Annual Report 2021

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

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Company Profile

Established in June 2012, CSSC (Hong Kong) Shipping Company Limited (the "**Company**" or "**CSSC**", together with its subsidiaries, the "**Group**"), as the only red-chip listed company under China State Shipbuilding Industry Corporation Limited[#] (中國船舶工業集團有限公司) ("**CSSC Group**"), is the first shipyard-affiliated leasing company in Greater China* and one of the world's leading ship leasing companies which offers customised and flexible ship leasing solutions to global ship operators, shippers and traders.

Leveraging its robust expertise and strong industrial background in the marine business, the Group focuses on developing ship and marine equipment leasing business. With 158 vessels as at 31 December 2021, the Company is in the front rank globally in the ship leasing industry in terms of asset size and number of vessels. Since its inception, the Group has maintained high growth in business and efficiency. While marine business remains in the doldrums, the Group continues to implement cross-cycle investment management measures so as to provide leasing services to leading partners in various market segments of the marine industry, thereby establishing long-term strategic cooperative relations. In 2021, the global shipping market stabilized and rebounded, with the charter hires and prices of bulk carriers and container vessels continued to hit record highs. The asset value of the Group kept on increasing, and the Company, under new market environment, vigorously implemented the cross-cycle investment strategy, concentrated on the deployment of clean energy business, and continued to maintain a healthy and sustainable business with its strong and effective measures against the severe impact of the outbreak of COVID-19.

As the PRC is speeding up the establishment of a new development spectrum which is to "form mega domestic economy loop as backbone and inter-propelled by the twin domestic and international economy loops", striving to achieve its goal of developing into "marine superpower", fully implementing national strategies such as "carbon peak and carbon neutral" targets the construction of the Guangdong, Hong Kong and Macao Greater Bay Area, together with the signing of agreements such as the Regional Comprehensive Economic Partnership Agreement, marine industry and ship leasing business will witness various significant new strategic development opportunities. The Group's advantages of being professional in ship leasing, having leading market position with well-established and innovative business model and high-quality vessels assets is conducive for us to seize new opportunities, meet new challenges and achieve new development.

The Company is headquartered in Hong Kong. In order to develop its ship leasing and marine equipment leasing business in the Asia-Pacific region, the Company has established subsidiaries in Singapore, Shanghai, Tianjin and Guangzhou.

For identification purpose only

* For the purpose of this report, includes the People's Republic of China (the "**PRC**"), Hong Kong, Macau and Taiwan.

Company Information

Board of Directors

Executive Directors

Mr. Zhong Jian *(Chairman)*
Mr. Hu Kai (resigned on 4 March 2022)

Non-Executive Directors

Mr. Li Wei
Mr. Zou Yuanjing

Independent Non-Executive Directors

Mr. Wang Dennis
Mdm. Shing Mo Han Yvonne, *BBS, JP*
Mr. Li Hongji

Audit Committee

Mdm. Shing Mo Han Yvonne, *BBS, JP (Chairperson)*
Mr. Wang Dennis
Mr. Li Hongji
Mr. Li Wei
Mr. Zou Yuanjing

Remuneration Committee

Mr. Wang Dennis *(Chairperson)*
Mdm. Shing Mo Han Yvonne, *BBS, JP*
Mr. Li Hongji

Nomination Committee

Mr. Zhong Jian *(Chairperson)*
Mr. Wang Dennis
Mdm. Shing Mo Han Yvonne, *BBS, JP*
Mr. Li Hongji

Strategic and Investment Committee *(Established in March 2022)*

Mr. Zhong Jian *(Chairperson)*
Mr. Wang Dennis
Mr. Li Wei
Mr. Zou Yuanjing

Company Secretary

Mr. Ding Weisong

Assistant Company Secretary

Ms. Wong Sau Ping *(FCG, HKFCG)*

Authorised Representatives

Mr. Zhong Jian
Ms. Wong Sau Ping

Registered Office

1801, 18/F, World-wide House
19 Des Voeux Road Central
Central
Hong Kong

Hong Kong Legal Adviser

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Hong Kong Share Registrar

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

Auditor

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

Company Information

Principal Banks

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Development Bank
The Export-Import Bank of China
Bank of Communications

Company's Website

http://www.csscshipping.cn

Stock Code

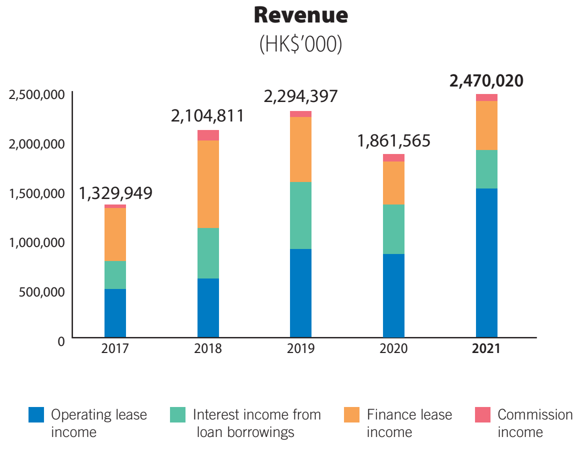
3877

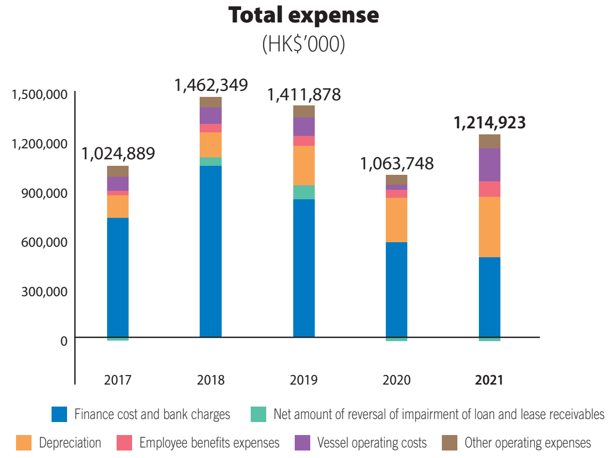
Listing Date

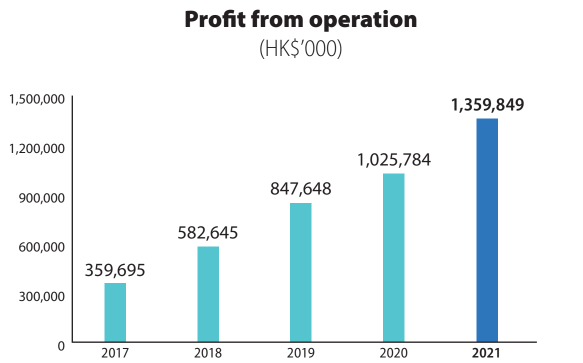
17 June 2019

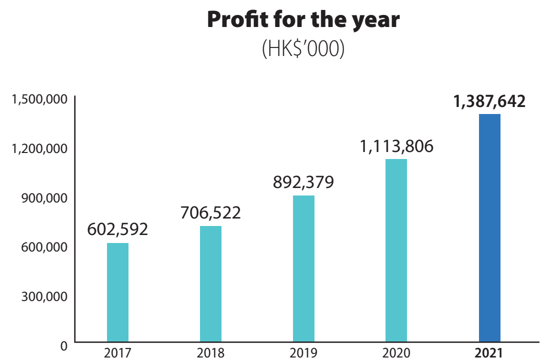
Financial Highlights and Five-year Financial Summary

Five-year Summary of Consolidated Income Statement



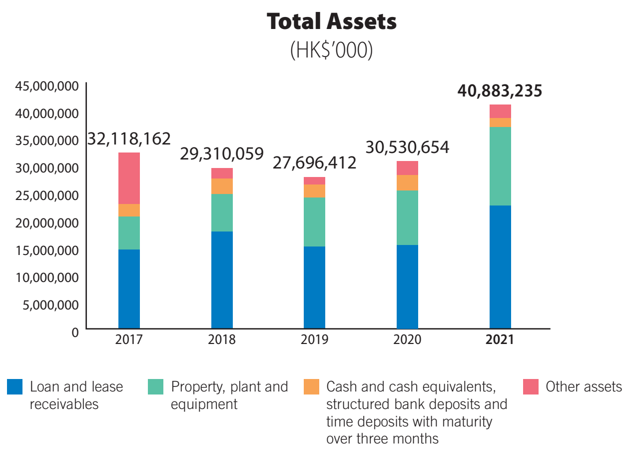


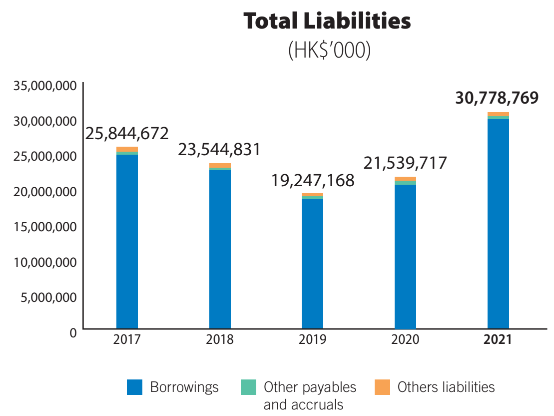


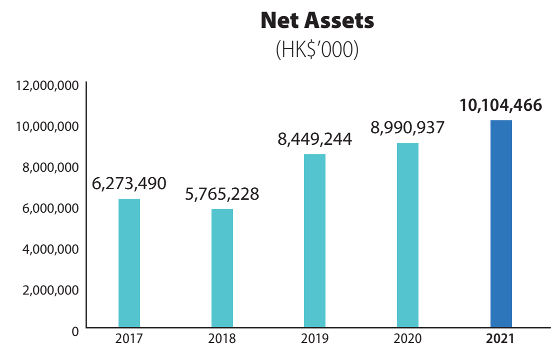


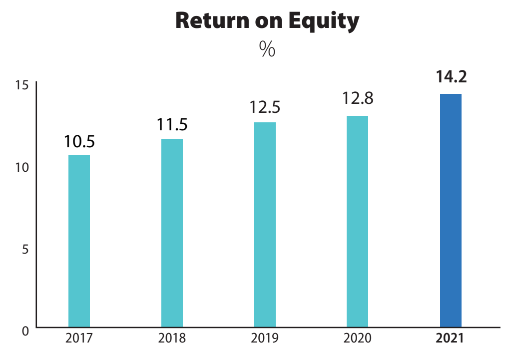
Financial Highlights and Five-year Financial Summary

Five-year Summary of Consolidated Statement of Financial Position









Financial Highlights and Five-year Financial Summary

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.

Chairman's Statement

Dear Shareholders,

Looking back to 2021, the Group focused on significant national strategy by serving the new development pattern of "dual-circulation" in full force, seized the opportunities of recovery beyond expectation of shipping market, responded to risks and challenges proactively, achieved new breakthroughs in respect of various operational standards, and therefore presented satisfying results. The Group's profit for the year was HK$1.388 billion, representing a year-on-year increase of 24.6%; earnings per share increased to HK$0.22, representing an increase of 21.5%; return on average net assets and return on average total assets was 14.2% and 3.9% respectively, both representing a year-on-year increase, all of which were positioned at a relatively better level within the industry.

Historical breakthroughs of total amount of signed contracts and number of newly built vessels, the contribution of asset operational management to operational effectiveness improved steadily

In 2021, we seized the opportunities of recovery of shipping market, implemented the "cross-cycle" investment strategy, and continuously maintained rapid development of ship leasing business. The Group signed vessel contracts, relating to mainly marine clean energy equipment and green environmental-friendly ships, amounted to US$2.09 billion for the year. Notably, we seized the unprecedented market conditions in the container vessels market and entered into long-term charter hire in respect of eight ultra-large container ships with the world's leading container ship owners. The Group further invested in a 174,000-cubic LNG carrier.

We took advantages of our collaberative relationships with vessels manufacturers, to facilitate various vessels to be delivered and started the charter services ahead of schedule. In 2021, 35 new vessels with 2,048,000 DWT were received, reaching a record high among the years. As at the end of 2021, the carrier fleet of the Company consisted of 158 vessels, with 130 under lease, marking a historical high record. In 2021, the two LNG (liquefied natural gas) carriers and two FSRUs (floating storage and regasification units) independently invested by the Company were officially delivered and started the charter services, which greatly increased the Group's charter hire income, expanded and deepened the cooperative relations with internationally renowned energy companies, solidified our preliminary advantages in the field of clean energy marine equipment.

We continued to maintain a diversified, modern and youthful vessel portfolio. In terms of contract value, marine clean energy equipment accounted for 41.4%, while bulk carriers, container vessels and tankers accounted for 48.8% in total. Operating lease income accounted for 61.4%, while finance lease income accounted for 20.3%, of the total income. At the same time, the utilisation rate of operating vessel assets and the cash collection rate of charter both reached a high proportion of 100%. The high quality and balanced operating assets with sufficient and steady orders provide solidified guarantee for the middle- and long-term operation and sustainable development of the Company.

Adhered to the industry strategy of clean energy and facilitation of green development

As a devoting practitioner of promoting green development strategy, we took the responsibility of innovating green finance and promoting green development. We adopted the "clean energy industry" strategy to better apply the national "carbon peak and carbon neutral" strategic plans. The Group will keep on increasing the investment and financing efforts in clean energy equipment and green environmental-friendly ships, besides having more than 20 pieces of pre-owned clean energy equipment such as LNG transportation carriers, FSRU, VLGC (very large gas carriers), etc., forming a complete marine clean energy storage-transportation system that is unique in the industry. The Group was awarded the Hong Kong Green and Sustainable Finance Award by the Hong Kong Quality Assurance Agency (HKQAA) in December 2021 as well.

Strengthened risk management capability comprehensively and balanced the relationship between steady development and risk prevention

With the basis of experience and data collected over the years, the Company designed and developed a quantitative risk assessment tools for which we owned the intellectual property right to, established a customer credit assessment model, and achieved quantitative risk management throughout the project life cycle.

Reduced finance cost continuously and promoted reform and innovation deeply

We successfully issued blue and green dual-certified bonds amounted to US$500,000,000 that will mature in 5 years in July 2021, continuously improved our financing structure and significantly reduced our consolidated finance cost to 1.9%. S&P Global Ratings and Fitch Ratings continued to assign corporate credit ratings of A- and A respectively to us for three consecutive years.

We took the opportunity of the "Double Hundred" reform of state-owned enterprises, to adopt the share option scheme for our senior management officers and key employees, as well as to launch the professional manager reform, for the open recruitment of a young and highly capable operational management team (comprised of one manager and four deputy managers) in the market by taking advantage of the marketised mechanism. Such series of reform will give rise to deep and long-term meaning for enhancing the efficiency of corporate governance, stimulating corporate vitality and facilitating high-quality development of the Company.

2022 marks the 10th anniversary of the Company. The Group will soon enter into a new voyage. Keeping things in perspective, while uncertainties in the macro economy increase due to the impacts of COVID-19 pandemic and geopolitics, we remain optimistic about the continuing general recovery of the seaborne market. At the same time, the core advantage of "understand ships" of the Company will be beneficial to our better implementation of the "cross-cycle" development strategy.

Looking forward to 2022, we will continue to cultivate in ship leasing industry by exerting our advantages of being professional, to build differentiated competitive advantages and seize new technologies, new ship types, and new market opportunities, for the continuously enhancement in investment of high quality vessel assets with long-term value; innovate the operational management and increase asset value, strengthen the digital management and intelligent management and control of ship assets, improve the efficiency and effectiveness of asset operations; adhere to the philosophy of green finance, to provide more customized and flexible financing solutions.

Chairman's Statement

We will seize the opportunities of continuous improvement of the shipping market and transformation to green shipping, to ceaselessly intensify our efforts of investing in the field of clean energy equipment and extend the business of upstream and downstream industrial chain; proactively deploy the new industry of marine economy and cultivate new growth points with the "leases + investments" mode.

We will exert the Company's function as a financing platform, to form a system of solutions with an overall marketing idea unifying "designing, manufacturing, packages, services, finance", as well as a ship leasing ecological chain consists of "shipowners, shippers, ship management companies, financing institutions, shipyards, shipbrokers", so as to develop new competitive advantages.

