Director	December 2019	N/A
TEO Siong Seng	Pacific International Lines (Pte) Ltd	Executive Chairman	January 1979	N/A
	Singamas Container Holdings Limited	Chairman and Chief Executive Officer	October 1988	N/A
	Keppel Corporation Limited	Independent Non-executive Director	November 2019	N/A
	Wilmar International Limited	Independent Non-executive Director	February 2020	N/A
MA Si-hang Frederick	Husky Energy Inc.	Non-executive Director	July 2010	January 2021
	FWD Group	Independent Non-executive Director	December 2013	N/A
	New Frontier Corporation	Director	July 2019	January 2022
	Guangshen Railway Co. Ltd.	Independent Non-executive Director	June 2020	N/A
	HH&Acquisition Co.	Independent Non-executive Director	February 2021	N/A
	Unicorn II Holdings Limited	Independent Non-executive Director	January 2022	N/A

Directors' Report

Name	Name of entity	Position	Date of appointment	Date of termination
MENG Yan	Sinotrans Limited	Independent Non-executive Director	January 2019	N/A
	Beijing Bashi Media Co., Ltd.	Independent Non-executive Director	June 2017	N/A
	Beijing Capital Co., Ltd.	Independent Non-executive Director	December 2017	N/A
	China Isotope & Radiation Corporation	Independent Non-executive Director	February 2017	February 2021
	Qianxin Technology Co., Ltd. (奇安信科技股份有限公司)	Independent Non-executive Director	May 2019	N/A
	Changchun Engley Automobile Industry Co., Ltd. (長春英利汽車工業股份有限公司)	Independent Non-executive Director	July 2018	N/A
ZHANG Jianping	Hunan Valin Steel Co., Ltd.	Independent Non-executive Director	February 2016	N/A
	Shenzhen Worldunion Group Incorporated (深圳世聯行集團有限公司)	Independent Non-executive Director	October 2019	N/A
	China First Heavy Industries Co., Ltd.	Independent Non-executive Director	June 2019	N/A
	Cinda Securities Company Limited	Independent Non-executive Director	May 2019	N/A

Directors' Report

II. Remuneration of Directors, Supervisors and Senior Management of the Company

Determination of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined at Shareholders' meeting. Determination of the remuneration of the senior management of the Company is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the Reporting Period" under the Directors' Report of this annual report.
Basis of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined at Shareholders' meeting. Decision-making process of the remuneration of the senior management of the Company is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the Reporting Period" under the Directors' Report of this annual report.
Remuneration payable to Directors, Supervisors and senior management	The salaries of Directors and Supervisors shall be paid in accordance with the service contracts entered into by them. Remuneration of the senior management of the Company shall be determined on annual basis taking into account the operating results and annual personal appraisal results and in accordance with the "Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd." approved by the Board.
Total actual remuneration of all Directors, Supervisors and senior management during the Reporting Period	RMB44.9562 million (before tax)

III. Changes in Directors, Supervisors and Senior Management of the Company during the Reporting Period

Name	Position	Change	Reason of change
WAN Min	Executive Director, Chairman	Elected	Elected at the general meeting and the meeting of the Board
XU Lirong	Executive Director, Chairman of the Board	Resigned	Change of Job position
Steve SIU	Deputy General Manager	Resigned	Retirement

Directors' Report

Changes in Directors, Supervisors and Senior Management of the Company

1. Appointment of Directors and Changes

- (1) On 6 December 2021, the Company held the 11th meeting of the 6th session of the Board and accepted the resignation of Mr. Xu Lirong as chairman of the Board and executive director with immediate effect. Mr. Wan Min was nominated as a candidate for appointment as an executive director of the 6th session of the Board and was recommended as a candidate for chairman of the Board. For details, please refer to the announcement of the Company dated 6 December 2021 and the circular of the Company dated 14 December 2021.
- (2) On 29 December 2021, the Company held the 2nd extraordinary general meeting in 2021 and approved the appointment of Mr. Wan Min as an executive director of the 6th session of the Board of the Company, which took effect on the same day. For details, please refer to the circular of the Company dated 14 December 2021 and the announcement of the Company dated 29 December 2021.
- (3) On 29 December 2021, Mr. Wan Min was elected as the chairman of the 6th session of the Board of the Company at the 12th meeting of the 6th session of the Board of the Company, which took effect on the same day. For details, please refer to the announcement of the Company dated 29 December 2021.

2. Appointment of Supervisors and Changes

Not applicable

3. Changes in Senior Management

On 19 February 2021, Mr. Steve SIU voluntarily resigned from his position as Deputy General Manager of the Company due to his retirement, which took effect on the same day.

IV. Penalty imposed by security regulatory authorities in recent three years

Not applicable

Directors' Report

V. Staff of the Company and its significant subsidiaries

(1) Information of staff

Number of working staff of the company	36
Number of working staff of significant subsidiaries	30,944
Total number of working staff	30,980

Qualification	
Class of qualification	Number of staff
Production	4,904
Sales	8,191
Technicians	3,853
Accounting	2,095
Administration	2,045
Other	9,892
Total	30,980

Education level	
Level of education	Number of staff
Secondary or below	5,288
Tertiary	8,310
Graduate	14,992
Master's degree or above	2,390
Total	30,980

Directors' Report

(2) Remuneration policy

To allow all staff to enjoy the development results of the Company, the Company regularly improve its staff remuneration, benefit and insurance policy in accordance with the conditions of the Company and the external and internal business environment to facilitate the development of the Company and the building of a strong working team.

The Company also safeguards the legal rights of less privileged group of staff strictly in accordance with the laws and regulations of China. For entities operating in the PRC, the Company determines the minimum salary standard of staff in accordance with the requirements of the local governments. The Company has established retirement benefit scheme, medical insurance scheme, work injury insurance scheme, pregnancy and birth insurance scheme and unemployment insurance scheme for all staff. The Company has also established a housing provident fund. For entities operating outside China, the Company has established a remuneration policy strictly in accordance with the laws and regulations and policies of the local governments.

(3) Training Program

By focusing on core tasks of the Company and maintaining the overall situation of reform, development and stability, the Company enhanced the comprehensiveness, pertinence and effectiveness of educational training, speeded up the reform and innovation of such work and continued to improve the scientific level of educational training under the people-oriented principle to safeguard the healthy, stable and sustainable development of the Company. In 2021, the training was carried out mainly in the following two aspects: firstly, the Company focused on providing training for personnel at key positions and areas and coordinated training for personnel of all categories at all levels. Secondly, the Company has continuously innovated and improved the training mechanism and further enhanced the scientific level of trainings.

(4) Outsourcing

Total cost of outsourcing	RMB0.603 billion
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Directors' Report

VI. Repurchase, Sale or Redemption of the Company's Shares

During the Reporting Period, the Company did not redeem any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

VII. Public Float

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the public float of the Company satisfied the requirement of the Listing Rules.

By Order of the Board of Directors

Wan Min

Chairman

Shanghai, the PRC

30 March 2022

Report of Supervisory Committee

Work Report of the Supervisory Committee of COSCO SHIPPING Holdings for 2021

The Supervisory Committee of the Company conscientiously performs its duties in the interest of Shareholders and conducts its work proactively and diligently in accordance with the laws and regulations in the places where the Company's shares are listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other laws. In 2021, the Company held six meetings of the Supervisory Committee in total, including two physical meetings and four meetings by written correspondence or communication.

Members of the Supervisory Committee were present at general meetings, board meetings and meetings of the Supervisory Committee to listen to work reports and financial reporting, review financial reports and audit reports and supervise the procedures and the resolutions of the board meetings and general meetings, the implementation of resolutions made at general meetings, the conduct of duties by the Directors and senior management of the Company, financial position of the Company, the implementation of the Company's internal control, the connected transactions, the amendment of the Articles of Association by the Company and others, and issued their opinion individually so as to safeguard the interests of the Shareholders and the Company lawfully.

The Supervisory Committee is of the opinion that the Board and the senior management of the Company have strictly complied with the Articles of Association and the relevant requirements of the applicable laws in the places where the Company's shares are listed, and have dutifully and diligently conducted the Company's operations within the relevant regulatory framework. The Supervisory Committee was not aware that the Directors and senior management of the Company violated applicable laws, the Articles of Association or the interests of the Company. The Supervisory Committee has no objection to the supervision matters during the Reporting Period.

The Supervisory Committee has carefully reviewed period reports such as annual report, interim report and quarterly reports and signed the written confirmation for the periodic reports of the Company. The Supervisory Committee is of the opinion that there is no false and misleading statements or material omissions in the annual report, interim report and the quarterly reports of the Company.

The Supervisory Committee has reviewed 2021 annual financial report of the Company, the annual profit distribution plan and the unqualified auditor's report issued by the Company's domestic and overseas auditors. The Supervisory Committee agreed with the unqualified auditor's report issued by ShineWing Certified Public Accountants and PricewaterhouseCoopers.

The Supervisory Committee has reviewed the "2021 Annual Evaluation Report of Internal Control" issued by the Board and was of the view that the report truly reflected the basic situation of the Company's internal control and complied with the relevant laws and regulations of the PRC and the requirements of the securities regulatory authorities.

Report of Supervisory Committee

The Supervisory Committee has carefully reviewed the Proposal on Adjusting the Exercise Price and the Number of Options of the Share Option Incentive Scheme 《關於調整股票期權激勵計劃行權價格及期權數量的議案》 and the Proposal on Adjusting the List of Participants and Number of Options under the First Grant of Share Option and Cancelling Certain Share Options Granted but Not Exercised 《關於調整股票期權首次授予激勵對象名單和期權數量並登出部分已獲授但未行權的股票期權的議案》 and signed the review opinions on the matters considered in the year. The Supervisory Committee is of the opinion that the resolution is true and in compliance with standardized procedure and in accordance with the requirements of relevant laws, regulations and normative documents.

Given the fluctuating pandemic, the Supervisory Committee could not conduct on-site work investigations on the subsidiaries in 2021. In 2022, based on the control and precaution of the epidemic, the Supervisory Committee will adhere to the basis of laws and regulations such as laws and regulations in relation to listed companies, the Articles of Association and the Rules of Procedures of the Supervisory Committee. It does not participate or intervene with the daily decision-making and the specific operating and management activities. It will conduct on-site supervisory inspection and investigations at the grassroots units of the Company, conduct investigations and supervisory inspection on areas such as the Company's implementation of relevant laws and regulations and the preservation and appreciation of value of assets to ensure sufficient supervision and scientific appraisals and suggestions. The standard operation of the corporate governance of the Company was further improved.

In 2022, the Supervisory Committee will continue to strictly comply with the Articles of Association and the relevant requirements, strengthen the construction of the Supervisory Committee and to increase its supervision efforts to effectively safeguard and protect the lawful interests of the Company and the Shareholders.

Supervisory Committee of COSCO SHIPPING Holdings Co., Ltd.

30 March 2022

Independent Auditor's Report

TO THE SHAREHOLDERS OF COSCO SHIPPING HOLDINGS CO., LTD.

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

Opinion

What we have audited

The consolidated financial statements of COSCO SHIPPING Holdings Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), which are set out on pages 144 to 283, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

Key Audit Matters

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

Key audit matters identified in our audit are summarized as follows:

- Impairment assessment of goodwill;
- Freight revenues for vessel voyages in progress at year end;
- Operating costs accrual; and
- Provision for onerous contract for the Terminal Service Agreement ("TSA") for Long Beach Container Terminal ("LBCT");

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill <i>Refer to note 2(g), 2(h), 4(a) and 10 to the consolidated financial statements.</i>	
<p>As at 31 December 2021, the Group had goodwill with total carrying amount of RMB5,638 million.</p> <p>Management tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2(g). The recoverable amounts of cash generating units ("CGUs") have been determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets which involve judgments by management such as determining revenue growth rates, operating margins and the discount rate. Changes in these assumptions may impact the recoverable amount of goodwill. Management concluded that the goodwill was not impaired.</p> <p>We focused on this area as the assessment involved significant judgments, including the revenue growth rates, operating margins and discount rate applied to the estimates of the recoverable amount. All these factors are with estimation uncertainties and may impact the results of the impairment assessment.</p>	<p>Our procedures in relation to management's impairment assessment of goodwill included:</p> <ul style="list-style-type: none"> • obtained an understanding of the management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • compared and analyzed the actual results of relevant asset during the current year against the respective forecasts in previous year to evaluate the reliability of management's historical prediction of future cash flow; • agreed the input data used by the management with supporting evidence such as financial budgets; • involved our internal valuation experts to evaluate the appropriateness of the valuation methodologies used to determine value-in-use and benchmarked the discount rates applied to other comparable companies in the same industry; • assessed the reasonableness of key assumptions applied in the financial budgets such as revenue growth rates and operating margins applied by management by comparing historical performance and available market reports, where applicable; and • assessed management's sensitivity analyzes on the key assumptions, to ascertain the extent to which adverse changes, would result in the assets being impaired. <p>Based on the audit procedures performed, we found the key judgments and assumptions used in the impairment assessment of goodwill were supportable based on the evidence we gathered.</p>

Independent Auditor's Report

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Freight revenues for vessel voyages in progress at year end <i>Refer to note 2(v), 4(b) and 5 to the consolidated financial statements.</i>	
<p>For the year ended 31 December 2021, the Group recognized revenue of RMB333,694 million from its continuing operations, out of which RMB327,909 million was related to freight revenues from container shipping.</p> <p>The Group recognizes freight revenues over time which is determined on the time proportion of each individual vessel voyage completed at year end with reference to their voyage details such as freight rates, voyage departure and arrival information.</p> <p>We focused on the recognition of freight revenues at year end because the transaction volume of the voyages which were in progress at year end is significant and complex calculations are involved in the estimation of freight revenue on a percentage of completion basis.</p>	<p>Our procedures in relation to management's estimation of freight revenues for vessel voyages in progress at year end included:</p> <ul style="list-style-type: none"> obtained an understanding of management's internal control and estimation process and assessed the level of inherent risk by considering the degree of estimation uncertainty and factors such as complexity; evaluated and tested the key controls that management has established in respect of recording freight revenues, focusing on management's controls over the estimate of freight revenues for vessel voyages which were still in progress at year end; tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer contracts; checked the vessel voyage departure and arrival information (i.e. time and date) from the Group's IT system on a sample basis against the supporting documents such as terminal records; and recomputed the estimated freight revenues calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records. <p>Based on the audit procedures performed, we found the freight revenues for vessel voyages in progress at year end were supportable based on the evidence we gathered.</p>

Independent Auditor's Report

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Operating costs accrual <i>Refer to note 4(b) and 30 to the consolidated financial statements.</i>	
<p>As at 31 December 2021, included in the accrued expenses of RMB52,564 million was a provision for operating costs for container shipping business which mainly comprise cargo costs and voyage costs.</p> <p>As generally, it would take management several months to finalize certain costs with suppliers subsequent to the receipts of such services, management makes a provision at the period end for operating costs that are yet to be billed by the suppliers based on known services received, pattern of historical cost and estimated vendor tariffs etc.</p> <p>We focused on the estimation of provision for operating costs because it involved significant management's judgments which are subjective taking into account a number of factors, such as pattern of historical cost, completeness of services received and the estimated vendor tariffs.</p>	<p>Our procedures in relation to management's estimation of operating costs accrual included:</p> <ul style="list-style-type: none"> obtained an understanding of management's internal control and assessment of process for operating costs accrual, and assessed the level of inherent risk by considering the degree of estimation uncertainty and factors such as subjectivity; evaluated and tested the key controls over the operating costs, cost provisioning and accounts payable cycle, in particular relating to the accuracy of the vendor tariffs in the operation system; reviewed and discussed monthly trend analysis for provision for operating costs with management to assess the sufficiency of provisions made; reviewed paid and unpaid invoices after year end to ascertain whether liabilities had been recorded in the proper period, on a sample basis; checked and discussed with management about the subsequent utilization of provision for operating costs to evaluate the sufficiency of provision made; and recomputed the provision for operating costs, on a sample basis. <p>Based on the audit procedures performed, we found the operating costs accrual were supportable based on the evidence we gathered.</p>

Independent Auditor's Report

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for onerous contract for the TSA for LBCT <i>Refer to notes 2(n), 4(c) and 27 to the consolidated financial statements.</i>	
<p>In October 2019, Orient Overseas International Limited ("OOIL"), a subsidiary of the Company, entered into a terminal service agreement for procuring the placement of an annual minimum number of vessel lifts ("MVC") at LBCT for each of the 20 years commencing on 1 November 2019. According to the TSA, OOIL is entitled to an excess rebate or obliged to pay a deficiency payment when there is surplus or shortfall over the respective MVC for each year during the contract period.</p> <p>A provision should be made for the present obligation under the TSA where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Management performed an assessment to determine if any onerous provision for the TSA is required.</p> <p>As at 31 December 2021, the Group recognized a provision for onerous contract of US\$651.7 million (equivalent to approximately RMB4,155.3 million) for the TSA, which is calculated using an expected value approach involving probability weighted possible scenarios taking into considerations of respective economic benefits to be received and associated fulfilment costs during the remaining contract period.</p> <p>The estimation of the fulfilment costs and economic benefits over the remaining contract period involves significant judgments and assumptions including, a) the projected vessel lifts to be placed at LBCT, b) the expected amount of deficiency payment/excess rebates as stipulated in the TSA when the volume is below/in excess of the MVC, c) the amount of expected bunker costs and other operating costs and d) the expected freight rate from operating the service routes to/from LBCT.</p> <p>We focused on this area because of the significance of the onerous provision as well as the estimation of it involved a high degree of uncertainty. The inherent risk in relation to the onerous contract assessment is significant due to the complexity of the calculation methodology and model and high level of subjectivity of management's judgments and assumptions made.</p>	<p>Our procedures in relation to the assessment of the provision for onerous contract for the TSA included:</p> <ul style="list-style-type: none"> obtained an understanding of management's assessment process of the onerous provision for the TSA and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and factors such as complexity and subjectivity; evaluated the appropriateness of the identification of expected economic benefits and fulfilment cost element included in management's assessment through discussion with management and corroborated with our review of the key terms of the TSA and our understanding of the applicable accounting standard requirements; assessed the calculation methodology and model for onerous contract provision with the involvement of our in house specialists; evaluated management's projected vessel lifts for the remaining contract period under the TSA through discussion with management, referencing to market data and comparing to historical vessel lifts and trends of LBCT; checked management's calculation of the excess rebate or deficiency payment according to the terms in the TSA and the projected vessel lifts at LBCT; assessed the reasonableness of expected bunker costs with reference to market forecast and other expected operating costs and freight rate based on the approved budget, market data, and our knowledge of the business and industry;

Independent Auditor's Report

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for onerous contract for the TSA for LBCT (Continued) <i>Refer to notes 2(n), 4(c) and 27 to the consolidated financial statements.</i>	
	<ul style="list-style-type: none"> evaluated the probability weighting applied to the possible scenarios prepared by management based on our understanding of the OOIL's business and industry as well as discussion with management and corroborated with management's sensitivity analysis on the probability weighting applied to possible scenarios; evaluated the appropriateness and adequacy of the relevant disclosures made in the Group's consolidated financial statements. <p>Based on the audit procedures performed, we found the calculation methodology and model, judgments and assumptions used in the estimation of the provision of onerous contract were supportable based on the evidence we gathered.</p>

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

Consolidated Balance Sheet

As At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	106,444,191	102,834,477
Right-of-use assets	7	55,636,057	48,311,452
Investment properties	8	2,176,033	2,222,665
Intangible assets	9	4,795,515	5,008,408
Goodwill	10	5,638,475	5,826,764
Investments in joint ventures	12	8,571,651	9,138,021
Investments in associates	13	23,414,756	22,207,501
Financial assets at fair value through other comprehensive income	15	1,726,053	1,787,572
Financial assets at fair value through profit or loss	16	394,798	–
Financial assets at amortized cost	17	626,954	739,240
Restricted bank deposits	20	9,758	2,094
Deferred income tax assets	18	721,831	844,779
Loans to joint ventures and associates	14	765,644	881,028
Pension and retirement assets	29	78,090	–
Other non-current assets	19	161,608	158,201
Total non-current assets		211,161,414	199,962,202
Current assets			
Inventories	21	5,409,245	3,231,549
Trade and other receivables and contract assets	22	17,909,814	14,948,681
Financial assets at fair value through profit or loss	16	360,105	656,143
Financial assets at amortized cost	17	105,438	222,612
Taxes recoverable		61,838	55,592
Restricted bank deposits	20	371,501	218,964
Cash and cash equivalents	20	177,946,969	52,630,331
Assets classified as held for sale	23	341,757	–
Total current assets		202,506,667	71,963,872
Total assets		413,668,081	271,926,074

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	24	16,014,126	12,259,529
Reserves	25	117,080,199	31,654,337
		133,094,325	43,913,866
Non-controlling interests		45,766,217	34,783,191
Total equity		178,860,542	78,697,057
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	59,256,792	72,956,200
Lease liabilities	7	40,471,216	39,657,148
Provisions and other liabilities	27	4,558,851	2,707,714
Put option liability	28	1,480,838	1,472,532
Pension and retirement liabilities	29	406,431	450,855
Derivative financial liabilities		19,071	50,581
Deferred income tax liabilities	18	7,256,343	1,905,021
Total non-current liabilities		113,449,542	119,200,051
Current liabilities			
Trade and other payables and contract liabilities	30	87,050,918	44,682,765
Derivative financial liabilities		21,826	24,201
Short-term borrowings	26	1,655,659	6,130,490
Current portion of long-term borrowings	26	12,421,244	15,884,981
Current portion of lease liabilities	7	10,963,457	5,790,864
Current portion of provisions and other liabilities	27	40,988	25,254
Tax payables		9,203,905	1,490,411
Total current liabilities		121,357,997	74,028,966
Total liabilities		234,807,539	193,229,017
Total equity and liabilities		413,668,081	271,926,074
Net current assets/(liabilities)		81,148,670	(2,065,094)
Total assets less current liabilities		292,310,084	197,897,108

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 144 to 283 were approved by the Board of Directors on 30 March 2022 and were signed on its behalf.

