Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

CSSC (Hong Kong) Shipping Company Limited
中國船舶(香港)航運租賃有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 3877)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Directors**") (the "**Board**") of CSSC (Hong Kong) Shipping Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with comparative figures for the year ended 31 December 2020, which shall be read in conjunction with the management discussion and analysis, as follows:

FINANCIAL HIGHLIGHTS

1. Summary of Consolidated Income Statement

	For the year ended 31 December		
(HKD in thousands)	**2021**	2020	Change
Revenue	**2,470,020**	1,861,565	32.7%
Total expenses	**(1,214,923)**	(1,063,748)	14.2%
Profit from operations	**1,359,849**	1,025,784	32.6%
Profit for the year	**1,387,642**	1,113,806	24.6%
Basic and diluted earnings per share *(HK$)*	**0.220**	0.181	21.5%

2. Summary of Consolidated Statement of Financial Position

(HKD in thousands)	As at 31 December **2021**	 2020	 Change
Total assets	**40,883,235**	30,530,654	33.9%
Total liabilities	**30,778,769**	21,539,717	42.9%
Total equity	**10,104,466**	8,990,937	12.4%

3. Selected Financial Ratios

	For the year ended 31 December/ As at 31 December **2021**	 2020
Profitability indicators		
Return on average assets(1)	**3.9%**	3.8%
Return on average net assets(2)	**14.2%**	12.8%
Average cost of interest-bearing liabilities(3)	**1.9%**	3.0%
Net profit margin(4)	**56.2%**	59.8%
Liquidity indicators		
Asset-liability ratio(5)	**75.3%**	70.6%
Risk asset-to-equity ratio(6)	**3.9 times**	3.1 times
Gearing ratio(7)	**2.9 times**	2.3 times
Net debt-to-equity ratio(8)	**2.8 times**	2.0 times
Credit ratings		
S&P Global Ratings	**A-**	A-
Fitch Ratings	**A**	A

Notes:

(1) Calculated by dividing net profit for the year by the average balance of total assets at the beginning and the end of the year.

(2) Calculated by dividing net profit attributable to the equity holders of the Company for the year by the average balance of net assets attributable to the equity holders of the Company at the beginning and the end of the year.

(3) Calculated by dividing finance costs and bank charges by the average balance of borrowings at the beginning and the end of the year.

(4) Calculated by dividing net profit for the year by revenue for the year.

(5) Calculated by dividing total liabilities by total assets.

(6) Calculated by dividing risk assets by total equity. Risk assets represent total assets less cash and cash equivalents and time deposits with maturity over three months.

(7) Calculated by dividing total borrowings by total equity.

(8) Calculated by dividing net debts by total equity. Net debts represent borrowings less cash and cash equivalents.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Overview

2021 is the second year of the outbreak of global COVID-19 pandemic. All regions around the world joined hands to fight the pandemic and launched more than US$16 trillion of fiscal stimulus. Thanks to the wide application of vaccines and the effective control of the pandemic in China, the Group resumed operations and production, and major economies have successively entered into the stage of economic recovery. According to International Monetary Fund statistics, the global GDP growth reached 5.9% in 2021, recorded the strongest growth in nearly 50 years. Benefitting from the recovery of global trade demand, the global seaborne trade has resumed growth since February 2021. Clarkson's report shows that the annual seaborne trade turnover volume increased by 3.2%. After showing strong resilience under the impact of the COVID-19 pandemic in 2020, the overall performance of the marine market in 2021 was even better, with the Clarkson's Shipping Index rising strongly, reaching an average of US$28,700 per day in 2021, representing an increase of 93% over 2020, which is the highest level since 2008 (an average of US$13,697 per day for the past 10 years). Meanwhile, due to the different steps of epidemic prevention and control and economic recovery in various countries, port congestion, supply-demand imbalance and supply chain disruption have pushed up the performance difference of the sub-segments of maritime trade. Dry bulk cargo and container trade has become the main driving force of the maritime V-shaped recovery in 2021. The specific performance of each major market in the marine sector in 2021 is as follows:

Dry bulk cargo segment: The bulk carrier shipping market performed strongly in 2021. The annual average of the Baltic Dry Index (BDI) was 2,943 points, increased by 176.1% year-on-year. In the first half of October 2021, the BDI reached a 12-year high of 5,650 points, and has since fallen back in shock. The average daily revenue of bulk carrier spot market in 2021 increased by 185% as compared to 2020, hitting a record high in the past 10 years. It is worth noting that, driven by the growth in demand for minor bulk and grain transportation, small and medium bulk carriers performed better, with Supramax spot market revenue increasing by 210% on a daily basis, and environmentally friendly ship premiums were significant. According to the data of the Baltic Exchange, the charter hire levels of all ship types have shown a substantial rise in 2021: the average charter hire level of the five representative routes of the Capesize (CAPESIZE 180K) was US$33,333 per day, a significant year-on-year increase of 155.0%; the average charter hire level of the 5 representative routes of the largest ship Panama (PANAMAX 82K) was US$26,898 per day, representing a significant year-on-year increase of 171.1%; the average charter hire level of the 10 representative routes of the super handy size ship (SUPRAMAX 58K) was US$26,770 per day, representing a significant year-on-year increase of 226.9%; the average charter hire level of the 7 representative routes of the handy size (HANDYSIZE 38K) was US$25,702 per day, representing a significant year-on-year increase of 221.2%.

Container vessel segment: Driven by a series of non-fundamental factors such as port congestion, severe container shortage, and "ship blockage" of the Suez Canal around the world, the container shipping market continued to hit a record high. According to Clarkson's research, the weighted time charter rate of container vessels increased by 260%, 5 times more than average level of the 10 years (2010-2019) before the COVID-19 pandemic. In December 2021, according to Clarkson's research, the monthly charter hire of 6-12 months for 9000 TEU environmentally-friendly container vessels has reached an average of US$149,000 per day per month, representing a year-on-year increase of 257%. The charter hire of feeder container vessels increased at a higher rate. The monthly average charter hire of 2750 TEU non-environment-friendly container vessels was US$72,000 per day (corresponding period of 2020: US$18,000 per day), and the monthly average charter hire of 2750 TEU environmentally-friendly container vessels was US$89,000 per day (corresponding period of 2020: US$20,000 per day).

Oil tanker segment: the recovery of global oil demand was slow due to the repeated outbreak of the COVID-19 pandemic and the decline in US exports. The continuous release of crude oil inventory under the high oil price environment led to the weak recovery of crude oil shipping demand. Meanwhile, the release of oil storage capacity increased the actual supply of transportation capacity in the market, and the freight rate was under the dual pressure of supply and demand and continued to be weak. The refined oil tanker transportation market fluctuated within a narrow range. At the same time, coupled with the repeated COVID-19 pandemic around the world, the demand for refined oil products fluctuated, and the refined oil transportation market fluctuated at a low level. In 2021, the annual average of the Baltic Exchange Dirty Tanker Index (BDTI) and the Baltic Exchange Clean Tanker Index (BCTI) was 643.72 points and 532.16 points respectively, down by 7.8% and 6.6% year-on-year, respectively.

Liquefied natural gas (“**LNG**”) segment: In 2021, the global LNG seaborne trade increased by 5.5% year-on-year to 380 million tons. China, for the first time, replaced Japan as the world’s largest LNG importer. According to the report of IHS Markit, China imported 81.4 million tons of LNG in 2021, representing a year-on-year increase of 18%. The average spot freight rate of large LNG vessels was US$89,000 per day, representing an increase of 50% as compared with the average for the whole year of 2020, reaching a new high in 8 years. Thanks to the outstanding performance of the market, the dismantling of LNG fleet remained at a low level in 2021, and the global LNG fleet still has a large number of old steam turbine vessels, there will be a greater opportunity for the LNG fleet vessels to renew and upgrade.

2. Outlook

At the beginning of 2022, the outbreak of the COVID-19 pandemic was not under control, and the outbreak of Russia-Ukraine conflict, also brought uncertainties to the global economic recovery and the trade development this year. Despite the impact of the international situations, we remain optimistic about the continuing general recovery of the global macro economy and the global seaborne trade.

From the perspective of demand for shipping capacity, according to Clarkson's data, the global seaborne trade turnover volume for 2022 is expected to further increase by 4.0%. Since 2022, due to factors such as mismatches of market supply and demand, event disruptions and energy shortages caused by the repeated epidemics, the market demand for living materials, bulk dry bulk cargo and LNG is relatively strong. In particular, the output of commodities such as crude oil and natural gas, as well as regional commodities such as food, has been hindered by unexpected events recently, and the transport distance of alternative routes may be extended, which will affect the supply and demand pattern of global shipping capacity and continue to push up freight rates. Since March 2022, the freight rate of Baltic tankers on the Europe route has increased by US$30,000 to US$241,000 per day, hitting a new high since 2008. Tense geopolitical situation may bring new opportunities to the shipping market.