Meanwhile, we will also continue to deepen the reform in mechanisms, improve management systems, reduce cost and increase efficiency continuously, strengthen risk control, to fulfill social obligations, and in turn promoting high quality development.

With ten years of trail-blazing and hardworking, the Group has developed into a world-leading ship leasing company. As our new journey begins, we are dedicated to achieving a even more remarkable operating results to reward our Shareholders, the society and its employees. Lastly, on behalf of the Board, management and all employees of the Group, I hereby express my gratitude to all Shareholders for their wholehearted support, and my appreciation to customers, fund providers and other business partners for their continuous concern, trust and assistance to the Company.

CSSC (Hong Kong) Shipping Company Limited
Zhong Jian
Chairman

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).

1. Industry Overview *(Continued)*

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 significantly, 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.

2. Outlook *(Continued)*

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 container 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.

3. Business Review *(Continued)*

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.

3. Business Review *(Continued)*

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

(HKD in thousands)	For the year ended 31 December 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%

4. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

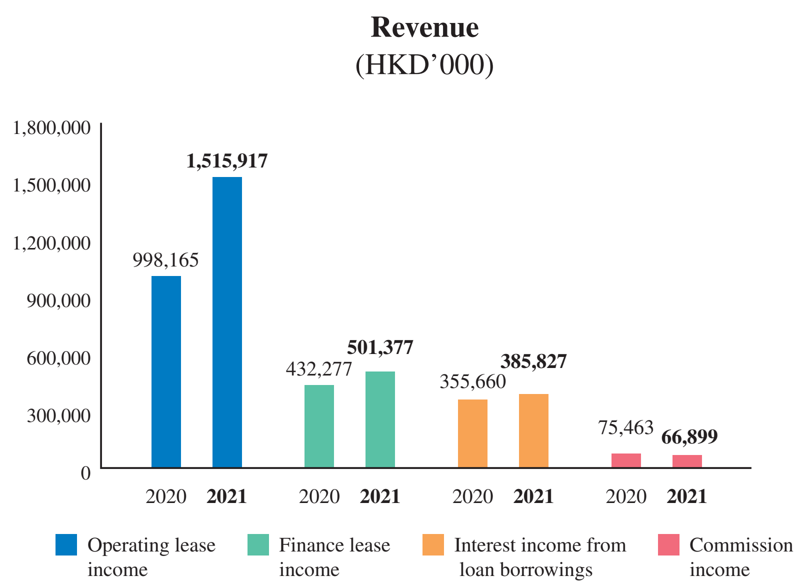
Revenue

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:

	Year ended 31 December		
	2021 HK$'000	2020 HK$'000	Change
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%



4. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

Revenue *(Continued)*

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. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

Other Income

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

	Year ended 31 December		
	2021 **HK$'000**	2020 HK$'000	Change
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. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

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.

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.

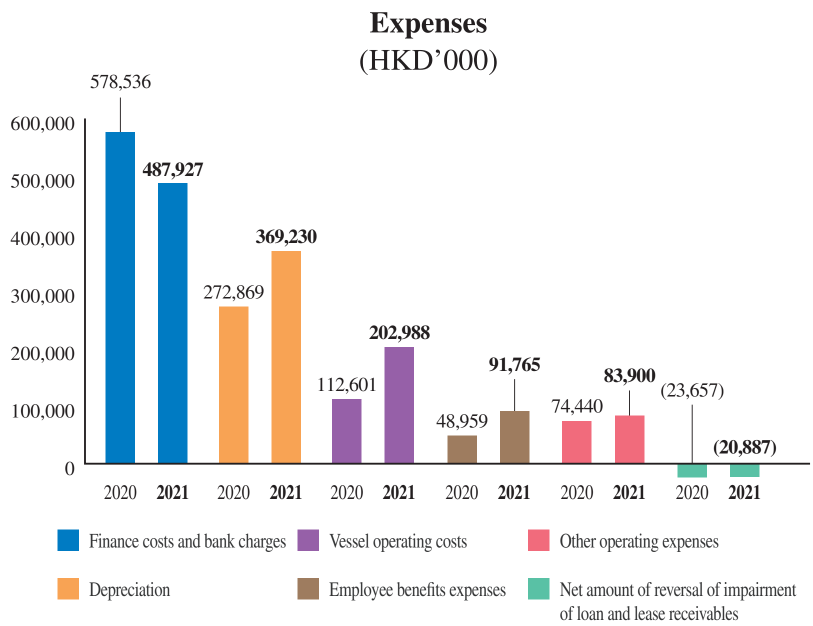
The following table sets out, for the years indicated, a breakdown of our expenses:

	Year ended 31 December		
	2021 HK$'000	2020 HK$'000	Change
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%

4. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

Expenses *(Continued)*



Finance Costs and Bank Charges

The following table sets out, for the years indicated, a breakdown of our finance costs and bank charges:

	Year ended 31December	
	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)
Total	**487,927**	578,536

4. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

***Expenses** (Continued)*

Finance Costs and Bank Charges (Continued)

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 represent depreciation charges on property, plant and equipment and right-of-use assets. The following table sets out, for the years indicated, a breakdown of our depreciation expenses:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Vessels	**350,833**	262,550
Office equipment	**1,392**	745
Motor vehicles	**47**	176
Leasehold improvements	**4,218**	601
Right-of-use assets	**12,740**	8,797
Total	**369,230**	272,869

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.

4. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

Expenses *(Continued)*

Vessel Operating Costs

The following table sets out, for the years indicated, a breakdown of our vessel operating costs:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Ship management fees	**72,736**	14,001
Crew expenses	**76,496**	66,866
Commission	**27,041**	9,190
Insurance	**5,651**	5,175
Services and suppliers	**9,508**	8,765
Repairs and maintenance	**7,098**	3,567
Port charges	**2,936**	2,698
Others	**1,522**	2,339
	202,988	112,601

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, the ship management fees 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-based payment expenses.

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Wages, salaries, and other allowances (including directors' emoluments)	**68,680**	41,457
Retirement benefit costs	**12,730**	7,502
Share-based payment expenses	**10,355**	–
Total	**91,765**	48,959

4. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

Expenses *(Continued)*

Employee Benefits Expenses (Continued)

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-based payment 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 as at 31 December 2020 to 81 for the year ended as at 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.

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. Financial Review *(Continued)*

4.1 Analysis on Consolidated Income Statement *(Continued)*

Income Tax Expenses

Our income tax expenses represent the amount of income tax paid by us in respect of profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate. During the year, our main operating subsidiaries in the PRC and Hong Kong were subject to corporate income tax at a rate of 25% and 16.5% on assessable income, respectively. Our core business is the provision of leasing services which include finance lease and operating lease. Consistent with the industry practice, we structure and operate our ship leasing business through different special purpose vehicles ("**SPVs**"), which are established or incorporated mainly in the Marshall Islands, the British Virgin Islands, Singapore, Hong Kong and the PRC, depending on the commercial arrangements of each transaction. During the year, our revenue was mainly generated from these SPVs.

Our relatively low effective tax rate was mainly because the finance lease income and operating lease income generated from our overseas SPVs were not subject to Hong Kong income tax.

4.2 Analysis on the Consolidated Statement of Financial Position

	As at 31 December		
(HKD in thousands)	**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%

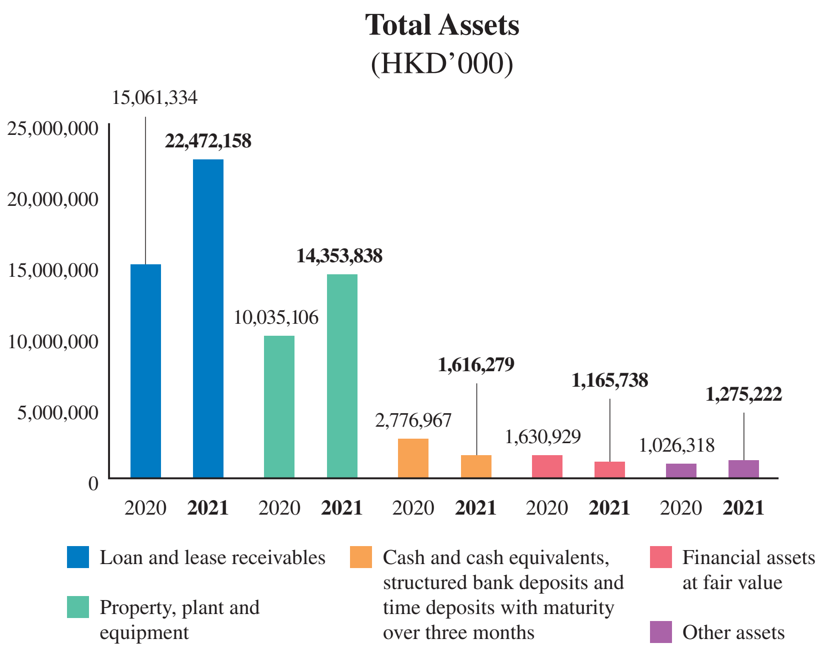
4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

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 HK$'000	2020 HK$'000	Change
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%



4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

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.

	As at 31 December		
	2021 **HK$'000**	2020 HK$'000	Change
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*

Net lease receivables are the gross investment in leases less unearned finance income and accumulated allowance for impairment loss.

The following table sets out, as at the dates indicated, a breakdown of our finance lease receivables:

	2021 **HK$'000**	2020 HK$'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

4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

Loan and Lease Receivables *(Continued)*

a) *Lease Receivables (Continued)*

The following table sets out, as at the dates indicated, a breakdown of our gross investment in finance leases by maturity date:

	As at 31 December	
	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

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*

The following table sets out, as at the dates indicated, a breakdown of our loan borrowings:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Secured loan services	**7,732,019**	7,486,207
Less: Accumulated allowance for impairment loss	**(26,308)**	(27,421)
Net carrying amount	**7,705,711**	7,458,786

4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

Loan and Lease Receivables *(Continued)*

b) Loan Borrowings (Continued)

The following table sets out, as at the dates indicated, a maturity profile of our loan borrowings, based on the maturity date, net of impairment losses:

	As at 31 December	
	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
Total	**7,705,711**	7,458,786

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. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

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.

Financial Assets at Fair Value

The Group's investments mainly consist of preferred shares, bonds and wealth management products issued by the PRC banks or corporate issuers which provide fixed income and with a relatively low risk profile.

The Group's finance department and accounting and treasury department are primarily responsible for overseeing the Group's investment activities, and we have standard policies and procedures for the approval and carrying out of financial transactions. We generally invest in products that provide moderate and stable returns and avoid high-risk products, and we generally hold our bonds till maturity. Before making any investment decisions, we consider, among others, our investment objective, the risk, return and liquidity of the investments as well as the reputation of the issuers. We maintain strict risk controls and periodically review the performance of our investments.

The following table sets out, as at the dates indicated, a breakdown of our investments by category:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
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
Total	**1,165,738**	1,630,929

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.

4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

Other assets – Interests in Joint Ventures

The Group's interest in joint ventures increased from HK$483.5 million as at 31 December 2020 to HK$587.0 million as at 31 December 2021 due to the capital injection for construction of vessels and the share of profits generated from the joint ventures.

Particulars of the Group's joint ventures as at 31 December 2021 and 2020 are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December		Principal activities
		2021	2020	
Ocean Classic Limited	British Virgin Island ("**BVI**")	**50%**	50%	Chartering services
Sino Singapore Maritime Pte. Ltd.	Singapore	**50%**	50%	Vessel owning and chartering
Vista Shipping Pte. Limited	Singapore	**50%**	50%	Vessel owning and chartering
Zhendui Industrial Intelligent Technology Co., Ltd.	The PRC	**18%**	18%	Marine technology

4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

Other assets – Interests in Associates

As at 31 December 2020 and 31 December 2021, the Group's interests in associates amounted to HK$49.8 million and HK$70.3 million, respectively.

Particulars of the Group's associates as at 31 December 2021 and 2020 are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December		Principal activities
		2021	2020	
Nor Solan I Pte Ltd	Singapore	**28%**	28%	Chartering services
Nor Solan II Pte Ltd	Singapore	**28%**	28%	Chartering services
Guoxin CSSC (Qing dao) Marine Technology Company Limited* 國信中船（青島）海洋科技有限公司	The PRC	**25%**	25%	Marine technology
Glory Shipping Pte. Ltd.	Singapore	**35%**	N/A	Net yet commence business
CSSC SDARI Energy Saving Technology (Shanghai) Company Limited* 中船斯達瑞節能科技（上海）有限公司	The PRC	**20%**	N/A	Energy saving technology

* The English name of the associate represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

Other assets – Amounts due from Associates, Fellow Subsidiaries and Joint Ventures

The Group's amounts due from associates, fellow subsidiaries and joint ventures amounted to HK$55.2 million and HK$128.2 million as at 31 December 2020 and 31 December 2021, respectively. Such increase was mainly due to the injection of funding to joint ventures for vessels under construction which was in accordance with the business plan.

The following table sets out, as at the dates indicated, a breakdown of the Group's amounts due from associates, fellow subsidiaries and joint ventures:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
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
Total	**128,244**	55,215

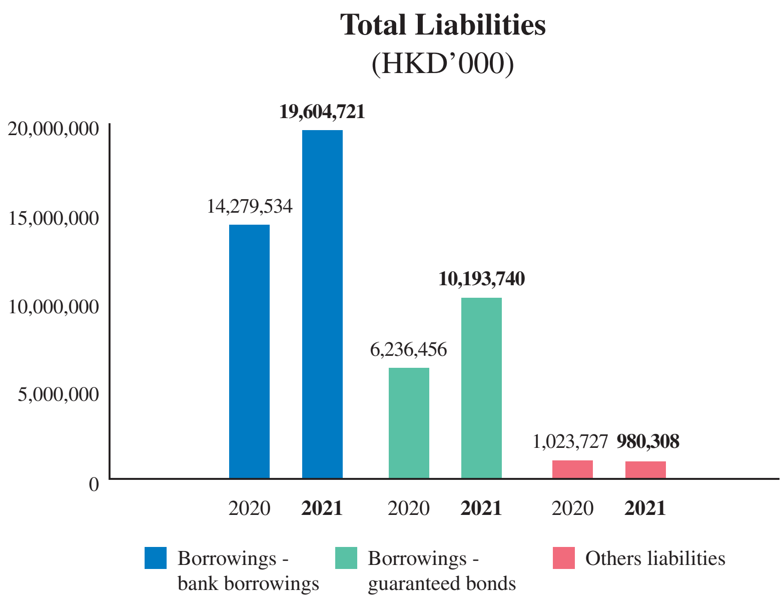
4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

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 liabilities accounted for 3.2% of the Group's total liabilities.

Total liabilities

	As at 31 December		
	2021 **HK$'000**	2020 HK$'000	Change
Borrowings – bank borrowings	**19,604,721**	14,279,534	37.3%
Borrowings – guaranteed bonds	**10,193,740**	6,236,456	63.5%
Other liabilities	**980,308**	1,023,727	(4.2%)
Total	**30,778,769**	21,539,717	42.9%



4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

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.

The Directors confirm that there was no delay in the repayment of or default in any of our bank borrowings during the year, and we did not experience any difficulty in obtaining banking facilities with commercially acceptable terms during the year.

The Group's borrowings were repayable based on the scheduled repayment terms set out in the loan agreements as follows:

	As at 31 December	
	2021 HK$'000	2020 HK$'000
On demand and within 1 year	**11,132,698**	8,374,024
After 1 year but within 2 years	**1,130,646**	854,066
After 2 years but within 5 years	**3,374,365**	2,625,900
After 5 years	**3,967,012**	2,425,544
	19,604,721	14,279,534

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 as at 31 December 2021 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 (the "**Stock Exchange**").

4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position *(Continued)*

Borrowings – Guaranteed Bonds *(Continued)*

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.