Mr. Yang Zhijian
Director

Mr. Feng Boming
Director

Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Continuing operations			
Revenues	5	333,693,611	171,258,834
Cost of services	31	(193,568,231)	(147,117,042)
Gross profit		140,125,380	24,141,792
Other income	32	1,540,605	2,018,765
Other expenses	32	(805,430)	(571,619)
Net impairment losses on financial assets		(181,175)	(107,747)
Selling, administrative and general expenses	31	(12,382,322)	(9,906,472)
Operating profit		128,297,058	15,574,719
Finance income	33	1,102,552	634,269
Finance costs	33	(3,833,570)	(4,364,819)
Net finance costs		(2,731,018)	(3,730,550)
		125,566,040	11,844,169
Share of profits less losses of			
– joint ventures	12	694,459	655,548
– associates	13	1,688,803	1,447,992
Profit before income tax from continuing operations		127,949,302	13,947,709
Income tax expenses	34	(24,096,751)	(760,215)
Profit for the year from continuing operations		103,852,551	13,187,494
Profit for the year		103,852,551	13,187,494
Profit attributable to:			
– Equity holders of the Company		89,296,138	9,927,098
– Non-controlling interests		14,556,413	3,260,396
		103,852,551	13,187,494
		2021 RMB	2020 RMB
Earnings per share attributable to equity holders of the Company:			
Basic earnings per share	36	5.59	0.62
Diluted earnings per share	36	5.56	0.62

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

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

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company			Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000		
Balance at 1 January 2021	12,259,529	31,654,337	43,913,866	34,783,191	78,697,057
Comprehensive income					
Profit for the year	-	89,296,138	89,296,138	14,556,413	103,852,551
Other comprehensive income/(loss):					
Share of other comprehensive income of joint ventures and associates, net	-	40,137	40,137	7,787	47,924
Cash flow hedges, net of tax	-	8,905	8,905	15,456	24,361
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	-	(26,444)	(26,444)	(23,732)	(50,176)
Remeasurements of post-employment benefit obligations	-	119,858	119,858	38,330	158,188
Currency translation differences	-	(1,386,227)	(1,386,227)	(743,528)	(2,129,755)
Total other comprehensive loss	-	(1,243,771)	(1,243,771)	(705,687)	(1,949,458)
Total comprehensive income	-	88,052,367	88,052,367	13,850,726	101,903,093
Transactions with owners:					
Issue of A shares in connection with the exercise of share options	59,797	182,209	242,006	-	242,006
Transfer from capital reserve	3,694,800	(3,694,800)	-	-	-
Transaction with non-controlling shareholders of subsidiaries	-	821,836	821,836	2,983,799	3,805,635
Acquisition of a subsidiary	-	-	-	1,755,698	1,755,698
Dividends declared to non-controlling shareholders of subsidiaries	-	-	-	(7,591,237)	(7,591,237)
Fair value of share options granted	-	87,172	87,172	3,807	90,979
Put option liability movement	-	(21,341)	(21,341)	(21,147)	(42,488)
Others	-	(1,581)	(1,581)	1,380	(201)
Total transactions with owners	3,754,597	(2,626,505)	1,128,092	(2,867,700)	(1,739,608)
Balance at 31 December 2021	16,014,126	117,080,199	133,094,325	45,766,217	178,860,542

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity holders of the Company			Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000		
Balance at 1 January 2020	12,259,529	23,100,147	35,359,676	33,765,561	69,125,237
Comprehensive income					
Profit for the year	–	9,927,098	9,927,098	3,260,396	13,187,494
Other comprehensive income/(loss):					
Share of other comprehensive income of joint ventures and associates, net	–	16,740	16,740	40,416	57,156
Cash flow hedges, net of tax	–	(380)	(380)	3,823	3,443
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	(111,646)	(111,646)	(79,266)	(190,912)
Remeasurements of post-employment benefit obligations	–	(28,060)	(28,060)	(11,691)	(39,751)
Currency translation differences	–	(1,813,806)	(1,813,806)	(1,074,876)	(2,888,682)
Total other comprehensive loss	–	(1,937,152)	(1,937,152)	(1,121,594)	(3,058,746)
Total comprehensive income	–	7,989,946	7,989,946	2,138,802	10,128,748
Transactions with owners:					
Acquisition of additional interest in a subsidiary	–	321,900	321,900	(216,637)	105,263
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	(1,009,821)	(1,009,821)
Partial disposal of a subsidiary	–	118,123	118,123	563,447	681,570
Fair value of share options granted	–	146,595	146,595	6,473	153,068
Disposal of subsidiaries	–	–	–	(440,225)	(440,225)
Put option liability movement	–	(27,618)	(27,618)	(27,366)	(54,984)
Others	–	5,244	5,244	2,957	8,201
Total transactions with owners	–	564,244	564,244	(1,121,172)	(556,928)
Balance at 31 December 2020	12,259,529	31,654,337	43,913,866	34,783,191	78,697,057

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	181,548,775	45,015,939
Interest received		1,100,339	634,269
Income tax paid		(11,700,740)	(719,652)
Net cash generated from operating activities		170,948,374	44,930,556
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties and intangible assets		(9,549,916)	(6,668,775)
Acquisition of subsidiaries, net cash (paid)/acquired	41	(904,953)	66,565
Investments in joint ventures and associates, financial assets at fair value through profit or loss		(1,443,091)	(1,245,027)
Proceeds from disposal of property, plant and equipment, investment properties, and intangible assets		409,033	202,635
Cash received from disposal of investment in associates and joint ventures and subsidiaries		841,407	1,168,678
Disposal of financial assets at fair value through profit or loss, or financial assets at amortized cost		476,280	626,033
Dividends received from joint ventures		637,692	578,406
Dividends received from associates		865,070	930,721
Interest income from financial assets		51,719	53,678
Repayment of loan from a disposed subsidiary		—	835,500
Others		73,614	264,273
Net cash used in investing activities		(8,543,145)	(3,187,313)

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from financing activities	39(b)		
Proceed from borrowings		7,322,347	25,348,368
Repayment of borrowings		(28,246,655)	(45,708,362)
Loans from non-controlling shareholders of subsidiaries, net of repayment		184,152	(75,794)
Loans from an associate		137,486	121,585
Repayment of loan from an associate		–	(247,048)
Repayment of loan from a joint venture		–	(227,982)
Transaction with non-controlling shareholders of subsidiaries		3,805,635	686,306
Dividends paid to non-controlling shareholders of subsidiaries		(7,598,713)	(2,380,712)
Issue of A shares in connection with the exercise of share options		242,006	–
Payment of lease liabilities		(8,867,335)	(10,650,324)
Interest paid		(2,063,280)	(3,433,240)
Others		(46,126)	328,912
Net cash used in financing activities		(35,130,483)	(36,238,291)
Net increase in cash and cash equivalents		127,274,746	5,504,952
– Net increase in cash and cash equivalents from continuing operations		127,274,746	5,579,968
– Net decrease in cash and cash equivalents from assets classified as held for sale		–	(75,016)
Cash and cash equivalents as at 1 January		52,630,331	49,764,800
Exchange differences		(1,958,108)	(2,639,421)
Cash and cash equivalents as at 31 December	20	177,946,969	52,630,331

The notes on pages 152 to 283 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

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

The directors of the Company (the “Directors”) regard China COSCO SHIPPING Corporation Limited (“COSCO SHIPPING”), a state-owned enterprise established in the PRC, as being the Company’s parent company (note 44). COSCO SHIPPING and its subsidiaries (other than the Group) are collectively referred to as “COSCO SHIPPING Group”. The Directors regard China Ocean SHIPPING Company Limited (“COSCO”) as the immediate parent company.

The consolidated financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

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

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

(a) Basic of preparation

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention except for certain financial assets and liabilities (including derivative instruments) which have been stated at fair value or revalued amount.

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

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

Amendments to existing standards

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and
HKFRS 16 (Amendments)

Interest Rate Benchmark Reform – Phase 2

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

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(a) Basic of preparation (Continued)

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

The following standards, amendments, interpretation and improvements to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, amendments, interpretation and improvements		
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
HKAS 16 (Amendment)	Property, Plant and Equipment – Proceeds before Intended Use	1 January, 2022
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations	1 January, 2022
Annual improvement project	Annual improvements to HKFRSs 2018-2020	1 January, 2022
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract	1 January, 2022
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January, 2022
HKFRS 17 (Amendment)	Insurance Contracts	1 January, 2023
HKAS 1 (Amendment)	Classification of Liabilities as Current or Non-current	1 January, 2023
HKFRS 17	Insurance Contracts	1 January, 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January, 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January, 2023
HKAS 8 (Amendment)	Definition of Accounting Estimates	1 January, 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January, 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations”. In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

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

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the year in which it is incurred.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Purchase method of accounting for non-common control combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)(i)). The consideration transferred for the acquisition of subsidiaries is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss.

(iii) Subsidiaries

Subsidiary are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less impairment (note 2(h)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting (Continued)

(iv) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interest put options are put options over non-controlling interests accounted for using the present access method. Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognized as financial liabilities.

Under this method, the non-controlling interest is not derecognized when the financial liability in respect of the put option is recognized, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest.

Non-controlling interest put options are initially recognized at the present value of expected future cash flows and subsequently remeasured at the present value of expected future cash flows with any changes in value (accretion and interest) through equity.

(v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as joint venture, associate, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(vi) Investments in joint ventures/associates

HKFRS 11 classifies joint arrangements as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting (Continued)

(vi) Investments in joint ventures/associates (Continued)

Investments in joint ventures/associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investments in joint ventures/associates include goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at the date of acquisition.

If the ownership interest in a joint venture/an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its joint ventures'/associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture/an associate equals or exceeds its interest in the joint ventures/associates, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures/associates.

Dilution or partial disposal gains and losses arising in investments in joint ventures/associates are recognized in the consolidated income statement.

In the Company's balance sheet, the investments in the joint ventures/associates are stated at cost less provision for impairment losses (note 2(h)). The results of joint ventures/associates are accounted for by the Company on the basis of dividend received and receivable.

Accounting policies of subsidiaries, joint ventures and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Intercompany transactions and balances between group companies are eliminated. Unrealized gains on transactions between group companies and between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated but unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in profit or loss within "finance income and costs". All other foreign exchange gains and losses are presented in profit or loss within "other income and other expenses".

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets are analyzed between translation differences resulting from changes in the amortized cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at fair value through other comprehensive income ("FVOCI") are included in other comprehensive income.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3) All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange difference arising are recognized in other comprehensive income and accumulated in a separate reserve within equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures or associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition. No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Container vessels and containers

Container vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Containers	15 years

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalized and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the Directors or management on a straight-line basis. The estimated useful lives of these assets are summarized as follows:

Buildings	not exceeding 75 years
Trucks, chassis and motor vehicles	5 to 10 years
Computers, office and other equipment	3 to 30 years
Terminal equipment and improvement	3 to 15 years

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Other property, plant and equipment (Continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

(f) Intangible assets

(i) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 5 years on a straightline basis.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(f) Intangible assets (Continued)

(ii) Concession

Concession primarily resulted from the entering of agreement for the right to construct, operate, manage and develop terminals. Concession is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line basis over the period of operation of approximately 23 to 32 years.

(iii) Customer relationships

Customer relationships, which are acquired in a business combination, are recognized at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationships, ranging from approximately 12 to 20 years.

(iv) Trademarks

Trademarks are capitalized at their fair value as at the acquisition date. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment on an annual basis, as is the case with goodwill. Trademarks are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

(g) Goodwill

Goodwill arises on acquisition of subsidiaries, joint ventures and associates represents the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the fair value of the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(h) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life are not subject to depreciation/amortization and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, joint ventures or associates in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Non-current assets (or disposal groups) held-for-sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets, (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in note 2.

Non-current assets classified as held for sale and the assets of disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(j) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income and other expenses together with foreign exchange gains and losses. Impairment losses are presented in other income and other expenses.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income and other expenses. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other income and other expenses.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other income and other expenses in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other income and other expenses in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

(iv) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 22 for further details.

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are calculated on a weighted average basis. Net realizable value of bunkers is the expected amount to be realized from use as estimated by the Directors/management. Net realizable value of other inventories such as general merchandises, spare parts and consumable stores and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Trade and other receivables and contract assets

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables and contract assets is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables and contract assets with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 22 for further information about the Group's accounting for trade and other receivables and contract assets and note 2(j)(iv) for a description of the Group's impairment policies.

(m) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(n) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

- the incremental costs of fulfilling that contract – for example, cargo cost; and
- an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(p) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

(q) Government subsidies

Subsidies from the government are recognized at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognized as income in the period in which they are receivable.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government subsidies and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(r) Employee benefits

(i) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans in a number of territories. The assets of defined contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to profit or loss as expense when incurred.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(r) Employee benefits (Continued)

(i) Post-retirement and early retirement benefit costs (Continued)

The liability recognized in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method/expected benefit payments. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in income statements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income directly in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement benefit insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by management. The related benefit payments are made from the date of early retirement through the normal retirement date.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(r) Employee benefits (Continued)

(ii) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iii) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognized as incurred.

The liability recognized in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognized immediately in profit or loss.

(iv) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(1) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognized at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalized as assets, which are depreciated or amortized. The liability is remeasured at each balance sheet date to its fair value, with all changes recognized immediately in profit or loss.

(2) Employee services settled in equity instruments

The Company and one of the Group's subsidiaries operates certain equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium of the subsidiary when the options are exercised.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(r) Employee benefits (Continued)

(iv) Share-based payments (Continued)

(3) Modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognized for that award, as at the date of forfeiture, is treated as if it had never been recognized. At the same time, any expense previously recognized on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(4) Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

The Group recognized the services received, and a liability to pay for those services, as the employees render service. For example, some share appreciation rights vest immediately, and the employees are therefore not required to complete a specified period of service to become entitled to the cash payment. In the absence of evidence to the contrary, the Group presumes that the services rendered by the employees in exchange for the share appreciation rights have been received. Thus, the Group recognized immediately the services received and a liability to pay for them. If the share appreciation rights do not vest until the employees have completed a specified period of service, the Group recognized the services received, and a liability to pay for them, as the employees render service during that period.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(u) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(v) Recognition of revenues and income

Revenue are recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point of time.

When control of goods or services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- (i) direct measurements of the value of individual services transferred by the Group to the customer, such as units produced or delivered, contract milestones, or surveys of work performed; or
- (ii) the Group's efforts or inputs to the satisfaction of the performance obligation.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(v) Recognition of revenues and income (Continued)

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as contract assets and subsequently amortized when the related revenue is recognized. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortized cost.

Contract liabilities (included in trade and other payables and contract liabilities) are recognized for expected volume discounts to customers in relation to sales made until the end of the reporting period.

The Group do not have any significant variable consideration such as discounts, refunds, rebates, credits, penalties, performance bonuses or royalties. Trade receivables and contract assets expected to be recovered in one year or less are classified as current assets. If not, they are represented as non-current assets.

The Group assesses, and includes in the transaction price at contract inception, the amount of variable, consideration to which it expects to be entitled. There is no material contract fulfilment cost or cost of obtaining contracts of the Group.

The following is a description of accounting policy for the revenue streams of the Group:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognized over time, which are determined on the time proportion of each individual vessel voyage completed at year end.

(ii) Revenues from container terminal operations

Revenues from container terminal operations are recognized over time in which the services are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. Revenues are recognized based on the price specified in the contract, net of the estimated volume discounts. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Accumulated experience is used to estimate and provide for the discounts, using either the expected value or the most likely amount approach, and revenues are only recognized to the extent that it is highly probable that a significant reversal will not occur.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(v) Recognition of revenues and income (Continued)

(iii) Revenues from freight forwarding

Revenues are recognized when the services are rendered or over time which is determined on the time proportion method of the progress of the transportation.

(iv) Interest income

Interest income on financial assets at amortized cost and financial assets at FVPL and FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(v) Dividend income

Dividend income is recognized when the right to receive payment is established.

(vi) Other service income

Other service income is recognized when the services are rendered.

(w) Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(w) Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(w) Leases (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (note 2(v)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(x) Dividend distribution

Dividend distribution to the Company's equity holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or Directors, where appropriate.

(y) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to profit or loss in the year in which they are incurred.

Interest expense is presented in the consolidated cash flow statement within "Cash flows from financing activities".

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(z) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 “Financial Instruments”; and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 “Revenue from Contracts with Customers”.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

(aa) Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economics, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Notes to the Consolidated Financial Statements

2 Basic preparation and significant accounting policies (Continued)

(aa) Derivatives and hedging activities (Continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating income or other operating expenses.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ab) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director that makes strategic decisions.

Notes to the Consolidated Financial Statements

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk and bunker price risk), credit and counterparty risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee reviews the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Directors.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The Group's revenues from operations of container shipping may be impacted if freight rates will have any significant changes.

(2) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The actual foreign exchange risk faced by the Group therefore is primarily with respect to non-functional currency bank balances, receivable and payable balances and borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2021, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax profit for the year would have increased/decreased by approximately RMB1,116,239,000 (2020: increased/decreased by approximately RMB87,019,000) and the equity as at 31 December 2021 would have increased/decreased by approximately RMB1,116,239,000 (2020: increased/decreased by approximately RMB87,019,000) respectively as a result of the translation of those Non-Functional Currency Items.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with banks and financial institutions, and loans to joint ventures and associates (collectively the “Interest Bearing Assets”), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings and certain balances payable to related parties (collectively the “Interest Bearing Liabilities”). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2021, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance cost would have resulted in an increase in the Group's post-tax profit for the year by approximately RMB526,207,000 (2020: a decrease by approximately RMB76,524,000) and the equity as at 31 December 2021 would have increased by approximately RMB526,207,000 (2020: decreased by approximately RMB76,524,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

(4) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits placed with banks and financial institutions, financial assets transacted with banks, financial institutions and shipping companies through shipping agents or brokers, loans to joint ventures and associates, trade and other receivables and contract assets, down payment to shipyards, and financial assets at amortized cost.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned PRC banks, overseas banks with good credit rating, and the associate, a state-owned financial institution with high credit rating. Management does not expect significant losses from non-performance by these counterparties.