From the perspective of the supply side of shipping capacity, according to Clarkson's forecast, the delivery scale of new ships in 2022 is expected to decrease slightly and the gross tonnage is expected to drop by 12% year-on-year. The dismantling of old ships is expected to increase by 17% year-on-year in terms of gross tonnage. Based on this calculation, the growth rate of global fleet capacity will slow down to about 2.4% in 2022, representing a year-on-year decrease of 0.4 percentage point. In addition, considering that the global supply chain disruption, port congestion and other problems will not be completely alleviated within a short period of time, the release of capacity supply and transportation efficiency in the shipping market will continue to be limited. Therefore, it is expected that the fundamentals of the global shipping market will continue to improve in 2022.

From a regulatory and technical perspective, International Maritime Organization (IMO) has adopted mandatory short-term target-based technical and operational measures to reduce greenhouse gas (GHG) emissions – Energy Efficiency Existing Ship Index (EEXI) and Carbon Emission Intensity Index (CII) will come into effect with the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI coming into effect on 1 November 2022 and will be binding on the applicable vessels from 1 January 2023. Driven by policies and regulations and market demand, the process of green and low-carbon transformation of ships has accelerated significantly, shifting from financing loans, cargo transportation, fuel use and other aspects tilting towards low-carbon and zero-carbon ships. Meanwhile, it is generally believed in the industry that in order to meet emission requirements, older ships may have to sail at reduced speed, thereby reducing the effective capacity of ships and strongly supporting the continued recovery of the shipping market.

Over the years, the Group has fully leveraged the professional advantages of the shipyard-affiliated leasing companies, as well as its strategic layout and investment. At present, the Group has established a complete offshore clean energy storage-transportation system represented by floating liquefied natural gas unit (FLNG), LNG and floating storage and regasification unit (FSRU), as well as a balanced portfolio of green and environmentally-friendly fleet assets such as dual-fuel long-range liquefied petroleum gas carriers, new green bulk carriers, environmentally-friendly large container vessels, automobile ro-ro transportation vessels and smart fishery large-scale aquaculture ships. The diversified quality assets of the Group will bring continuous profits to the Group and help the Group to continue sharing the bonus from the recovery of the shipping industry and resist the risks of market fluctuations in the future.

The Group will continue to give full play to the core advantages of "understand ships", further capture the ship leasing industry, maintain continuous investment in new ship leasing assets, continue to expand the strategic cooperations with major cargo owners and traders, follow the international regulations in the low-carbon field of ships, ship fuel, energy-saving equipment, and cutting-edge technologies for smart ships, and seize new technologies, new ship types, and new market opportunities; continue to improve ship asset management and operation capabilities, accelerate the digital management and intelligent management and control of ship assets, improve the efficiency and effectiveness of ship asset operations; continue to develop green finance, provide more customized and flexible financing solutions, and create value for shareholders and partners.

The Group will continue to implement the national strategy of "peak carbon dioxide emissions, carbon neutrality"(碳達峰、碳中和), seize the opportunity of the green transformation, explore the demand for marine clean energy equipment, deepen and expand the cooperation relationship with well-known oil and gas operators, and continue to seek business opportunities to extend the upstream and downstream industrial chain of offshore clean energy.

2022 marks the 10th anniversary of the Group. The Group will soon enter a new voyage. The Group will adhere to the main tone of "seeking progress while maintaining stability", grasp the "changes" of external situation and the "unchange" of industry development pattern, give full play to the professional advantages of "integration of industry and finance" of manufacturer-affiliated leasing companies, steadily implement the "cross-cycle" development strategy, and steadily maintain the "high-quality" development trend.

3. Business Review

1) *Ship leasing business continued to develop rapidly, and the Group's profit continued to grow fast*

In 2021, there was a record high net increase of 40 vessels in the Group's (including joint ventures and associates) vessels under operation, representing a year-on-year increase of 44.4%. Meanwhile, benefitting from the stable growth of long-term leasing assets and the increase in freight rates of self-operated bulk carriers and liquefied natural gas (LNG) transportation carriers and good control over our finance cost had contributed to the Group's steady growth in performance. For the year ended 31 December 2021, the Group's profit for the year was HK$1.388 billion, representing a year-on-year increase of 24.6%; operating profit was HK$1.36 billion, representing a year-on-year increase of 32.6%, both hitting a record high. As at 31 December 2021, the Group's return on average net assets and return on average assets were 14.2% and 3.9%, respectively, representing an increase of 1.4% and 0.1%, respectively, as compared to the corresponding period of 2020. In 2021, the Group (including joint ventures and associates) commenced 57 new lease contracts, completed 17 lease contracts and had 130 onging lease contracts, among which, 59 were operating lease contracts and 71 were finance lease contracts. Among the 130 onging lease contracts, there were 103 long-term lease contracts and the average remaining lease term was 7.6 years.

In 2021, the recovery trend of the shipping market was apparent. The Group seized market opportunities, implemented the cross-cycle investment strategy and achieved remarkable results. The Group remained optimistic about the green shipping market. In 2021, the Group continued to increase its efforts in investment in high-quality ship in subdivided market segments such as marine clean energy equipment, advanced large container ships, environmentally-friendly Kamsarma bulk carriers, dual-fuel long-range liquefied petroleum gas carriers and environmentally friendly feeder tankers, thereby optimising its asset allocation and improving the risk resistance capability of assets. In particular, the Group seized the unprecedented market conditions in the container vessels and LNG transportation vessels market and entered into long-term lease contracts in respect of 8 ultra-large containe ships with the world's leading container ship owners. The Group further invested in a 174,000-cubic LNG carrier. In 2021, the Group (including joint ventures and associates) signed 17 new shipbuilding contracts with a contract amount of US$1.52 billion and the aggregate tonnage of 2.076 million tons. The Group (including joint ventures and associates) signed 22 new second-hand ship financing contracts with a contract amount of US$570 million.

As at 31 December 2021, the Group's (including joint ventures and associates) vessel portfolio reached 158 vessels, including 130 vessels under lease and 28 vessels under construction. The utilisation rate of operating vessel portfolio reached 100%, and the cash collection rate of charter hire of 100%. The Group continued to maintain a diversified, modern and youthful vessel portfolio. In terms of contract value, marine clean energy equipment, tankers, bulk carriers, container vessels and special tonnage carriers accounted for 41.4%, 22.5%, 16.2%, 10.1% and 9.8%, respectively. The diversified ship asset allocation is a strong guarantee for the Group's stable operation and sustainable development in the medium and long term.

2) Self-operated carrier fleet recorded outstanding performance

With the recovery of the global shipping market, the booming dry bulk shipping market has driven the significant increase in the performance of the Group's self-operated bulk carrier fleet. As at 31 December 2021, the Group's self-operated bulk carrier fleet has reached 7 vessels with approximately 460,000 DWT in terms of spot market. Revenue from self-operated bulk carrier fleet was HK$443.07 million, representing a year-on-year increase of HK$277.95 million, while our net profit was HK$248.94 million, representing a year-on-year increase of HK$262.55 million. In 2022, our self-operated carrier fleet has one new 82,000-ton bulk carrier.

The Group's (including joint ventures and associates) self-operated carrier fleet also includes: eight 50,000-ton product oil/chemical tankers (50% equity interest owned by the Group), with a fleet operating income of HK$223.95 million in 2021; six 75,000-ton product oil tankers (50% equity interest owned by the Company), with a fleet operating income of HK$199 million in 2021; and four super-large liquefied gas carriers (50% equity interest owned by the Company), with a fleet operating income of HK$471.79 million in 2021. The above income was calculated based on the market rate of charter hire.

3) *Clean energy business developed rapidly, marine LNG equipment has completed our whole industry chain*

In 2021, the two liquefied natural gas carriers (LNG carriers) independently invested by the Group were officially delivered and started the charter services. The lessees were internationally renowned energy companies. As of 31 December 2021, the revenue of the Group's self-operated LNG fleet was approximately HK$93.96 million and is expected to contribute stable revenue income in 2022. In 2021, the Group's two floating storage and regasification units (FSRUs) were officially delivered and started the charter services, filling the gap of this type of vessels in China. The aforesaid clean energy business has greatly increased the Group's lease income and provided the Group with a head start in the context of energy transformation and development. Through years of consolidation in the field of marine clean energy, the Group has established cooperative relations with internationally renowned energy companies, and further accumulated experience in independent operation and management of high-end ships. As of 31 December 2021, the Group has owned 20 clean energy equipments such as LNG carriers, liquefied petroleum gas (LPG) carriers, very large gas carriers (VLGC), large floating LNG storage and regasification (LNG-FSRU), etc., forming a complete marine clean energy storage-transportation system that is unique in the industry. In 2021, the revenue generated from the Group's clean energy equipment amounted to HK$925.2 million.