All the guaranteed bonds were guaranteed by the Company and listed on the Stock Exchange. As at 31 December 2021, the guaranteed bonds were repayable as follows:

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
Within 1 year	**49,190**	33,976
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**7,023,150**	3,101,240
After 5 years	**3,121,400**	3,101,240
	10,193,740	6,236,456

Asset Quality

We adopt the three-stage model for impairment loss based on changes in the credit quality of our loan receivables since initial recognition. Financial instrument that is not credit-impaired on initial recognition is classified in "stage 1". The expected credit loss is measured on a 12-month basis. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "stage 2". Financial instrument that is classified as stage 2 is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis. If the financial instrument is credit-impaired, the financial instrument is then transferred to "stage 3". The expected credit loss is measured on lifetime basis. In stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (stage 3), we are required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

4. Financial Review *(Continued)*

Asset Quality *(Continued)*

The provision for impairment loss recognised in the period is impacted by a variety of factors, including the transfers between stage 1 and stage 2 or stage 3 due to loan receivables experiencing a significant increase (or decrease) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime expected credit loss, the additional provisions for new financial instruments recognised, as well as releases for loan receivables derecognised in the period, and loan receivables derecognised and write-offs of provisions related to assets that were written off during the period.

The following tables explain the provision for impairment of loan and lease receivables in each stage at the end of the year:

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Provision for impairment of loan and lease receivables as of 31 December 2021	**91,621**	**162,868**	**231,374**	**485,863**
Loan and lease receivables as of 31 December 2021	**20,854,481**	**1,864,607**	**238,933**	**22,958,021**

As at 31 December 2021, we made provision for impairment of loan and lease receivables of HK$485.9 million, which comprised 12-month expected credit loss of HK$91.6 million for assets under stage 1 and lifetime expected credit loss of HK$162.9 million and HK$231.4 million for assets under stage 2 and stage 3, respectively.

Write-offs

We write off loan receivables, in whole or in part, when we have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activities. We may write off loan receivables that are still subject to enforcement activities. For the year ended 31 December 2020 and the year ended 31 December 2021, the Group has not written off any loan and lease receivables.

4. Financial Review *(Continued)*

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 HK$'000	2020 HK$'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

4. Financial Review *(Continued)*

Liquidity and Working Capital *(Continued)*

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 leases 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.

4. Financial Review *(Continued)*

Bank Loans and Capital Structure *(Continued)*

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 HK$40,883 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.

5. Risk Management

5.1 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.

5. Risk Management *(Continued)*

5.2 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.

Interest rate profile

The following table details the interest rate profile of the Group's net borrowings as at the dates indicated:

	As at 31 December	
	2021 **HK$'000**	2020 HK$'000
Loan receivables	**21,052,683**	11,931,272
Bank borrowings	**19,604,721**	13,487,888

5. Risk Management *(Continued)*

5.2 Interest Rate Risk *(Continued)*

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$12,090,000 (2020: decrease/increase by approximately HK$12,998,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for both years.

5.3 Currency Risk

The Group has foreign currency sales, purchases and fund remittances, which expose the Group to foreign currency risk. Since the fluctuation of US$ and HK$ is minimal under the Linked Exchanged Rate System, the Directors consider the Group mainly exposes to the currency risk of Euro ("**EUR**"), Renminbi ("**RMB**") and Singapore dollars ("**SGD**"). The Board approves strategy to manage and control the foreign exchange risk, the Group's CFO oversees the overall foreign exchange exposure, and takes effective measures to ensure the risk exposure is duly controlled. The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities as at 31 December 2021 and 2020, are as follows:

	As at 31 December 2021			As at 31 December 2020		
	EUR HK$'000	**SGD HK$'000**	**RMB HK$'000**	EUR HK$'000	SGD HK$'000	RMB HK$'000
Prepayments, deposits and other receivables	**–**	**–**	**9,758**	–	1,977	5,796
Amounts due from associates	**–**	**24,674**	**–**	–	25,320	–
Structured bank deposits	**–**	**–**	**61,165**	–	–	467,443
Cash and cash equivalents	**2,147**	**2,994**	**220,925**	145,436	5,136	128,907
Other payables and accruals	**–**	**(262)**	**(38,930)**	–	(6,707)	(31,734)
Net exposure	**2,147**	**27,406**	**252,918**	145,436	25,726	570,412

5. Risk Management *(Continued)*

5.3 Currency Risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase in the relevant functional currencies against HK$ as at 31 December 2021 and 2020. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for 5% change in foreign currency rates during the year. A positive/negative number indicates an increase/a decrease in profit for the year where respective functional currencies strengthening 5% as at 31 December 2021. During the year, for a 5% weakening of respective functional currencies against HK$, there would be an equal but opposite impact on the profit for the year.

	2021 **HK$'000**	2020 HK$'000
EUR	**90**	6,072
SGD	**1,144**	1,074
RMB	**10,559**	23,815

Directors and Senior Management

Directors

Executive Directors

Mr. Zhong Jian (鍾堅), aged 59, was a non-executive Director appointed in September 2019. He was re-designated as an executive director and appointed as the chairman of the Board on 29 April 2020. Mr. Zhong is primarily responsible for overseeing our general management, strategic development, investments, human resources, project evaluation and compliance.

Mr. Li is currently serving as an executive Director of CSSC International Holding Company Limited (中船國際控股有限公司).

Mr. Zhong previously served as the deputy general manager of Guangzhou Shipyard International Co., Ltd.* (廣州廣船國際股份有限公司), the deputy general manager of CSSC Properties Ltd.* (中船置業有限公司), the deputy general manager of CSSC Investment Development Co., Ltd. (中船投資發展有限公司), and the chairman of CSSC Guangzhou Huangpu Shipbuilding Co., Ltd.* (廣州中船黃埔造船有限公司) and the director of the operating management department of CSSC Group.

Mr. Zhong obtained a master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in 1994.

Non-Executive Directors

Mr. Li Wei (李巍), aged 51, is a non-executive Director appointed in July 2019.

Mr. Li is currently serving as a general manager of China Re Asset Management Company Ltd., (中再資產管理股份有限公司). He is also the general manager of the strategic customer department of China Reinsurance (Group) Corporation (中國再保險 (集團) 股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1508), and a group leader of the preparatory team of China Reinsurance Overseas (Holdings) Corporation (中國再保險海外 (控股) 有限公司).

Mr. Li was the deputy general manager of the sales management department of Huatai Property Insurance Co., Ltd. (華泰財產保險股份有限公司), the chief business officer of Sun Life Everbright Life Insurance Co., Ltd. (光大永明人壽保險有限公司), the deputy general manager of Sun Life Everbright Asset Management Co., Ltd. (光大永明資產管理股份有限公司), the deputy general manager of China Continent Property & Casualty Insurance Company (中國大地財產保險股份有限公司) and the supervisor of the strategic customer department of China Reinsurance (Group) Corporation (中國再保險 (集團) 股份有限公司).

Mr. Li obtained a master's degree in industrial economics from Harbin Engineering University (哈爾濱工程大學) in March 2003 and an executive master of business administration from Peking University in July 2009.

Directors and Senior Management

Mr. Zou Yuanjing (鄒元晶), aged 60, is a non-executive Director appointed in September 2019.

Mr. Zou is currently serving as a director of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司), which is a subsidiary of the CSSC Group.

Mr. Zou previously served as an assistant to general manager and the deputy general manager of Jiangnan Shipyard (Group) Co., Ltd. (江南造船(集團)有限責任公司), the general manager of Shanghai Lupu Bridge Investment Development Co., Ltd. (上海盧浦大橋投資發展有限公司), and the deputy general manager of Shanghai Jiangnan Changxing Heavy Industry Co., Ltd.* (上海江南長興重工有限責任公司).

Mr. Zou obtained a bachelor's degree in naval architecture and ocean engineering from Harbin Engineering University (哈爾濱工程大學) in the PRC in 1984.

Independent Non-Executive Directors

Mr. Wang Dennis (王德銀), aged 59, was appointed as an independent non-executive Director on 10 November 2020. Mr. Wang is primarily responsible for the independent supervision of the management of the Group.

Mr. Wang is an entrepreneur. Mr. Wang was previously the chairman, an executive director and the chief consultant of China Water Industry Group Limited (中國水業集團有限公司*), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1129), the chairman and the general manager of Tibet Jinzhu Co., Ltd.* (西藏金珠股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (the "**SSE**") (stock code: 600773), the founder and the chairman of Shenzhen Hornson Science and Tech. Co., Ltd.* (深圳豪信科技有限公司), and the chairman and the president of Shenzhen Modern Computer Co., Ltd.* (深圳現代計算機有限公司).

Mr. Wang obtained a bachelor's degree in computer engineering from Xidian University (西安電子科技大學) in the People's Republic of China in 1986.

Mdm. Shing Mo Han Yvonne (盛慕嫻), *BBS, JP*, aged 66, is an independent non-executive Director appointed in May 2019. Mdm. Shing is primarily responsible for overseeing the management of our Group independently.

Mdm. Shing is currently serving as an independent non-executive director of China Resources Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3320); Aeon Credit Service (Asia) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 900); China Merchants Energy Shipping Co., Ltd., a company listed on the SSE (stock code: 601872); and Sirnaomics Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 2257). She was a senior adviser of Deloitte Touche Tohmatsu in Hong Kong until March 2019.

Mdm. Shing is a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. She is a founding member of the Association of Women Accountants (Hong Kong) Limited. She is currently the vice chair-lady of the Taxation Committee of the Hong Kong General Chamber of Commerce and a member of the Chinese General Chamber of Commerce, Hong Kong.

Mdm. Shing's current public appointments include treasurer of the Council of the Hong Kong Academy for Performing Arts, member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption, member of the Antiquities Advisory Board, member of the Communications Authority, member of the Advisory Committee on Built Heritage Conservation, and court member of the Hong Kong Polytechnic University.

Mdm. Shing was appointed as a Justice of the Peace in 2013 and was awarded the Bronze Bauhinia Star in 2017. She was named as one of the China's National Hundred Outstanding Women Entrepreneurs by China Association of Women Entrepreneurs* (中國女企業家協會) in October 2006.

Mdm. Shing graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and obtained a higher diploma in accountancy. She is a 2016/2017 university fellow of the Hong Kong Polytechnic University. She is also a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Chartered Governance Institute (formerly known as Institute of Chartered Secretaries and Administrators).

Mr. Li Hongji (李洪積), aged 65, is an independent non-executive Director appointed in May 2019. Mr. Li is primarily responsible for overseeing the management of our Group independently.

Mr. Li has been serving as a partner and practicing lawyer in Commerce & Finance Law Offices (通商律師事務所) since 2006.

Mr. Li is a registered arbitrator in a number of arbitration centres, including China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), Arbitration Center Across The Straits (海峽兩岸仲裁中心), China Maritime Arbitration Commission (中國海事仲裁委員會), Beijing Arbitration Commission (北京仲裁委員會), Shanghai International Arbitration Center (上海國際仲裁中心) and Qingdao Arbitration Commission (青島仲裁委員會). He is currently serving as a part-time lecturer of the master's degree programme in Peking University Law School (北京大學法學院).

Mr. Li obtained a bachelor's degree in law from Peking University (北京大學) in the PRC in July 1982 and a master's degree in law from China University of Political Science and Law (中國政法大學) in the PRC in July 1987. He became a qualified lawyer of the PRC in 1997 and was admitted to practise as an attorney and counsellor at law in the courts of record of New York in the United States in 1994.

Directors and Senior Management

Senior Management

Mr. Li Xi (李晞), aged 57, is the general manager of the Company appointed in March 2022. Mr. Li previously served as the ship repairing supervisor, the associate director of production management department of ship repairing branch of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司修船分廠), the head of heavy industry branch of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司重工分廠), the associate director of business department, the director of business department, the general manager assistant, the deputy general manager, the general manager and the chairman of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司), the deputy general manager of the CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), which is a subsidiary of China State Shipbuilding Corporation Limited* (中國船舶工業集團有限公司).

Ms. Li Jun (李峻), aged 49, is the chief accountant of the Company. Ms. Li is primarily responsible for assisting our general manager in the overall management of our accounting matters, financing and capital operations.

Ms. Li served in the business department of Guangzhou Shipyard Company Limited* (廣州造船廠有限公司) as a sales representative from July 1994 to March 1995. From March 1995 to July 2011, she served in various positions, including supervisor, assistant to executive and deputy chief officer of the finance department, in CSSC Offshore & Marine Engineering. She joined CSSC Chengxi Voyage Ship (Guangzhou) Company Limited* (中船澄西遠航船舶(廣州)有限公司) (now known as Guangzhou Wenchong Dockyard Co., Ltd.* (廣州文沖船舶修造有限公司)) as the vice general accountant in July 2011, and has been serving as the general accountant since May 2013. Since June 2018, she has been serving as a non-executive director of Bank of Tianjin Co., Ltd (天津銀行股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1578). She joined our Group in February 2017.

Ms. Li obtained a bachelor's degree in economics from the Beijing Institute of Commerce (北京商學院) (now known as Beijing Technology and Business University (北京工商大學)) in July 1994 and a master's degree in engineering from Huazhong University of Science and Technology (華中科技大學) in December 2010. In December 2002, she became a non-practicing member of the Chinese Institute of Certified Public Accountants.

* *For identification purpose only*

Mr. Chen Hui (陳慧), aged 46, is the deputy general manager of the Company. Mr. Chen is primarily responsible for assisting in managing our human resources, administration, asset management.

Mr. Chen joined Jiangnan Shipbuilding (Group) Company Limited* (江南造船(集團)有限公司) in July 1998, where he last served as the deputy executive of the general office until August 2007. He served in CSSC Group from February 2000 to August 2007, where his last position was the head of the legal division of the general office. In August 2007, he joined CSSC Jiangnan Heavy Industry Company Limited* (中船江南重工股份有限公司) (now known as CSSC Science & Technology Company Limited* (中船科技股份有限公司)), a company listed on the SSE (stock code: 600072), where he served as the assistant general manager and the secretary of the board of directors until October 2011 and as the secretary of the board of directors and the chairman of the labour union from October 2011 to December 2017. He joined our Group in December 2017.

Mr. Chen obtained a bachelor's degree in law from Xiamen University (廈門大學) in the PRC in July 1998 and a master's degree in law from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in the PRC in June 2009. He was awarded the Certificate of Legal Professional Qualification (法律職業資格證書) of the PRC in February 2000.

Directors' Report

The Board is pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "**Reporting Year**").

Global Offering

The Company was incorporated in Hong Kong on 25 June 2012 as a limited liability company. The shares of the Company (the "**Shares**") were listed on the Stock Exchange on the Listing Date.

Principal Activities

The Company's principal activities are the provision of leasing services, which include finance lease and operating lease. Such leasing services primarily focus on ship leasing. An analysis of the Group's business segment for the year ended 31 December 2021 is set out in note 5 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 135 and 136 of this annual report, respectively.

Final Dividend

To share the fruitful results of the Group among all shareholders of the Company (the "**Shareholders**"), the Board recommends the payment of a final dividend of HK$0.06 per Share out of the distributable reserve of the Company in respect of 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 29 July 2022 following approval at the Company's forthcoming AGM.

The Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

Financial Overview

A summary of the Group's results and its assets and liabilities for the past five financial years is set out on pages 5 to 7 of this annual report. This summary does not form part of the audited consolidated financial statements.

Major Customers and Suppliers

Major Customers

For the year ended 31 December 2021, the transaction amounts of the top five customers of the Group accounted for 56.4% of the Group's total revenue (2020: 60.0%), while the transaction amounts of the single largest customer of the Group accounted for 16.8% of the Group's total revenue (2020: 17.7%).

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the number of Company's issued shares) had an interest in the five major suppliers or customers of the Group.

Major Suppliers

Because of the nature of its business, the Group had no major suppliers.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 13 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the Reporting Year are set out in note 29 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Year are set out in the consolidated financial statement of changes in equity on page 139 of this annual report.

Reserves Available for Distribution

As at 31 December 2021, the Company's reserves available for distribution calculated under Part 6 of the Companies Ordinance (Cap. 622, Laws of Hong Kong) (the "**Companies Ordinance**") amounted to approximately HK$1,232,883,000 (2020: HK$58,781,000).

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2021 are set out in note 25 to the consolidated financial statements.