The trade customers (including related parties), joint ventures, associates and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group has assessed that during the year ended 31 December 2021, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit losses approach that results from possible default event within 12 months of each reporting date is adopted by management. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The table below analyzes the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table, except for derivative financial instruments, are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2021				
Bank and other borrowings	16,489,215	7,449,178	43,203,408	17,822,248
Derivative financial instruments	21,826	15,494	3,577	–
Trade and other payables	85,641,464	–	–	–
Put option liability	–	–	–	1,785,196
Lease liabilities	11,662,420	9,988,284	14,464,043	24,992,227
As at 31 December 2020				
Bank and other borrowings	24,487,520	12,302,611	29,263,284	40,822,266
Derivative financial instruments	24,201	24,253	26,328	–
Trade and other payables	43,511,702	–	–	–
Put option liability	–	–	–	1,826,972
Lease liabilities	6,427,102	5,302,690	13,550,270	29,143,493

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders/equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and cash equivalents. As at 31 December 2021, the net debt to equity ratio is summarized as follows:

	2021 RMB'000	2020 RMB'000
Total borrowings (note 26)	73,333,695	94,971,671
Less: Cash and cash equivalents (note 20)	(177,946,969)	(52,630,331)
Net (cash)/debt	(104,613,274)	42,341,340
Total equity	178,860,542	78,697,057
Net debt to total equity ratio	N/A	53.8%

(c) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2021:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL (note 16)				
– Equity securities	107,584	–	–	107,584
– Debt securities	252,521	–	–	252,521
– Listed convertible bonds	394,798	–	–	394,798
Financial assets at FVOCI (note 15)	928,177	–	797,876	1,726,053
Derivative financial instruments	–	40,897	–	40,897

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL (note 16)				
– Equity securities	131,516	–	–	131,516
– Debt securities	524,627	–	–	524,627
Financial assets at FVOCI (note 15)	941,398	–	846,174	1,787,572
Derivative financial instruments	–	74,782	–	74,782

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regular occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as financial assets at FVOCI.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Movements of financial instruments classified as level 3 recognized in the consolidated balance sheets are as follows:

	2021 RMB'000	2020 RMB'000
Financial assets at FVOCI		
As at 1 January	846,174	1,017,857
Addition	495	–
Disposals	(7,505)	–
Transfer to an associate	–	(68,000)
Fair value change	(40,548)	(100,675)
Currency translation differences	(740)	(3,008)
As at 31 December	797,876	846,174

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

As at 31 December 2021, description of the valuation techniques and the inputs used in the fair value measurement in level 3 include:

- The fair value of investments in unlisted property management companies and a hotel are determined using valuation techniques (including asset-based approach and market comparable approach). The inputs are mainly prices per square meter.
- The fair value of other unlisted financial assets is determined by reference to valuation report or the valuation performed by management using valuation techniques (including price/book multiple method and direct market quote). The inputs are mainly price/book multiples. A discount rate of 20% is applied to computing the fair value on top of market price/book multiples.

Financial assets and liabilities approximate their carrying amounts including: trade and other receivables and contract assets, financial assets at amortized cost, cash equivalents, restricted bank deposits, loans to joint ventures and associates, trade and other payables and contract liabilities, lease liabilities, short-term and long-term borrowings.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Assessment of goodwill and intangible assets with indefinite useful lives impairment

The Group tests annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of assumptions. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 10.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (Continued)

(b) Recognition of container shipping revenue and costs for vessel voyages in progress at year end

Revenue for container shipping is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration of transport. The Group recognizes revenue for container shipping over time which is determined on the time proportion of each individual voyage completed at end of reporting period with reference to their voyage details, such as freight rates, departure dates and arrival dates. If the total estimated voyage days were different from the estimate, this would have an impact on the freight revenues in the following reporting period.

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, recognition of accrual expenses are estimated based on known services received, pattern of historical cost and estimated vendor tariffs. If the actual voyage expenses were different from the estimate, this would have an impact on the related expenses in the following reporting period.

Had the freight revenues from voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2021, the revenue would have been RMB1,040,444,000 (2020: RMB483,858,000) lower or higher in the future periods.

Had the actual expenses of the voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2021, the voyage expenses would have been RMB411,415,000 (2020: RMB269,956,000) lower or higher in the future periods.

Changes in management's estimate of container shipping revenue and costs for vessel voyages in progress at year end could caused a material change in the revenue and voyage expenses recognized in the future periods.

(c) Commitment to long-term service agreement

The Group's subsidiary, Orient Overseas International Limited ("OOIL"), entered into a Terminal Service Agreement ("TSA") in October 2019 following the completion of the disposal of Long Beach Container Terminal ("LBCT"). According to the TSA, OOIL committed to place, or procure the placement of an annual minimum number of vessel lifts ("MVC") for 20 years. Failure to meet the committed volume for each of the contract year would require certain level of deficiency payment as stipulated in the TSA.

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

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (Continued)

(c) Commitment to long-term service agreement (Continued)

As such, OOIL further estimated the present value of the unavoidable costs of meeting the obligations under the remaining term of the TSA (till October 2039) and the corresponding associated economic benefits in relation to OOIL with reference to a) the expected number of vessel lifts; b) the expected amount of deficiency payment/excess rebates as stipulated in the TSA when the volume is below/in excess of the MVC; c) the expected operating costs (including cargo and logistics cost, vessel and voyage costs and equipment and repositioning costs); and d) the associated income expected to be earned from operating the service routes to/from LBCT. Based on the assessment performed by management, an onerous provision of US\$651.7 million (equivalent to approximately RMB4,155.3 million) (2020: US\$348.5 million (equivalent to approximately RMB2,274.2 million)) was recognized as at 31 December 2021.

OOIL applied the expected value approach considering several probability-weighted possible scenarios which included adjusting key assumptions such as volume, freight rate, bunker cost and probability applied on the scenarios. The onerous contract assessment involves a significant level of management estimates and judgment, including the future profitability generated from routes using LBCT and the expected number of vessel lifts handled in LBCT during the remaining contract term.

To the extent that the actual results differ from these estimates, the amount of provision will be differed and will affect the consolidated profit and loss account. The provision, including the estimates and assumptions contained therein, are reviewed regularly by management. The key assumptions used by management as at 31 December 2021 and 2020 are as follows:

Key assumptions	Range of possible scenarios	
	2021	2020
Volume growth rate	-5% to +16%	-3% to +14%
Freight rate growth rate	-5% to +5%	-5% to +5%
Bunker cost	-5% to +5% on fuel oil futures	-5% to +5% on fuel oil futures
Probability applied	2% to 60%	2% to 60%

The major changes in key assumptions from previous year are as follows:

- reduced medium to long-term forecast volume due to the current advanced consumption;
- adjusted medium to long-term freight rates to be in line with the decreasing trend in bunker price along the forecast period; and
- adjusted bunker price based on the latest 10-year futures in the market as compared to previous year's forecast.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (Continued)

(c) Commitment to long-term service agreement (Continued)

For illustration purpose, management has performed sensitivity analysis by adjusting the probability applied to the possible scenarios. The effects for the respective sensitivity analysis, holding other factors constant, are set out below:

Sensitivity cases	Change of onerous provision as at 31 December 2021
Changing the most probable scenario to 100%	Decrease by approximately US\$3 million (equivalent to approximately RMB19 million)
Changing the most probable scenario to 40% and the most probable pessimistic scenario to 35%	Increase by approximately US\$66 million (equivalent to approximately RMB421 million)
Changing the most probable scenario to 40% and the most probable optimistic scenario to 35%	Decrease by approximately US\$61 million (equivalent to approximately RMB389 million)
Sensitivity cases	Change of onerous provision as at 31 December 2020
Changing the most probable scenario to 100%	Decrease by approximately US\$2 million (equivalent to approximately RMB13 million)
Changing the most probable scenario to 40% and second most probable scenario to 35%	Increase by approximately US\$63 million (equivalent to approximately RMB411 million)
Changing the most probable scenario to 40% and third most probable scenario to 34%	Decrease by approximately US\$63 million (equivalent to approximately RMB411 million)

(d) Estimated useful lives and residual values of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels and containers. Management estimates useful lives of the container vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its container vessels and containers by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of container vessels and containers are different from the previous estimate.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (Continued)

(d) Estimated useful lives and residual values of container vessels and containers (Continued)

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2021 with all other variables held constant, the estimated depreciation expenses of container vessels and containers for the year would have been decreased by RMB611,702,000 (2020: RMB576,062,000) or increased by RMB902,923,000 (2020: RMB813,295,000) for the year ended 31 December 2021.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2021 with all other variables held constant, the estimated depreciation expenses of container vessels and containers for the year would have been decreased or increased by RMB157,027,000 (2020: RMB149,412,000) for the year ended 31 December 2021.

(e) Estimated impairment of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management performs review for impairment indication as to whether the carrying amounts of the container vessels and containers may be recoverable or not. Whenever there is any impairment indication exists, management performs impairment assessment of the relevant container vessels and containers.

Management was of the view that no impairment indication has been identified, there was no impairment for container vessels and containers for the year and at the balance sheet date.

(f) Impairment of terminal assets, investments in joint ventures and associates

Management determines whether terminal assets, investments in joint ventures and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgment, and the calculations require the use of estimates which are subject to change of economic environment in future.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments (Continued)

(g) Impairment of trade and other receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and loan receivables, management makes periodic assessments on a portfolio basis on the recoverability based on historical settlement records and past experiences and adjusts for forward looking information.

Management generally assesses whether, other receivables and loan receivables, have not had a significant increase in credit risks since initial recognition, if not, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

(h) Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 18).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2021 would have been increased by the same amount of RMB11,058,807,000 (2020: RMB10,428,828,000).

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilized. The outcome of their actual utilization or reversal may be different (note 18).

(i) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Key assumptions used include discount rates, revenue growth rates and gross margins. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

Notes to the Consolidated Financial Statements

5 Revenues and segment information

Operating segments

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude investments in joint ventures, investments in associates, loans to joint ventures and associates, financial assets at FVOCI, financial assets at FVPL, financial assets at amortized cost and assets classified as held for sale not related to the segment. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

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

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

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

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

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

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2021				
	Container shipping business RMB'000	Terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment operating assets	276,901,763	45,195,700	126,609,364	(71,345,902)	377,360,925
Investments in joint ventures	1,203,036	7,368,615	–	–	8,571,651
Investments in associates	1,533,763	21,884,169	66,328	(69,504)	23,414,756
Loans to joint ventures and associates	–	765,644	–	–	765,644
Financial assets at FVOCI	693,820	1,032,233	–	–	1,726,053
Financial assets at FVPL	360,105	394,798	–	–	754,903
Financial assets at amortized cost	732,392	–	–	–	732,392
Assets classified as held for sale	341,757	–	–	–	341,757
Total assets	281,766,636	76,641,159	126,675,692	(71,415,406)	413,668,081
Segment operating liabilities & total liabilities	161,952,764	32,469,326	41,725,777	(1,340,328)	234,807,539

	As at 31 December 2020				
	Container shipping business RMB'000	Terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment operating assets	192,311,658	42,914,204	12,468,766	(11,400,671)	236,293,957
Investments in joint ventures	1,154,721	7,983,300	–	–	9,138,021
Investments in associates	1,865,154	20,342,347	–	–	22,207,501
Loans to joint ventures and associates	–	881,028	–	–	881,028
Financial assets at FVOCI	755,294	1,032,278	–	–	1,787,572
Financial assets at FVPL	656,143	–	–	–	656,143
Financial assets at amortized cost	961,852	–	–	–	961,852
Total assets	197,704,822	73,153,157	12,468,766	(11,400,671)	271,926,074
Segment operating liabilities & total liabilities	131,065,755	31,626,967	41,936,966	(11,400,671)	193,229,017

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

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

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

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

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

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

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

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

The Group's revenues are mainly with contract period of less than one year. So, the Group takes the expedient not to disclose the unsatisfied performance obligation under HKFRS 15.

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

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

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

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

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

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipment and improvement RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computers, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2021	17,542,554	77,042,913	10,418,730	16,538,609	364,224	1,844,231	3,576,080	127,327,341
Currency translation differences	(317,059)	(1,645,303)	(403,864)	(248,396)	(27,358)	(69,034)	(91,634)	(2,802,648)
Reclassification between categories and transfer among property, plant and equipment, investment properties, right-of-use assets and intangible assets	432,921	526,674	381,551	-	-	129,597	(1,195,314)	275,429
Additions	217,635	129,062	59,041	3,424,089	10,718	382,509	4,121,647	8,344,701
Acquisition of subsidiaries	2,001,808	-	98,923	-	-	723,499	166,347	2,990,577
Disposals	(9,287)	(111,345)	(70,476)	(434,540)	(139,053)	(184,326)	(1,381)	(950,408)
As at 31 December 2021	19,868,572	75,942,001	10,483,905	19,279,762	208,531	2,826,476	6,575,745	135,184,992
Accumulated depreciation and impairment								
As at 1 January 2021	3,282,369	15,754,317	3,481,201	955,521	212,155	807,301	-	24,492,864
Currency translation differences	(54,632)	(380,117)	(101,819)	(15,950)	(16,074)	(34,379)	-	(602,971)
Depreciation charge for the year (note 31)	520,470	3,160,730	579,017	1,037,652	17,500	324,914	-	5,640,283
Disposals	(228)	(83,460)	(64,385)	(377,512)	(92,185)	(171,605)	-	(789,375)
As at 31 December 2021	3,747,979	18,451,470	3,894,014	1,599,711	121,396	926,231	-	28,740,801
Net book value								
As at 31 December 2021	16,120,593	57,490,531	6,589,891	17,680,051	87,135	1,900,245	6,575,745	106,444,191

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipment and improvement RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computers, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2020	16,941,138	78,591,718	9,598,729	15,145,343	390,158	1,586,375	3,000,601	125,254,062
Currency translation differences	(220,207)	(4,952,244)	26,393	(694,670)	23,375	(37,474)	(141,004)	(5,995,831)
Reclassification between categories and transfer among property, plant and equipment, investment properties, right-of-use assets and intangible assets	717,076	2,740,229	765,171	150,460	-	51,269	(1,810,716)	2,613,489
Additions	108,313	745,302	95,143	2,414,188	12,471	461,225	2,557,588	6,394,230
Acquisition of subsidiaries	-	-	-	-	110	117	-	227
Disposals	(3,766)	(82,092)	(66,706)	(476,712)	(61,890)	(217,281)	(30,389)	(938,836)
As at 31 December 2020	17,542,554	77,042,913	10,418,730	16,538,609	364,224	1,844,231	3,576,080	127,327,341
Accumulated depreciation and impairment								
As at 1 January 2020	2,947,696	13,672,820	2,958,216	569,586	228,670	698,070	-	21,075,058
Currency translation differences	(159,740)	(1,016,096)	15,887	(33,879)	14,985	4,998	-	(1,173,845)
Depreciation charge for the year (note 31)	496,017	3,176,108	567,021	825,295	22,579	317,084	-	5,404,104
Disposals	(1,604)	(78,515)	(59,923)	(405,481)	(54,079)	(212,851)	-	(812,453)
As at 31 December 2020	3,282,369	15,754,317	3,481,201	955,521	212,155	807,301	-	24,492,864
Net book value								
As at 31 December 2020	14,260,185	61,288,596	6,937,529	15,583,088	152,069	1,036,930	3,576,080	102,834,477

- (a) As at 31 December 2021, container vessels with aggregate net book values of RMB24,300,631,000 (2020: RMB34,301,439,000) were secured as security for loan facilities granted by banks (note 26(i)(i)).
- (b) As at 31 December 2021, certain property, plant and equipment with net book value of RMB3,254,905,000 (2020: RMB5,204,358,000) were secured as security for long-term bank borrowings (note 26(i)(i)).
- (c) During the year, interest expenses of RMB65,333,000 (2020: RMB48,401,000) were capitalized in costs during the construction period (note 33).

Notes to the Consolidated Financial Statements

7 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Right-of-use assets		
Land use rights (note a)	2,983,752	1,996,861
Concession	4,295,463	4,666,243
Container vessels	45,928,862	38,828,890
Others	2,427,980	2,819,458
	55,636,057	48,311,452
Lease liabilities (note b)		
Current	10,963,457	5,790,864
Non-current	40,471,216	39,657,148
	51,434,673	45,448,012

Notes:

- (a) The Group has land lease arrangement with mainland China government.
- (b) The balance included lease liabilities due to related parties of RMB23,063,354,000 as at 31 December 2021 (2020: RMB24,502,896,000).

Notes to the Consolidated Financial Statements

7 Leases (Continued)

(ii) Right-of-use assets

	Container vessels RMB'000	Concession RMB'000	Land use rights RMB'000	Others RMB'000	Total RMB'000
Cost					
As at 1 January 2021	52,648,684	5,459,984	2,496,037	4,124,251	64,728,956
Currency translation differences	(972,655)	(431,897)	(16,255)	(148,992)	(1,569,799)
Reclassification between property, plant and equipment and right-of-use assets	(893,969)	–	65	(76,768)	(970,672)
Additions (note)	14,632,399	146,548	133,293	354,502	15,266,742
Acquisition of subsidiaries	–	10,203	929,274	–	939,477
Disposals	(704,776)	–	–	(228,258)	(933,034)
Others	–	(742)	–	(3,339)	(4,081)
As at 31 December 2021	64,709,683	5,184,096	3,542,414	4,021,396	77,457,589
Accumulated depreciation and impairment					
As at 1 January 2021	13,819,794	793,741	499,176	1,304,793	16,417,504
Currency translation differences	(162,192)	(79,915)	(2,702)	(65,452)	(310,261)
Reclassification between property, plant and equipment and right-of-use assets	(396,381)	–	–	(18,256)	(414,637)
Depreciation charge for the year (note 31)	6,224,376	174,807	62,188	584,950	7,046,321
Disposals	(704,776)	–	–	(212,619)	(917,395)
As at 31 December 2021	18,780,821	888,633	558,662	1,593,416	21,821,532
Net book value					
As at 31 December 2021	45,928,862	4,295,463	2,983,752	2,427,980	55,636,057

Note:

Additions to the right-of-use assets included the recognition of lease from related parties amounted to RMB417,123,000.

Notes to the Consolidated Financial Statements

7 Leases (Continued)

(ii) Right-of-use assets (Continued)

	Container vessels RMB'000	Concession RMB'000	Land use rights RMB'000	Others RMB'000	Total RMB'000
Cost					
As at 1 January 2020	36,521,078	5,480,140	2,495,426	3,943,571	48,440,215
Currency translation differences	(2,195,798)	(3,478)	(12,321)	(159,152)	(2,370,749)
Reclassification between property, plant and equipment and right-of-use assets	(5,248,148)	–	2,857	(50,000)	(5,295,291)
Additions	23,740,256	–	10,075	661,638	24,411,969
Acquisition of subsidiaries	–	–	–	3,554	3,554
Disposals	(168,704)	–	–	(259,986)	(428,690)
Others	–	(16,678)	–	(15,374)	(32,052)
As at 31 December 2020	52,648,684	5,459,984	2,496,037	4,124,251	64,728,956
Accumulated depreciation and impairment					
As at 1 January 2020	11,202,670	605,143	444,481	976,850	13,229,144
Currency translation differences	(362,682)	10,236	(1,090)	(27,426)	(380,962)
Reclassification between property, plant and equipment and right-of-use assets	(2,574,256)	–	–	(15,478)	(2,589,734)
Depreciation charge for the year (note 31)	5,722,228	178,362	55,785	598,318	6,554,693
Disposals	(168,166)	–	–	(227,471)	(395,637)
As at 31 December 2020	13,819,794	793,741	499,176	1,304,793	16,417,504
Net book value					
As at 31 December 2020	38,828,890	4,666,243	1,996,861	2,819,458	48,311,452

Notes to the Consolidated Financial Statements

8 Investment properties

	2021 RMB'000	2020 RMB'000
Cost	2,384,802	2,469,575
Accumulated depreciation	(162,137)	(140,589)
Net book value as at 1 January	2,222,665	2,328,986
Currency translation differences	(46,315)	(137,973)
Addition of purchase	31,141	3,395
Reclassification between property, plant and equipment and investment properties	(967)	60,210
Disposals	(931)	–
Depreciation (note 31)	(29,560)	(31,953)
Net book value as at 31 December	2,176,033	2,222,665
Cost	2,368,203	2,384,802
Accumulated depreciation	(192,170)	(162,137)
Net book value as at 31 December	2,176,033	2,222,665

The fair value of the investment properties as at 31 December 2021 approximates their net book value. The fair value is estimated by management or independent professional property valuers. The valuations are derived using direct comparison method and income capitalization method respectively. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Income capitalization method is based on the capitalization of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalization rates. Capitalization is estimated by valuer based on the risk profile of the properties being valued.