4) *Innovative development of green financing with the decrease of financing cost year by year*

In 2021, the consolidated interest rate of the Group's interest-bearing liabilities was 1.9% per annum as compared to 3.0% for the corresponding period in 2020. The Group achieved a significant decrease in financing costs and a steady increase in profitability. During the year, the Group successfully issued a total of US$500 million green and blue dual-certified bonds with an average annual coupon rate of 2.10%. The Group was awarded the "Hong Kong Green and Sustainable Finance Award" by the Hong Kong Quality Assurance Agency. The Group was the first Chinese-funded enterprise to issue green and blue dual-label USD bonds overseas. The Group was also rated "A-"/Stable by S & P Global Ratings and "A"/Stable Subject Credit Tracking Rating by Fitch Ratings for the third consecutive year. The Group attached great importance to establishing close partnerships with cooperative banks and maintaining good credit, continuously optimized the debt structure, created good external financing conditions, and further strengthened the Group's financing ability.

5) *Strengthened comprehensive risk management and maintained a high level of asset quality*

The Group continued to strengthen comprehensive risk management, comprehensively improved risk identification, monitoring, early warning and handling capabilities. Through proactive risk response and handling, in 2021, the Group successfully reversed impairment losses of HK$50,958,900 through litigation and enforcement. In 2021, we have designed and applied quantitative risk assessment tools, established a customer credit evaluation model, carried out comprehensive and prudent stress testing and dynamic risk early warning, and achieved quantitative risk management throughout the project life cycle. Meanwhile, the Group carried out the integration of internal control and informatization to improve the standardization and effectiveness of the operation of the internal control system, and properly manage and control operational risks. With strict risk control and asset management measures, the Group achieved rental cash collection rate of 100% and the non-performing asset rate decreased to 1.03%.

6) Continued to promote the reform of state-owned enterprises and achieved great achievements

In 2021, the Company, as a pilot enterprise of the "Double Hundred" reform of state-owned enterprises, won the second prize for outstanding achievements in China's enterprise reform and development.

In 2021, in accordance with the relevant policies and guidelines of the State-owned Assets Supervision and Administration Commission, the Company successfully carried out a series of market-oriented reforms. In April 2021, the Group adopted an equity incentive scheme and granted options to 19 senior management officers and key employees, and established a medium and long-term incentive and binding mechanism for risk-sharing and benefit-sharing. This reform will greatly enhance the competitiveness of the Group's operation and management and enhance the efficiency of corporate governance, give full play to the enthusiasm of the senior management and key employees, and stimulate the endogenous driving force for corporate development.

In 2021, the Company launched the professional manager reform, established a professional manager system that adapts to market competition with a high degree of unity of authority, responsibility and benefits, recruited talents according to the Company's strategy and business development needs, and implemented a market-oriented selection and employment of key management personnel. The above work has made initial progress.

7) Put emphasis on the return on investment of investors, and continued to maintain a relatively high dividend policy

The Group continues rewarding investors with generous dividends, and proposed to distribute a final dividend of HK$0.06 per Share (the above dividend is subject to the approval of the Company's forthcoming annual general meeting (the "**AGM**")). Together with the interim dividend of HK$0.03 per Share distributed in 2021, the total dividend amount to be fully distributed in 2021 is HK$552,245,961.06. The cash dividend ratio represented a high proportion of approximately 40%.

4. Financial Review

4.1 Analysis on Consolidated Income Statement

4.1.1 Revenue

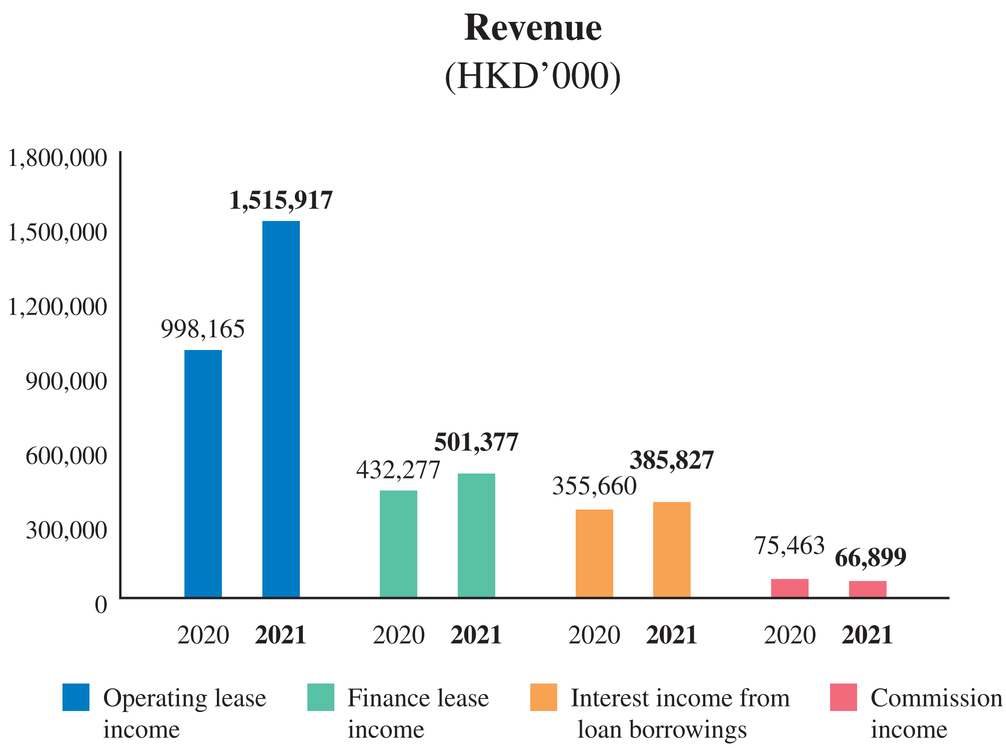
The Group's revenue comprises (i) operating lease income; (ii) finance lease income; (iii) interest income from loan borrowings; and (iv) commission income.

The Group's revenue increased by 32.7% from HK$1,861.6 million for the year ended 31 December 2020 to HK$2,470.0 million for the year ended 31 December 2021, primarily due to the increase in operating lease income and finance lease income.

The following table sets out, for the years indicated, a breakdown of the Group's revenue by business activity:

Revenue

	Year ended 31 December		
	2021	2020	Change
	HK$'000	*HK$'000*	
Operating lease income	**1,515,917**	998,165	51.9%
Finance lease income	**501,377**	432,277	16.0%
Interest income from loan borrowings	**385,827**	355,660	8.5%
Commission income	**66,899**	75,463	(11.3%)
Total	**2,470,020**	1,861,565	32.7%



Operating Lease Income

The Group's operating lease income significantly increased by 51.9% or HK$517.7 million from HK$998.2 million for the year ended 31 December 2020 to HK$1,515.9 million for the year ended 31 December 2021. Such increase was mainly due to (i) the good performance in the self-operated bulker carrier market; and (ii) the increase in the Group's total shipping capacity in 2021 as the Group added 7 multi-purpose heavy lift carriers, 4 bulk carriers and 2 LNG green-energy vessels to its vessel portfolio under operating lease.

Finance Lease Income

The Group's recorded finance lease income of HK$501.4 million for the year ended 31 December 2021, compared with HK$432.3 million for the year ended 31 December 2020, representing an increase of HK$69.1 million or 16.0%. Although the Group's finance lease income is priced on a floating rate basis with reference to LIBOR which currently stays at a lower rate, the Group recorded an increase in finance lease income as it entered into more new finance lease contracts in 2021 than that of 2020.

Interest Income from Loan Borrowings

The Group's interest income from loan borrowings increased slightly by 8.5% from HK$355.7 million for the year ended 31 December 2020 to HK$385.8 million for the year ended 31 December 2021 mainly because the Group continue to seize the market opportunities by providing loans services to its customers.

Commission Income

The Group's commission income is generated by providing brokerage services when the Group successfully facilitates shipbuilding transactions. The Group's commission income decreased by 11.3% from HK$75.5 million for the year ended 31 December 2020 to HK$66.9 million for the year ended 31 December 2021. Such decrease was mainly due to the decrease in the total number of vessel sales being concluded in 2021 as compared to 2020.

4.1.2 Other Income

The following table sets out, for the years indicated, a breakdown of our other income:

Other income

	Year ended 31 December		
	2021	2020	Change
	HK$'000	*HK$'000*	
Dividend income	**14,142**	29,744	(52.5%)
Interest income from:			
– financial assets at fair value through profit and loss	**21,765**	19,575	11.2%
– financial assets at fair value through other comprehensive income	**15,020**	25,207	(40.4%)
– bank deposits	**18,811**	34,276	(45.1%)
Government subsidies	**3,258**	4,316	(24.5%)
Total	**72,996**	113,118	(35.5%)

The main components of other income are (i) interest income from both private and listed bonds and bank deposits; (ii) dividend income from listed preference shares; and (iii) government subsidies. The Group recorded a net decrease of 35.5% in other income, amounting to HK$73.0 million for the year ended 31 December 2021 as compared to HK$113.1 million for the year ended 31 December 2020.