Disclosure Pursuant to Rule 13.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")

(1) On 30 December 2021, the Company as borrower, entered into a facility agreement (the "**Facility Agreement in December**") with a bank as lender (the "**Lender A**"), pursuant to which the Lender A has agreed to make available to the Company a revolving loan facility up to US$100,000,000 for the purpose of financing the working capital of the Company including but not limited to purchase of vessels and repayment of outstanding indebtedness due to the other banks. All amounts borrowed under the Facility Agreement in December, including interest accrued thereon, shall be repaid or reborrowed at the end of each interest period, being either one or three months depending on the Company's choice.

    Pursuant to the Facility Agreement in December, the Company undertakes and procures that, throughout the life of the facility, China State Shipbuilding Corporation Limited* (中國船舶集團有限公司) ("**CSSC Group**") shall (i) remain as the single largest shareholder of the Company (directly or indirectly); and (ii) remain wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China* (國務院 國有資產監督管理委員會).

Disclosure Pursuant to Rule 13.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") *(Continued)*

(2) On 17 November 2021, Fortune VGAS Shipping I Pte. Ltd. and Fortune VGAS II Shipping Pte. Ltd., being the Company's wholly-owned subsidiaries, as borrowers (the "**VGAS Borrowers**"), entered into a facility agreement (the "**VGAS Facility Agreement**") with a bank as lender (the "**VGAS Lender**"), pursuant to which the VGAS Lender has agreed to make available to the VGAS Borrowers a secured term loan facility comprising two tranches in an aggregate amount not exceeding US$104,146,000 for the purpose of re-financing the acquisition of vessels. The loan under each tranche shall be repaid in full in ten years from the relevant utilization date.

Pursuant to the VGAS Facility Agreement, the facility will be cancelled and the loan and all such outstanding interest and other amounts will become immediately due and payable if CSSC Group ceases to ultimately own at least 50.1% of the issued share capital of the Company.

(3) On 29 October 2021, Fortune Sealion I Limited, Fortune Sealion II Limited, Fortune Sealion III Limited and Fortune Sealion IV Limited, being the Company's wholly-owned subsidiaries, as borrowers (the "**Sealion Borrowers**"), entered into a facility agreement (the "**Sealion Facility Agreement**") with several banks as lenders (the "**Sealion Lenders**"), pursuant to which the Sealion Lenders have agreed to make available to the Sealion Borrowers a secured term loan comprising four tranches and not exceeding in aggregate the maximum amount of US$106,372,805 for the purpose of re-financing the acquisition of vessels. The loan under each tranche shall be repaid in full in ten years from the relevant utilization date.

Pursuant to the Sealion Facility Agreement, the Sealion Borrowers shall prepay the loan in full if CSSC Group ceases to own at least 50% of (i) the legal and beneficial shareholding interest (directly or indirectly) in the issued share capital of the Company; or (ii) the shares of the Company carrying voting rights normally exercisable at a general meeting of the Company.

(4) On 22 October 2021, Fortune Tsingyi Shipping Limited and Fortune Changchun Shipping Limited, both being the Company's wholly-owned subsidiaries, as borrowers (the "**Fortune October Borrowers**"), entered into a facility agreement (the "**Fortune October Facility Agreement**") with, amongst others, a bank as lender (the "**Fortune October Lender**"), pursuant to which the Fortune October Lender has agreed to make available to the Fortune October Borrowers a secured term loan comprising two tranches and not exceeding in aggregate the maximum amount of US$54,750,000 for the purpose of re-financing the acquisition of vessels. The loan under each tranche shall be repaid in full in ten years from the relevant utilization date.

Pursuant to the Fortune October Facility Agreement, the Fortune October Borrowers have undertaken that, amongst others, save with prior written approval of the Lender, CSSC Group shall remain the single largest shareholder of and maintain control in the Company for the duration of the facility period.

Disclosure Pursuant to Rule 13.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") *(Continued)*

(5) On 22 September 2021, Fortune Suzhou Shipping Limited and Fortune Wuxi Shipping Limited, being the Company's wholly-owned subsidiaries, as borrowers (the "**Fortune September Borrowers**"), entered into a facility agreement (the "**Fortune September Facility Agreement**") with a bank as lender (the "**Fortune September Lender**"), pursuant to which the Fortune September Lender has agreed to make a term loan facility of US$88,900,000 available to the Fortune September Borrowers in two tranches for the sole purpose of re-financing part of the acquisition cost of two vessels. The loan under each tranche shall be repaid in full in ten years from the relevant utilization date.

Under the Fortune September Facility Agreement, the Fortune September Borrowers shall prepay the loan upon the occurrence of (i) CSSC Group ceases to be the single largest shareholder (directly or indirectly) of the Company; or (ii) more than 51% of the equity interests in CSSC Group cease to be directly or indirectly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China* (國務院國有資產監督管理委員會) or any similar government authority acceptable to the Lender; or (iii) any other events as set out in the Fortune September Facility Agreement.

(6) On 21 June 2021, Fortune Bec III Shipping Limited, Fortune Bec IV Shipping Limited, Fortune Bec V Shipping Limited and Fortune Bec VI Shipping Limited, being the Company's wholly-owned subsidiaries, as borrowers, entered into a facility agreement (the "**Fortune June Facility Agreement**") with a bank as lender (the "**Fortune June Lender**"), pursuant to which the Fortune June Lender has agreed to make a term loan facility of US$96,000,000 available to the Company for the purpose of funding the acquisition cost of vessels. The loan shall be repaid in full in ten years from the drawdown date.

Pursuant to the Fortune June Facility Agreement, the Company has undertaken that, during the term of the Fortune June Facility Agreement, CSSC Group shall (i) be the single largest shareholder of the Company (inclusive of direct, indirect and deemed shareholding); and (ii) be the single largest shareholder of the Company (whether directly or indirectly).

(7) On 10 June 2021, the Company, as borrower, entered into a facility agreement ("**June Facility Agreement**") with a bank as lender (the "**June Lender**"), pursuant to which the June Lender has agreed to make a term loan facility of US$50,000,000 available to the Company for the purpose of funding the acquisition cost of vessels. The loan shall be repaid in full in one year from the drawdown date.

Pursuant to the June Facility Agreement, the Company has undertaken that, during the term of the June Facility Agreement, (i) CSSC Group shall remain as a controlling shareholder of the Company; and (ii) CSSC Group shall be directly administered by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China* (國務院國有資產監督管理委員會).

Directors' Report

Directors

The Directors during the Reporting Year and up to the date of this annual report are as follows:

Executive Directors:

Mr. Zhong Jian *(Chairman)*
Mr. Hu Kai (resigned on 4 March 2022)

Non-executive Directors:

Mr. Li Wei
Mr. Zou Yuanjing

Independent Non-executive Directors:

Mr. Wang Dennis
Mdm. Shing Mo Han Yvonne, *BBS, JP*
Mr. Li Hongji

Pursuant to article 99(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) or such higher number of Directors to be determined by the Board, or a number determined by such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time shall retire from office.

Therefore, Mr. Zou Yuanjing and Mr. Li Hongji shall retire by rotation, and offer themselves for re-election at the AGM.

The particulars of Directors who are subject to re-election at the AGM are set out in the circular to be dispatched to the Shareholders.

Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on pages 45 to 49 of this annual report.

A full list of the names of the Directors of the Group's subsidiaries is available on the Company's website.

Confirmation of Independence from the Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 and the Company considers all of the independent non-executive Directors are independent during the Reporting Year.

Directors' Service Contracts and Letters of Appointment

The Company entered into a letter of appointment with each of Mdm. Shing Mo Han Yvonne and Mr. Li Hongji, the independent non-executive Directors, on 6 May 2019. Each of the letters of appointment is for an initial term of three years commencing from the Listing Date.

With regard to the re-designation as an executive Director, Mr. Zhong Jian has entered into a service contract with the Company for an initial period of three years commencing from 29 April 2020. With regard to the appointment of independent non-executive Director, Mr. Wang Dennis has signed a letter of appointment with the Company for an initial term of three years commencing from 10 November 2020.

With regard to the appointment of non-executive Directors, each of Mr. Li Wei and Mr. Zou Yuanjing has signed a letter of appointment with the Company for an initial period of three years commencing from 5 July 2019 and 25 September 2019, respectively.

All appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

Save as disclosed above, none of the Directors has entered into or intended to enter into any service contract with any member of the Group, the period unexpired of which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements or Contracts of Significance

During the Reporting Year and up to the date of this annual report, none of the Directors or entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Year and up to the date of this annual report.

Employee and Emolument Policy

As at 31 December 2021, the Group had a total of 81 employees, approximately 40% of whom were located in Hong Kong. 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. As at 31 December 2021 and 31 December 2020, the remuneration of the Group's employees amounted to approximately HK$91.8 million and HK$49.0 million, respectively. The Group endeavors to create a competitive and fair system for remuneration and welfare. The remuneration package of the Group's employees includes basic salary, performance-related bonus and share-based payment. The Group reviews the remuneration packages and performance of its employees on an annual basis.

Employee and Emolument Policy *(Continued)*

The Company's remuneration committee (the "**Remuneration Committee**") is responsible for reviewing the Group's emolument policy and structure of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management as well as comparable market practices.

Details of the emoluments of the five highest paid individuals and the Directors during the Reporting Year are set out in note 10 and note 11 to the consolidated financial statements, respectively.

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Group are set out in note 10 to the consolidated financial statements.

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 31 December 2021, based on the information available to the Company, Directors and chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange instead pursuant to 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 follows:

Name	**Capacity/ Nature of interests**	**Number of Shares**	**Long/Short position**	**Approximate percentage of shareholding in the Company** (%)
Zhong Jian [1]	Beneficial owner	12,650,000	Long position	0.21
Hu Kai [2]	Beneficial owner	12,650,000	Long position	0.21

Notes:

(1) Mr. Zhong Jian was interested in 12,650,000 share options granted under the share option scheme of the Company.

(2) Mr. Hu Kai was interested in 12,650,000 share options granted under the share option scheme of the Company. Mr. Hu Kai resigned as an executive Director on 4 March 2022.

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

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interests	Number of Shares	Long/Short position	Approximate percentage of shareholding in the company (%)
State-owned Assets Supervision and Administration Commission	Interest in controlled corporation[1]	4,602,046,234	Long position	75.00
China State Shipping Corporation Limited ("**China Shipbuilding Group**")	Interest in controlled corporation	4,602,046,234	Long position	75.00
China State Shipbuilding Industry Corporation Limited ("**CSSC Group**")	Interest in controlled corporation[1]	4,602,046,234	Long position	75.00
CSSC International Holding Company Limited ("**CSSC International**")	Beneficial owner[1]	4,602,046,234	Long position	75.00
Central Huijin Investment Ltd.	Interest in controlled corporation[2]	522,490,000	Long position	8.52
China Re Asset Management (Hong Kong) Company Limited	Investment manager[2]	522,490,000	Long position	8.52
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司) ("**China Reinsurance**")	Beneficial owner[2]	522,490,000	Long position	8.52

Notes:

(1) CSSC International is a wholly-owned subsidiary of CSSC Group, and CSSC Group is wholly owned by China Shipbuilding Group, which is wholly owned by the State-owned Assets Supervision and Administration Commission. As such, by virtue of the SFO, CSSC Group, China Shipbuilding Group and the State-owned Assets Supervision and Administration Commission are deemed to be interested in the 4,602,046,234 Shares held by CSSC International.

(2) Central Huijin Investment Ltd. holds 71.56% of the equity interest in China Reinsurance. As such, by virtue of the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 522,490,000 Shares held by China Reinsurance. The Shares held by China Re Asset Management (Hong Kong) Company Limited are the same batch as those held by China Reinsurance.

Save as disclosed above, as at 31 December 2021, as far as the Directors are aware, no any other persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

At the extraordinary general meeting of the Company held on 30 April 2021 (the "**EGM**"), the Shareholders approved the adoption of a share option scheme (the "**Scheme**").

Purpose of the Scheme

The Scheme aims at (1) further improving the corporate governance structure of the Company and establishing and continuously improving the balance of interest mechanism among the Shareholders, the Company's management and the Company's executives; (2) closely integrating the interests of the Shareholders and the Company's senior management members and core talents, conveying value orientation, enhancing Shareholder value, and promoting the preservation and appreciation of state-owned assets; (3) deepening the reform of the Company's remuneration system, establishing a long-term incentive mechanism, fully mobilising the enthusiasm of the Company's employees, and attracting, retaining and motivating outstanding management members and core technical backbone employees of the Company; and (4) advocating the concept of collective sustainable development of the Company and its employees and avoiding short-term behaviors, thereby ensuring the Company's sustainable development.

Participants of the Scheme

Participants of the Scheme shall be employees of the Company and include executive Directors and senior management members of the Company, as well as core technical personnel and backbone management whom the Board considers will have a direct impact on the Company's overall operating performance and sustainable development.

Maximum number of shares to be issued under the Scheme

The maximum number of shares to be issued upon the exercise of the share options shall not in aggregate exceed 613,606,623 shares, representing approximately 10% of the total number of issued Shares of the Company as at the date of approval of the Scheme at the EGM. 143,540,000 share options had been granted by the Company under the Scheme up to the date of this annual report. Therefore, the number of shares available for issue under the Scheme is 470,066,623 shares, representing approximately 7.66% of the issued shares capital of the Company as at the date of this annual report.

Maximum entitlement of each participant under the Scheme

Unless approved by the shareholders at a general meeting, the total number of shares issued and to be issued upon the exercise of the share options to any participant shall not exceed 61,360,662 shares, representing approximately 1% of the total number of issued shares of the Company as at the date of approval of the Scheme at the EGM.

Time limit for exercise of options

A share option may be exercised at any time during a period to be determined and notified by the Directors to each participant, which period shall commence from the 24th month after the date of grant and shall end in any event not later than ten (10) years from such date of grant. No share option shall be transferred, or used as guarantee or for repayment of debts within 24 months from the date of grant. In respect of each grant, the Board may impose such terms and conditions for vesting of the offer of grant in batches on a case-by-case basis.

Exercise price

The exercise price shall be determined in accordance with the fair market price principle and shall be the higher of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for five business days prior to the date of grant.

Share Option Scheme *(Continued)*

The remaining life of the Scheme

The Scheme will be effective for a term of 10 years commencing from the date on which the Scheme is approved by the Shareholders at the EGM, unless terminated in advance by the Shareholders at a general meeting.

The Company has granted share options under the Scheme on 30 April 2021 (the "**Date of Grant**") to certain Directors and employees of the Group which entitle the grantees to subscribe for up to an aggregate of 143,540,000 new shares with exercise price of HK$1.32 per share in the share capital of the Company. Further details of which can refer to the announcement of the Company dated 30 April 2021.

Particulars and movements of share options granted under the Scheme during the year ended 31 December 2021 are set out below:

		Number of share options									
Name or category of participant	Position(s) held with the Group	As of 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As of 31 December 2021	Date of grant	Exercise period of share options (both dates inclusive) (Note)	Exercise price (HK$)	Closing price of the shares of the Company immediately before the Date of Grant (HK$)
Directors											
Mr. Zhong Jian	Chairman and Executive Director	–	12,650,000	–	–	–	12,650,000	30/4/2021	30/4/2021 – 29/4/2031	1.32	1.30
Mr. Hu Kai[1]	Executive Director	–	12,650,000	–	–	–	12,650,000	30/4/2021	30/4/2021 – 29/4/2031	1.32	1.30
Sub-total			25,300,000	–	–	–	25,300,000				
Other employees of the Group											
Employees in aggregate		–	118,240,000	–	–	–	118,240,000	30/4/2021	30/4/2021 – 29/4/2031	1.32	1.30
Sub-total		–	118,240,000	–	–	–	118,240,000				
Total		**–**	**143,540,000**	**–**	**–**	**–**	**143,540,000**				

Details of the movements in the share options under the Scheme are also set out in note 30 to the consolidated financial statements.

Note:

Subject to the satisfaction of the vesting conditions as provided under the Scheme, the share options shall be vested to the grantees during the exercise period and in the respective proportions as follows:

(i) the first batch (being 33% of the share options granted) will be vested on the first trading day after 24 months from the date of grant;

(ii) the second batch (being 33% of the share options granted) will be vested on the first trading day after 36 months from the date of grant; and

(iii) the third batch (being 34% of the share options granted) will be vested on the first trading day after 48 months from the date of grant.