Notes to the Consolidated Financial Statements

9 Intangible assets

	Computer software RMB'000	Trademark RMB'000	Concession RMB'000	Customer relationships RMB'000	Total RMB'000
Cost	1,670,135	2,841,203	1,799,940	354,485	6,665,763
Accumulated depreciation and impairment	(1,279,093)	–	(297,285)	(80,977)	(1,657,355)
Net book value as at 1 January 2021	391,042	2,841,203	1,502,655	273,508	5,008,408
Currency translation differences	(12,745)	(64,968)	(128,653)	(42,089)	(248,455)
Additions	89,166	–	620	–	89,786
Reclassification from property, plant and equipment	278,598	–	2,975	–	281,573
Acquisition of subsidiaries	9,052	–	–	–	9,052
Disposals	(2,416)	–	–	–	(2,416)
Amortization (note 31)	(211,883)	–	(106,092)	(24,458)	(342,433)
Net book value as at 31 December 2021	540,814	2,776,235	1,271,505	206,961	4,795,515
Cost	1,922,723	2,776,235	1,647,467	303,228	6,649,653
Accumulated amortization	(1,381,909)	–	(375,962)	(96,267)	(1,854,138)
Net book value as at 31 December 2021	540,814	2,776,235	1,271,505	206,961	4,795,515

	Computer software RMB'000	Trademark RMB'000	Concession RMB'000	Customer relationships RMB'000	Total RMB'000
Cost	1,691,854	3,037,715	1,813,658	335,011	6,878,238
Accumulated depreciation and impairment	(1,133,872)	–	(288,179)	(54,184)	(1,476,235)
Net book value as at 1 January 2020	557,982	3,037,715	1,525,479	280,827	5,402,003
Currency translation differences	(11,895)	(196,512)	17,468	17,943	(172,996)
Additions	136,234	–	69,135	–	205,369
Reclassification from property, plant and equipment	31,858	–	–	–	31,858
Disposals	(84,854)	–	–	–	(84,854)
Amortization (note 31)	(238,283)	–	(109,427)	(25,262)	(372,972)
Net book value as at 31 December 2020	391,042	2,841,203	1,502,655	273,508	5,008,408
Cost	1,670,135	2,841,203	1,799,940	354,485	6,665,763
Accumulated amortization	(1,279,093)	–	(297,285)	(80,977)	(1,657,355)
Net book value as at 31 December 2020	391,042	2,841,203	1,502,655	273,508	5,008,408

Impairment test for trademark

Trademark arose from the business acquisition of OOIL and is allocated to the Group's CGUs of container shipping operation of OOIL. The impairment testing is performed annually on trademark (note 10(a)).

The Directors believe there was no impairment for the trademark as at 31 December 2021.

Notes to the Consolidated Financial Statements

10 Goodwill

	2021 RMB'000	2020 RMB'000
As at 1 January	5,826,764	6,142,068
Acquisition of a subsidiary (note 41)	12,326	–
Currency translation differences	(200,615)	(315,304)
As at 31 December	5,638,475	5,826,764

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to their operating segments and CGUs.

A segment-level summary of the goodwill is presented below:

Operating segment	Cash generating unit	2021 RMB'000 Carrying amount	2020 RMB'000
Container shipping business	Container shipping operation of OOIL (note a)	4,522,083	4,627,906
Terminal business	Container terminal operation of COSCO SHIPPING Ports (Spain) Holding, S.L. (note b)	794,361	882,966
Others		322,031	315,892
		5,638,475	5,826,764

Notes:

The most significant goodwill amount relates to the container shipping and terminal segment, where the impairment test is based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

- (a) For the goodwill and trademark (note 9) related to the container shipping business segment, major cash flow projections are based on forecasts using an estimated revenue growth rate ranging from 0% to 2% and average gross margin of 18.0% (2020: revenue growth rate of 2.0% and average gross margin of 2.0%). Future cash flows are discounted at a pre-tax rate of 7.7% (2020: 8.2%).

Assuming discount rate increased by 50 basis points, it would have resulted in a decrease in headroom by RMB9,225,000,000. Considering there was still sufficient headroom based on the assessment, the Directors believe there was no impairment for the goodwill as at 31 December 2021.

- (b) For goodwill related to the terminal business, forecast profitability is based on past performance and expected future changes in cost and revenues. Major CGUs cash flow projections are based on financial forecasts covering a five year period using an estimated average revenue growth rate of 5.5% (2020: 4.6%) and average operating margin of 19.5% (2020: 15.2%) with cash flows beyond this period at 1.7% (2020: 2.5%) terminal growth rate. Future cash flows are discounted at a rate equivalent to pre-tax rate of 10.76% (2020: 9.53%).

Assuming discount rate increased by 50 basis points, impairment charge of US\$26,446,000 (equivalent to approximately RMB168,612,000) would be required for the goodwill in terminals and related business segment at 31 December 2021 (2020: US\$29,500,000 (equivalent to approximately RMB192,485,000)).

Notes to the Consolidated Financial Statements

11 Subsidiaries

- (a) Details of the principal subsidiaries that impose material influence on either the financial position or the financial performance of the Group as at 31 December 2021 are shown in note 45(a).
- (b) **Material non-controlling interests**

The total non-controlling interests for the year is RMB45,766,217,000 of which RMB25,398,040,000 is for COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"), and RMB18,745,899,000 is for OOIL.

Set out below are summarized financial information for COSCO SHIPPING Ports.

Summarized balance sheet

	COSCO SHIPPING Ports	
	2021	2020
	RMB'000	RMB'000
Current		
– Assets	9,701,564	10,796,916
– Liabilities	(9,770,033)	(5,964,106)
Total current net (liabilities)/assets	(68,469)	4,832,810
Non-current		
– Assets	67,019,210	62,440,814
– Liabilities	(22,699,309)	(25,662,862)
Total non-current net assets	44,319,901	36,777,952
Net assets	44,251,432	41,610,762

Summarized income statement

	COSCO SHIPPING Ports	
	2021	2020
	RMB'000	RMB'000
Revenues	7,797,213	6,904,740
Profit before income tax	3,229,650	2,819,345
Income tax expenses	(610,925)	(241,286)
Post-tax profit from continuing operations	2,618,725	2,578,059
Other comprehensive income	324,587	1,944,202
Total comprehensive income	2,943,312	4,522,261
Total comprehensive income attributable to non-controlling interests	386,385	535,630
Dividends paid to non-controlling interests	232,106	149,428

Notes to the Consolidated Financial Statements

11 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarized cash flows

	COSCO SHIPPING Ports	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities	2,640,813	2,251,186
Cash flows from investing activities	(2,560,662)	1,065,028
Cash flows from financing activities	(582,018)	(796,561)
Net (decrease)/increase in cash and cash equivalents	(501,867)	2,519,653

Set out below are summarized financial information for OOIL.

Summarized balance sheet

	OOIL	
	2021	2020
	RMB'000	RMB'000
Current		
– Assets	53,513,195	25,677,678
– Liabilities	(21,016,675)	(18,075,676)
Total net current assets	32,496,520	7,602,002
Non-current		
– Assets	68,685,222	60,867,155
– Liabilities	(21,391,884)	(26,032,314)
Total net non-current assets	47,293,338	34,834,841
Net assets	79,789,858	42,436,843

Notes to the Consolidated Financial Statements

11 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarized income statement

	OOIL 2021 RMB'000	2020 RMB'000
Revenues	108,623,139	56,523,274
Profit before income tax from continuing operations	47,296,531	6,459,216
Income tax expenses	(1,328,305)	(137,694)
Post-tax profit from continuing operations	45,968,226	6,321,522
Other comprehensive income/(loss)	88,017	(149,966)
Total comprehensive income	46,056,243	6,171,556
Total comprehensive income attributable to non-controlling interests	1,439	1,794
Dividends paid to non-controlling interests	1,542	—

Summarized cash flows

	OOIL 2021 RMB'000	2020 RMB'000
Cash flows from operating activities	57,426,891	13,143,426
Cash flows from investing activities	(12,788,879)	(4,063,100)
Cash flows from financing activities	(28,179,606)	(15,181,156)
Net increase/(decrease) in cash and cash equivalents	16,458,406	(6,100,830)

The information above is the amount before inter-company eliminations.

Notes to the Consolidated Financial Statements

12 Investments in joint ventures

	2021 RMB'000	2020 RMB'000
Investments in joint ventures (including goodwill on acquisitions) (note a)	7,661,462	8,206,533
Equity loan to a joint venture (note b)	910,189	931,488
	8,571,651	9,138,021

Notes:

- (a) The carrying amount of goodwill on acquisitions of joint ventures amounted to RMB422,696,000 (2020: RMB433,912,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holding Limited of RMB200,420,000 (2020: RMB205,110,000) and RMB221,549,000 (2020: RMB228,065,000) respectively.
- (b) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.
- (c) In December 2021, 30% equity interests in Tianjin Port Euroasia International Container Terminal Co., Ltd. ("Tianjin Euroasia Terminal") was disposed at a consideration of approximately RMB269,620,000 (equivalent to US\$42,325,000).
- (d) In November 2020, 40% equity interests in Guangxi Qinzhou International Container Terminal Co., Ltd. ("Qinzhou International Terminal") was disposed of during its injection into Guangxi Beibu Gulf International Container Terminal Co., Ltd. ("Beibu Gulf Terminal") with more details set out in note 13(b).
- (e) There is no joint venture that is individually material to the Group as at 31 December 2021. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective joint ventures:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive (loss)/income RMB'000	Total comprehensive income RMB'000
31 December 2021	7,238,766	694,459	(148)	694,311
31 December 2020	7,772,621	655,548	642	656,190

- (f) There are no contingent liabilities relating to the Group's interest in joint ventures.
- (g) The Company has no directly owned joint ventures as at 31 December 2020 and 2021. Details of the principal joint ventures as at 31 December 2021 are shown in note 45(b).

Notes to the Consolidated Financial Statements

13 Investments in associates

	2021 RMB'000	2020 RMB'000
Investments in associates (including goodwill on acquisitions) (note c)	23,127,850	21,913,880
Equity loan	286,906	293,621
	23,414,756	22,207,501

Notes:

- (a) Qingdao Port International Co., Ltd. ("QPI"), Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group") are associates (note 45(c)) that are material to the Group. Both QPI and Sigma and Wattrus Group are engaged in the operation, management and development of terminal related business. There are no quoted market price for Sigma and Wattrus. As at 31 December 2021, the quoted market price of the Group's interest in QPI amounted to US\$1,087,990,000 (equivalent to approximately RMB6,936,698,000) (2020: US\$1,202,436,000 (equivalent to approximately RMB7,845,775,000)).

Set out below are the summarized consolidated financial information for QPI as at and for the year ended 31 December 2021 and 2020, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarized consolidated balance sheet

	QPI 2021 RMB'000	2020 RMB'000
Non-current assets	39,996,481	38,140,605
Current assets	20,579,076	18,969,300
Non-current liabilities	(5,607,989)	(5,576,578)
Current liabilities	(16,182,936)	(14,792,594)

Notes to the Consolidated Financial Statements

13 Investments in associates (Continued)

Notes: (Continued)

(a) (Continued)

Summarized consolidated statement of comprehensive income

	QPI 2021 RMB'000	2020 RMB'000
Revenues	16,099,183	13,219,414
Profit attributable to equity holders for the year	4,041,573	3,841,860
COSCO SHIPPING Ports' share of profits of the associate	777,655	729,710

Reconciliation of summarized consolidated financial information

Reconciliation of summarized consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarized consolidated financial information

	QPI 2021 RMB'000	2020 RMB'000
Attributable to equity holders		
Opening net assets	32,996,393	30,342,138
Profit for the year	4,041,573	3,841,860
Other comprehensive income	106,028	104,631
Other reserve for the year	(14,759)	(7,680)
Dividends	(1,701,968)	(1,300,166)
Exchange difference	(121,643)	15,610
Closing net assets	35,305,624	32,996,393
Interest in the associate at 19.79% (2020: 18.46% to 19.79%)	6,986,983	6,490,370
Fair value adjustment	587,948	610,280
Goodwill	1,455,668	1,455,731
Carrying amount	9,030,599	8,556,381

Notes to the Consolidated Financial Statements

13 Investments in associates (Continued)

Notes: (Continued)

(a) (Continued)

Set out below are the summarized consolidated financial information for Sigma and Wattus Group as at and for the year ended 31 December 2021 and 2020, after fair value adjustments upon acquisition, which is accounted for using the equity method:

Summarized balance sheet

	Sigma and Wattus Group	
	2021	2020
	RMB'000	RMB'000
Non-current assets	22,542,511	23,521,025
Current assets	8,768,774	5,889,636
Non-current liabilities	(630,946)	(811,306)
Current liabilities	(3,834,161)	(3,153,164)

Summarized statement of comprehensive income

	Sigma and Wattus Group	
	2021	2020
	RMB'000	RMB'000
Revenues	7,791,646	6,548,907
Profit attributable to equity holders for the year	2,178,486	1,614,121
COSCO SHIPPING Ports' share of profits of associates	447,678	331,702

Reconciliation of summarized financial information

Reconciliation of summarized financial information presented to the carrying amount of COSCO SHIPPING Ports' interest in these associates.

Summarized financial information

	Sigma and Wattus Group	
	2021	2020
	RMB'000	RMB'000
Capital and reserves attributable to equity holders	20,245,748	19,061,628
COSCO SHIPPING Ports' effective interest	20.55%	20.55%
COSCO SHIPPING Ports' share of capital and reserves attributable to equity holders	4,160,501	3,917,165
Adjustment to cost of investment	298,765	305,757
Carrying amount	4,459,266	4,222,922

Notes to the Consolidated Financial Statements

13 Investments in associates (Continued)

Notes: (Continued)

- (b) In July 2021, COSCO SHIPPING Ports acquired 20.00% equity interest in Red Sea Gateway Terminal Company Limited ("RSGT") at a cash consideration of US\$140,000,000 (equivalent to approximately RMB903,462,000).

In December 2021, COSCO SHIPPING Ports stepped up its 16.01% interest in Tianjin Port Container Terminal Co., Ltd. from an associate to a 51% subsidiary, in which COSCO SHIPPING Ports has obtained control at a cash consideration of approximately RMB1,247,710,000 (note 41(a)).

In 2021, COSCO SHIPPING Ports contributed EURO17,400,000 (equivalent to approximately RMB133,108,000) and EURO33,880,000 (equivalent to approximately RMB259,179,000) respectively by way of cash and capitalisation of loan to an associate, APM Terminals Vado Holding B.V. ("Vado"). The contribution was made in proportion with the shares holding percentage. The equity interest in Vado remains unchanged after the contribution.

In April 2020, Jiangsu Yangtze Petrochemical Co., Ltd. was disposed of at a consideration of approximately RMB250,010,000.

In November 2020, 40% equity interests in Qinzhou International Terminal (note 12(d)) was disposed of during its injection into Beibu Gulf Terminal, together with RMB486,824,000 cash consideration, 26% equity interests in Beibu Gulf Terminal were acquired in return.

- (c) The carrying amount of goodwill on acquisitions of associates amounted to RMB2,219,158,000 (2020: RMB1,903,646,000), mainly represented the goodwill on acquisitions of equity interests in QPI, RSGT, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V. ("Euromax Terminal") and Wattus of RMB1,455,668,000 (2020: RMB1,455,731,000), RMB334,065,000 (2020: Nil), RMB131,778,000 (2020: RMB134,863,000), RMB105,992,000 (2020: RMB108,467,000), RMB102,117,000 (2020: RMB113,507,000) and RMB47,967,000 (2020: RMB49,087,000) respectively.
- (d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than QPI and Sigma and Wattus Group disclosed above:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive loss RMB'000	Total comprehensive income RMB'000
2021	9,054,240	463,470	(445)	463,025
2020	7,230,931	386,580	(2,665)	383,915

- (e) There are no significant contingent liabilities relating to the Group's interest in associates.
- (f) The Company had no directly owned associates as at 31 December 2020 and 2021. Details of the principal associates as at 31 December 2021 are shown in note 45(c).

Notes to the Consolidated Financial Statements

14 Loans to joint ventures and associates

	2021 RMB'000	2020 RMB'000
Loans to joint ventures (note a)	147,168	151,495
Loans to associates (note b)	618,476	729,533
	765,644	881,028

Notes:

- (a) The balance as at 31 December 2021 were unsecured and interest bearing at the rate of 2.1% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and is repayable on or before March 2023.
- (b) Loans to associates mainly included a balance of RMB606,450,000 (2020: RMB674,093,000), which is unsecured, bearing interest at the aggregate of 2.0% per annum and EURIBOR (2020: the aggregate of 2.0% per annum and EURIBOR), and is repayable in 2024.

These balances are all denominated in EURO.

15 Financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise the following investments in listed and unlisted equity:

	2021 RMB'000	2020 RMB'000
Non-current assets		
Listed securities (note a)	928,177	941,398
Unlisted investments (note b)	797,876	846,174
	1,726,053	1,787,572

Notes:

- (a) Listed securities represent equity interests in entities which are principally engaged in provision of port related services and securities service.
- (b) Unlisted investments mainly comprise equity interests in terminal operating companies, port information system engineering companies and property investment companies.

Notes to the Consolidated Financial Statements

15 Financial assets at fair value through other comprehensive income (Continued)

Notes: (Continued)

(c) Financial assets at FVOCI are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	1,675,295	1,733,415
HKD	45,631	48,467
EURO	4,935	5,494
Others	192	196
	1,726,053	1,787,572

(d) Movement of the financial assets at FVOCI during the year is as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	1,787,572	2,097,256
Addition	495	—
Disposals	(7,505)	—
Fair value change recognized in other comprehensive income	(52,018)	(234,516)
Transfer to an associate	—	(68,000)
Currency translation differences	(2,491)	(7,168)
As at 31 December	1,726,053	1,787,572

(e) Financial assets at fair value through other comprehensive income includes the following classes of financial assets:

	2021 RMB'000	2020 RMB'000
Listed securities in the PRC	928,177	941,398
Unlisted investments	797,876	846,174
	1,726,053	1,787,572

Notes to the Consolidated Financial Statements

16 Financial assets at fair value through profit or loss

Financial assets at FVPL include the following:

	2021 RMB'000	2020 RMB'000
Listed equity securities (note a)		
– China Hong Kong	92,958	118,042
– Overseas	14,626	13,474
Market value of listed equity securities	107,584	131,516
Listed debt securities (note a)		
– China Hong Kong	212,228	402,012
– Overseas	40,293	122,615
Market value of listed debt securities	252,521	524,627
Listed convertible bonds (note b)	394,798	–
Total	754,903	656,143

Notes:

- (a) As at 31 December 2021, the carrying amounts of the Group's financial assets at FVPL of listed equity securities and debt securities are mainly denominated in US dollar.

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

	2021 RMB'000	2020 RMB'000
A	–	121,996
BBB	168,134	222,309
BB	–	45,733
Non-ranking	84,387	134,589
	252,521	524,627

The fair value of all listed equity securities and debt securities are based on their current bid prices in active markets.

- (b) In July 2021, COSCO SHIPPING Ports subscribed for convertible bonds issued by an associate, Beibu Gulf Port Co., Ltd. at a consideration of RMB321,489,000.

During the year, fair value gain on the Group's financial asset at FVPL of listed convertible bond of RMB73,309,000 (2020: Nil) was recognized in other operating income (note 32).

Notes to the Consolidated Financial Statements

17 Financial assets at amortized cost

Financial assets at amortized cost include the following:

	2021 RMB'000	2020 RMB'000
Listed debt securities		
– China Hong Kong	123,194	277,292
– Overseas	609,198	684,560
	732,392	961,852
Less: Current portion included in current assets	(105,438)	(222,612)
	626,954	739,240
Market value	778,700	1,030,353

Movements in financial assets at amortized cost are as follows:

	2021 RMB'000	2020 RMB'000
Balance at beginning of year	961,852	1,334,589
Currency translation differences	(19,351)	(69,850)
Redemptions on maturity	(220,061)	(302,859)
Amortization	168	(28)
Interest receivables	9,784	–
Balance at end of year	732,392	961,852

- (a) The carrying amounts of financial assets at amortized cost are mainly denominated in US dollar.
- (b) The credit quality of other financial assets at amortized cost by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

	2021 RMB'000	2020 RMB'000
AA	–	5,214
A	233,219	419,773
BBB	499,173	536,865
	732,392	961,852

Notes to the Consolidated Financial Statements

18 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 2.5% to 35% for the year (2020: 5% to 35%).