The major reason of the decrease in other income was due to (i) the Group disposed part of the listed preference shares held by it in the first half of 2021, which led to the decrease in dividend income from listed preference shares of HK$15.6 million or 52.5% from HK$29.7 million for the year ended 31 December 2020 to HK$14.1 million for the year ended 31 December 2021; and (ii) some of the listed bonds were matured and redeemed, which led to the decrease in the interest income derived from listed bonds of HK$10.2 million or 40.4% from HK$25.2 million for the year ended 31 December 2020 to HK$15.0 million for the year ended 31 December 2021. Our management will continue to review the investment portfolio and endeavor to improve the investment return in the year ahead.

Besides, the interest income from bank deposits also decreased by 45.1% or HK$15.5 million because the Group's overall bank balance decreased during 2021 when compared to 2020. The main reasons were that (i) the Group has signed several new finance lease contracts, those contracts were approved and the loans were released during the year and (ii) the payment to shipbuilders during the year.

4.1.3 Other Gains, Net

The Group recorded net other gains of HK$31.8 million for the year ended 31 December 2021, as compared to net other gains of HK$114.8 million for the year ended 31 December 2020. The other gains decreased by 72.3% or HK$83.0 million was mainly due to the decrease in gain on disposal of vessels.

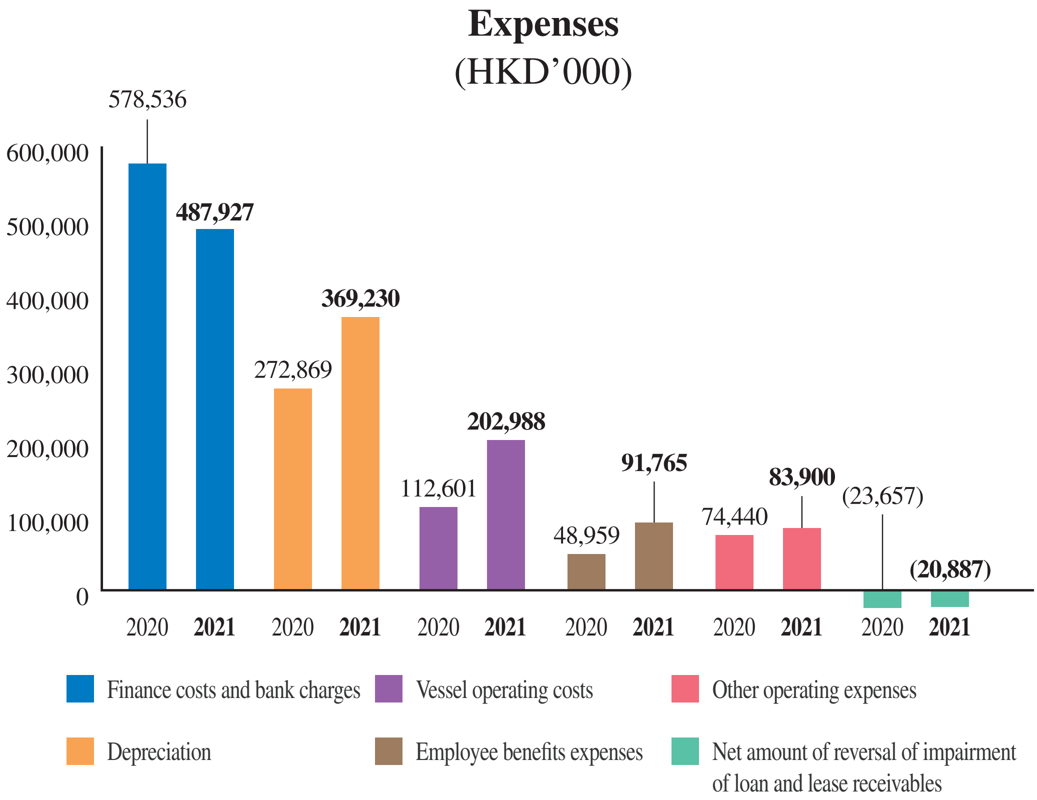
4.1.4 Expenses

The Group's expenses mainly comprise (i) finance costs and bank charges; (ii) net amount of reversal of impairment of loan and lease receivables; (iii) depreciation; (iv) vessel operating costs; (v) employee benefits expenses; and (vi) other operating expenses.

The following table sets out, for the years indicated, a breakdown of our expenses:

Expenses

	Year ended 31 December		
	2021	2020	Change
	HK$'000	*HK$'000*	
Finance costs and bank charges	**487,927**	578,536	(15.7%)
Depreciation	**369,230**	272,869	35.3%
Vessel operating costs	**202,988**	112,601	80.3%
Employee benefits expenses	**91,765**	48,959	87.4%
Other operating expenses	**83,900**	74,440	12.7%
Net amount of reversal of impairment of loan and lease receivables	**(20,887)**	(23,657)	(11.7%)
Total	**1,214,923**	1,063,748	14.2%



Finance Costs and Bank Charges

The Group's finance costs and bank charges during the year consisted of interests and charges on bank borrowings.

The Group's finance costs and bank charges decreased by 15.7% from HK$578.5 million for the year ended 31 December 2020 to HK$487.9 million for the year ended 31 December 2021, the average cost of interest-bearing liabilities was 3.0% and 1.9% for the year ended 31 December 2020 and the the year ended 31 December 2021, respectively. The decrease was primarily because (i) the Group has successfully issued US$500 million green and blue dual-certified bonds in July 2021 with a coupon rate of 2.10% per annum; (ii) Fitch Rating and S&P Global Rating continued to assign corporate credit rating of "A"/stable and"A-"/stable to the Group respectively and the Group continued to maintain a good financing ability, which helped the Group obtain lower interest rates from various banks; and (iii) the floating rates with reference to LIBOR decreased significantly.

Depreciation

The Group's depreciation expenses increased significantly by 35.3% from HK$272.9 million for the year ended 31 December 2020 to HK$369.2 million for the year ended 31 December 2021. The net book value of vessels increased by 62.4% from HK$7,633.0 million as at 31 December 2020 to HK$12,399.1 million as at 31 December 2021.

Vessel Operating Costs

The Group's vessel operating costs represent the expenses incurred in operating vessels under operating lease arrangements, including crew expenses, vessel repair and maintenance fees, ship management fees and vessel insurances. As more vessels were delivered during 2021 and the operating costs of which were borne by the Group, and due to COVID-19 pandemic was continuing to spread around the world, the crew expenses and crew travelling expenses increased significantly during 2021 when comparing to 2020. The Group's vessel operating costs increased significantly by 80.3% to HK$203.0 million for the year ended 31 December 2021.

Employee Benefits Expenses

The Group's employee benefits expenses consist of (i) wages, salaries, other allowances, retirement benefit costs; and (ii) share options expenses.

The employee benefits expenses significantly increased by 87.4% or HK$42.8 million from HK$49.0 million for the year ended 31 December 2020 to HK$91.8 million for the year ended 31 December 2021. The significant increase was due to (i) the well performance shown in the year of 2021, the Group increased the amount of performance-related bonus to its employees intended to motivate them; (ii) the Group granted share options to certain directors and employees of the Group which entitle the grantees to subscribe for up to an aggregate of 143,540,000 new Share with exercise price of HK$1.32 per Share which resulted in share option expenses amounting to HK$10.4 million for the year ended 31 December 2021; and (iii) the Group's number of employees increased from 74 for the year ended 31 December 2020 to 81 for the year ended 31 December 2021.

Net Amount of Reversal of Impairment of Loan and Lease Receivables

The net amount of reversal of impairment of loan and lease receivables of HK$20.9 million for the year ended 31 December 2021 was mainly due to the outstanding performance of the overall shipping market which led to the improvement of the charterer's ability to perform contracts, and the increase in the quality of lease receivables, and the credit rating would be adjusted accordingly based on the market condition regularly by our management. At the same time, the payment regarding the projects in PRC under litigation were partially recovered during the year.

4.1.5 Share of Results of Joint Ventures

The Group's share of results of joint ventures decreased significantly by 62.6% or HK$70.5 million from HK$112.7 million for the year ended 31 December 2020 to HK$42.2 million for the year ended 31 December 2021. The Group's joint ventures were engaged in the international transportation segments of refined product oil, LPG and chemicals.

The major reason for the declined share of results of joint ventures was because one of our major joint ventures recorded losses during the year ended 31 December 2021. The joint venture was engaged in the international transportation of refined product oil, the poor performance was because of the weak market environment of refined product oil as the global refined product oil demand has still not yet recovered, the average Baltic Exchange Clean Tanker Index (BCTI) in 2021 dropped to a certain extent when compared to that of 2020.