1) Mr. Hu Kai resigned as an Executive Director on 4 March 2022.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this annual report, at no time during the Reporting Year was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or exercised any such right.

Principal Risks and Uncertainties

The principal financial risks are set out in note 3.2 to the consolidated financial statements.

Environmental Policies and Performance

Details of the discussion on the environmental policies and performance of the Company, please refer to the Company's Environmental, Social and Governance Report in this annual report.

Compliance with Laws and Regulations

During the Reporting Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

Equity-linked Agreement

There was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Year.

Purchase, Redemption or Sales of the Listed Securities

During the Reporting Year, none of the Company or any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Pledge of Assets

As at 31 December 2021, the Group's secured bank borrowings of HK$9,623,851,000 (2020: HK$7,569,637,000) were secured by lease receivables of approximately HK$10,566,329,000 (2020: HK$9,594,395,000), certain of shares of the subsidiaries, deposits of approximately HK$114,942,000 (2020: HK$158,568,000), general assignments, bareboat charterer assignments, intra group loan assignments and property, plant and equipment of approximately HK$3,627,047,000 (2020: HK$2,545,058,000). Among which, HK$1,432,612,000 (2020: HK$1,922,949,000) were secured by corporate guarantee from the intermediate holding company (2020: ultimate holding company).

Deed of Non-competition

To safeguard our Group from any potential competition, CSSC International, being the controlling Shareholders, has entered into a deed of non-competition in favor of the Company on 6 May 2019 respectively, pursuant to which each of them has unconditionally and irrevocably undertaken to the Company (for itself and on behalf of other members of the Group) that it would not, and would procure that their respective close associates (other than members of the Group) not to, during the restricted period set out in the Prospectus, and whether directly or indirectly participate in any activity, business or investment as described in the Prospectus that constitutes or may constitute direct or indirect competition.

For details of the deed of non-competition of CSSC International, please see the section headed "Relationship with Controlling Shareholders – Deed of Non-competition" in the Prospectus.

Based on the information and confirmation provided by the Controlling Shareholders, the independent non-executive Directors have reviewed the implementation of the deed of non-competition during the Reporting Year, and confirmed that the Controlling Shareholders have complied with the deed of non-competition.

Directors' Interest in Competing Business

During the Reporting Year, none of the Directors or their associates had any interest in any business which directly or indirectly competes or may compete with the businesses of the Group.

Connected Transactions and Continuing Connected Transactions

Non-exempt connected transactions

Renovation Contract with Jiuyuan Engineering Company (as Contractor I) and Information System Contract with China Shipbuilding IT Company (as Contractor II)

On 30 August 2021, CSSC Leasing Shanghai (a wholly-owned subsidiary of the Company) (as the Contract Letting Party) (i) entered into the Renovation Contract with Jiuyuan Engineering Company (as Contractor I), pursuant to which Contractor I agreed to carry out the interior renovation, electric, light current, fire safety and other engineering works for the office area of the Contract Letting Party under the project; (ii) entered into the Information System Contract with China Shipbuilding IT Company (as Contractor II), pursuant to which Contractor II agreed to provide the Contract Letting Party with computer room construction installation works in relation to the security system, mailbox service migration, computer network system, backup (integrated data protection appliance), computer room construction, information security equipment, video conference system, etc. under the project.

Jiuyuan Engineering Company, the Contractor I, is a subsidiary of CSSC Group. Accordingly, Jiuyuan Engineering Company is a connected person of the Company and the transaction contemplated under the Renovation Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

China Shipbuilding IT Company, the Contractor II, is a subsidiary of CSSC Group. Accordingly, China Shipbuilding IT Company is a connected person of the Company and the transaction contemplated under the Information System Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Non-exempt continuing connected transactions

During the year ended 31 December 2021, the Group had entered into the following continuing connected transactions:

Continuing connected transactions	Related parties involved	Nature	Annual cap permitted under the Listing Rules (HK$ million)	Transaction amounts in 2021 (HK$ million)
Framework property leasing agreement (Note 1)	CSSC Group and/or its associates	Leasing of properties	21	16.3
Framework shipbroking agreement (Note 2)	CSSC Group and/or its associates	Shipbroking services	122	32.1

Notes:

1. The Company entered into a framework property leasing agreement with CSSC Group on 6 May 2019, pursuant to which CSSC Group and/or its associates agree to lease certain properties to the Company for a term commencing on the Listing Date to 31 December 2021.

2. The Company entered into a framework shipbroking agreement with CSSC Group, pursuant to which the Company agrees to provide shipbroking services to CSSC Group and/or its associates for a term commencing on the Listing Date to 31 December 2021.

For details of the above continuing connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions 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.

The auditor of the Company has reported to the Directors that such transactions:

(1) have been approved by the Board;

(2) have followed the pricing policies of the Group in all material aspects, if they involve the goods or services provided by the Group;

(3) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and

(4) have an aggregate amount not exceeding the relevant cap disclosed in the Prospectus.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Non-exempt continuing connected transactions *(Continued)*

During the Reporting Year, the independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and have confirmed that such transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal or better commercial terms; or the terms are no less favorable than those available to or provided by independent third parties; and

(iii) in accordance with the agreements for such transactions, the terms of which are fair and reasonable, and are in the interest of the Shareholders as a whole.

The related party transactions mentioned in note 31 to the consolidated financial statements include transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Year in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

Charity Donation

The Group did not make any donation during the Reporting Year.

Material Legal Proceedings

During the Reporting Year, the Company was not involved in any material legal proceedings or arbitrations. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatening against the Company.

Permitted Indemnity Provisions

During the Reporting Year and up to the date of this annual report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's connected companies (if they were entered into by the Company). The Company has purchased appropriate directors' and officers' liability insurance for its Directors and senior staff.

Material Acquisitions and Disposals

During the Reporting Year, save as disclosed in this annual report, there was no acquisition and disposal of subsidiaries, associates and joint ventures of the Company.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has, together with the senior management of the Group, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements for the year ended 31 December 2021.

Corporate Governance Practices

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the corporate governance report on pages 65 to 81 in this annual report.

Public Float

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Company maintained sufficient public float as required by the Stock Exchange and under the Listing Rules any time throughout the Reporting Year and throughout the period up to the date of this annual report.

Auditor

The consolidated financial statements for the year ended 31 December 2021 have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution to re-appoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

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

Hong Kong, 25 March 2022

* *For identification purpose only*

Corporate Governance Report

The Board is pleased to present this corporate governance report of the Company for the Reporting Year.

Corporate Governance Practices

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its Shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the Reporting Year, the Company had complied with all the applicable code provisions under the Corporate Governance Code, and had adopted most of the recommended best practices.

The Board

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against the Directors, and conduct annual review on such insurance coverage.

Board Composition

As at the date of this annual report, the Board comprised one executive Director, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Director:

Mr. Zhong Jian *(Chairman)*

Non-executive Directors:

Mr. Li Wei
Mr. Zou Yuanjing

Independent Non-executive Directors:

Mr. Wang Dennis
Mdm. Shing Mo Han Yvonne
Mr. Li Hongji

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Reporting Year, the Board had met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Board Composition *(Continued)*

The Company recognises the importance of the diversity of members of the Board to the effectiveness of corporate governance and the Board. In order to enhance the effective operation of the Board and maintain a high standard of corporate governance, the Nomination Committee has formulated diversity policy of the Board to ensure the appropriate balance in the aspects of diversity, including skills, experience and perspectives of the members of the Board. The nomination and appointment of members of the Board will continue to follow the principle of meritocracy based on the demand of daily business and consideration of the benefits of Board diversity. The principal responsibilities of the Nomination Committee are to identify persons qualified for being Directors and give sufficient consideration to the policy of Board diversity throughout the selection process. The Nomination Committee will formulate measurable objectives for the selection of Directors. The selection of Director candidates will be based on a series of diversified aspects and references made to the business model and specific demand of the Company (including, but not limited to, sex, age, race, language, cultural background, education background, industrial experience and professional experience). The Nomination Committee is responsible for reviewing the diversity policy of the Board to ensure the implementation of such policy, reviewing the measurable objectives and supervising the implementation progress of the measurable objectives. To ensure sustainable effectiveness of the Board, the Nomination Committee reviews the policy and measurable objectives at least once a year.

Currently, members of the Board have various professional experience and qualifications in finance, accounting, law, etc. After considering the composition and measurable objectives of the Board, the Company considers that members of the Board are sufficiently diverse and have the appropriate balance of skills and experience for effective management and sustainable development of the Company.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executives.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. The independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and the Directors to discharge their duties.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. From time to time, the company secretary of the Company updates and provides the Directors with written training materials in relation to their roles, functions and duties.

A summary of training received by the Directors during the Reporting Year according to the records provided by the Directors is as follows:

Name of Directors	Nature of Continuous Professional Development
Mr. Zhong Jian	A/B
Mr. Hu Kai[(1)]	A/B
Mr. Li Wei	A/B
Mr. Zou Yuanjing	A/B
Mr. Wang Dennis	A/B
Mdm. Shing Mo Han Yvonne	A/B
Mr. Li Hongji	A/B

Notes:

A: participating in trainings provided by lawyers which relate to the business of the Company

B: reading materials on various topics, including corporate governance matters, directors' responsibilities, Listing Rules and other relevant laws

[(1)] Mr. Hu Kai resigned as an executive Director on 4 March 2022.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 (previous code provision A.2.1) of the Corporate Governance Code, the roles of chairman of the Board and chief executive officer should be separated and should not be performed by the same individual.

Mr. Zhong Jian, the chairman of the Board, is responsible for coordinating the affairs of the Board and providing strategic advice on the business development and management of the Group. Mr. Li Xi, the general manager of the Company, performs the duties of chief executive officer. He is responsible for formulating development strategies and annual and investment plans for the Group, reviewing financial budgets and overall policies, as well as supervising its capital operations.

Code provision C.2.7 (previous code provision A.2.7) of the Corporate Governance Code stipulates that the chairman should hold a meeting with independent non-executive directors at least once a year without the presence of other directors. During the Reporting Year, the chairman had held meetings with the independent non-executive Directors to understand their concerns and discuss related issues.

Appointment and Re-election of Directors

The Company entered into a letter of appointment with each of Mdm. Shing Mo Han Yvonne and Mr. Li Hongji, the independent non-executive Directors, on 6 May 2019. Each of the letters of appointment is for an initial term of three years commencing from the Listing Date.

With regard to the re-designation as an executive Director, Mr. Zhong Jian has entered into a service contract with the Company for an initial period of three years commencing from 29 April 2020. With regard to the appointment of independent non-executive Director, Mr. Wang Dennis has signed a letter of appointment with the Company for an initial term of three years commencing from 10 November 2020.

With regard to the appointment of non-executive Directors, each of Mr. Li Wei and Mr. Zou Yuanjing has signed a letter of appointment with the Company for an initial period of three years commencing from 5 July 2019 and 25 September 2019, respectively.

All appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

Save as disclosed above, none of the Directors has entered or intended to enter into any unexpired service contract with any member of the Group, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

According to the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) or such higher number of Directors to be determined by the Board, or a number determined by such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time shall retire from office. Subject to the provisions in relation to rotation and retirement of directors under the Listing Rules, each Director shall retire by rotation every three years at the AGM. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree between themselves) be determined by lot.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notices are generally given by the Company. The agenda and accompanying meeting papers are dispatched to the Directors or committee members at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and are adequately prepared for the Board meetings or Board Committee meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of the meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient details on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the meeting. The minutes of the Board meetings are open for inspection by all Directors.

During the Reporting Year, 12 Board meetings and two general meetings were held. The attendance of the individual Directors at the Board meetings and general meetings is set out in the table below:

Directors	Number of Board meetings attended/held	Number of general meetings attended/held
Mr. Zhong Jian	12/12	2/2
Mr. Hu Kai[(1)]	12/12	2/2
Mr. Li Wei	12/12	2/2
Mr. Zou Yuanjing	12/12	2/2
Mr. Wang Dennis	12/12	2/2
Mdm. Shing Mo Han Yvonne	12/12	2/2
Mr. Li Hongji	12/12	2/2

Note:

(1) Mr. Hu Kai resigned as an executive Director on 4 March 2022.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she had complied with the required standards as set out in the Model Code during the Reporting Year.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors may seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board confirms that corporate governance should be a joint responsibility of the Directors and their corporate governance functions include:

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

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance, and to recommend their opinions and report related affairs to the Board;

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report; and

(f) to review and monitor the Company's compliance with the Company's reporting policies.

Risk Management and Internal Control

The Company attaches great importance to risk management and internal control, and seeks to establish a risk management and internal control system that corresponds to the Group's strategic objectives. The Board assumes ultimate responsibility for risk management, and is mainly responsible for approving the Group's risk management objectives and strategies, overseeing the implementation and effectiveness of risk management policies as well as assessing the Group's overall risk exposure. The Audit Committee also assists the Board in performing certain risk management functions, including monitoring the implementation of internal control procedures and overseeing the internal audit functions. In addition, the Group has established a risk management department as its core risk management functional department, which is primarily responsible for, among others, implementing comprehensive risk management procedures and establishing business risk control and compliance management systems as well as analysing and evaluating the major risk points of specific projects and proposing risk prevention measures. While the Group recognizes the importance of establishing and maintaining a risk management and internal control system that is in line with its actual needs, such a system is designed to manage rather than eliminate the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. For further details of the Group's risk management structure, please refer to the Company's Environmental, Social and Governance Report.

The Company has followed internal guidelines to ensure that inside information is released to the public in a fair and timely manner in accordance with applicable laws and regulations. The senior management of the Group's investor relations, corporate affairs and financial control functions are delegated the responsibility to monitor and oversee compliance with appropriate procedures in the disclosure of inside information. Only relevant senior management is entitled to inside information on a "need-to-know" basis at all times. Relevant personnel and other relevant professionals are required to maintain the confidentiality of such inside information before it is publicly disclosed. The Company has also implemented other relevant procedures, such as pre-approval of trading in the Company's securities by Directors and designated members of management, notification to Directors and employees of regular blackout periods and restrictions on trading in securities, and identification of items by code, to prevent possible improper handling of inside information within the Group.

During the Reporting Year, the Group implemented the Comprehensive Management Measures for Risk (Trial) to accurately identify, prudently evaluate, dynamically monitor, timely respond to, and extensively manage the risks faced by the Group during its business operation.

The Group's risk management and internal control systems are reviewed by the Audit Committee annually. The Audit Committee has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2021, and considers it effective and adequate. The Group has an internal audit function.

Board Committees

During the Reporting Year, the Board had Audit Committee, Nomination Committee and Remuneration Committee. The Board established the Strategic and Investment Committee on 4 March 2022.

The Strategic and Investment Committee comprises of four members, including Mr. Zhong Jian, Mr. Li Wei, Mr. Zou Yuanjing and Mr. Wang Dennis. Mr. Zhong Jian is the Chairperson of the Strategic and Investment Committee.

The main responsibilities and authority of the Strategic and Investment Committee include to conduct research on the Company's long-term strategic planning, investment policies and major investment projects and make recommendations, and to monitor and follow up on major investment projects approved at the general meeting and by the Board; to conduct research on other major issues that may affect the development of the Company and make recommendations to the Board; and to consider and implement such other matters as may be designated or delegated by the Board from time to time or required by the Listing Rules from time to time.

Board Committees *(Continued)*

Audit Committee

The current members of the Audit Committee include 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 main duties and responsibilities of the Audit Committee are as follows:

(a) To be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and dealing with any questions of its resignation or dismissal;

(b) To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the auditor before submission to the Board; and

(c) To review the adequacy of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, and the adequacy of training programmes received by employees and the related budgets.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee held 2 meetings during the year ended 31 December 2021 to discuss and consider the following:

- Review of the interim results of the Company and its subsidiaries for the six months ended 30 June 2021;

- Review of the Company's 2020 Environmental, Social and Governance Report, review of the Company's continuing connected transactions, consideration of the 2020 risk management and internal audit exercise, consideration of the 2020 internal control evaluation report, and consideration of the resolution in respect of the adjustment on the annual auditor's work programme; and

- Review of the financial reporting systems, compliance procedures, internal controls (including the adequacy of the resources, qualifications, training courses and budget for the employees of the accounting and financial reporting department of the Company), risk management systems and procedures, and re-appointment of external auditor. The Board did not deviate from any recommendation made by the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

Board Committees *(Continued)*

Audit Committee *(Continued)*

The attendance of members of the Audit Committee at the meetings is set out in the following table:

Directors	Number of meetings attended/ eligible to attend
Mdm. Shing Mo Han Yvonne	2/2
Mr. Wang Dennis	2/2
Mr. Li Hongji	2/2
Mr. Li Wei	2/2
Mr. Zou Yuanjing	2/2

Nomination Committee

The current members of the Nomination Committee include one executive Director, namely Mr. Zhong Jian (Chairperson), and three independent non-executive Directors, namely Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne and Mr. Li Hongji.