The movement on the net deferred tax liabilities is as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	(1,060,242)	(1,398,517)
Currency translation differences	(26,802)	118,139
(Credited)/charged to consolidated income statement	(5,365,850)	179,927
Acquisition of subsidiaries	(82,816)	(504)
Credited to other comprehensive income	1,198	40,713
As at 31 December	(6,534,512)	(1,060,242)

Deferred income tax assets are recognized for tax losses carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2021, the Group had tax losses of RMB1,994,872,000 (2020: RMB32,309,179,000) to carry forward, which were not recognized as deferred tax assets as the Directors considered that the utilization of these tax losses in the foreseeable future is not probable, of which an amount of RMB572,510,000 (2020: RMB30,964,672,000) will expire through year 2026 (2020: year 2025) and an amount of RMB1,422,362,000 (2020: RMB1,344,507,000) has no expiry date.

As at 31 December 2021, the unrecognized deferred income tax liabilities were RMB11,058,807,000 (2020: RMB10,428,828,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2021 amounted to RMB43,227,412,000 (2020: RMB49,339,359,000).

Notes to the Consolidated Financial Statements

18 Deferred income tax assets/(liabilities) (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Deferred income tax liabilities

	Undistributed profits of subsidiaries, joint ventures and associates RMB'000	Accelerated tax depreciation and fair value adjustments on assets in relation to business combination RMB'000	Fair value gain on financial assets RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2020	(872,995)	(1,313,380)	(297,288)	(36,972)	(2,520,635)
Currency translation differences	251,150	28,530	(10,704)	(8,379)	260,597
Credited to consolidated income statement	76,898	30,578	–	16,992	124,468
Acquisition of subsidiaries (note 41(b))	–	(504)	–	–	(504)
Credited to other comprehensive income	–	–	30,604	–	30,604
As at 31 December 2020 and 1 January 2021	(544,947)	(1,254,776)	(277,388)	(28,359)	(2,105,470)
Currency translation differences	22,047	32,798	1,449	(662)	55,632
(Charged)/credited to consolidated income statement	(5,315,946)	(41,667)	(18,327)	17,494	(5,358,446)
Acquisition of a subsidiary	–	(94,167)	–	–	(94,167)
Credited to other comprehensive income	–	–	1,198	–	1,198
As at 31 December 2021	(5,838,846)	(1,357,812)	(293,068)	(11,527)	(7,501,253)

Notes to the Consolidated Financial Statements

18 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets

	Tax loss RMB'000	Staff benefit RMB'000	Accelerated accounting depreciation RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2020	658,231	33,660	6,190	424,037	1,122,118
Currency translation differences	(194,434)	1,514	(363)	50,825	(142,458)
Credited to consolidated income statement	19,996	10,339	4,697	20,427	55,459
Credited to other comprehensive income	–	–	–	10,109	10,109
As at 31 December 2020 and 1 January 2021	483,793	45,513	10,524	505,398	1,045,228
Currency translation differences	(43,988)	–	737	(39,183)	(82,434)
Credited to consolidated income statement	9,037	6,951	667	(24,059)	(7,404)
Acquisition of a subsidiary	–	–	–	11,351	11,351
As at 31 December 2021	448,842	52,464	11,928	453,507	966,741

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. As at 31 December 2021, deferred income tax assets and deferred income tax liabilities amounted to RMB244,910,000 were offset (2020: RMB200,449,000).

Notes to the Consolidated Financial Statements

18 Deferred income tax assets/(liabilities) (Continued)

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2021 RMB'000	2020 RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	392,813	538,938
Deferred income tax assets to be recovered within 12 months	329,018	305,841
	721,831	844,779
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	(3,961,460)	(1,587,702)
Deferred income tax liabilities to be settled within 12 months	(3,294,883)	(317,319)
	(7,256,343)	(1,905,021)
Deferred income tax liabilities, net	(6,534,512)	(1,060,242)

19 Other non-current assets

	2021 RMB'000	2020 RMB'000
Deposits	48,367	49,469
Prepayment for vessels construction	1,591	1,842
Others	111,650	106,890
	161,608	158,201

Notes to the Consolidated Financial Statements

20 Cash and cash equivalents

	2021 RMB'000	2020 RMB'000
Restricted bank deposits (note a)	381,259	221,058
Balances placed with COSCO Shipping Finance Co., Ltd. ("COSCO SHIPPING Finance") (note b)	74,433,771	17,435,140
Bank balances and cash	103,513,198	35,195,191
Total bank deposits and cash and cash equivalents (note c)	178,328,228	52,851,389
Less:		
Restricted bank deposits		
– current	(371,501)	(218,964)
– non-current	(9,758)	(2,094)
Cash and cash equivalents	177,946,969	52,630,331

Notes:

- (a) Restricted bank deposits are mainly held as security for borrowings and bank guarantees and facilities (note 26(i)(iv)).
- (b) COSCO SHIPPING Finance is a finance company owned by COSCO SHIPPING and balances placed with COSCO SHIPPING Finance bear interest at prevailing market rates.
- (c) The carrying amounts of bank deposits and cash and cash equivalents are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
US dollar	86,834,002	36,618,996
RMB	84,201,284	10,541,592
EURO	3,279,070	2,072,079
HK dollar	464,021	662,644
Other currencies	3,549,851	2,956,078
	178,328,228	52,851,389

- (d) The effective interest rates on time deposits as at 31 December 2021 were in the range of 1.12% to 2.80% per annum (2020: 0.75% to 3.80% per annum). The deposits earn interests at floating rates based on prevailing market rates.

21 Inventories

	2021 RMB'000	2020 RMB'000
Bunkers, voyage supplies, consumables and others	5,409,245	3,231,549

Notes to the Consolidated Financial Statements

22 Trade and other receivables and contract assets

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

Notes:

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

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

Notes to the Consolidated Financial Statements

22 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(a) (Continued)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled service provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Movements on the provision for impairment of trade receivables and contract assets are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	381,703	320,816
Provision for trade receivables and contract assets impairment	228,916	136,277
Trade receivables and contract assets written off during the year as uncollectible	(23,038)	(16,897)
Reversal of provision	(44,793)	(36,965)
Currency translation differences	(10,681)	(21,528)
As at 31 December	532,107	381,703

The creation and release of provision for impaired receivables have been included in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

(b) Prepayments, deposits and other receivables due from third parties

	2021 RMB'000	2020 RMB'000
Prepayments and deposits	1,998,610	1,721,749
Claims receivables	15,448	58,977
Other receivables less provision (note c)	2,751,330	2,274,659
	4,765,388	4,055,385

Notes to the Consolidated Financial Statements

22 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(c) Movements on the provision for impairment of other receivables are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	70,925	67,195
Provision for receivable impairment	197	11,050
Receivables written off during the year as uncollectible	(500)	(4,098)
Reversal of provision	(3,145)	(2,614)
Currency translation differences	(76)	(608)
As at 31 December	67,401	70,925

(d) As at 31 December 2020, balance of US\$47,810,000 (equivalent to approximately RMB311,955,000) was unsecured, bore interest at the aggregate of 3.75% per annum above EURIBOR, and was repayable in 2021. The principal amounted US\$38,272,000 (equivalent to approximately RMB244,149,000) was capitalized as the investment cost of an associate in 2021.

As at 31 December 2021, amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(e) The carrying amount of trade and other receivables and contract assets (excluding prepayments and deposits, and contract assets) are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	3,862,003	1,892,414
US dollar	3,751,599	6,521,706
EURO	2,817,377	2,215,014
AUD	315,235	346,003
GBP	300,706	255,217
HK dollar	262,914	285,432
Other currencies	4,051,722	1,456,348
	15,361,556	12,972,134

(f) The carrying amounts of trade and other receivables and contract assets (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements

23 Assets classified as held for sale/liabilities directly associated with assets classified as held for sale

On 20 December 2021, OOIL entered into a sale and purchase agreement in respect of the disposal of its entire interest in OOCL Terminal (Tianjin) Limited which held 20% equity interest in Tianjin Port Alliance International Container Terminal Co. Ltd. for a consideration of US\$55,400,000 (equivalent to approximately RMB357,510,000). Accordingly, assets of the disposal group, which represented the investment in an associate, were reclassified as assets held for sale as at 31 December 2021.

	31 December 2021 RMB'000
Assets held for sale	
Investment in an associate	290,192

On 29 December 2021, the Group entered into a sale and purchase agreement in respect of the disposal of its entire interest in Shanghai COSCO Shipping Micro Loan Co., Ltd. for a consideration of RMB51,565,000. Accordingly, assets of the disposal entity, which represented the investment in an associate, were reclassified as assets held for sale as at 31 December 2021.

	31 December 2021 RMB'000
Assets held for sale	
Investment in an associate	51,565

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits

(a) Share capital

	Number of shares (thousands)	Nominal value RMB'000
H Shares of RMB1.00 each		
As at 31 December 2020	2,580,600	2,580,600
Capitalization Issue of shares (note b)	774,180	774,180
As at 31 December 2021	3,354,780	3,354,780
A Shares of RMB1.00 each		
As at 31 December 2020	9,678,929	9,678,929
Issue of shares by exercising share options (note b)	59,797	59,797
Capitalization Issue of shares (note b)	2,920,620	2,920,620
As at 31 December 2021	12,659,346	12,659,346

(b) Share options of the Company

The Company operates share option schemes whereby options are granted to eligible employees or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Pursuant to a resolution dated on 30 May 2019, the Company adopted a share option scheme (the “2019 Share Option Scheme”). The purposes of the 2019 Share Option Scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company’s management. No consideration was paid by the grantees for the acceptance of share options.

Pursuant to a resolution dated on 29 May 2020, the Company adopted a share option scheme (the “2020 Share Option Scheme”). The purposes of the 2020 Share Option Scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company’s management. No consideration was paid by the grantees for the acceptance of share options.

Under the 2019 Share Option Scheme and 2020 Share Option Scheme, the exercises of the options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any option granted. After the expiration of each vesting period, the participant may exercise the options in three batches in the one year, one year and three years after the expiration of each vesting period respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one A share at relevant exercise price in three batches evenly after the expiry of each vesting period.

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

Movements of the share options granted by the Company during the year ended 31 December 2021 and 2020 are set out below:

		Year ended 31 December 2021					
		Number of share options					
Date of grant	Exercisable period	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Forfeited during the year	Capitalization issued during the year	Outstanding as at 31 December 2021
03 June 2019	Note (i)	190,182,200	–	(59,796,816)	(7,239,500)	38,076,461	161,222,345
29 May 2020	Note (ii)	16,975,200	–	–	–	5,092,560	22,067,760
		207,157,400	–	(59,796,816)	(7,239,500)	43,169,021	183,290,105

		Year ended 31 December 2020					
		Number of share options					
Date of grant	Exercisable period	Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Forfeited during the year		Outstanding as at 31 December 2020
03 June 2019	Note (i)	190,182,200	–	–	–		190,182,200
29 May 2020	Note (ii)	–	16,975,200	–	–		16,975,200
		190,182,200	16,975,200	–	–		207,157,400

Notes:

- (i) The share options were granted on 3 June 2019 under the 2019 Share Option Scheme at an exercise price of RMB4.10. According to the provisions of the 2019 Share Option Scheme, share options under each grant have a validity period of ten years commencing from the date of grant and cannot be exercised evenly during the two-year, three-year and four-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of one year, one year and three years after the expiry of each Restriction Period, i.e. 33%, 33% and 34%.

In the process of registration after 3 June 2019, five participants (not being senior management of the Company) did not accept the Share Option granted to them due to personal reasons. Under the Further Revised Scheme, the number of the Share Options granted in the first batch has been adjusted from 192,291,000 to 190,182,200. For details, please refer to the overseas regulatory announcement of the Company dated 19 July 2019. On 24 July 2019, the Company completed the registration in respect the grant of the Share Option in the first batch 190,182,200 share options. For details, please refer to the overseas regulatory announcement of the Company dated 25 July 2019.

The Company implemented a Capitalization Issue of 3 shares for every 10 shares by converting reserve to share capital in July 2021. All shareholders were allotted 3 shares for every 10 shares. The total number of A shares were increased by 2,920,619,667 shares and the total number of H shares were increased by 774,180,000 shares. The exercise price of options granted for the 2019 Share Option Scheme was adjusted from RMB4.10 per share to RMB3.15 per share. For details, please refer to the overseas regulatory announcement of the Company dated 7 July 2021.

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

Notes: (Continued)

- (ii) The share options were granted on 29 May 2020 under the 2020 Share Option Scheme at an exercise price of RMB3.50. According to the provisions of the 2020 Share Option Scheme, share options under each grant have a validity period of ten years commencing from the date of grant and cannot be exercised evenly during the two-year, three-year and four-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of one year, one year and three years after the expiry of each Restriction Period, i.e. 33%, 33% and 34%.

On 7 July 2020, the Company completed the registration in respect the grant of the Share Option of 16,975,200 share options. For details, please refer to the overseas regulatory announcement of the Company dated 8 July 2020.

According to the Capitalization Issue, the exercise price of options granted for the 2020 Share Option Scheme was adjusted from RMB3.50 per share to RMB2.69 per share. For details, please refer to the overseas regulatory announcement of the Company dated 7 July 2021.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Average exercise price per share RMB	Number of share options	Average exercise price per share RMB	Number of share options
As at 1 January	4.05	207,157,400	4.10	190,182,200
Granted during the year	–	–	3.50	16,975,200
Exercised during the year before the Capitalization Issue	4.10	(56,469,662)	–	–
Forfeited during the year before the Capitalization Issue	4.10	(6,791,000)	–	–
Capitalization Issue of the 2019 Share Option Scheme	3.15	38,076,461	–	–
Capitalization Issue of the 2020 Share Option Scheme	2.69	5,092,560	–	–
Exercised during the year after the Capitalization Issue	3.15	(3,327,154)	–	–
Forfeited during the year after the Capitalization Issue	3.15	(448,500)	–	–
As at 31 December	3.83	183,290,105	4.05	207,157,400

- (iii) 1,789,105 A shares were vested and exercisable as at 31 December 2021 (2020: Nil). The Company has no legal or constructive obligation to repurchase or settle the options in cash.
- (iv) In December 2021, the Company completed the registration of 59,796,816 A shares due to exercise of A Share Option of the Company under the 2019 Share Option Scheme. No share options were exercised under the 2020 Share Option Scheme during the year 2021.

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

Notes: (Continued)

(v) Fair value of options granted

The fair values of options granted before the Capitalization Issue are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per share option RMB	Share price at date of grant RMB	Exercise price RMB	Standard deviation of expected share price return	Expected life of share options	Expected dividend paid out rate	Risk-free interest rate
Granted on 3 June 2019	2.00	4.82	4.10	41.57%	3.83 years	0%	3.11%
Granted on 29 May 2020	0.85	3.19	3.50	35.20%	3.83 years	0%	2.33%

(vi) The above fair values and inputs into the Black-Scholes valuation model are based on the data of options when granted.

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary

COSCO SHIPPING Ports operates share option schemes whereby options are granted to eligible employees and directors or any participant of the Group to subscribe for its share.

Movements of the share options granted by COSCO SHIPPING Ports during the year ended 31 December 2021 and 2020 are set out below:

			Year ended 31 December 2021					
			Number of share options					
Date of grant	Note	Exercise price	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding as at 31 December 2021
19 June 2018	Note (i)(ii)	HK\$7.27	48,411,635	-	-	-	(909,177)	47,502,458
29 November 2018	Note (i)(ii)	HK\$8.02	604,971	-	-	-	-	604,971
29 March 2019	Note (i)(iii)	HK\$8.48	848,931	-	-	-	(399,205)	449,726
23 May 2019	Note (i)(iii)	HK\$7.27	666,151	-	-	-	(531,008)	135,143
17 June 2019	Note (i)(iii)	HK\$7.57	1,273,506	-	-	-	(424,078)	849,428
			51,805,194	-	-	-	(2,263,468)	49,541,726

			Year ended 31 December 2020					
			Number of share options					
Date of grant	Note	Exercise price	Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding as at 31 December 2020
19 June 2018	Note (i)(ii)	HK\$7.27	50,265,350	-	-	-	(1,853,715)	48,411,635
29 November 2018	Note (i)(ii)	HK\$8.02	851,966	-	-	-	(246,995)	604,971
29 March 2019	Note (i)(iii)	HK\$8.48	848,931	-	-	-	-	848,931
23 May 2019	Note (i)(iii)	HK\$7.27	666,151	-	-	-	-	666,151
17 June 2019	Note (i)(iii)	HK\$7.57	1,273,506	-	-	-	-	1,273,506
			53,905,904	-	-	-	(2,100,710)	51,805,194

Notes to the Consolidated Financial Statements

24 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

- (i) 16,126,978 options were vested and exercisable as at 31 December 2021 (2020: 16,439,893).
- (ii) The share options were granted on 19 June 2018 and 29 November 2018 under the 2018 Share Option Scheme at an exercise price of HK\$7.27 and HK\$8.02 respectively. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33.3%, 33.3% and 33.4%.
- (iii) The share options were granted on 29 March 2019, 23 May 2019 and 17 June 2019 under the 2018 Share Option Scheme at an exercise price of HK\$8.48, HK\$7.27 and HK\$7.57 respectively. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33.3%, 33.3% and 33.4%.
- (iv) No share options were exercised under the 2018 Share Option Scheme during the year (2020: Nil).
- (v) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021		2020	
	Average exercise price per share HK\$	Number of share options	Average exercise price per share HK\$	Number of share options
As at 1 January	7.31	51,805,194	7.31	53,905,904
Forfeited during the year	7.54	(2,263,468)	7.36	(2,100,710)
As at 31 December	7.30	49,541,726	7.31	51,805,194

Notes to the Consolidated Financial Statements

25 Reserves

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2021	39,719,801	1,970	(4,361,843)	(204,853)	142,097	(5,867,036)	2,224,201	31,654,337
Comprehensive income								
Profit for the year	-	-	-	-	-	-	89,296,138	89,296,138
Other comprehensive income/(loss):								
Share of other comprehensive income of joint ventures and associates, net	-	-	21,593	-	-	18,544	-	40,137
Cash flow hedges, net of tax	-	-	-	-	8,905	-	-	8,905
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(26,444)	-	-	(26,444)
Remeasurements of post-employment benefit obligations	-	-	119,858	-	-	-	-	119,858
Currency translation differences	-	-	-	-	-	(1,386,227)	-	(1,386,227)
Total other comprehensive loss	-	-	141,451	-	(17,539)	(1,367,683)	-	(1,243,771)
Total comprehensive income	-	-	141,451	-	(17,539)	(1,367,683)	89,296,138	88,052,367
Transactions with owners:								
Issue of A shares in connection with the exercise of share options	182,209	-	-	-	-	-	-	182,209
Transfer from capital reserve	(3,694,800)	-	-	-	-	-	-	(3,694,800)
Appropriate to statutory reserves	-	-	-	3,086,645	-	-	(3,086,645)	-
Transaction with non-controlling shareholders of subsidiaries	821,836	-	-	-	-	-	-	821,836
Fair value of share options granted	87,172	-	-	-	-	-	-	87,172
Put option liability movement	-	-	-	-	-	-	(21,341)	(21,341)
Others	1,452	-	-	-	-	-	(3,033)	(1,581)
Total transactions with owners	(2,602,131)	-	-	3,086,645	-	-	(3,111,019)	(2,626,505)
Balance at 31 December 2021	37,117,670	1,970	(4,220,392)	2,881,792	124,558	(7,234,719)	88,409,320	117,080,199

Notes to the Consolidated Financial Statements

25 Reserves (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	(Accumulated loss)/retained earnings RMB'000	Total RMB'000
Balance at 1 January 2020	38,605,593	1,970	(4,330,202)	(204,853)	254,123	(4,073,551)	(7,152,933)	23,100,147
Comprehensive (loss)/income								
Profit for the year	-	-	-	-	-	-	9,927,098	9,927,098
Other comprehensive (loss)/income								
Share of other comprehensive (loss)/ income of joint ventures and associates	-	-	(3,581)	-	-	20,321	-	16,740
Cash flow hedges, net of tax	-	-	-	-	(380)	-	-	(380)
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	-	-	-	-	(111,646)	-	-	(111,646)
Remeasurements of post-employment benefit obligations	-	-	(28,060)	-	-	-	-	(28,060)
Currency translation differences	-	-	-	-	-	(1,813,806)	-	(1,813,806)
Total other comprehensive loss	-	-	(31,641)	-	(112,026)	(1,793,485)	-	(1,937,152)
Total comprehensive (loss)/income for the year ended 31 December 2020	-	-	(31,641)	-	(112,026)	(1,793,485)	9,927,098	7,989,946
Total contributions by and distributions to owners of the Company recognized directly in equity:								
Acquisition of additional interest in a subsidiary	321,900	-	-	-	-	-	-	321,900
Partial disposal of a subsidiary	118,123	-	-	-	-	-	-	118,123
Fair value of share options granted	146,595	-	-	-	-	-	-	146,595
Transfer from retained earnings to capital of subsidiaries	522,346	-	-	-	-	-	(522,346)	-
Put option liability movement	-	-	-	-	-	-	(27,618)	(27,618)
Others	5,244	-	-	-	-	-	-	5,244
Total contributions by and distributions to owners of the Company	1,114,208	-	-	-	-	-	(549,964)	564,244
Balance at 31 December 2020	39,719,801	1,970	(4,361,843)	(204,853)	142,097	(5,867,036)	2,224,201	31,654,337

Notes to the Consolidated Financial Statements

25 Reserves (Continued)

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalized as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalization shall not be less than 25% of the share capital of the Company.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2021 represented capital reserve and other reserves of joint ventures and associates, and remeasurements of post-employment benefit obligations.