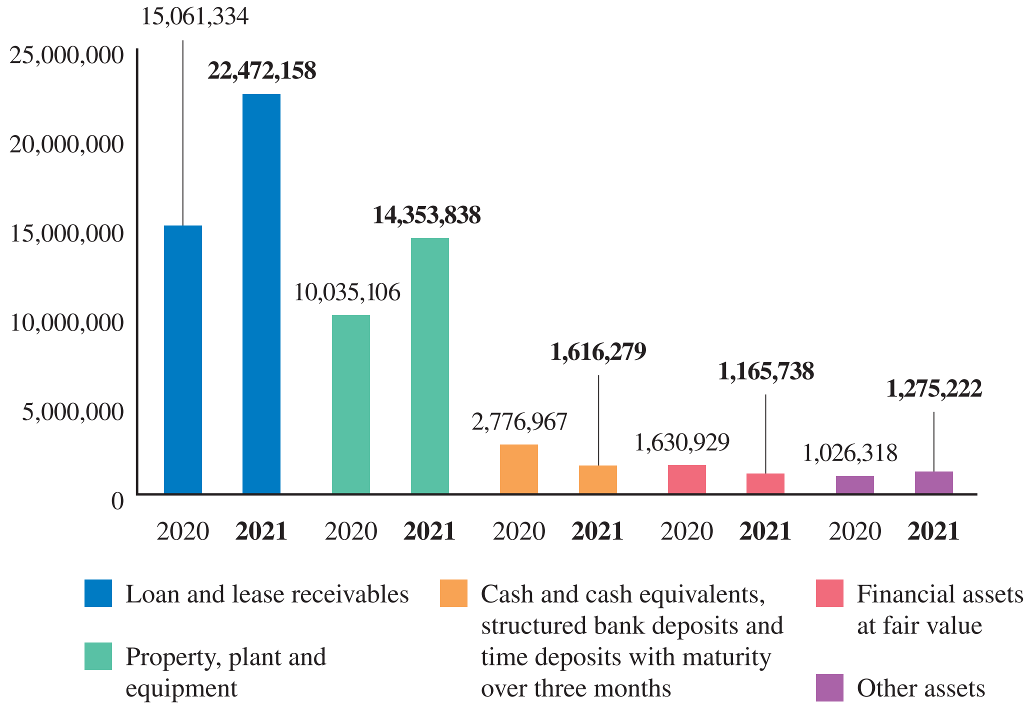
4.2 Analysis on the Consolidated Statement of Financial Position

As at 31 December 2021, the total assets of the Group mainly comprised property, plant and equipment, loan and lease receivables, cash and bank deposits and financial assets at fair value, which accounted for 96.9% of the Group's total assets.

Total assets

	As at 31 December		
	2021	2020	Change
	HK$'000	*HK$'000*	
Loan and lease receivables	**22,472,158**	15,061,334	49.2%
Property, plant and equipment	**14,353,838**	10,035,106	43.0%
Cash and cash equivalents, structured bank deposits and time deposits with maturity over three months	**1,616,279**	2,776,967	(41.8%)
Financial assets at fair value	**1,165,738**	1,630,929	(28.5%)
Other assets	**1,275,222**	1,026,318	24.3%
Total	**40,883,235**	30,530,654	33.9%

Total Assets
(HKD'000)



4.2.1 Loan and Lease Receivables

The Group's loan and lease receivables comprise of (i) loan borrowings; (ii) lease receivables; and (iii) loans to joint ventures.

Loan and lease receivables

	As at 31 December		
	2021	2020	Change
	HK$'000	*HK$'000*	
Lease receivables	**13,901,500**	6,881,529	102.0%
Loan borrowings	**7,705,711**	7,458,786	3.3%
Loans to joint ventures	**864,947**	721,019	20.0%
Total	**22,472,158**	15,061,334	49.2%

a) Lease Receivables

The Group's net lease receivables amounted to HK$6,881.5 million and HK$13,901.5 million as at 31 December 2020 and 31 December 2021, respectively. Such receivables increased significantly by 102.0% or HK$7,020.0 million because the Group executed several new finance lease contracts in the third and fourth quarters of 2021.

Finance lease receivables were secured and repayable within 15 years and bore interest at rates ranging from 3.6% to 7.3% as at 31 December 2021.

b) Loan Borrowings

Loan borrowings mainly refer to receivables from the secured loan provided by us. The Group's loan borrowings were secured and bore interest at rates ranging from 3.7% to 8.0% per annum and repayable from 2022 to 2033 as at 31 December 2021.

The Group's loan borrowings increased from HK$7,458.8 million as at 31 December 2020 to HK$7,705.7 million as at 31 December 2021. The slight increase of 3.3% in loan borrowings was mainly because of the net-off effects between as the Group had new lending to customers and the continuous repayment of principal amounts made by our customers during the year.

c) Loans to Joint Ventures

Loans to joint ventures represent the unsecured loans to joint ventures which were repayable on demand, of which HK$403.4 million bore interest at rates ranging from 3.1% to 3.2% per annum as at 31 December 2021.

The Group's loans to joint ventures amounted to HK$721.0 million and HK$864.9 million as at 31 December 2020 and 31 December 2021, respectively. The increase of HK$143.9 million in loans to joint ventures was mainly due to the further injection of funding to joint ventures for vessels under construction which was in accordance with the Group's business plan.

During the year ended 31 December 2021, there was no major default in the repayment of loan and lease receivables from our customers and none of our loan and lease receivables was written off.

4.2.2 Property, Plant and Equipment

The Group's property, plant and equipment comprise of constructions in progress, vessels held for operating leases, leasehold improvements, office equipment and motor vehicles held for business purposes. As at 31 December 2020 and 31 December 2021, the Group's property, plant and equipment amounted to HK$10,035.1 million and HK$14,353.8 million, respectively. The significant increase of 43.0% in the Group's property, plant and equipment during the year was primarily because the Group continued to increase the number of vessels under operating lease arrangements.

4.2.3 Financial Assets at Fair Value

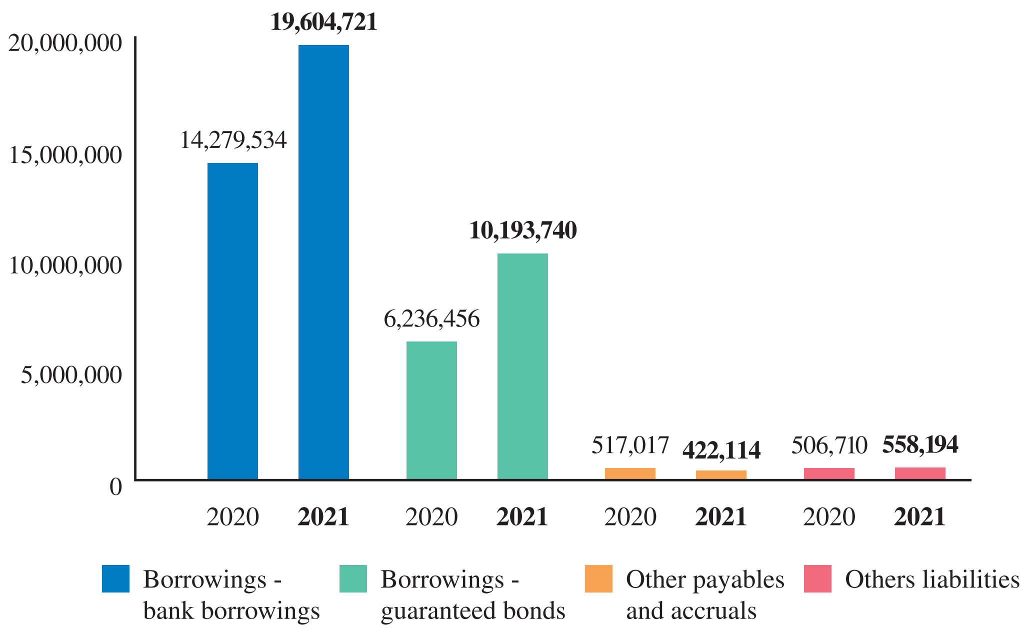
Financial assets at fair value represent private and listed bonds, listed preference shares and wealth management products held by the Group. During the first half of 2021, the Group seized market opportunities and sold the listed preference shares in the market, the total amount of financial assets at fair value decreased by 28.5% from HK$1,630.9 million as at 31 December 2020 to HK$1,165.7 million as at 31 December 2021. The Group will continue to maintain the suitable investment portfolio of the private and listed bonds and wealth management products in order to receive stable return.

As at 31 December 2021, the total liabilities of the Group mainly comprised of borrowings, which accounted for 96.8% of its total liabilities. Other payables and accruals accounted for 1.4% of the Group's total liabilities.

Total liabilities

	As at 31 December		
	2021	2020	Change
	HK$'000	*HK$'000*	
Borrowings – bank borrowings	**19,604,721**	14,279,534	37.3%
Borrowings – guaranteed bonds	**10,193,740**	6,236,456	63.5%
Other payables and accruals	**422,114**	517,017	(18.4%)
Other liabilities	**558,194**	506,710	10.2%
Total	**30,778,769**	21,539,717	42.9%

Total Liabilities
(HKD'000)



4.2.4 Borrowings – Bank Borrowings

The Group's balance of bank borrowings increased by 37.3% from HK$14,279.5 million as at 31 December 2020 to HK$19,604.7 million as at 31 December 2021, mainly due to the drawdown of borrowings during the year of 2021. The weighted average interest rates for the year ended 31 December 2020 and the year ended 31 December 2021 ranged from 1.12% to 3.62% and from 0.96% to 2.27%, respectively. There was no delay in the repayment of or default in any of our bank borrowings during the year.