The main duties and responsibilities of the Nomination Committee are as follows:

(a) To review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To assess the independence of independent non-executive Directors;

(d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

(e) To review the Board diversity policy.

Board Committees *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee held one meeting during the year ended 31 December 2021 to discuss and consider the following:

- Discussion of the structure, size and composition of the Board;
- Discussion of the Board diversity policy and its implementation;
- Assessment of the independence of the independent non-executive Directors; and
- Consideration of resolutions for the retirement of Directors for re-election.

The attendance of members of the Nomination Committee at the meeting is set out in the following table:

Directors	Number of meeting attended/ eligible to attend
Mr. Zhong Jian	1/1
Mr. Wang Dennis	1/1
Mdm. Shing Mo Han Yvonne	1/1
Mr. Li Hongji	1/1

Board Committees *(Continued)*

Remuneration Committee

The current members of the Remuneration Committee include three independent non-executive Directors, namely Mr. Wang Dennis (chairperson), Mdm. Shing Mo Han Yvonne and Mr. Li Hongji.

The main duties and responsibilities of the Remuneration Committee are as follows:

(a) To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) To make recommendations to the Board on the remuneration of non-executive Directors;

(e) To consider salaries paid by comparable companies, time commitment, responsibility and employment conditions elsewhere in the Group;

(f) To review and approve the compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive for the Company;

(g) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee held 5 meetings during the year ended 31 December 2021 to discuss and consider the following:

- Review of the proposal regarding the implementation of the share option scheme and the initial grant;
- Review of the policies in respect of the remuneration of Directors for 2021;
- Review of the proposal regarding the implementation of the initial grant of the share option scheme;
- Review of the proposal regarding the promotion of the professional manager system reform working plans;
- Review of the proposal regarding the promotion of the tenure system for the managers and contractual management; and
- Review of the proposal regarding the implementation of 2020 excess profit reward.

The attendance of members of the Remuneration Committee at the meetings is set out in the following table:

Directors	Number of meetings attended/ eligible to attend
Mr. Wang Dennis	5/5
Mdm. Shing Mo Han Yvonne	5/5
Mr. Li Hongji	5/5

Remuneration of Directors and Senior Management

Details of the remuneration of the members of the Board and the senior management of the Company as set out on pages 45 to 49 of this annual report for the year ended 31 December 2021 are as follows:

Remuneration band	Number of individuals
Nil to HK$1,000,000	5
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	2
HK$3,000,001 to HK$3,500,000	1

The remuneration band shown above includes the aggregate fair values at the respective vested dates of the share option vested in 2021 under the share option scheme. There is no any share option vested for the year ended 31 December 2021.

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 129 to 134 of this annual report.

Auditor's Remuneration

The approximate auditor's remuneration in respect of the audit and non-audit services provided to the Company and the Group during the year ended 31 December 2021 is as follows:

Type of services	Amount (HK$'000)
Audit services	3,772
Non-audit services	1,100
Total	4,872

Company Secretaries

Mr. Ding Weisong ("**Mr. Ding**"), the company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Wong Sau Ping ("**Ms. Wong**") of TMF Hong Kong Limited, a company secretarial service provider, as our assistant company secretary, to assist Mr. Ding with the duties of the Company's company secretary. Mr. Ding is the primary contact person of Ms. Wong in the Company.

During the Reporting Year, each of Mr. Ding and Ms. Wong had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Communication with Shareholders and Investor Relationship Enquiries to the Board

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The AGM provides opportunities for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of each of the Board Committees will attend the AGM to answer Shareholders' questions. The auditor will also attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a shareholders' communication policy and maintains a website at http://www.csscshipping.cn, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, a separate resolution is proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Dividend Policy

The Company may distribute dividends in the form of cash or by other means that it considers appropriate. Any proposed distribution of dividends shall be formulated by the Board and will be subject to the Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including the Company's results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends paid by the subsidiaries to the Company, business prospects, statutory, regulatory and contractual restrictions on the Company's declaration and payment of dividends, and other factors that the Board may consider important. The Company intends to distribute no less than 30% of the annual distributable profits as dividends for each year upon Listing. However, the Company cannot assure Shareholders that we will declare or pay such or any amount of dividends for each or any year.

Convening a General Meeting

Pursuant to article 54 of the Articles of Association and section 566 of the Companies Ordinance, Shareholders may request the Board to convene a general meeting of the Company. Where the Company receives Shareholders' request for convening a general meeting and the voting rights held by such Shareholders account for not less than 5% of the total voting rights of all Shareholders entitled to vote at the general meeting, the Board must convene a general meeting. The request must state the general nature of the business to be handled at the meeting, and may contain the text of a resolution that may be properly proposed and intended to be proposed at the meeting. The request can be sent to the Company in hard copy or electronic form and must be authenticated by the person(s) making it.

Pursuant to article 55 of the Articles of Association and section 567 of the Companies Ordinance, the Board shall convene a general meeting within 21 days after the date on which it becomes subject to under this requirement. The meeting must be held within 28 days after the date of the notice convening the general meeting. If the Board fails to convene a meeting in accordance with the requirements, the Shareholders who request for the convening of the general meeting or members who account for over half of the total voting rights of all Shareholders may convene a general meeting on their own. The general meeting shall be held within three months after the date on which the Directors become subject to the requirement to convene a meeting. Pursuant to article 56 of the Articles of Association and section 568 of the Companies Ordinance, if the Shareholders who request for the convening of the general meeting have any reasonable expenses incurred by reason of the failure of the Board to properly convene the general meeting, such expenses are repayable by the Company.

Propose Resolutions at the AGM

Pursuant to section 615 of the Companies Ordinance, (a) at least 2.5% of the total voting rights of all Shareholders entitled to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 Shareholders entitled to vote on the resolution at the AGM to which the requests relate may make written requests for the purpose of circulating the resolutions of the AGM. The written request must: (a) be sent to the Company in hard copy or electronic form; (b) indicate the resolution to which the pending notice relates; (c) be authenticated by the person(s) making the request; and (d) be delivered to the Company no later than six weeks before the AGM to which the request relates; or, should it be delivered to the Company after the above time, the time at which the notice of the AGM is issued. For further details, please refer to sections 580 and 615 of the Companies Ordinance.

Making Inquiries to the Board

Shareholders may make inquiries to the headquarters of the Company through e-mail if they wish to make inquiries to the Board in relation to information of the Company. The e-mail address is bdo@csscshipping.com.

Amendments to Constitutional Documents

The Company has adopted the Articles of Association effective from the Listing Date on 6 May 2019. During the Reporting Year, there were no changes to the Articles of Association.

Environmental, Social and Governance Report

About This Report

This Environmental, Social and Governance ("**ESG**") Report (this "**Report**") covers the latest sustainability-related information of CSSC (Hong Kong) Shipping Company Limited ("**CSSC**" or the "**Company**") and its subsidiaries (collectively referred to as the "**Group**" or "**we**") in 2021, and includes issues that are of interests to stakeholders and related to the sustainable development of the Group. This Report was compiled to enable stakeholders to better understand the Group's sustainable development concept, management approaches, measures, and related performance. This Report should be read in conjunction with the Company's *2021 Annual Report* (in particular the *Corporate Governance Report* contained therein) for a comprehensive understanding of the Company's performance.

Reporting Year

Unless otherwise specified, this Report mainly describes the specific policies and performance of the Group in respect of ESG during the period between 1 January 2021 and 31 December 2021 (the "**Reporting Year**"). Due to data continuity and comparability, the timeframes of some of the contents have been adjusted where necessary.

Reporting Boundary

The reporting boundary of this Report is consistent with the Company's *2021 Annual Report*, which includes CSSC and its subsidiaries.

Basis of Report Preparation

This Report was prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (the "**ESG Reporting Guide**") contained in Appendix 27 to the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("**SEHK**") (the "**Listing Rules**") issued by SEHK, and also based on the actual situation of the Group. Please refer to the Content Index of Appendix 3 in this Report for details of the corresponding sections of the provisions. This Report has complied with the "mandatory disclosure requirements" and "comply or explain" provisions set out in the ESG Reporting Guide. The reporting principles (Materiality, Quantitative, Balance and Consistency) outlined in the ESG Reporting Guide have been adopted during the preparation of this Report.

- **Materiality**
  The Group has conducted the materiality assessment and taken the results of the materiality assessment as an important reference for the disclosure of this Report.

- **Quantitative**
  The key performance indicators disclosed by the Group in respect of historical data are measurable and, where applicable, information on standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used are disclosed.

- **Balance**
  This Report provides an unbiased picture of the Group's performance within the Reporting Year, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

- **Consistency**
  Where applicable and unless stated otherwise, the methodologies and key performance indicators in this Report are consistent with those in previous reports to allow for meaningful comparisons.

Access to This Report

This Report is available in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Electronic copies are available from the following websites:

- HKEXnews: http://www.hkexnews.hk/
- CSSC's website: http://www.csscshipping.cn

Response to This Report

If you have any comments and suggestions regarding this Report or the sustainability performance of the Company, please contact us through the following means:
Email: ir@csscshipping.com
Phone: +852 2238 5299

Approval and Confirmation

The board of directors (the "**Board**") of CSSC is fully responsible for overseeing the Group's implementation and management of ESG-related issues. The information disclosed in this Report is mainly derived from the internal documents and public information of the Group. This Report was reviewed and approved by the Board in March 2022.

Sustainable Development Topic: Serving the National Strategies

The Group actively supports national strategies and responds to the needs of national development strategies. We respond positively to the national “Dual Carbon” strategy and supply-side reform through exploration of green financing, the vigorous development of the offshore clean energy industry chain, and cooperation with partners to expand the high value-added products market. Over the past two years, the Group has further promoted enterprise reform to respond to the State-Owned Enterprises Reform “Double-Hundred Action”[1]. The governance mechanism, incentive mechanism and other aspects have been reformed for further improvement of the internal governance structure within the enterprise and the flexibility and effectiveness of the operating mechanism.

Response to “Dual Carbon” Strategy

As international organizations continue to upgrade the low-carbon and environmental protection standards of the shipping industry and China continues to promote the achievement of the “Dual Carbon” goal, tackling carbon emissions has become a major challenge for the shipping industry, and at the same time, the shipping industry has also ushered in broad opportunities for green development. Facing the market environment full of opportunities and challenges, the Group upholds the concept of sustainable development, gives full play to the synergies brought by its financial business for shipping-related industries and actively engages in the clean energy investment distribution, so as to facilitate the development of offshore clean energy, respond to the national “Dual Carbon” strategy, and assist in tackling climate change.

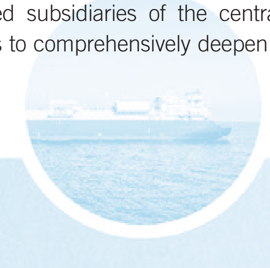
Green Finance

In the context of global and Chinese efforts to promote the reduction of carbon emissions, green finance instruments, including green bonds and sustainability-linked loans, are important tools to address the funding gap for the reduction of carbon emissions and help achieve the “Dual Carbon” goal. The Group has seized the opportunity of the development of green finance to innovate the financing mode for green development and promote the Group’s development in the fields of clean energy and green vessels.

During the Reporting Year, the Group successfully issued US$500 million in green and blue dual-certified bond, which is the first green and blue dual-certified bond issued overseas by a Chinese enterprise, and also the first dollar bond issued by a Chinese enterprise in Greater China to achieve green and blue dual-certification. The net proceeds of the bond will be used mainly for the development of the green vessel leasing business and refinancing existing debts.

In addition, the Group obtained a 10-year vessel secured term loan in an aggregate amount of US$96 million for green financing of 4 dual-fuel powered container vessels during the Reporting Year. The loan adopted a sustainability indicator-linked structure, and the average energy efficiency of the financed vessels and other sustainability indicators of the Company will be continuously assessed over the loan duration. The loan is the Group’s first foray into the area of shipping finance loans for sustainable development, demonstrating the capital market’s recognition of the value of the Group’s clean energy business.

[1] The State-Owned Enterprises Reform "Double-Hundred Action” refers to an important campaign launched by the State-Owned Enterprise Reform Leading Group Office of the State Council, selecting more than a hundred subsidiaries of the centrally-administered state-owned enterprises and more than a hundred local key state-owned enterprises to comprehensively deepen the state-owned enterprise reform.



The Group's innovative practices in the field of green finance are also recognized by the market. Through the rigorous review by Hong Kong Quality Assurance Agency (HKQAA), the Group was awarded the "Hong Kong Green and Sustainable Finance Awards 2021". Mr. Zhong Jian, the Chairman of the Board, was awarded the Leadership Award for Green and Sustainable Finance Development, which is also the first time for the Group to receive such awards. In addition, the Group was also awarded the "Global Green Finance Innovation Awards" initiated by the International Finance Forum (IFF) during the Reporting Year.

Offshore Clean Energy Equipment

We believe in the promising development of the offshore clean energy and technology industry, and have incorporated the national clean energy development strategy into the Group's development and investment plans, actively investing in energy-saving and environmentally-friendly vessels and offshore clean energy equipment. As of the end of the Reporting Year, the contract value of offshore clean energy equipment owned by the Group accounted for 41.4% of the total asset contract portfolio of the Group's vessels, which mainly included floating liquefied natural gas plants (FLNG), floating storage and regasification units (FSRU), liquefied natural gas (LNG) carriers and very large gas carriers (VLGC), etc. Currently, the Group's offshore clean energy equipment has formed a relatively complete industry chain, which is highly evaluated in the international clean energy market, helping the Group seize the opportunity in the clean energy market.

Case: Vessel of "Transporter Spirit"

On November 18, 2021, a 174,000 cubic meters large-scale floating liquefied natural gas storage and regasification vessel (LNG-FSRU), financed by the Group and built by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., a subsidiary of China State Shipping Corporation Limited ("**CSSC Group**"), was named "Transporter Spirit" at Changxing Shipbuilding Base. With the design concept of "Green, Environmental Protection, Low-carbon and Safety", the vessel's overall performance has reached the international advanced level, and it is equipped with the most complete and optimal equipment, featuring good reliability, versatility, foresight, and economy. The vessel also meets the most stringent Tier III emission standards of the International Maritime Organization (IMO), and has strong environmental adaptability and good market prospects, making it a typical environmentally-friendly vessel.

Strengthen Strategic Cooperation

During the Reporting Year, the Group and Shanghai Merchant Ship Design and Research Institute formally signed a framework agreement on cooperation in green ship intelligence and innovation, aiming to further implement the national "Dual Carbon" strategy and actively respond to the demand for green and intelligent development of ships. Under the agreement, the two parties intend to explore the establishment of a company focusing on energy-saving equipment for ships, and better leverage their advantages in their respective fields. Both parties will launch strategic cooperation around clean energy, full life-cycle energy saving and carbon reduction of ships, and digital operation, etc.