(d) Capital reserve mainly represents the capitalization of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H shares and A shares in 2005, 2007 and 2019.

Notes to the Consolidated Financial Statements

26 Borrowings

	2021 RMB'000	2020 RMB'000
Long term borrowings		
Bank loans		
– secured (note i)	19,062,042	25,516,143
– unsecured (note j)	35,482,704	43,300,773
Loans from COSCO SHIPPING Finance		
– secured	24,400	44,800
– unsecured	344,400	–
Notes/bonds (note b)	9,274,119	13,449,759
Loans from non-controlling shareholders of subsidiaries (note c)	450,069	4,806
Loan from COSCO Shipping (Hong Kong) Co., Ltd.		
– unsecured	6,375,700	6,524,900
Other loans		
– unsecured	453,000	–
Interest payables of long-term borrowings	211,602	–
Total long-term borrowings	71,678,036	88,841,181
Current portion of long-term borrowings	(12,421,244)	(15,884,981)
	59,256,792	72,956,200
Short term borrowings		
Discounted bills		
– secured	–	653,000
Bank loans		
– unsecured	1,534,540	1,352,490
Loans from COSCO SHIPPING Finance		
– unsecured	–	1,850,000
Other loans		
– unsecured	120,000	275,000
Notes/bonds (note b)	–	2,000,000
Interest payables of short-term borrowings	1,119	–
	1,655,659	6,130,490

Notes to the Consolidated Financial Statements

26 Borrowings (Continued)

Notes:

(a) As at 31 December 2021, the long-term borrowings were repayable as follows:

	2021 RMB'000	2020 RMB'000
Bank loans		
– within one year	5,809,385	5,363,019
– in the second year	2,502,973	10,306,571
– in the third to fifth years	31,514,222	21,320,218
– after the fifth year	14,718,166	31,827,108
	54,544,746	68,816,916
Loans from COSCO SHIPPING Finance		
– in the second year	3,600	12,000
– in the third to fifth years	145,800	32,800
– after the fifth year	219,400	–
	368,800	44,800
Notes/bonds (note b)		
– within one year	6,364,257	3,997,062
– in the second year	2,909,862	–
– in the third to fifth years	–	9,452,697
	9,274,119	13,449,759
Loans from non-controlling shareholders of subsidiaries		
– in the second year	4,325	–
– in the third to fifth years	445,744	4,806
	450,069	4,806
Loan from COSCO Shipping (Hong Kong) Co., Ltd.		
– within one year	–	6,524,900
– in the third to fifth years	6,375,700	–
	6,375,700	6,524,900
Other loans		
– within one year	36,000	–
– in the second year	46,000	–
– in the third to fifth years	371,000	–
	453,000	–
Interest payables		
– within one year	211,602	–
	71,678,036	88,841,181

Notes to the Consolidated Financial Statements

26 Borrowings (Continued)

Notes: (Continued)

(b) Details of the notes as at 31 December 2021 are as follows:

	2021 RMB'000	2020 RMB'000
Principal amount	9,288,410	15,482,370
Discount on issue	(90,634)	(90,939)
Notes/bonds issuance cost	(42,282)	(52,808)
Proceeds received	9,155,494	15,338,623
Currency translation differences	19,324	18,924
Accumulated amortized amounts of		
– discount on issue	75,170	62,382
– notes/bonds issuance cost	24,131	29,830
	9,274,119	15,449,759

(i) Notes issued by the Company

Notes with principal amount of RMB1,000,000,000, which bear interest at a fixed rate of 2.50% per annum, were issued by the Company to investors on 20 May 2020 at a price equal to the principal amount. The notes with principal amount of RMB1,000,000,000 would mature on 20 May 2023.

(ii) Notes and bonds issued by subsidiaries

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US\$1,000,000,000 (equivalent to approximately RMB6,375,700,000). The bonds carry a fixed interest yield of 4.00% per annum and were issued at a price of 98.766% of their principal amount. The bonds bear interest from 3 December 2012, payable semi-annually in arrears. The bonds are guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited.

Unless previously redeemed or repurchased by COSCO Finance (2011) Limited, the bonds will mature on 3 December 2022 at their principal amount. The bonds are subject to redemption in whole, at the option of COSCO Finance (2011) Limited at any time in the event of certain changes affecting the taxes of certain jurisdictions at their principal amount together with accrued interest, or at any time after 3 December 2017 at a redemption price.

10-year notes with principal amount of US\$300,000,000 (equivalent to approximately RMB1,912,710,000) were issued by a subsidiary of COSCO SHIPPING Ports to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320% of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US\$2,040,000 (equivalent to approximately RMB12,810,000). The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by COSCO SHIPPING Ports and listed on The Stock Exchange of Hong Kong Limited.

Unless previously redeemed or repurchased by COSCO SHIPPING Ports, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of COSCO SHIPPING Ports at any time in the event of certain changes affecting the taxes of certain jurisdictions.

Notes to the Consolidated Financial Statements

26 Borrowings (Continued)

Notes: (Continued)

- (c) As at 31 December 2021, balance of US\$678,000 (equivalent to approximately RMB4,325,000) (2020: US\$737,000 (equivalent to approximately RMB4,806,000)) from non-controlling shareholders of a subsidiary was unsecured, bore interest at 3% (2020: 3%) above the 6 months EURIBOR, and repayable on or before July 2023 (2020: July 2023).

As at 31 December 2021, balance of US\$69,913,000 (equivalent to approximately RMB445,744,000) (2020: Nil) from non-controlling shareholders of a subsidiary was unsecured, bore interest at 1% (2020: Nil) above the 3 months EURIBOR, and repayable on or before December 2024.

- (d) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021				
Total borrowings	12,421,244	44,319,226	14,937,566	71,678,036
As at 31 December 2020				
Total borrowings	15,884,981	41,129,092	31,827,108	88,841,181

- (e) The effective interest rates per annum as at 31 December 2021 were as follows:

	US dollar	2021 RMB	EURO	HKD
Bank loans	0.71% to 1.82%	3.0% to 4.90%	0.62% to 2.44%	3.55%
Loans from COSCO SHIPPING Finance	–	2.5% to 3.92%	–	–
Notes/bonds	4.0% to 4.38%	1.63% to 4.05%	–	–
Loan from COSCO Shipping (Hong Kong) Co., Ltd.	1.16%	–	–	–

	US dollar	2020 RMB	EURO	HKD
Bank loans	0.98% to 2.94%	2.0% to 5.54%	0.7% to 2.5%	3.55%
Loans from COSCO SHIPPING Finance	–	2.5% to 4.4%	–	–
Notes/bonds	4.0% to 4.4%	1.6% to 4.4%	–	–
Loan from COSCO Shipping (Hong Kong) Co., Ltd.	3.8%	–	–	–

As at 31 December 2021, balance of RMB51,527,958,000 (2020: RMB63,446,922,000) of loans bore floating interest rates.

Notes to the Consolidated Financial Statements

26 Borrowings (Continued)

Notes: (Continued)

(f) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts 2021 RMB'000	2020 RMB'000	Fair values 2021 RMB'000	2020 RMB'000
Bank loans	54,544,746	68,816,916	54,649,447	68,563,019
Loans from COSCO SHIPPING Finance	368,800	44,800	368,800	44,800
Notes/bonds	9,274,119	13,449,759	9,273,112	13,447,873
Loans from a non-controlling shareholder of subsidiaries	450,069	4,806	450,069	4,806
Loan from COSCO Shipping (Hong Kong) Co., Ltd.	6,375,700	6,524,900	6,375,700	6,524,900
Other loans	453,000	–	453,000	–
Interest payables	211,602	–	211,602	–
	71,678,036	88,841,181	71,781,730	88,585,398

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using the Group's weighted average borrowing rate per annum.

(g) The carrying amounts of short-term bank loans approximate their fair values.

(h) The carrying amounts of the long-term borrowings and short-term borrowings are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
US dollar	51,903,618	63,756,248
RMB	14,294,708	23,606,222
EURO	5,321,646	5,757,593
HKD	1,813,723	1,851,608
	73,333,695	94,971,671

Notes to the Consolidated Financial Statements

26 Borrowings (Continued)

Notes: (Continued)

- (i) The secured bank loans as at 31 December 2021 are secured, inter alia, by one or more of the following:
- (i) First legal mortgage over certain property, plant and equipment of the Group with aggregate net book value of RMB27,555,536,000 (2020: RMB39,505,797,000) (notes 6(a) and 6(b));
 - (ii) Assignments of the charter, rental income and earnings, requisition compensation and insurance relating to certain container vessels;
 - (iii) Shares of certain subsidiaries; and
 - (iv) Bank accounts of certain subsidiaries (note 20(a)).
- (j) As at 31 December 2021, unsecured bank loans of RMB8,682,476,000 (31 December 2020: RMB6,922,638,000) are guaranteed by COSCO SHIPPING.

27 Provisions and other liabilities

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

Note:

OOIL entered into TSA in October 2019 to which OOIL committed to place, or procure the placement of an annual minimum number of vessel lifts in LBCT for 20 years. Failure to meet the committed volume for each contract year would require certain level of deficiency payment as stipulated in the TSA.

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

Notes to the Consolidated Financial Statements

27 Provisions and other liabilities (Continued)

Note: (Continued)

Movements in the onerous provision are as follows:

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

28 Put option liability

A put option liability was recognized in relation to the put option granted to the non-controlling shareholder of COSCO SHIPPING Ports Chancay Peru S.A. ("CSP Chancay Terminal") to sell 40% interests in CSP Chancay Terminal to COSCO SHIPPING Ports. Such put option is exercisable any time during a 5-year period from the commercial operation date at the lower of fair market value and price caps set for each of the 5 consecutive years after the commencement of the terminal operation. The exercise price of the put option is determined using market approach with key inputs applied including the projected financial position and EBITDA of CSP Chancay Terminal using management's business plans and market multiples. As at 31 December 2021, the carrying amount of the put option liability is US\$232.3 million (equivalent to approximately RMB1,480.8 million) (2020: US\$225.7 million (equivalent to approximately RMB1,472.5 million)).

Movements of put option liabilities are as follows:

	2021 RMB'000	2020 RMB'000
As at 1 January	1,472,532	1,518,793
Remeasurement	42,488	54,984
Currency translation differences	(34,182)	(101,245)
As at 31 December	1,480,838	1,472,532

Notes to the Consolidated Financial Statements

29 Pension and retirement liabilities

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated income statement for the year were RMB247,366,000.

Notes:

- (a) Retirement benefit obligations of the Company, COSCO SHIPPING Lines Limited and its subsidiaries, and COSCO SHIPPING Ports and its subsidiaries

	2021 RMB'000	2020 RMB'000
Balance sheet obligations for:		
Early-retirement benefits for PRC employees	49,332	13,032
Post-retirement benefits for PRC employees	398,087	362,287
Total pension and retirement liabilities	447,419	375,319
Less: Current portion included in provisions and other liabilities (note 27)	(40,988)	(25,254)
Non-current portion of pension and retirement liabilities	406,431	350,065
Expensed in income statement for:		
Early-retirement benefits for PRC employees	(343)	(152)
Post-retirement benefits for PRC employees	42,288	47,786
	41,945	47,634

The Group recognized a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by independent actuaries, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2021 totalled RMB447,419,000 (2020: RMB375,319,000).

Notes to the Consolidated Financial Statements

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

- (a) Retirement benefit obligations of the Company, COSCO SHIPPING Lines Limited and its subsidiaries, and COSCO SHIPPING Ports and its subsidiaries (Continued)

Movements of the net liabilities recognized in the consolidated balance sheets are as follows:

	Early retirement RMB'000	2021 Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	2020 Post retirement RMB'000	Total RMB'000
As at 1 January	13,032	362,287	375,319	15,310	359,848	375,158
(Credited)/charged to the consolidated income statement	(343)	42,288	41,945	(152)	47,786	47,634
Remeasurements of post-employment benefit obligations	–	(190)	(190)	–	(7,014)	(7,014)
Benefits paid	(3,319)	(52,771)	(56,090)	(2,126)	(38,066)	(40,192)
Acquisition of a subsidiary	40,423	47,083	87,506	–	–	–
Currency translation difference	(461)	(610)	(1,071)	–	(267)	(267)
As at 31 December	49,332	398,087	447,419	13,032	362,287	375,319

The amounts of retirement benefit costs recognized in the consolidated income statement comprise:

	Early retirement RMB'000	2021 Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	2020 Post retirement RMB'000	Total RMB'000
Interest cost	542	26,294	26,836	180	19,012	19,192
Past service costs	–	311	311	–	21,128	21,128

The principal actuarial assumptions used were as follows:

	2021		2020	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	2.50%	3.00% – 3.25%	3.00%	3.25%
Retirement benefits inflation rates	3.00% – 4.50%	0.00% – 8.00%	3.00% – 4.50%	0.00% – 8.00%

Notes to the Consolidated Financial Statements

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL

The amounts recognized in the consolidated balance sheet are as follows:

	2021 RMB'000	2020 RMB'000
Net funded scheme assets/(liabilities)	78,090	(100,790)

Net funded scheme assets/(liabilities)

The defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the "Scheme") covers less than 1% of OOIL's employees and is funded. The assets of the Scheme are held in trust funds separate from OOIL. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of OOIL's pension schemes vary according to the economic conditions of the countries in which they are situated.

The net scheme assets/(liabilities) of the Scheme recognized in the consolidated balance sheet are determined as follows:

	2021 RMB'000	2020 RMB'000
Fair value of plan assets	1,435,559	1,473,486
Present value of funded obligations	(1,357,469)	(1,574,276)
Surplus/(deficit) of funded plan	78,090	(100,790)

Movements in the fair value of the plan assets of the Scheme during the year are as follows:

	2021 RMB'000	2020 RMB'000
Balance at beginning of year	1,473,486	1,462,965
Currency translation differences	(47,510)	(42,957)
Interest income on plan assets	17,417	26,277
Remeasurement gain on assets	35,158	99,255
Contributions from OOIL	29,885	32,315
Contributions from the plan members	652	821
Benefits paid	(73,529)	(105,190)
Balance at end of year	1,435,559	1,473,486

Notes to the Consolidated Financial Statements

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

Movements in the present value of obligations of the Scheme during the year are as follows:

	2021 RMB'000	2020 RMB'000
Balance at beginning of year	1,574,276	1,543,149
Currency translation differences	(48,815)	(45,985)
Current service cost	9,596	7,922
Interest expense	18,508	27,539
Experience gain on liabilities	(16,469)	(9,026)
(Gains)/losses from changes to demographic assumptions	(33,931)	2,105
(Gains)/losses from changes to financial assumptions	(72,819)	152,941
Contributions from the plan members	652	821
Benefits paid	(73,529)	(105,190)
Balance at end of year	1,357,469	1,574,276

The charges of the Scheme recognized in the consolidated income statement are as follows:

	2021 RMB'000	2020 RMB'000
Current service cost	9,596	7,922
Interest expense	18,508	27,539
Interest income on plan assets	(17,417)	(26,277)
Net expense recognized for the year	10,687	9,184

Charges of RMB2,633,000 (2020: Nil) and RMB8,054,000 (2020: RMB9,184,000) respectively are included in "cost of services" and "selling, administrative and general expenses" in the consolidated income statement.

Notes to the Consolidated Financial Statements

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

The main actuarial assumptions made for the Scheme were as follows:

	2021	2020
Discount rate	1.80%	1.20%
Inflation rate	3.70%	3.20%
Expected future salary increases	2.80%	2.30%
Expected future pension increases	2.60%	2.40%
Actual return on plan assets (RMB'000)	52,575	125,532

At 31 December 2021, if discount rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been RMB35,704,000 lower/RMB37,617,000 higher. At 31 December 2021, if inflation rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been RMB16,577,000 higher/lower. The sensitivities show the likely effect of a single assumption being adjusted while holding all other assumptions constant.

Plan assets of the Scheme comprise the following:

	2021 RMB'000	2020 RMB'000
Equity	219,643	461,350
Debt	1,187,206	877,462
Others	28,710	134,674
	1,435,559	1,473,486

Expected normal and deficit reduction contributions to the Scheme for the year ending 31 December 2022 is RMB29,966,000.

Through its defined benefit pension plans, OOIL is exposed to a number of risks as follows:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.
- Interest rate and market risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Longevity and other demographic risk. If members live longer than assumed, a deficit will emerge in the Scheme.

Notes to the Consolidated Financial Statements

30 Trade and other payables and contract liabilities

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

Notes:

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

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

Trade balances with related companies are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

Notes to the Consolidated Financial Statements

30 Trade and other payables and contract liabilities (Continued)

Notes: (Continued)

(b) The carrying amounts of trade and other payables (excluding contract liabilities) are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
RMB	40,231,592	23,775,762
US dollar	37,521,552	11,592,832
EURO	2,578,814	979,922
HK dollar	1,296,044	1,882,804
Other currencies	4,005,161	5,276,786
Total	85,633,163	43,508,106

- (c) The balance included loans from a joint venture of US\$35,290,000 (equivalent to approximately RMB224,998,000) (2020: US\$34,483,000 (equivalent to approximately RMB224,998,000)), which are unsecured, bear interest at 2.30% (2020: 2.30%) per annum and repayable within twelve months.
- (d) The balance included a loan from an associate of US\$21,958,000 (equivalent to approximately RMB139,998,000) (2020: Nil), which is unsecured, bears interest at 2.30% (2020: Nil) per annum and repayable within twelve months.
- (e) The balance included loans from non-controlling shareholders of subsidiaries are unsecured. Balance of US\$31,205,000 (equivalent to approximately RMB198,954,000) (2020: US\$45,952,000 (equivalent to approximately RMB299,832,000)) is interest free and repayable within twelve months. Balance of US\$11,764,000 (equivalent to approximately RMB75,004,000) (2020: US\$38,314,000 (equivalent to approximately RMB249,995,000)) bears interest at 3.40% per annum (2020: 3.92% per annum) and repayable within twelve months.

The remaining balances are unsecured, interest free and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

31 Expenses by nature

	2021 RMB'000	2020 RMB'000
Cost of services (note a)		
Container shipping business		
– Equipment and cargo transportation costs	109,951,567	79,615,069
– Voyage costs (note b)	32,503,081	28,505,587
– Vessel costs (note c)	29,007,532	25,533,628
	171,462,180	133,654,284
Other related business costs	15,461,391	7,978,308
Cost of services related to container shipping business	186,923,571	141,632,592
Terminal business costs	5,616,981	5,292,431
Tax and surcharges	1,027,679	192,019
Total	193,568,231	147,117,042
Selling, administrative and general expense		
Administrative staff costs	10,040,313	7,676,989
Depreciation and amortization	704,135	782,205
Expense relating to short-term lease and lease with low value assets	163,221	164,358
Office expense	301,438	342,328
Transportation and travelling expense	52,744	57,071
Auditors' remuneration	77,088	82,046
– Audit	54,041	56,574
– Audit related services	9,731	10,122
– Non-audit services	13,316	15,350
Telecommunication and utilities	110,609	135,518
Repair and maintenance expense	196,284	161,450
Others	736,490	504,507
Total	12,382,322	9,906,472

Notes:

- (a) Cost of services included depreciation and amortization expenses of RMB12,354,462,000 (2020: RMB11,581,517,000), service components which included in rentals but not as part of lease liabilities, expense related to short-term lease and lease with low value assets of RMB8,803,587,000 (2020: RMB8,454,052,000) respectively.
- (b) Voyage costs mainly comprised bunkers and port charges.
- (c) Vessel costs mainly comprised depreciation of vessels, expense relating to short-term lease and lease with low value assets.