4.2.5 Borrowings – Guaranteed Bonds

The Group's balance of guaranteed bonds increased significantly by 63.5% from HK$6,236.5 million as at 31 December 2020 to HK$10,193.7 million because the Group held two guaranteed bonds of US$400 million from 2020 and issued a green and blue dual-certified bonds of US$500 million in July 2021.

In February 2020, the Group issued two guaranteed bonds of US$400,000,000 (approximately HK$3,121,400,000) due 2025 and US$400,000,000 (approximately HK$3,121,400,000) due 2030 bearing interest at 2.5% and 3.0%, respectively. The guaranteed bonds were listed on The Stock Exchange of Hong Kong Limited.

In order to improve the Group's liability duration structure and effectively reduce the Group's average financing costs, the Group has successfully issued US$500,000,000 (approximately HK$3,901,750,000) green and blue dual-certified bonds in July 2021. The green and blue dual-certified bonds will mature in 5 years (i.e. due 2026) with a coupon rate of 2.1% per annum. The use of proceeds includes development of the leasing business (including the green and blue vessel projects), repayment of existing debts and general corporate purposes.

5. Asset Quality

The Group writes off loan and lease receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activities. The Group may write off loan and lease receivables that are still subject to enforcement activities.

The Group did not write off any loan and lease receivables during the year ended 31 December 2020 and the year ended 31 December 2021.

6. Liquidity and Working Capital

During the year, the Group funded its operations and growth primarily through cash generated from operations, bank borrowings and issuance of bonds. When determining the allocation of its capital resources, the Group primarily considers its business strategies and development plans, future capital needs and projected cash flow.

During the year, the Group primarily relied on bank borrowings and issuance of bonds to finance its capital expenditure and its financial and liquidity needs derived from its growing business operation. Since the Group is principally engaged in the provision of leasing and loan services, which are capital intensive in nature, the Group requires substantial working capital for its daily operations.

Taking into account the historical and expected future cash flows from operations, unutilised available banking facilities of the Group and the bonds issued by the Company during the reporting period, the Directors expected that the Group will have adequate resources to meet its liabilities and commitment as and when they fall due and will be able to continue its operational existence for the foreseeable future.

The following table sets out, for the years indicated, a summary of the Group's consolidated statement of cash flows:

	Year ended 31 December	
	2021	2020
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(5,019,413)**	654,156
Net cash used in investing activities	**(4,476,729)**	(2,071,923)
Net cash generated from financing activities	**8,730,944**	1,701,792
Net (decrease)/increase in cash and cash equivalents	**(765,198)**	284,025
Cash and cash equivalents at the beginning of the year	**2,180,280**	1,895,182
Effect of foreign exchange rate changes on cash and cash equivalents	**12,601**	1,073
Cash and cash equivalents at the end of the year	**1,427,683**	2,180,280

The net cash used in operating activities amounted to HK$5,019.4 million, which was mainly because the Group has executed several new finance lease contracts, those contracts were approved and the loans were released during the year ended 31 December 2021.

The net cash used in investing activities amounted to HK$4,476.7 million, which was mainly due to the payments for vessels under operating leaes to shipbuilders during the year ended 31 December 2021.

The net cash generated from financing activities amounted to HK$8,730.9 million, which was mainly because the Group successfully issued the US$500 million (approximately HK$3,901.75 million) green and blue dual-certified bonds in July 2021 and also the grant of bank loan during the year.

Bank Loans and Capital Structure

In 2021, with the continuous and rapid development of its main business, the Group's operating performance steadily improved. Benefiting from excellent international ratings and good market reputation, the Group's liquidity was solid, and its financing capabilities continued to increase and financing methods were increasingly diversified while financing costs continued to decrease. The Group kept abreast of the changes in macro situation and adjusted its financing strategies in a timely manner. The Group also rationally selected USD dollar-denominated financing products and properly arranged the term structure to further optimize its debt structure. In 2021, the average cost of the Group's interest bearing liabilities decreased from 3.0% in 2020 to 1.9%, which the results showed a significant decrease in the Group's finance cost.

In 2021, the Company accelerated the pace of launching new vessels and operation of new orders taken and the capital investments increased significantly. In the meantime, the Company increased fund-raising efforts and methods to enhance the sufficiency of working capital through diversified financing channels such as issuance of bonds and bank loans, as well as the close monitor of cash flows and dynamic management of liquidity risks.

The Group continued to accelerate business cooperation with domestic and foreign banks and other financial institutions to fully ensure the financial support required for business development. As at 31 December 2021, the Group established a solid business relationship with more than 20 banks, and obtained banking facilities of approximately HK$24,200 million (approximately US$3,122 million), of which, loan facilities of approximately HK$19,600 million had been utilised and approximately HK$4,600 million was unutilised as at 31 December 2021. In addition, the Group successfully issued US$500 million green and blue dual-certified bonds in July 2021, with a term of 5 years and a coupon rate of 2.10% per annum. The use of funds includes development of the leasing business (including the green and blue vessel projects), repayment of existing debts and general corporate purposes. The issuance of green and blue dual-certified bonds was an important step for the Company to promote green development. The Company commenced the new financing model of green bonds in sectors including the research and development of green vessels as well as the development of ocean energy, with an aim to achieve high-quality green development of our businesses by accommodating the demands of green and intelligent development of vessels as well as responding to the goal of carbon neutrality and emission peak. Apart from providing sufficient financial support to subsequent delivery of vessels, the successful issuance of the relevant bonds will further improve the liability duration structure of the Group and effectively reduce average financing costs, thereby providing a strong guarantee for robust business growth.

As at 31 December 2021, the Group's total assets and total liabilities were HK40,883 million and HK$30,779 million, respectively, and its equity attributable to owners was HK$10,104 million. The gearing ratio was 2.9 times, which was due to the increase in debt scale of the Group as compared to the previous year as a result of the continuous growth in its leasing business. Despite the slight increase, its gearing ratio still maintained at a relatively low level in the industry.

Pledge of Assets

As at 31 December 2021, the Group's property, plant and equipment for operating lease of HK$3,627.0 million (31 December 2020: HK$2,545.1 million), lease receivables of HK$10,556.3 million (31 December 2020: HK$9,594.4 million) and bank deposits of HK$114.9 million (31 December 2020: HK$158.6 million) were pledged to bank to acquire bank loans.

Foreign Exchange Risk and Interest Rate Risk

Foreign Exchange Risk

In terms of exchange rate structure, the Group continued to uphold its original exchange rate risk management strategies and maintained the basic matching of assets and liabilities in currency. The vessels under finance lease and operating lease are purchased in USD, and the corresponding finance lease receivables and fixed assets are denominated in USD, while the main source of funding is bank loans denominated in USD. There is therefore no significant risk exposure in exchange rate. The Group holds some of its monetary funds in Hong Kong dollars, Renminbi and Euros, but the overall proportion is relatively small.

Interest Rate Risk

In terms of interest rate risk, the Group's interest spread may be narrowed due to fluctuations in market interest rate. In 2021, under the continuous influence of COVID-19 pandemic, the volatile fluctuations in US dollar interest rate market exerted greater pressure on the control of the Group's interest rate risk. In terms of interest rate structure, the Group continued to uphold its original interest rate risk management strategies and proactively managed the matching of assets and liabilities in the interest rate structure.

The Group has established relevant guidelines and procedures to identify, manage and mitigate our interest rate risk. We managed interest rate risk mainly by controlling the interest rate of leased assets and the corresponding liabilities. Most of the Group's financial lease business charges charter hire at floating interest rates. As the charter hire is calculated based on USD LIBOR and the corresponding bank loans also carry interest at floating interest rates linked to LIBOR, there is no interest rate risk. As some of the Group's operating lease business charges charter hire at fixed interest rates, while the corresponding bank loans carry interest at floating interest rates, the Group is exposed to interest rate risk. We utilise interest rate sensitivity analysis to assess the impact of interest rate fluctuations on our business. Through the sensitivity analysis, we are able to measure the interest sensitivity gap and seek to control the gap by adjusting our asset and liability structure. The Group controls interest rate risk through fixed-rate bank loans, issuance of fixed-rate bonds and interest rate derivatives such as interest rate swaps. As at 31 December 2021, the Group had interest rate swap contracts with a notional amount of US$694.4 million.

Regarding the possible withdrawal of LIBOR interest rate from the market in the future, the Group has conducted some internal researches, it plans to introduce a backup mechanism for both existing and new debts or adopt other interest rate models during the transition period. In the future, the Group plans to use SOFR (risk-free rate) to replace LIBOR.

Capital Expenditures

The capital expenditures of the Group principally comprise expenditures for the construction of vessels. In 2021, the capital expenditures for the acquisition for vessels of the Group amounted to HK$5,375.6 million. The Group financed its capital expenditures through cash from operating activities and bank borrowings. As at 31 December 2021, the capital commitment for construction of vessels amounted to HK$9,415.3 million, which was expected to be paid in the next 3 years.