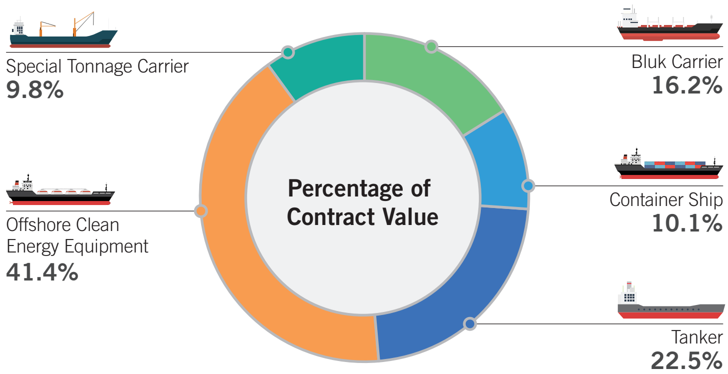
In addition, the Group actively explores joint ventures and cooperation with domestic advanced technology development companies to make preliminary preparation for the research and development of marine energy-saving devices and carbon capture technology, and to apply advanced energy-saving and emission reduction technologies to the existing fleet and subsequent new orders of shipbuilding in due course, so as to enhance the environmental protection level and technical added value of the Group's fleet.

Response to the National Supply-side Reform

Under the guidance of supply-side structural reform, the Group has gradually shifted its business focus from traditional vessels to high value-added vessels, with emphasis on the development of energy-saving and environment-friendly, high-tech, and complex vessels. In recent years, the Group has continued to cultivate the field of high value-added vessels, strengthened close cooperation with partners, helped design institutes and shipyards accumulate experience in the design and construction of innovative vessels, and worked with partners to expand the market of high value-added products, so as to further enhance the Group's asset deployment in the field of high-end shipping.

In the Reporting Year, two 174,000 cubic meters liquefied natural gas (LNG) carriers invested by the Group were delivered and chartered ahead of schedule, which was an impressive achievement of the Group's "beyond the cycle" investment strategy. Through this practice, the Group has established ties with various segments of the LNG industry chain, gained valuable industry resources and experience, and further strengthened the Group's leading position in the clean energy sector. In addition, on the basis of this practice, the Group made full use of its first-mover advantage in the field of offshore clean energy equipment, exercised the option for an optional vessel in Hudong-Zhonghua Shipbuilding (Group) Co., Ltd., and entered into a letter of intent with Jiangnan Shipbuilding (Group) Co., Ltd. to jointly build 175,000 cubic meters LNG carriers, further expanding the Group's deployment in the field of offshore clean energy equipment. Meanwhile, the 174,000 cubic meters LNG floating storage and regasification units (FSRU) invested by the Group fills a gap in this type of vessel in Mainland China, which not only strengthens the experience of CSSC and raises its profile in the LNG supply chain market, but also demonstrating CSSC's strategic approach to the sustainability of the shipping industry.

As of the end of the Reporting Year, the contract value of various types of vessels of the Group is as follows:



Double-Hundred Action

As a member of the "Double-Hundred Enterprises" list of the State-owned Enterprises Reform Special Program, CSSC has been advancing its corporate reform since 2018, striving to become a typical demonstration of comprehensively deepening reform in CSSC Group. CSSC was awarded the Second Prize of Excellent Achievement of China Enterprise Reform and Development in 2021 by China Enterprise Reform and Development Society during the Reporting Year.

During the Reporting Year, CSSC released the *Comprehensive Reform Plan for 'Double-Hundred Action' 2021-2022* to deepen the corporate reform in terms of the internal incentive mechanism, employment mechanism and governance mechanism, etc. The major reform work and achievements to date are listed below.

- In terms of incentive mechanism reform, the Company obtained the approval from the State-owned Assets Supervision and Administration Commission of the State Council for the Company's share option scheme and made the first grant to 19 senior management and key employees in the Reporting Year to motivate the employees' working enthusiasm and creativity, which is also the first overseas share option scheme plan of a member unit implemented after the restructuring of CSSC Group.

- In terms of employment mechanism reform, the Company has fully implemented the tenure system and contractual management for the management, and is in the process of establishing a system of professional manager to promote market-oriented management of the positions, remuneration, performance and assessment of senior executives.

- In terms of the governance mechanism, the Company has further improved the governance structure, enhanced functional capabilities, and strengthened supervision. At the same time, the Company has reformed the powers and functions of the Board of Directors, further clarifying six key powers and functions of the Board of Directors, including the power to make medium and long-term development decisions, the power to select and hire management, the power to evaluate the performance of members of the management, the power to manage the remuneration of the management, the power to manage the allocation of employees' wages and the power to manage major financial matters.

About Us

Corporate Culture

Established in 2012, the Company is the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. As a leading market contributor in global ship leasing industry, the Company offers customised and flexible ship leasing solutions that suit customers' different needs.

As the sole leasing company under the CSSC Group, the Company benefits from its close relationship with the CSSC Group (one of the controlling shareholders of the Company). The Company believes that the background of the shareholder has distinguished the Company from its competitors and enhanced its competitiveness in the ship leasing industry.

CSSC focuses on creating values and driving development with innovation and persists in the "specialised, market-oriented, and internationalised" development roadmap:

Specialised	Market-oriented	Internationalised
The first shipyard-affiliated leasing company under the CSSC Group	With a higher financing ratio and relatively low financing cost, as well as market-oriented competitiveness, shipowners are assisted to renew their capacity at a lower cost for sustained operations, easing their operating pressure	Basing oneself on Hong Kong's shipping financial centre, fully utilizing the offshore funds and the overseas capital markets to serve the transformation and upgrading as well as the innovation-driven development of China's shipbuilding industry

Major Businesses

The Group's core business is to provide rental services, including financing leasing and operating leasing. Leveraging the robust expertise of the Group in the marine industry, the Group's rental services focus on ship leasing. The Group also offers shipbroking services and loan services to customers.

Leasing Services

The Group provides tailored leasing services to its customers with the options of financial lease and operating lease.

Financial lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or whereby the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. A lease is classified as a financial lease if the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) to the lessee.

Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return with periodic lease payments. A lease is classified as an operating lease if substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) remain with the lessor.

Shipbroking Services

Leveraging on the Group's extensive network and substantial experience in the marine industry, the Group provides shipbroking services to shipbuilders and prospective purchasers incidental to the conduct of the Group's leasing business.

Acting as an intermediary between shipyards and prospective purchasers, the Group provides a wide range of services, including identifying market opportunities for shipbuilders, recommending shipbuilders to interested purchasers, advising interested purchasers on vessel types, specifications and capabilities, providing market information to shipbuilders and interested purchasers, liaising with and serving as the channel of communication between shipbuilders and interested purchasers, negotiating the terms of shipbuilding agreements, as well as resolving issues that arise during the execution of shipbuilding agreements.

Loan Services

The Group's loan services mainly include pre-delivery loan, secured loan and factoring services. As part of the Group's leasing services, the Group provides pre-delivery loan services to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. The pre-delivery loans the Group extends are solely to finance the purchase of vessels under its financial lease transactions, and are generally secured by corporate guarantee, the assignment of shipbuilding agreement and refund guarantee rendered by the Group's customers.

Development and Value

Business Development

2012

- The Company was incorporated in Hong Kong as the sole leasing company under CSSC Group

2013

- The Company entered into an operating lease transaction for three 18,000-TEU container vessels with a leading global shipping group
- The Company entered into a financial lease transaction for three 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company

2014

- The Group and Gloar, the world's leading LNG industry chain equipment operation company, signed for the world's first retrofit floating LNG production and storage unit (FLNG) construction financing and sale-leaseback project
- The Company entered into a financial lease transaction for seven 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company

2015

- The Company entered into a sale-and-leaseback transaction for a FLNG vessel with a subsidiary of a LNG shipping company

2016

- The Group invested in the world's largest 85,000 cubic meters fully-cooled very large LPG carrier (VLGC) to serve China's clean energy supply
- The Group and Red Box signed two agreements for the sale and leaseback of the world's first polar class heavy-transport deck carriers, connecting Chinese shipbuilding companies with the Russian Yamal LPG project

2017

- The Group and Dynagas, a world-renowned LNG carrier operator, signed a agreement for two 174,000 cubic meters floating LNG storage and regasification units (LNG-FSRU) financing and leasing project. This is the first domestic large-scale LNG-FSRU order received

2019

- The Group undertook "the 2019 High Quality Development Forum and Signing Ceremony of Billions of Orders" of CSSC Group
- CSSC was successfully listed in SEHK

2020

- The Company released the first ESG report (2019)
- The Company issued USD 400 million bonds due 2025 and US$400 million bonds due 2030
- The Company entered into a financial leasing project for four 86,000 cubic meters dual-fuel of VLGC carrier with Southwest Marine Limited

2021

- The Group issued US$500 million green and blue dual-certified bond due 2026
- Cooperating with the Standard Chartered Bank obtained a 10-year vessel secured term loan in an aggregate amount of US$96 million. This loan adopted the sustainable development indicator-linked structure.
- The Group was included in the MSCI China Small Cap Index
- The Group won the "Global Green Finance Innovation Awards" by International Finance Forum (IFF)

The Group possesses diversified, modern, and relatively new fleets. As of the end of the Reporting Year, the Group's fleet size reached 158 vessels, 130 of which were in operation and 28 of which were under construction. Leveraging the Group's unique insights into the marine industry, the Group carefully allocates, adjusts, and optimises the proportion of various types of vessels based on industry conditions and customers' needs.

Value Achievement

In 2021, the global economy recovered rapidly, global seaborne trade volume continued to recover, and green and low carbon became a key theme in the global shipping industry. The Group continues to maintain its strategy of deepening its development in Greater China, leveraging its extensive industry experience to expand into new markets, seize the opportunities of clean energy development, and create value in a manner consented by various stakeholders.

Under the leadership of the CSSC Group, the Group has completed the transformation from market-based operations of shipyards to ship leasing enterprises. Through exploration and development in the stages of creation, start-up, layout, development, accumulation, and innovation, CSSC has become one of the world's largest non-bank ship leasing companies.

"Combination of Industry and Finance, Serving Major Business, Innovation and Development"			
A Balancer for Business	**An International Window**	**Creativity in New Products**	**Managing Good Customer Relationships**
The Group conducts countercyclical investments to create value for shareholders and investors during market downturns and the industry recovery period. In the past few years when the ship market was sluggish, the Group's new shipbuilding orders have continued to increase, injecting new impetus to the healthy and stable development of the industry; when the market was in a period of rapid recovery and prosperity, the ship price rose rapidly, and the ships the Group held were sold to realise assets dividend.	The Group actively explores international markets and establishes communication channels with Hong Kong Shipowners Associations and Hong Kong General Chambers of Commerce. Currently, more than 90% of the Group's customers are from overseas markets. The Group also actively participates in international maritime exhibitions and maritime forums, as well as the daily maintenance of shipowners, and constantly strengthens communication with international shipowners.	The Group deeply taps into market opportunities and leads innovation. The Group continuously invests in clean energy ship projects to enhance the competitiveness of Chinese companies in the LNG industry chain; the Group undertook a number of first container ship orders for Chinese companies, enabling them to rapidly develop the industrial chain of ultra-large container ships and regional container ships; the Group launched the CSSC Group's first batch of Suezmax tankers, directly expanding its product breadth in the oil tanker market.	The Group maintains customer loyalty, increases customer coverage, and concentrates on managing customer relationships. The Group provides customers with full-cycle ship operation services through leasing services, shipbroking services, and loan services, establishing long-term and stable customer relationships. The Group's market-oriented operation model and the transaction structure were designed to meet the customised needs of customers, and attracted a batch of new customers.

Substantive Cooperation

During the Reporting Year, the Group has been in substantive cooperation with more than 20 domestic and foreign banks and financial institutions, more than 50 shipowners, and a group of ship brokers, ship management companies, and related supporting companies, which resulted in substantial achievements.

Our Governance

The Group strictly abides by the laws, regulations and regulatory requirements in the operating sites and has established internal governance policies and codes of practice to ensure operational compliance. During the Reporting Year, the Company has adopted the *Corporate Governance Code* and *Corporate Governance Report* contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

This section of the Report will highlight the performance of the Group in "Risk Management and Internal Control" and "Sustainable Development Management". If you would like to know more about the Company's information on governance structure and other aspects of corporate governance, please refer to the "Corporate Governance Report" in this *2021 Annual Report*.

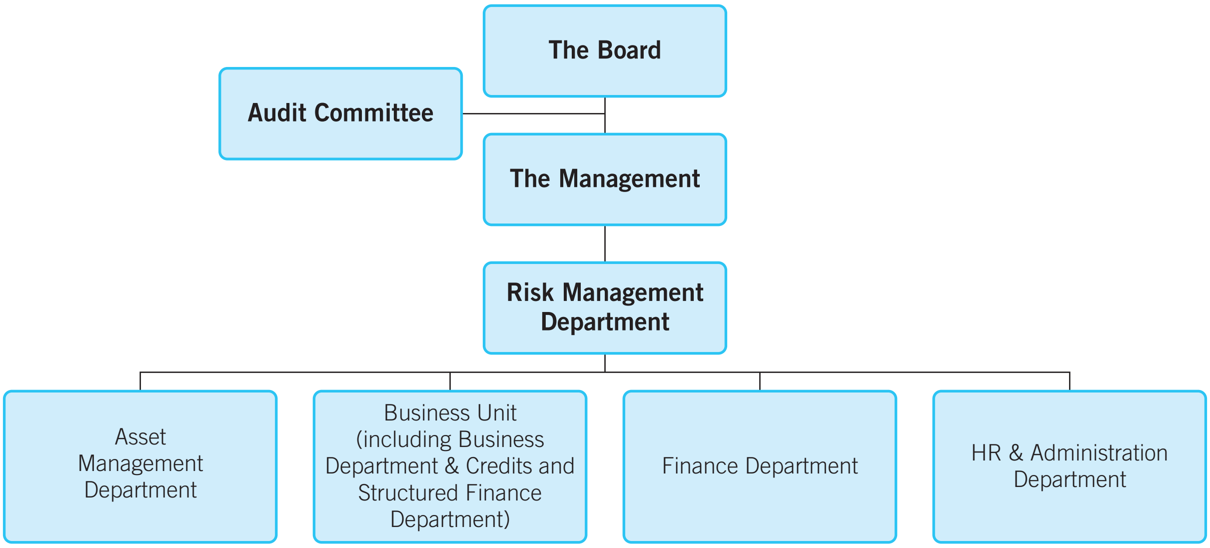
Risk Management and Internal Control

The Group attaches great importance to risk management and internal control, and executes the *Comprehensive Management Measures for Risk* to accurately identify, prudently evaluate, dynamically monitor, timely respond to, and extensively manage the risks faced by the Group during operations and management, as to improve the scientificalness, standardization and validity of the Group's management and operations, to enhance the ability to prevent financial risks, and to continuously ensure the stable development of various businesses.

The Group has developed a risk quantitative assessment tool with independent intellectual property rights and established a credit evaluation model of customer, which help achieve risk quantification management in the project lifecycle. In addition, during the Reporting Year, the Group has conducted a pilot project on the integration of internal control and informatization, and launched an internal control information system, covering 93% of the key segments.

Risk Management Structure

The Group has established a risk management structure covering the Board and different departments, of which the Risk Management Department is the core department with risk management function in the Group.



The Board	• Bearing the ultimate responsibility for risk management • Reviewing the goals and strategies of risk management • Monitoring the implementation of risk management policies and assessing of overall risks
Audit Committee	• Responsible for monitoring the implementation of internal control procedures • Reviewing financial information and assessing financial conditions • Overseeing the internal audit functions • Providing independent advice to the Board on financial reporting, risk management and internal control
The Management	• Responsible for implementing risk management strategies and policies • Supervising daily operations of risk management and monitoring the fulfilment of the duties of the Risk Management Department • Reporting regularly to the Board on the overall risk profile and reporting on major risk events in a timely manner

Risk Management Department	• Implementing comprehensive risk management procedures and establishing a business risk management control and compliance management system • Cooperating with other functional departments to develop financing business and relevant guidelines • Formulating management measures and implementation guidelines related to the project review and business contract management of the Group • Analysing and evaluating major risks of specific projects and proposing risk prevention measures • Cooperating with the Business Development Department in the early investigation, evaluation, marketing and negotiation work of projects • Following up on the implementation of projects after leases and loans, and regularly reporting the overall status of business risks to the management • Developing relevant policies for handling major risk events and emergencies

Main Risk Management Mechanisms

The Group determines its risk appetite based on its strategic goals and risk capacity, and then establishes relevant risk indicators such as risk tolerance and risk limit based on risk appetite. Relevant resources have been allocated accordingly, and it is adjusted according to the Group's strategic goals and market environment in a timely manner. The risk indicators must be approved by the Board, the management or its authorised units, which are subsequently subdivided into different levels and arranged for each department for implementation.