Notes to the Consolidated Financial Statements

32 Other income and other expenses

	2021 RMB'000	2020 RMB'000
Dividend income from investments at FVOCI	66,236	71,019
Gain on disposal of property, plant and equipment	298,648	85,359
Gain on disposal of an associate, joint ventures and subsidiaries	135,890	568,993
Gain on derivatives at fair value	–	586
Gain on remeasurement of equity investments (note 41(a))	68,851	68,290
Income from portfolio investments at FVPL		
– Fair value gain (realized and unrealized)	73,309	–
– Interest income	13,803	28,292
– Distribution	3,888	3,326
– Dividend income	1,391	2,174
Interest income from investments at amortized cost	32,467	53,652
Government grants and other subsidies	797,750	1,103,892
Others	48,372	33,182
Other income	1,540,605	2,018,765
Loss on disposal of property, plant and equipment	(39,277)	(40,882)
Loss on disposal of intangible assets	(103)	(35)
Fair value loss on portfolio investments at FVPL (realized and unrealized)	(29,065)	(38,932)
Donations	(349,729)	(19,085)
Exchange loss	(343,043)	(401,196)
Others	(44,213)	(71,489)
Other expenses	(805,430)	(571,619)

Notes to the Consolidated Financial Statements

33 Finance income and costs

	2021 RMB'000	2020 RMB'000
Finance income		
Interest income from:		
– deposits in related parties	428,935	88,401
– loans to joint ventures and associates	25,206	30,491
– other financial institutions	648,411	515,377
Total finance income	1,102,552	634,269
Finance costs		
Interest expenses on:		
– loans from third parties	(1,370,614)	(2,235,490)
– loans from related parties	(101,913)	(194,255)
– loans from non-controlling shareholders of subsidiaries	(3,136)	(10,619)
– lease liabilities	(1,720,418)	(940,766)
– notes/bonds (note 26(b))	(462,663)	(751,163)
Transaction costs arising from borrowings	(174,232)	(169,773)
Net exchange loss	(65,927)	(111,154)
	(3,898,903)	(4,413,220)
Less: amount capitalized in construction in progress (note 6(c))	65,333	48,401
Total finance costs	(3,833,570)	(4,364,819)
Net finance costs	(2,731,018)	(3,730,550)

Notes to the Consolidated Financial Statements

34 Income tax expenses

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

Notes:

(a) Current income tax

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

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

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

Notes to the Consolidated Financial Statements

34 Income tax expenses (Continued)

Notes: (Continued)

- (b) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2021 RMB'000	2020 RMB'000
Profit before income tax	127,949,302	13,947,709
Less: Share of profits less losses of joint ventures and associates	(2,383,262)	(2,103,540)
	125,566,040	11,844,169
Calculated at a tax rate of 25% (2020: 25%)	31,391,510	2,961,042
Effect of different tax rates of domestic and overseas entities	(5,844,094)	(711,032)
Income not subject to income tax	(8,986,937)	(3,171,699)
Expenses not deductible for taxation purposes	3,120,358	2,297,045
Utilization of previously unrecognized tax losses	(1,229,219)	(610,490)
Tax losses not recognized	46,698	82,361
Income tax for/(release of withholding income tax upon) distribution of profits	5,363,583	(14,085)
Over provision in prior years	(1,680)	(38,601)
Effect on deferred tax balance resulting from the change in tax rates	(5,066)	(4,556)
Others	241,598	(29,770)
Income tax expense	24,096,751	760,215

- (c) Except for the income tax RMB1,198,000 (2020: RMB40,713,000) relating to the deferred tax provided on the fair value exchange, on financial assets at FVOCI, and deferred tax asset to the cash flow hedges in 2021, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2021 and 2020.

35 Dividend

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

Notes to the Consolidated Financial Statements

36 Earnings per share

(a) Basic

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

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

(b) Diluted

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

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

Note:

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

For the year ended 31 December 2021 and 2020, the outstanding share options granted by COSCO SHIPPING Ports did not have dilutive effect on the Company's diluted earnings per share.

Notes to the Consolidated Financial Statements

37 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2021 RMB'000	2020 RMB'000
Wages, salaries and crew expenses (including bonus and share-based payments)	15,303,678	9,072,866
Housing benefits (note a)	326,427	296,575
Retirement benefits costs		
– defined benefit plans	62,280	64,888
– defined contribution plans (note b)	1,446,750	921,689
Welfare and other expenses	2,382,070	2,044,344
	19,521,205	12,400,362

Notes:

- (a) These include contributions to PRC government sponsored housing funds for full time employees in the PRC during the year.
- (b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organized by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 8% to 20%, depending on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2021 and 2020 to reduce future contributions.

Contributions totaling RMB664,653,000 (2020: RMB422,449,000) payable to various retirement benefit plans as at 31 December 2021 are included in pension and retirement liabilities and trade and other payables.

Notes to the Consolidated Financial Statements

38 Emoluments of directors, supervisors and senior management

(a) Directors', chief executive's and supervisors' emoluments

Details of the remuneration of each of the directors, the chief executive and the supervisors are set out below:

Name	Year ended 31 December 2021				
	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind* ³ RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Wan Min* ¹	-	-	-	-	-
Xu Lirong* ²	-	-	-	-	-
Huang Xiaowen	-	-	-	-	-
Yang Zhijian	-	4,572	286	218	5,076
Feng Boming	-	6,495	286	-	6,781
Wu Dawei	166	-	-	-	166
Zhou Zhonghui	166	-	-	-	166
TEO Siong Seng	462	-	-	-	462
MA Si Hang Frederick	466	-	-	-	466
Yang Shicheng	-	-	-	-	-
Deng Huangjun	-	3,287	231	-	3,518
Song Tao	-	2,509	84	145	2,738
Meng Yan	286	-	-	-	286
Zhang Jianping	286	-	-	-	286
	1,832	16,863	887	363	19,945

*¹ Appointed during the year of 2021

*² Resigned during the year of 2021.

*³ Benefits in kind include share-based compensation, car related expenses and club membership.

Notes to the Consolidated Financial Statements

38 Emoluments of directors, supervisors and senior management (Continued)

(a) Directors', chief executive's and supervisors' emoluments (Continued)

Details of the remuneration of each of the directors, the chief executive and the supervisors are set out below:
(Continued)

Name	Year ended 31 December 2020				
	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind* ⁴ RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Xu Lirong	–	–	–	–	–
Huang Xiaowen	–	–	–	–	–
Wang Haimin* ²	–	–	–	–	–
Yang Zhijian	–	3,670	246	84	4,000
Feng Boming	–	5,576	170	–	5,746
Philip Yang* ³	426	–	–	–	426
Wu Dawei	161	–	–	–	161
Zhou Zhonghui	163	–	–	–	163
TEO Siong Seng	459	–	–	–	459
MA Si Hang Frederick* ¹	39	–	–	–	39
Yang Shicheng* ¹	–	–	–	–	–
Deng Huangjun	–	2,741	–	–	2,741
Song Tao* ¹	–	163	6	7	176
Meng Yan	289	–	–	–	289
Zhang Jianping	289	–	–	–	289
	1,826	12,150	422	91	14,489

*¹ Appointed during the year of 2020.

*² Resigned during the year of 2020.

*³ Retired during the year of 2020.

*⁴ Benefits in kind include share-based compensation, car related expenses and club membership.

Notes to the Consolidated Financial Statements

38 Emoluments of directors, supervisors and senior management (Continued)

(a) Directors', chief executive's and supervisors' emoluments (Continued)

Note:

(i) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 December 2021 (2020: Nil).

(ii) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 December 2021 (2020: Nil).

(iii) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: Nil).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by and entities connected with directors subsisted at the end of the year or at any time during the year (2020: Nil).

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

38 Emoluments of directors, supervisors and senior management (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals	
	2021	2020
Directors	1	–
Employees	4	5
	5	5

The details of emoluments paid to five highest paid individuals have included one director of the Company as disclosed in note 38(a) above (2020: Nil). Details of emoluments paid to the four (2020: five) highest paid non-director individuals for the year ended 31 December 2021 are as follows:

	2021 RMB'000	2020 RMB'000
– Salaries and allowances	13,679	19,089
– Discretionary bonuses	26,622	14,343
– Retirement benefit contributions	3,845	3,214
– Share-based compensation	1,477	2,719
– Others	466	158
	46,089	39,523

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals	
	2021	2020
HK\$7,500,001 to HK\$8,000,000 (equivalent to approximately RMB6,230,000 to RMB6,640,000)	–	1
HK\$8,000,001 to HK\$8,500,000 (equivalent to approximately RMB6,640,000 to RMB7,060,000)	–	1
HK\$8,500,001 to HK\$9,000,000 (equivalent to approximately RMB7,060,000 to RMB7,470,000)	–	2
HK\$10,000,001 to HK\$10,500,000 (equivalent to approximately RMB8,300,000 to RMB8,720,000)	1	1
HK\$12,000,001 to HK\$12,500,000 (equivalent to approximately RMB9,960,000 to RMB10,380,000)	1	–
HK\$13,000,001 to HK\$13,500,000 (equivalent to approximately RMB10,790,000 to RMB11,210,000)	1	–
HK\$20,000,001 to HK\$20,500,000 (equivalent to approximately RMB16,610,000 to RMB17,020,000)	1	–
Total	4	5

Notes to the Consolidated Financial Statements

39 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations:

	2021 RMB'000	2020 RMB'000
Profit before income tax	127,949,302	13,947,709
Depreciation		
– property, plant and equipment	5,640,283	5,404,104
– investment properties	29,560	31,953
– right-of-use assets	7,046,321	6,554,693
Amortization		
– intangible assets	342,433	372,972
Amortized amount of transaction costs on long-term borrowings and discount on issue of notes/bonds	79,871	135,065
Dividend income from listed and unlisted investments	(71,515)	(88,651)
Share of profits less losses of		
– joint ventures	(694,459)	(655,548)
– associates	(1,688,803)	(1,447,992)
Interest expenses	3,593,411	3,948,828
Interest income	(1,148,822)	(716,213)
Transaction cost arising from borrowings	94,361	169,773
Net gain on disposal of property, plant and equipment	(259,371)	(44,477)
Fair value (gain)/loss from financial assets at FVPL, net	(44,244)	38,346
Net impairment losses on financial assets	181,175	107,747
Net gain on disposal of an associate, joint ventures and subsidiaries	(135,890)	(500,327)
Net exchange loss	408,970	512,350
Others	(68,748)	6,033
Operating profit before working capital changes	141,253,835	27,776,365
(Increase)/decrease in inventories	(2,177,696)	822,868
(Increase)/decrease in trade and other receivables and contract assets	(2,760,259)	333,587
Increase in trade and other payables and contract liabilities	43,207,461	12,994,059
Increase in provisions and other liabilities and pension and retirement liabilities	2,026,444	3,064,278
(Increase)/decrease in restricted bank deposits	(1,010)	24,782
Cash generated from operations	181,548,775	45,015,939

Notes to the Consolidated Financial Statements

39 Notes to the consolidated cash flow statement (Continued)

(b) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings and loans from non-controlling shareholders of subsidiaries RMB'000	Notes/bonds RMB'000	Loans from investment in an associate and a joint venture RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as at 1 January 2020	101,018,533	19,508,309	345,001	32,821,982	153,693,825
Changes from financing cash flows					
Loans draw down	19,848,368	5,500,000	-	-	25,348,368
Loans repaid	(36,708,362)	(9,000,000)	-	-	(45,708,362)
Repayment of loans from non-controlling shareholders of subsidiaries	(75,794)	-	-	-	(75,794)
Repayment of loan from an associate	-	-	(247,048)	-	(247,048)
Repayment of loan from a joint venture	-	-	(227,982)	-	(227,982)
Loan from an associate	-	-	121,585	-	121,585
Loan from a joint venture	-	-	227,982	-	227,982
Addition of lease liabilities	-	-	-	23,881,358	23,881,358
Payment of lease liabilities	-	-	-	(10,650,324)	(10,650,324)
Other non-cash movements	546,398	13,597	-	7,980,802	8,540,797
Foreign exchange difference	(4,557,404)	(572,147)	5,460	(8,585,806)	(13,709,897)
Balance as at 31 December 2020	80,071,739	15,449,759	224,998	45,448,012	141,194,508
Changes from financing cash flows					
Loans draw down	7,322,347	-	-	-	7,322,347
Loans repaid	(22,246,655)	(6,000,000)	-	-	(28,246,655)
Addition of loans from non-controlling shareholders of subsidiaries, net of repayment	184,152	-	-	-	184,152
Loans from an associate	-	-	137,486	-	137,486
Addition of lease liabilities	-	-	-	15,255,365	15,255,365
Payment of lease liabilities	-	-	-	(8,867,335)	(8,867,335)
Other non-cash movements	767,217	18,435	-	642,481	1,428,133
Foreign exchange difference	(1,765,266)	(194,075)	2,512	(1,043,850)	(3,000,679)
Balance as at 31 December 2021	64,333,534	9,274,119	364,996	51,434,673	125,407,322

Notes to the Consolidated Financial Statements

40 Financial instruments by category

	2021 RMB'000	2020 RMB'000
Financial assets as per balance sheet		
Financial assets at fair value through other comprehensive income	1,726,053	1,787,572
Financial assets at amortized cost		
– Loans to joint ventures and associates	765,644	881,028
– Financial assets at amortized cost	732,392	961,852
– Trade and other receivables	17,360,166	14,693,883
– Cash and cash equivalents	177,946,969	52,630,331
– Restricted bank deposits	381,259	221,058
Financial assets at fair value through profit or loss	754,903	656,143
Total	199,667,386	71,831,867
Financial liabilities as per balance sheet		
Financial liabilities at amortized cost		
– Trade and other payables	33,069,486	23,909,541
– Borrowings	73,333,695	94,971,671
– Lease liabilities	51,434,673	45,448,012
– Put option liability	1,480,838	1,472,532
Financial liabilities at fair value through profit or loss		
– Derivative financial liabilities	40,897	74,782
Total	159,359,589	165,876,538

41 Acquisition of subsidiaries

(a) Step acquisition from an associate to a subsidiary – Tianjin Port Container Terminal Co., Ltd.

On 3 December 2021, COSCO SHIPPING Ports completed a further acquisition of 34.99% equity interests in Tianjin Port Container Terminal Co., Ltd. ("TCT"), for a consideration of approximately RMB1,247,710,000. TCT became a subsidiary of COSCO SHIPPING Ports with 51% interest.

Upon the step-up acquisition, COSCO SHIPPING Ports remeasured the fair value of its pre-existing interest in TCT at the acquisition date and recognized a gain of US\$10,669,000 (equivalent to approximately RMB68,851,000) on the remeasurement of COSCO SHIPPING Ports' pre-existing interest in TCT to acquisition date fair value in the consolidated income statement (note 32).

Notes to the Consolidated Financial Statements

41 Acquisition of subsidiaries (Continued)

(a) Step acquisition from an associate to a subsidiary – Tianjin Port Container Terminal Co., Ltd. (Continued)

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	1,247,710
Fair value of pre-existing interest in TCT at the date of acquisition	577,512
Fair value of net assets acquired shown as below	(1,812,896)
Total Goodwill	12,326

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follow:

	Fair value RMB'000
Property, plant and equipment	2,989,749
Other non-current assets	968,665
Inventories	24,968
Trade and other receivables and contract assets	116,843
Cash and cash equivalents	342,757
Long-term borrowings	(479,493)
Other non-current liabilities	(195,456)
Trade and other payables and contract liabilities	(199,439)
Total identifiable net assets acquired	3,568,594
Less: non-controlling interests	(1,755,698)
	1,812,896
Purchase consideration settled in cash	(1,247,710)
Cash and cash equivalents acquired	342,757
Net cash outflow on acquisition	(904,953)

Notes to the Consolidated Financial Statements

41 Acquisition of subsidiaries (Continued)

(a) Step acquisition from an associate to a subsidiary – Tianjin Port Container Terminal Co., Ltd. (Continued)

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Acquired receivables

The fair value of acquired trade receivables is US\$17,368,000 (equivalent to approximately RMB112,081,000). The gross contractual amount for trade receivables due is US\$17,490,000 (equivalent to approximately RMB112,868,000), of which US\$122,000 (equivalent to approximately RMB787,000) is expected to be uncollectible

(iii) Non-controlling interests

COSCO SHIPPING Ports recognizes the non-controlling interests in TCT at its proportionate share of the acquired net identifiable assets.

(iv) Revenue and profit contribution

The acquired terminal operation contributed approximately US\$14,769,000 (equivalent to approximately RMB95,309,000) revenue and net loss of approximately US\$1,172,000 (equivalent to approximately RMB7,563,000) for the year ended 31 December 2021 since the date of acquisition. If the acquisitions had occurred on 1 January 2021, COSCO SHIPPING Ports' consolidated revenue and profit for the year ended 31 December 2021 would have increased approximately by US\$178,927,000 (equivalent to approximately RMB1,154,670,000) and increased approximately by US\$10,978,000 (equivalent to approximately RMB70,844,000).

(v) Acquisition-related costs

Acquisition-related costs of US\$139,000 (equivalent to approximately RMB897,000) that were not directly attributable to the issue of acquisitions are included in selling, administrative and general expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

(b) Acquisition of subsidiaries – OOCL (Egypt) Shipping Agency S.A.E. ("OEGY") and Orient Overseas Cargo Line Co. Ltd. ("OSAU")

On 24 February 2020 and 5 March 2020, OOIL acquired 100% and 51% equity interest in OSAU and OEGY, for a total consideration of RMB445,000.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

	RMB'000
Purchase consideration	445
Fair value of previously held equity interest at the date of acquisition	3,668
Fair value of net assets acquired (see below)	(11,213)
Release of reserve upon step acquisition from joint venture to subsidiary	4,499
Gain on bargain purchase	(2,601)

Notes to the Consolidated Financial Statements

41 Acquisition of subsidiaries (Continued)

- (b) Acquisition of subsidiaries – OOCL (Egypt) Shipping Agency S.A.E. (“OEGY”) and Orient Overseas Cargo Line Co. Ltd. (“OSAU”) (Continued)

The fair values of assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	228
Right-of-use assets	3,554
Trade and other receivables and contract assets	37,373
Cash and cash equivalents	67,010
Lease liabilities	(3,147)
Deferred income tax liabilities	(504)
Trade and other payables and contract liabilities	(86,421)
Tax payables	(6,880)
Total identifiable net assets acquired	11,213
Net cash inflow on acquisition:	
Cash and cash equivalents acquired	67,010
Purchase consideration settled in cash	(445)
Net cash inflow on acquisition	66,565

Notes:

- (i) Acquired receivables

There are no acquired trade receivables.

- (ii) Revenue and profit contribution

The contributed revenue and profit for the acquired business since the date of acquisition was not significant.

- (iii) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in selling, administrative and general expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

Notes to the Consolidated Financial Statements

42 Contingent liabilities

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

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

- (b) Guarantee

A subsidiary of COSCO SHIPPING Ports provided corporate guarantee to a joint venture. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not been recognized at the balance sheet date.

As at 31 December 2021, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB23,297,702,000 (2020: RMB35,689,869,000).