Human Resources

As at 31 December 2021, the Group had a total of 81 employees. The Group has a team of high-quality talents with a bachelor's degree or above. As at 31 December 2021, approximately 96% of the Group's employees had a bachelor's degree or above. The Group attaches great importance to the work of talents and comprehensively strengthens the human resources management structure such as organizational structure, remuneration management, performance appraisal, position and rank, training management and talent introduction to provide strong support for business development. For the years ended 31 December 2021 and 2020, the remuneration of the Group's employees amounted to approximately HK$91.8 million and HK$49.0 million, respectively. The remuneration package of the Group's employees includes basic salary, performance-related bonus and share-based payment expenses.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	3	**2,470,020**	1,861,565
Other income	4	**72,996**	113,118
Other gains, net		**31,756**	114,849
Expenses			
Finance cost and bank charges	5	**(487,927)**	(578,536)
Net amount of reversal of impairment of loan and lease receivables		**20,887**	23,657
Depreciation		**(369,230)**	(272,869)
Employee benefits expenses		**(91,765)**	(48,959)
Vessel operating costs		**(202,988)**	(112,601)
Other operating expenses		**(83,900)**	(74,440)
Total expenses		**(1,214,923)**	(1,063,748)
Profit from operations	6	**1,359,849**	1,025,784
Share of results of joint ventures		**42,213**	112,699
Share of results of associates		**(668)**	(10,315)
Profit before income tax		**1,401,394**	1,128,168
Income tax expense	7	**(13,752)**	(14,362)
Profit for the year		**1,387,642**	1,113,806
Profit for the year attributable to:			
Equity holders of the Company		**1,351,626**	1,108,518
Non-controlling interests		**36,016**	5,288
		1,387,642	1,113,806
Earnings per share *(HK$)*	9		
Basic and diluted		**0.220**	0.181

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	HK$'000	*HK$'000*
Profit for the year	**1,387,642**	1,113,806
Other comprehensive income/(loss) including reclassification adjustments for the year		
Items that will be reclassified subsequently to profit or loss:		
– Exchange differences on translation of investments in subsidiaries, associates and joint ventures	**82,618**	7,379
– Share of other comprehensive income of joint ventures, net	**11,818**	–
– Fair value change of financial assets at fair value through other comprehensive income (debt instruments)	**748**	3,488
– Fair value change of derivative financial instruments (cash flow hedges)	**138,950**	(111,027)
– Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	**31,909**	8,214
Items that will not be reclassified subsequently to profit or loss:		
– Fair value change of financial assets at fair value through other comprehensive income (equity instruments)	**1,755**	10,718
Total other comprehensive income/(loss) for the year	**267,798**	(81,228)
Total comprehensive income for the year	**1,655,440**	1,032,578
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**1,619,075**	1,027,469
Non-controlling interests	**36,365**	5,109
Total comprehensive income for the year	**1,655,440**	1,032,578

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 *HK$'000*	2020 *HK$'000*
ASSETS			
Property, plant and equipment		**14,353,838**	10,035,106
Right-of-use assets		**36,708**	32,964
Interests in joint ventures		**586,954**	483,480
Interests in associates		**70,294**	49,784
Loan and lease receivables	*10*	**22,472,158**	15,061,334
Derivative financial assets		**104,647**	10,306
Prepayments, deposits and other receivables		**148,146**	394,569
Financial assets at fair value through profit or loss		**790,174**	904,671
Financial assets at fair value through other comprehensive income		**375,564**	726,258
Deferred tax assets		**1,680**	–
Amounts due from associates		**24,674**	25,320
Amounts due from fellow subsidiaries		**3,050**	3,024
Amounts due from joint ventures		**100,520**	26,871
Structured bank deposits		**61,165**	467,443
Time deposits with maturity over three months		**127,431**	129,244
Cash and cash equivalents		**1,427,683**	2,180,280
Non-current asset held for sales		**198,549**	–
Total assets		**40,883,235**	30,530,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

	2021	2020
	HK$'000	*HK$'000*
LIABILITIES		
Income tax payables	**40,089**	32,386
Borrowings	**29,798,461**	20,515,990
Derivative financial liabilities	**114,774**	263,958
Amounts due to fellow subsidiaries	**17,465**	17,490
Amount due to a joint venture	**259,216**	71,732
Amount due to a non-controlling interest	**88,066**	87,497
Other payables and accruals	**422,114**	517,017
Lease liabilities	**38,584**	33,647
Total liabilities	**30,778,769**	21,539,717
Net assets	**10,104,466**	8,990,937
EQUITY		
Share capital	**6,614,466**	6,614,466
Reserves	**3,410,040**	2,332,876
	10,024,506	8,947,342
Non-controlling interests	**79,960**	43,595
Total equity	**10,104,466**	8,990,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Hong Kong Companies Ordinances**").

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2 ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these consolidated financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended 31 December 2020, except that the Group has adopted the following amended HKFRSs, which are effective for the annual period beginning from 1 January 2021.

(a) Amended HKFRSs that are effective for annual period beginning from 1 January 2021

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform– Phase 2

Except for those mentioned below, the adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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

The amendments focus on accounting reliefs once a new benchmark interest rate is in place. The reliefs have the effect that changing the basis for determining contractual cash flows for financial assets, financial liabilities and lease liabilities, that are as a direct consequence of the Inter-Bank Offered Rate ("**IBOR**") reform and are economically equivalent, will not result in an immediate gain or loss in the profit or loss. The amendments also provide reliefs to allow hedge accounting to continue when the hedging relationships are directly affected by IBOR reform. The amendments do not have an impact on this consolidated financial information as the Group has not moved any existing contracts to new benchmark interest rates. In addition, the Group considers that uncertainty remains over the timing and/or amounts of future cash flows indexed to benchmark interest rates and thus the Group continues to apply the existing accounting policies.

(b) Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but not yet effective and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] Effective date not yet determined

[4] Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

[5] Effective for annual periods beginning from or after 1 April 2021

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The adoption of the new and amended HKFRSs are not expected to have material impact on the Group's financial statements.

3 SEGMENT INFORMATION AND REVENUE

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company. 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 analysed from business perspectives: (i) leasing services, (ii) shipbroking services and (iii) loan borrowings.

The segment information provided to the executive directors for the years ended 31 December 2021 and 2020 are as follows:

The Group derives revenue from the transfer of services in the following:

	Leasing services *HK$'000*	Loan borrowings *HK$'000*	Shipbroking services *HK$'000*	Total *HK$'000*
Year ended 31 December 2021				
Segment revenue and revenue from external customers	**2,017,294**	**385,827**	**66,899**	**2,470,020**
Year ended 31 December 2020				
Segment revenue and revenue from external customers	1,430,442	355,660	75,463	1,861,565

Commission income from charterer included in shipbroking services, are recognised over time method and commission income received from shipbuilder, including in shipbroking services segment, are recognised at point in time method during the year.

For the year ended 31 December 2021, commission income included in shipbroking services are recognised at a point in time and over time amounting to HK$41,169,000 and HK$25,730,000 (2020: HK$25,314,000 and HK$50,149,000) respectively.

Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by CODM internally. Accordingly, no segment assets and liabilities are presented.

Geographic information

During the year, the Group provided a majority of leasing services and financing and other services to customers mainly located in the PRC, Asia, United States and Europe.

The Group's assets, consisted of its property, plant and equipment, right-of-use assets, joint ventures, associates, financial instruments, loan and lease receivables, prepayments, deposit and other receivables, structured bank deposits, time deposits with maturity over three months and cash and cash equivalents. The vessels (included in property, plant and equipment) are primarily utilised across geographical markets throughout the world. Accordingly, it is impractical to present the locations of the vessels by geographical areas and thus no analysis by geographical area is presented.

Revenue by business activities

	2021	2020
	HK$'000	*HK$'000*
Finance lease income	**501,377**	432,277
Operating lease income	**1,515,917**	998,165
Interest income from loan borrowings	**385,827**	355,660
Commission income	**66,899**	75,463
	2,470,020	1,861,565

4 OTHER INCOME

Other income recognised during the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
Dividend income	**14,142**	29,744
Interest income from		
– financial assets at fair value through profit or loss	**21,765**	19,575
– financial assets at fair value through other comprehensive income	**15,020**	25,207
– bank deposits	**18,811**	34,276
Government subsidies	**3,258**	4,316
	72,996	113,118

5 FINANCE COSTS AND BANK CHARGES

	2021	2020
	HK$'000	*HK$'000*
Interest and charges on bonds	**213,486**	161,459
Interest and charges on borrowings	**304,974**	468,065
Interest on lease liabilities	**1,191**	821
Bank charges	**1,701**	5,564
	521,352	635,909
Less: finance costs capitalised	**(33,425)**	(57,373)
	487,927	578,536

6 PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting) the followings:

	2021	2020
	HK$'000	*HK$'000*
Depreciation on		
– property, plant and equipment	**356,490**	264,072
– right-of-use assets	**12,740**	8,797
Foreign exchange gain, net	**(8,412)**	(42,588)
Employee benefits expenses	**91,765**	48,959
Net unrealised (gain)/loss on changes in fair value of derivative financial instruments	**(59,662)**	48,374
Net realised loss from derivative financial instruments	**16,047**	6,913
Net realised gain on disposal of debt instruments at fair value through other comprehensive income	**–**	(6,141)
Net realised gain from financial assets at fair value through profit or loss	**–**	(7,343)
Net unrealised loss/(gain) on changes in fair value of financial assets at fair value through profit or loss	**26,632**	(28,582)
Net gain on disposal of asset held for sales	**–**	(19,615)
Net gain on disposal of property, plant and equipment	**(19,788)**	(109,269)
Net gain on de-recognition of finance lease receivables	**(25,609)**	(13,653)
Auditor's remuneration		
– audit services	**3,772**	2,480
– non-audit services	**1,100**	2,474

7 INCOME TAX EXPENSE

The Group mainly operates in Hong Kong, the PRC, Singapore, British Virgin Islands and Marshall Islands.