43 Commitments

- (a) Capital commitments

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Contracted but not provided for		
Containers	687,659	—
Container vessels	28,128,068	11,689,612
Terminal equipment	5,593,146	2,145,230
Other property, plant and equipment	47,707	53,566
Investments in terminals and other companies	1,798,246	2,393,428
Intangible assets	14,539	3,784
	36,269,365	16,285,620

Notes to the Consolidated Financial Statements

43 Commitments (Continued)

(a) Capital commitments (Continued)

Amounts of capital commitments relating to the Group's interest in the joint ventures not included in the above are as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Contracted but not provided for	127,795	28,330

(b) Lease commitments – where the Group is the lessee

The future aggregate minimum lease rental expenses under non-cancellable short-term leases are payable in the following years:

	As at 31 December 2021 RMB'000		
	Containers and container vessels	Leasehold land, buildings and other property, plant and equipment	Total
– not later than one year	3,007,277	83,143	3,090,420
– later than one year	6,477,883	103,737	6,581,620
	9,485,160	186,880	9,672,040

	As at 31 December 2020 RMB'000		
	Containers and container vessels	Leasehold land, buildings and other property, plant and equipment	Total
– not later than one year	3,846,503	60,529	3,907,032
– later than one year	2,992,576	9,151	3,001,727
	6,839,079	69,680	6,908,759

Notes to the Consolidated Financial Statements

44 Significant related party transactions

The Company is controlled by COSCO SHIPPING, the parent company and a state-owned enterprise established in the PRC.

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING Group, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

	2021 RMB'000	2020 RMB'000
Transactions with COSCO SHIPPING		
Revenues		
Vessel service income	866	349

Notes to the Consolidated Financial Statements

44 Significant related party transactions (Continued)

	2021 RMB'000	2020 RMB'000
Transactions with subsidiaries of COSCO SHIPPING Group and its related entities (including joint ventures and associates of COSCO SHIPPING)		
Revenues		
Container shipping income	3,810,119	1,448,351
Freight forwarding income	448,033	293,598
Vessel services income	977,897	135,585
Crew service income	6,515	8,777
Terminal handling fee and storage income	144,052	131,532
Shipping related service income	11,310	16,744
Other income	157,707	92,945
Expenses		
Vessel costs		
Expenses relating to short-term leases and service components included in the rentals – Vessel	372,133	671,133
Vessel services expenses	1,464,387	563,615
Crew expenses	2,688,384	1,121,671
Voyage costs		
Bunker costs	17,401,980	14,240,643
Port charges	3,740,138	3,574,798
Equipment and cargo transportation costs		
Commission and rebates	145,532	95,904
Cargo and transshipment and equipment and repositioning expenses	1,709,431	567,211
Freight forwarding expenses	386,005	74,301
General service expenses	161,412	151,710
Expenses relating to short-term leases and leases with low-value assets – Building	39,548	47,509
Expenses relating to short-term leases and leases with low-value assets – Container	1,297,574	1,278,067
Interest expense of lease liabilities	967,912	184,466
Other expense	183,567	81,969
Others		
Payment of lease liabilities	2,335,164	4,288,821
Concession fee	427,967	414,277
Purchase of containers	3,002,640	1,956,484
Installment of vessel under construction	1,319,615	1,298,846

Notes to the Consolidated Financial Statements

44 Significant related party transactions (Continued)

	2021 RMB'000	2020 RMB'000
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	20,968	21,617
Other income	20,646	25,174
Expenses		
Port charges	1,922,901	2,005,153
Expenses relating to short-term leases or leases with low-value assets – Building	4,388	4,598
Equipment and cargo transportation costs		
Commission and rebates	–	12,680
Cargo and transshipment and equipment and repositioning expenses	24,133	64,060
Transactions with associates of the Group		
Revenues		
Freight forwarding and other income	145,694	13,701
Interest income from COSCO SHIPPING Finance	430,048	88,401
Expenses		
Port charges	402,576	968,811
COSCO SHIPPING Finance interest expense	1,468	55,181
Other handling fee	44,286	17,274
Others		
Capital injection to COSCO SHIPPING Finance	–	353,414
Partial disposal of subsidiaries	–	416,971
Transactions with other related parties		
Revenues		
Other income	3,229	123,411
Expenses		
Expenses relating to short-term leases	284,116	32,725

Notes to the Consolidated Financial Statements

44 Significant related party transactions (Continued)

Note:

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO SHIPPING Group or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 31 December 2021 and 31 December 2020, majority of the Group's bank balances and bank borrowings are with state-owned banks.

45 Particulars of principal subsidiaries, joint ventures and associates

At 31 December 2021, the Group had the following principal subsidiaries, joint ventures and associates which, in the opinion of the Directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2021, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2021
Capital held directly				
COSCO SHIPPING Lines Limited	China/Worldwide	Container transportation	RMB23,664,337,165	100.00%
China COSCO (Hong Kong) Company Limited	China Hong Kong	Investment holding	RMB64,100	100.00%
COSCO SHIPPING Holdings (Hong Kong) Co., Ltd	China Hong Kong	Investment holding	US\$10,000	100.00%
Capital held indirectly				
Shanghai Pan Asia Shipping Company Limited	China	Container transportation	RMB1,504,188,680	63.24%
Shanghai COSCO Information & Technology Co., Ltd	China	Design and manufacture computer software, providing technology service and solution	RMB2,069,685	60.00%
Tianjin Binhai COSCO Container Logistics Co., Ltd	China	Container stack, cargo storage and cargo transportation	RMB190,000,000	60.00%
Shanghai Coscon Logistics Co., Ltd	China	Container stack, cargo storage and cargo transportation	RMB403,000,000	100.00%
COSCO SHIPPING Container Lines Agencies Limited	China Hong Kong	Shipping agency	RMB1,063,700	100.00%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

As at 31 December 2021, the Group had direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2021
Capital held indirectly (Continued)				
COSCO International Freight Co., Ltd.	China	Freight forwarding and transportation	RMB377,170,094	100.00%
COSCO SHIPPING Lines (Shanghai) Co., Ltd.	China	Freight forwarding and transportation	RMB114,003,453	100.00%
COSCO SHIPPING Lines (Ningbo) Co., Ltd.	China	Freight forwarding and transportation	RMB5,000,000	100.00%
COSCO SHIPPING Lines (Qingdao) Co., Ltd.	China	Freight forwarding and transportation	RMB24,295,332	100.00%
COSCO SHIPPING Lines (Tianjin) Co., Ltd.	China	Freight forwarding and transportation	RMB62,825,653	100.00%
COSCO SHIPPING Lines (Wuhan) Co., Ltd.	China	Freight forwarding and transportation	RMB44,681,134	51.00%
COSCO SHIPPING Lines (Dalian) Co., Ltd.	China	Freight forwarding and transportation	RMB20,000,000	100.00%
COSCO SHIPPING Lines (Xiamen) Co., Ltd.	China	Freight forwarding and transportation	RMB15,000,000	100.00%
COSCO Container Shipping Agency Co., Ltd.	China	Shipping agency	RMB84,717,009	100.00%
COSCO Xiamen Container Shipping Agency Co., Ltd.	China	Shipping agency	RMB10,000,000	100.00%
COSCO Shanghai Container Shipping Agency Co., Ltd.	China	Shipping agency	RMB10,000,000	100.00%
COSCO SHIPPING Lines (Southern China) Co., Ltd.	China	Freight forwarding and transportation	RMB50,000,000	100.00%
COSCO SHIPPING Lines (Hainan) Co., Ltd.	China	Freight forwarding and transportation	RMB5,500,000	100.00%
COSCO SHIPPING Lines (Korea) Co., Ltd.	South Korea	Freight forwarding and shipping agency	RMB1,989,543	100.00%
COSCO SHIPPING Lines Americas, Inc.	United States of America	Shipping agency	RMB23,965,890	100.00%
COSCO SHIPPING Lines (Europe) Co., Ltd.	German/Europe	Shipping agency	RMB16,548,150	100.00%
COSCO (Hong Kong) Shipping Co., Ltd.	China Hong Kong	Freight forwarding and shipping agency	RMB1,066,100	100.00%
COSCO SHIPPING (Oceania) Pty Ltd	Australia	Shipping agency, freight forwarding and other international sea transport services	RMB384,830	100.00%
COHEUNG SHIPPING Co., Ltd.	China Hong Kong	Container transportation	RMB24,627,018	100.00%
COSCO (CAYMAN) Mercury Co., Ltd.	Cayman Islands/China Hong Kong	Vessel chartering	US\$413,825	100.00%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

As at 31 December 2021, the Group had direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2021
Capital held indirectly (Continued)				
COSCO SHIPPING Lines (Japan)	Japan	Marine services	RMB3,224,240	100.00%
New Golden Sea Shipping Pte. Co., Ltd.	Singapore	Freight forwarding and shipping agency	RMB119,182,788	100.00%
Shanghai COSCON Document Services Co., Ltd.	China	Document services	RMB1,000,000	100.00%
COSCO SHIPPING Lines (Brazil)	Brazil	Freight forwarding and shipping agency	RMB2,208,692	100.00%
COSCO SHIPPING LINES (PANAMA) INC.	Panama	Freight forwarding and shipping agency	RMB83,174	100.00%
Shanghai Ocean Shipping Co., Ltd.	China	Vessel management and manning service	RMB482,843,450	100.00%
China Shipping Container Lines Hainan Co., Ltd.	China	Freight forwarding and shipping agency	RMB10,000,000	100.00%
COSCO SHIPPING Lines (South Africa) Co., Ltd.	South Africa	Cargo and liner agency	RMB226	100.00%
COSCO SHIPPING lines West Asia FZE	United Arab Emirates	Cargo and liner agency	RMB5,667,006	100.00%
COSCO SHIPPING Ports Limited	Bermuda	Investment holding	HK\$331,529,637	50.23%
COSCO Investment Limited	British Virgin Islands/ China Hong Kong	Investment holding	1 ordinary share of US\$1	100.00%
COSCO Assets Management Limited	China Hong Kong	Vessel management	10,000 shares of US\$1 each	100.00%
Sanly Container Service Co., Ltd.	China	Shipping agency	RMB8,000,000	51.00%
Orient Overseas (International) Limited	Bermuda	Investment holding	US\$66,037,300	71.07%
COSCO SHIPPING (CENTRAL AMERICA) INC.	Panama	Cargo and liner agency	US\$10,000	100.00%
Faulkner Global Holdings Limited	British Virgin Islands/ China Hong Kong	Investment holding	US\$10,000	100.00%
Hainan Yishunda Shipping Technology Co., Ltd.	China	Shipping agency	RMB80,000,000	100.00%
Tianjin Port Container Terminal Co., Ltd.	China	Operation of terminals	RMB2,408,312,700	51.00%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures

As at 31 December 2021, the Company had indirect interests in the following principal joint ventures:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2021
Asia Container Terminals Holdings Limited	Cayman Islands	Investment holding	HK\$1 divided into 1,000 ordinary shares	20.00%
Conte-Rail, S.A.	Spain	Operation of rail terminals	45,000 ordinary shares of EURO34.3 each	25.50%
COSCO-HIT Terminals (Hong Kong) Limited	China Hong Kong	Operation of container terminals	HK\$20 divided into 2 "A" ordinary shares, HK\$20 divided into 2 "B" ordinary shares, and HK\$40 divided into 4 non-voting 5% deferred shares	50.00%
COSCO-HPHT ACT Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US \$1 each	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD286,213,000	49.00%
Dalian Dagang China Shipping Container Co., Ltd.	China	Operation of container terminals	RMB7,500,000	35.00%
Euro-Asia Oceangate S.a.r.l	Luxembourg	Investment holding	US\$40,000	40.00%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	China	Logistics	RMB3,400,000	30.00%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	China	Operation of container terminals	RMB1,260,000,000	40.00%
Ningbo Yuan Dong Terminals Limited	China	Operation of container terminals	RMB5,000,000,000	40.00%
Piraeus Consolidation and Distribution Center S.A.	Greece	Storage, consolidation and distribution	EURO1,000,000	50.00%
Qingdao Port Dongjiakou Ore Terminals Co., Ltd	China	Operation of iron ore terminal	RMB1,400,000,000	25.00%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures (Continued)

As at 31 December 2021, the Company had indirect interests in the following principal joint ventures: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2021
Shanghai Pudong International Container Terminals Limited	China	Operation of container terminals	RMB1,900,000,000	30.00%
Chengdu Yuanhai Land Port Supply Chain Co., Ltd.	China	Logistics	RMB19,600,000	49.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	China	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	22.40%
Yingkou Container Terminals Company Limited	China	Operation of container terminals	RMB8,000,000	50.00%
Yingkou New Century Container Terminal Co., Ltd.	China	Operation of container terminals	RMB40,000,000	40.00%
OOCL (UAE) LLC	Dubai	Liner agency	300 ordinary shares AED300,000	49.00%
Tang Cang – COSCO – OOCL Logistics Company Limited	Vietnam	Container depot	Legal capital US\$1,000,000	30.00%
Qingdao Orient International Container Storage & Transportation Co. Ltd.	China	Container depot	Registered capital RMB69,900,000	55.00%
Tangshan COSCO Shipping Container China Logistics Co., Ltd	China	Logistics	RMB170,000,000	51.00%
Yingkou COSCO Marine Container Service Co. Ltd	China	Logistics	RMB2,000,000	51.00%
Dalian Wanjie International Logistics Co., Ltd	China	Logistics	RMB74,000,000	50.00%
Qingdao Shenzhouxing International Freight Forwarding Co., Ltd	China	Liner agency	RMB5,000,000	50.00%
Xiamen Yuanda International Freight Forwarding Co., Ltd	China	Liner agency	RMB5,000,000	51.00%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates

As at 31 December 2021, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2021
Antwerp Gateway NV	Belgium	Operation of container terminals	EURO17,900,000	20.00%
APM Terminals Vado Holdings B.V.	Netherlands	Investment holding	10 ordinary shares of EURO100 each	40.00%
Beibu Gulf Port Co., Ltd.	China	Operation of terminals	RMB1,634,616,854	10.65%
COSCO Shipping Terminals (USA) LLC	USA	Investment holding	US\$200,000	40.00%
Dalian Automobile Terminal Co., Ltd	China	Construction and operation of automobile terminals	RMB320,000,000	24.00%
Dalian Container Terminal Co., Ltd.	China	Operation of container terminals	RMB3,480,000,000	19.00%
Damietta International Port Company S.A.E	Egypt	Operation of container terminals	20,000,000 ordinary shares of US\$10 each	20.00%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US\$1 each and 800 "B" shares of US \$1 each	20.00%
Euromax Terminal Rotterdam B.V.	Netherlands	Operation of container terminals	65,000 "A" shares of Euro1 each and 35,000 "B" shares of Euro1 each	35.00%
Fangchenggang Chista Terminals Co., Limited	China	Operation of container terminals	RMB310,000,000	20.00%
Guangxi Beibu Gulf International Container Terminal Co., Ltd	China	Operation of container terminals	RMB2,371,600,000	26.00%
China Railway United International Container Guangxi Co., Ltd.	China	Logistics	RMB68,000,000	14.92%
Kao Ming Container Terminal Corp.	China Taiwan	Operation of container terminals	TWD6,800,000,000	20.00%
Ningbo Meishan Bonded Port New Harbour Terminal Operating Co., Ltd.	China	Operation of container terminals	RMB200,000,000	20.00%
Qingdao Port International Co., Ltd.	China	Operation of container terminals	RMB6,036,724,000	19.79%
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	China	Operation of container terminals	RMB400,000,000	30.00%
Global Shipping Business Network Limited	China Hong Kong	Business Network Services	US\$8,000,000	12.50%
Red Sea Gateway Terminal Company Limited	Kingdom of Saudi Arabia	Operation of container terminals	SAR555,207,000	20.00%

Notes to the Consolidated Financial Statements

45 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates (Continued)

As at 31 December 2021, the Company had indirect equity interests in the following principal associates: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2021
Servicios Intermodales Bilbaoport, S.L.	Spain	Container storage and transportation	860,323 ordinary shares of EURO0.57 each	5.53%
Shanghai Mingdong Container Terminals Limited	China	Operation of container terminals	RMB4,000,000,000	20.00%
Sigma Enterprises Limited	British Virgin Islands	Investment holding	2,005 "A" shares of US\$1 each and 8,424 "B" shares of US\$1 each	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US\$100 each	20.00%
Taicang International Container Terminal Co., Ltd.	China	Operation of container terminals	RMB450,800,000	39.04%
Tianjin Shenggang Container Technology Development Service Co., Ltd.	China	Operation of container terminals	RMB3,000,000	16.83%
Watruss Limited	British Virgin Islands	Investment holding	32 "A" shares of US\$1 each and 593 "B" shares of US\$1 each	5.12%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	Terminal operating	Registered capital US\$160,000,000	20.00%
Zhongjing Supply Chain Technology Co., Ltd.	China	Supply chain management, technology and consulting	Registered capital RMB76,500,000	25.90%
Eshipping Global Supply Chain Management (Shenzhen) Co., Ltd.	China	Supply chain management	Registered capital RMB40,000,000	42.35%

Notes:

- (i) The English names of certain subsidiaries, joint ventures and associates referred to in the consolidated financial statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.
- (ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.
- (iii) Although the Group's equity interests in some joint ventures as disclosed above are more than 50%, the Group does not have unilateral control over these joint ventures.

Notes to the Consolidated Financial Statements

46 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		301	282
Intangible assets		91	275
Investments in subsidiaries		38,299,701	38,217,348
Loans to subsidiaries		998,877	998,035
Total non-current assets		39,298,970	39,215,940
Current assets			
Trade and other receivables and contract assets		13,511,223	198,581
Current portion of loans to subsidiaries		–	1,500,000
Cash and cash equivalents		35,990,935	116,311
Total current assets		49,502,158	1,814,892
Total assets		88,801,128	41,030,832
EQUITY			
Share capital		16,014,126	12,259,529
Reserves	(a)	70,997,807	21,085,216
Total equity		87,011,933	33,344,745
LIABILITIES			
Non-current liabilities			
Long-term borrowings		998,877	998,035
Pension and retirement liabilities		687	674
Total Non-current liabilities		999,564	998,709
Current liabilities			
Trade and other payables and contract liabilities		207,326	218,262
Short-term borrowings		–	2,000,000
Current portion of long-term borrowings		–	3,997,063
Tax payables		582,305	472,053
Total current liabilities		789,631	6,687,378
Total liabilities		1,789,195	7,686,087
Total equity and liabilities		88,801,128	41,030,832

Notes to the Consolidated Financial Statements

46 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note (a)

Reserve movement of the Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	(Accumulated loss)/retained earnings RMB'000	Total RMB'000
As at 1 January 2020	44,873,341	913,032	(3,342,792)	(21,305,756)	21,137,825
Fair value of share options granted	140,060	-	-	-	140,060
Loss for the year	-	-	-	(192,669)	(192,669)
As at 31 December 2020	45,013,401	913,032	(3,342,792)	(21,498,425)	21,085,216
As at 1 January 2021	45,013,401	913,032	(3,342,792)	(21,498,425)	21,085,216
Fair value of share options granted	85,884	-	-	-	85,884
Issue of A shares in connection with the exercise of share options	182,209	-	-	-	182,209
Transfer to share capital	(3,694,800)	-	-	-	(3,694,800)
Appropriate to statutory reserves	-	3,086,645	-	(3,086,645)	-
Profit for the year	-	-	-	53,339,298	53,339,298
As at 31 December 2021	41,586,694	3,999,677	(3,342,792)	28,754,228	70,997,807

Five Year Financial Summary

	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenues	333,693,611	171,258,834	150,540,591	120,342,284	90,399,078
Profit before tax	127,949,302	13,947,709	4,059,415	3,649,367	5,703,036
Income tax expenses	(24,096,751)	(760,215)	(978,567)	(818,961)	(872,351)
Profit from continuing operations for the year	103,852,551	13,187,494	3,080,848	2,830,406	4,830,685
Profit from discontinued operation for the year	–	–	7,113,469	195,955	–
Profit for the year	103,852,551	13,187,494	10,194,317	3,026,361	4,830,685
Profit attributable to:					
– Equity holders of the Company	89,296,138	9,927,098	6,690,106	1,230,026	2,661,936
– Non-controlling interests	14,556,413	3,260,396	3,504,211	1,796,335	2,168,749
Total assets	413,668,081	271,926,074	262,224,030	228,143,805	133,190,005
Total liabilities	(234,807,539)	(193,229,017)	(193,098,793)	(171,790,916)	(89,479,425)
Total equity	178,860,542	78,697,057	69,125,237	56,352,889	43,710,580

Notes:

- (b) The financial figures for the year 2021 and 2020 were extracted from the Consolidated Financial Statements.
- (c) The financial figures for the year 2017 to 2019 were extracted from the 2020 annual report.



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