Hong Kong profits tax was provided at 16.5% (2020: 16.5%) based on assessable profits arising in Hong Kong during the year ended 31 December 2021.

For the year ended 31 December 2021, the PRC corporate income tax was charged at the statutory rate of 25% (2020: 25%) of the assessable income as determined with the relevant tax rules and regulations of the PRC.

For the year ended 31 December 2021, the Singapore corporate income tax was charged at the statutory rate of 17% (2020: 17%) of the estimated assessable income as determined with the relevant tax rules and regulations of Singapore.

Income tax expense in the consolidated income statements represents:

	2021 ***HK$'000***	2020 *HK$'000*
Current taxation		
– Hong Kong profits tax	**8,881**	5,898
– Overseas taxation	**6,548**	5,886
(Over)/under provision in respect of prior years		
– Overseas taxation	**(21)**	2,578
	15,408	14,362
Deferred tax		
– current year	**(1,656)**	–
Income tax expense	**13,752**	14,362

8 DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividend approved and paid:		
Interim dividend of HK3 cents (2020: HK3 cents) per ordinary share	**184,082**	184,082
Final dividend in respect of the year ended 31 December 2020 of HK6 cents (2019: HK5 cents) per ordinary share	**368,164**	306,803
	552,246	490,885
Dividends proposed:		
Final dividend in respect of the year ended 31 December 2021 of HK6 cents (2020: HK6 cents) per ordinary share	**368,164**	368,164

At the board meeting held on 25 March 2022, the board has declared final dividend of HK6 cents (2020: HK6 cents) per share, and the final dividend is declared after reporting period, such dividend has not been recognised as liability as at 31 December 2021.

9 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	2021	2020
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**1,351,626**	1,108,518

	Number	Number
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,136,066**	6,136,066
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,136,066**	6,136,066
Basic and diluted earnings per share *(in HK$)*	**0.220**	0.181

The calculation of the diluted earnings per share for the year ended 31 December 2021 has not taken into account the effect of the share options of the Company as they are considered as anti-dilutive.

Diluted earnings per share for the year ended 31 December 2020 is the same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the year ended 31 December 2020.

10 LOAN AND LEASE RECEIVABLES

	As at 31 December 2021		
	Gross amount	**Allowance for impairment losses**	**Net carrying amount**
	HK$'000	***HK$'000***	***HK$'000***
Loan borrowings *(note a)*	**7,732,019**	**(26,308)**	**7,705,711**
Lease receivables *(note b)*	**14,361,055**	**(459,555)**	**13,901,500**
Loans to joint ventures *(note c)*	**864,947**	**–**	**864,947**
	22,958,021	**(485,863)**	**22,472,158**

	As at 31 December 2020		
	Gross amount	Allowance for impairment losses	Net carrying amount
	HK$'000	*HK$'000*	*HK$'000*
Loan borrowings *(note a)*	7,486,207	(27,421)	7,458,786
Lease receivables *(note b)*	7,357,569	(476,040)	6,881,529
Loans to joint ventures *(note c)*	721,123	(104)	721,019
	15,564,899	(503,565)	15,061,334

(a) Loan borrowings

As at 31 December 2021, loan borrowings were secured, interest bearing at rates ranging from 3.7% to 8.0% (2020: 3.6% to 8.0%) per annum and repayable in 2022 to 2033 (2020: 2021 to 2031). The loan borrowings were secured by the respective vessels and certain shares of the borrowers, which owned the vessel.

A maturity profile of the loan borrowings, based on the maturity date, net of impairment losses, is as follows:

	2021	2020
	HK$'000	*HK$'000*
Within 1 year	**661,369**	1,101,435
After 1 year but within 2 years	**664,939**	565,272
After 2 years but within 5 years	**2,021,243**	1,719,965
Over 5 years	**4,358,160**	4,072,114
	7,705,711	7,458,786

(b) Lease receivables

As at 31 December 2021, the Group's finance lease receivables were secured, interest bearing at rates ranging from 3.6% to 7.3% (2020: 3.5% to 9.0%). Details of lease receivables as at 31 December 2021 and 2020 are as follows:

	2021	2020
	HK$'000	*HK$'000*
Gross investment in finance leases	**17,398,578**	8,619,829
Less: unearned finance income	**(3,175,366)**	(1,316,054)
Net investments in finance leases	**14,223,212**	7,303,775
Operating lease receivables	**137,843**	53,794
Gross lease receivables	**14,361,055**	7,357,569
Less: accumulated allowance for impairment	**(459,555)**	(476,040)
Net lease receivables	**13,901,500**	6,881,529

Reconciliation between the gross investment in finance leases at the end of each reporting periods and the present value of minimum lease payments receivable under such leases are set out below:

	2021	2020
	HK$'000	*HK$'000*
Minimum lease payments receivable	**17,398,578**	8,619,829
Less: unearned finance income related to minimum lease payments receivable	**(3,175,366)**	(1,316,054)
Present value of minimum lease payments receivable	**14,223,212**	7,303,775

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings as at 31 December 2021 and 2020.

	2021	2020
	HK$'000	*HK$'000*
Gross investment in finance leases		
Within 1 year	**2,216,550**	2,302,605
After 1 year but within 2 years	**2,002,087**	790,037
After 2 years but within 3 years	**2,465,102**	972,746
After 3 years but within 4 years	**1,577,208**	795,275
After 4 years but within 5 years	**2,015,361**	667,160
Over 5 years	**7,122,270**	3,092,006
	17,398,578	8,619,829

(c) Loans to joint ventures

As at 31 December 2021, except for loans to joint ventures of HK$403,441,000 (2020: HK$352,446,000) which were unsecured, interest bearing at rates ranging from 3.1% to 3.2% (2020: 3.0% to 5.1%) per annum, and repayable on demand, the remaining balances were unsecured, interest-free and repayable on demand.

11 OTHER INFORMATION

The consolidated financial statements of the Group for the years ended 31 December 2021 and 2020 have been reviewed by the audit committee of the Company and audited by the Company's auditor, Grant Thornton Hong Kong Limited. An unqualified auditor's report will be included in the Annual Report to the shareholders.

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results for the year ended 31 December 2021 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company will deliver the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies in due course.

The Company's auditors have reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

OTHER INFORMATION

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance.

During the year ended 31 December 2021, the Company had complied with all applicable code provisions set out in the CG Code and adopted most of the recommended best practices.

Final Dividend

To share the fruitful results of the Group among all Shareholders, the Board recommends the payment of a final dividend of HK$0.06 per Share out of the distributable reserve of the Company for the year ended 31 December 2021. The date of closure of the register of members of the Company regarding the entitlement of final dividend will be announced in due course. The proposed final dividend is expected to be paid on or before 30 July 2022 following approval at the Company's forthcoming AGM.

ANNUAL GENERAL MEETING

The notice of the Company's forthcoming AGM will be published and dispatched to Shareholders in the manner specified in the Listing Rules in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the standards set out in the Model Code during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Board has established an audit committee (the "**Audit Committee**") which currently comprises three independent non-executive Directors, namely Mdm. Shing Mo Han Yvonne (chairperson), Mr. Wang Dennis and Mr. Li Hongji, and two non-executive Directors, namely Mr. Li Wei and Mr. Zou Yuanjing. The primary duties of the Audit Committee are to review the financial information of the Group and oversee the financial reporting system, risk management and internal control system of the Group.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the Company's senior management and the Company's external auditor, and has reviewed the annual results for the year ended 31 December 2021.

This annual results announcement is based on the draft consolidated financial statements of the Group for the year ended 31 December 2021, which have been agreed with the external auditor of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 December 2021 has been published on the websites of the Company (http://www.csscshipping.cn) and HKExnews of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2021 annual report containing all the information as required by the Listing Rules will be dispatched to the Shareholders and published on the aforementioned websites in due course.

By order of the Board
CSSC (Hong Kong) Shipping Company Limited
Zhong Jian
Chairman

Hong Kong, 25 March 2022

As at the date of this announcement, the Board comprises Mr. Zhong Jian as executive Director, Mr. Li Wei and Mr. Zou Yuanjing as non-executive Directors, and Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne and Mr. Li Hongji as independent non-executive Directors.