Main Risk Management Procedures

1. **Continuous analysis of internal and external factors that may affect the achievement of business objectives**
   - Identify the sources, and formation conditions of risks
   - Classify the identified risks based on risk category
2. **Establish risk assessment standards based on the likelihood and influence of risks**
   - Adopt a combination of qualitative and quantitative methods to analyse and assess specific risks
   - Determine risk levels that needs attention and priority control
   - Conduct regular assessment on key risks
3. **Prompt and alert on the risk situation involved in major business development and major decisions in a timely manner**
   - Choose a response strategy that corresponds to risk appetite

CSSC has gradually established a risk management information technology system that is compatible with the complexity of the business and the risk indicator system. Advanced risk management methods and tools are continuously being introduced to ensure that transactions and business processes involving risks are timely, accurate, completely recorded and communicated within the Group. It also ensures the risks are quantified, summarised, alerted and monitored to achieve centralised management of relevant risk information.

Based on the results of risk assessment and early warning, the Group selects a response strategy corresponding to its risk appetite. The Group has gradually established a risk emergency mechanism for major risks and emergencies, put forward suggestions for risk control, and continuously improved through mechanisms such as pressure testing.

Risk Management and Target Management of ESG Issues

The Group attaches great importance to the risk management on the issue of "anti-corruption". The Audit Department assesses the risks and compliance in the process of project development through the audit of specific business projects, and issues audit reports to the Board for review. In the 2021 Work Report meeting, the Chairman of the Board clarified the targets of the Group in the area of integrity work, which is "to improve the disciplinary and monitoring system and strengthen disciplinary education".

The Group will continue to focus on the risk management of ESG material issues and gradually improve the Board's involvement in the establishment and management of ESG related targets. Please refer to the section on "Sustainable Management" for more information on the Group's ESG material issues.

Sustainable Development Management

The Group is fully aware that a sound ESG management mechanism is conducive to the steady development of the enterprise. The Group actively takes ESG principles into its business operation and decision-making process, which promotes the achievement of the Group's goals and strategies and the sustainable development of the enterprise.

The Group has established an *Environmental, Social and Corporate (ESG) Governance Policy* ("**ESG Policy**"), which sets out the principles underlying the Group's ESG management in three areas of "Environmental Governance", "Social Contribution" and "Corporate Governance", to ensure that the Group is fully aware of ESG risks and opportunities during its operation and decision-making process. The Group has established an overarching ESG governance mechanism and exercises its rights and responsibilities in line with business-related ESG principles. The Policy applies to all employees, customers, partners, suppliers and other affiliates of the Group.

	ESG Policy Implementation Framework and Responsibilities
Decision-making Level	The Board and the management • Responsible for ensuring that ESG risks are fully considered in daily operations and management • Incorporating ESG principles into the overall strategy through decision-making processes • The Board is responsible for reviewing and overseeing the ESG Policy
Execution Level	The Departments • Responsible for determining the department's own ESG issues and designing corresponding performance indicators for management to improve the department's own ESG management • Reporting to the Board and management on ESG management

The Group requires all its units to abide by relevant ESG laws and regulations and to fully consider the impacts of ESG factors on environment and society in its daily operations.

The following table details the Group's fundamental ESG management principles in the area of "Corporate Governance".

Governance principles for operations, management and decision-making processes

- Strictly complying with national laws and regulations and governance policies in the production and operating sites;
- Achieving high-standard corporate governance mechanisms, upholding integrity, openness, and transparency in daily management and business development, strengthening corporate social responsibility, and ensuring compliance with laws and regulations;
- Complying with all applicable requirements in the *Corporate Governance Code* contained in Appendix 14 to the Listing Rules;
- Requiring all units to follow the high standards of ethics generally accepted by the society when dealing with other employees, customers, suppliers, regulators, etc.;
- Improving the corporate legal person governance structure and balancing powers and responsibilities between different organizations through control mechanisms;
- Ensuring that the information disclosed is true, clear and effective, so that shareholders and the public can independently and comprehensively evaluate the Company's situation and make investment decisions;
- Maintaining effective communication with shareholders and continuously improving the shareholder communication policies of the Company;
- Continuously improving the Company's governance framework, and strictly complying with applicable laws and regulations and corresponding rules;
- Continuously reviewing and monitoring to ensure compliance with the disclosure obligations under the Listing Rules, and continuously reviewing the legality and effectiveness of the disclosure process.

Stakeholder Engagement

The Group recognizes the importance of listening to internal and external stakeholders to enhance its sustainability performance. The Group communicates with stakeholders on a regular or irregular basis through various channels to understand and respond to stakeholders' expectations and concerns in a timely manner. In addition, the Group identifies its major stakeholders for more targeted and effective communication by taking into account factors such as "the extent to which stakeholders influence the Group" and "the extent to which the stakeholders are influenced by the Group".

Stakeholder Types	Major Stakeholders	Channels	Matters of Concern	The Group's Responses
Shareholders/Investors	Major controlling shareholders, Public investors	• Annual General Meeting • Board Meeting • Meetings of the Board's Committees • Financial Result Reporting • Other investors communication means	• Good business performance • Good corporate governance • Risk control and integrity • The Company's strategic direction • Sufficient disclosure	• Improving corporate governance • Corporate strategy fulfilling investors' expectations • True and Sufficient Disclosure
Business Partners	Intermediaries, Classification societies, Professional ship asset management companies, Institutes, Colleges	• Negotiation of contract terms • Daily communication between business representatives • Management-level meetings	• Benefit sharing, integrity and mutual benefit • Promotion and innovation of management	• Increasing profit • Improving return on funds
Customers	Ship operators, Trading companies	• Response to the customer inquiry • Customer visit • Telephone communication	• Financing amount • Financing ratio • Interest rate level	• Promoting business negotiations • Ship technology contract pre-research • Facilitating project implementation

Stakeholder Types	Major Stakeholders	Channels	Matters of Concern	The Group's Responses
Governments and Regulators	Governments, Industry regulators	• Enterprise Investigation • Work Reporting • Policy/Regulator conferences • Financial Result Reporting	• Operations compliance • Profit/tax • Serving national strategies	• Creating job opportunities • Total taxes • Promoting the development of the industrial chain
The Public	Surrounding communities, Community organizations, Non-profit organizations	• Participating in community voluntary activities • Charitable donations • Signing public interest-related agreements • Coordinating community events	• Charity investment • Harmonious community • Safety and environmental protection	• Increasing community investment • Industrial assistance and rural revitalization • Volunteer activity
Employees	All employees	• Face-to-face communication • Seminars on democratic life • Employee suggestion boxes • Employee activities • Vocational training	• Sound welfare • Promising career development • Comfortable working environment	• Providing diverse employee activities • Providing different kinds of professional training
Suppliers	Shipyards	• Open tender • Interviews and site visits	• Win-win cooperation	• Increasing investment, being open and transparent
Media	The press	• Press conferences • Invitations to interviews • Regular discussions	• Business and product situation • Industry status	• True and sufficient disclosure

Materiality Assessment

The Group updated the list of ESG issues in the Reporting Year, and mainly adopted the method of review of material issues to conduct the materiality assessment. Firstly, the Group updated the list of ESG issues and reviewed the previous material issues, and then identified and assessed the material issues of the Group from the perspectives of their materiality to the Group and the national overall development strategies. Finally, the Board and management of the Group reviewed and confirmed the issues. All ESG issues of CSSC are listed below, and those highlighted are material issues that have been reviewed and confirmed by the Board.

Issues in Environmental Aspect		Issues in Social Aspect	
Addressing Climate Change	Use of Water Resources	Corporate Governance	Serving the National Strategies
Use of Energy	Greenhouse Gas Emission	Employment	Labour Standards
Air Emission		Development and Training	Health and Safety
Waste Generation		Anti-corruption	Supply Chain Management
		Information and Customer Privacy Protection	Community Engagement

Our Operations

CSSC takes "combination of industry and finance, serving major business, innovation and development" as its mission, and establishes its strategic goals and business strategies based on its own competitive advantages. The Group continuously promotes effective cooperation with various stakeholders and builds mutually beneficial and trusting relationships to create value. In addition, the Group always maintains the highest standards of market conduct, adheres to the principle of "integrity oriented", strictly complies with the relevant policies and systems and abides by business ethics to reduce operating risks.

Business Strategies

CSSC has leveraged on its robust professional advantages in marine business and its well-established and innovative business model to fully seize new opportunities, meet new challenges, and achieve stable and sustainable development.

With the signing of the "Poseidon Principles", the adoption of the IMO Greenhouse Gas Emission Reduction Strategy Roadmap and China's formal accession to the *Ballast Water Management Convention*, green, low-carbon, energy-saving and environmental protection continue to be the main theme of global shipping industry, and the shipping industry will also focus on environmentally friendly development. Under various external and internal environmental pressures, the Group has been actively enhancing the environmental standards of its fleet, continuously optimizing its business and fleet portfolio, promoting the combination of industry and finance, and leading the shipping leasing industry to "beyond the cycle".

Implementation of Four Strategies

Professional Ship Leasing and Reasonable Asset Portfolio

The Group's balanced asset portfolio is made up of different types of ships. Through continuous optimization of asset portfolios, hedging effects are achieved, risks are diversified, and stable performance is achieved.

As of the end of the Reporting Year, the size of the Group's vessel portfolio reached 158 vessels.

Relying on its extensive experience in the shipping industry and the customer database shared with various related companies, the Group has accumulated a large number of high-quality customers' performance data during multiple rounds of the industry cycle. Concurrently, the Group evaluates customers' compliance risks based on these data, and strategically adjusts the combination ratio of various types of ships to achieve the maximum optimization rate based on industry conditions and customer needs.

The fleet of the Group is with advanced technology and complete equipment. Among them, the average remaining lease term of the Group's existing contracts is around 7.6 years, which provides the Group with stable revenue and profit while helping the further development of the Group.

Focusing on Greater China and Deploying Worldwide

The Group has maintained long-term cooperative relationships with more than 10 shipping companies around the world and has a global customer network.

As the first shipyard-affiliated leasing company in Greater China, the Group actively maintains synergies and close business relationships with ship-related companies, constantly updates the latest news on supply and demand in the maritime market and customer needs, to grasp market opportunities. Through close cooperation with shipping companies, the Group is able to deeply explore customer needs and provided customers with professional one-stop and customised leasing services.

The Group has a leading position, stable market ranking and global customer base in the ship leasing industry, providing ship leasing services with approximately 50 customers in 13 regions around the world. The Group has always maintained its strategy of in-depth development of Greater China. On the basis of its unique advantages, it has continuously expanded new markets with strong industry knowledge and experience.

Creating the Advantages of Shipping Fintech

The Group continuously promotes the combination of leasing business and financial technology, and has the development idea of "combination between industry and finance, upgrading of technology" to open up new business areas for shipyards and ship leasing companies.

The Group has taken the lead in developing digital leasing management solutions, comprehensively using satellite data and industry data to establish a digital smart platform for ship leasing that integrates full-cycle management of leasing projects, full-scale monitoring of ship assets, and digital models of business decisions. The platform displays the leasing situation of the Group's existing ships in a real-time and intuitive visualization mode. It uses ship satellite positioning, satellite image recognition, intelligent algorithms, big data business intelligence analysis, and other auxiliary tools to interpret macro data, segment the supply market, provides decision foresight, and strengthens internal control.

The Group currently explores the application of blockchain technology in the leasing industry with the industry's leading blockchain financial technology research institute, China Institute of Marine Technology and Economy, and other institutions, to promote the high-quality development of financial services companies.

Strategic Implementation of Clean Energy Industry Chain

The Group is one of the earliest leasing companies to enter the field of clean energy and green shipbuilding, with the largest investment and most extensive involvement in this field. The Group provided leasing services for the world's first retrofitted floating liquefied natural gas plant (FLNG). This equipment is a brand-new solution for liquefied natural gas production and has been successfully put into operation in mid-2018.

Concurrently, the Group also actively invests in clean energy marine transportation vessels and vessels providing services for clean energy infrastructure construction. At present, the Group is studying the feasibility of investment in new types of clean energy equipment such as LNG power generation vessels. The Group will continue to vigorously develop the offshore clean energy equipment market, integrate it into the national clean energy development strategy, and form a relatively complete clean energy industry chain together with the existing and upcoming LNG vessels, floating liquefied natural gas plants (FLNG) and floating storage and regasification units (FSRU).

New shipbuilding market and second-handed ship market have advanced together. The Group successfully signed contracts with 39 projects in 2021, including shipbuilding projects regarding to 17 ships which accounted for US$1.52 billion and financing projects of second-handed ship regarding to 22 ships which accounted for US$570 million.

Work with Integrity

CSSC strictly complies with the relevant laws and regulations and industry norms in each of its operating sites. To effectively prevent and control fraud risks and regulate its business practices, the Group has formulated and implemented the Management Measures for Anti-Fraud Work (Trial) and the Guideline for *Risk Prevention of Anti-sanction*. Concurrently, the Group clearly expounds that the social principles need to be firmly implemented during operation management and decision-making processes as listed below:

- Maintaining honest operation, fair selection of suppliers and business partners, and eliminating commercial bribery;
- Prohibiting any conducts relating to depravity, corruption, fraud and money laundering during business operations;
- Protecting the interests of all stakeholders, including but not limited to employees, customers, business partners, suppliers, regulators, and society, and providing services to the aforementioned.

The Group has clarified the internal control mechanisms of anti-fraud in the *Management Measures for Anti-Fraud Work (Trial)*, including the establishment of reporting and complaint channels, the implementation of control measures, and the adoption of appropriate and effective remedial measures against the hazards brought by fraudulent behaviours.

The Board is the highest authority for the Group's anti-fraud work. The management is responsible for the implementation of the Board's anti-fraud requirements, and the head of each department is responsible for the anti-fraud work of their respective units as the first responsible person. The Group encourages employees and stakeholders to make reports in name or anonymously through channels such as emails and report boxes. The Risk Management Department, as a standing body of the Group's anti-fraud work, will report the information to the management upon receipt of the report and commence investigations of the incident. The Risk Management Department will hold employees who are proven to have committed fraud accountable for their actions based on the facts of the fraud investigation and the severity of the fraud. If a breach of the law is committed, the Risk Management Department will collect relevant evidence and refer the matter to the judicial authorities for action in accordance with the law. In addition, in the event of fraud, the Group will promptly evaluate the internal control measures and take corresponding improvement measures. In order to protect reporters, the Group requires that employees who are responsible for anti-fraud cases shall not provide any department or individual with relevant information and report contents of the reporters.

To prevent fraudulent behaviours, the Group provides anti-fraud trainings and education on laws, regulations and ethics of integrity to new employees. The Group has provided online training related to anti-corruption to employees and Board during the Reporting Year to strengthen their awareness of anti-fraud.

During the Reporting Period, the Group was not aware of any concluded legal case regarding corrupt practices brought against the Group or its employees.

Supply Chain Management

The major suppliers of the Group are those providing shipbuilding services. As of the end of the Reporting Year, the Group had a total of 7 qualified shipbuilding service suppliers.

The Group amended the *Guidance of Supplier Management* in the Reporting Year, which sets out the work requirements for recruiting and evaluating suppliers who provide shipbuilding services. When recruiting suppliers, the Group adheres to the principles of "Great performance credit, Reasonable price, Convenient services" and considers the suppliers' main types of ships that can be built, suppliers' performance on the ship types required for the Group, and suppliers' delivery period, etc. All of the business projects of the Group will be handed to the General Manager Office for review and decision making, and the General Manager Office takes the planned suppliers of the projects into consideration when reviewing and making decisions. If the General Manager Office evaluates the planned suppliers as unqualified, then they will require the related department to reselect and reassess the planned suppliers. During the Reporting Year, all the cooperated suppliers have been approved by the General Manager Office.

The Group rates suppliers based on suppliers' performance and past cooperation, and determines the list of qualified suppliers. Each year, Business Department and Ship Asset Management Department jointly conduct the annual evaluation of suppliers. In addition to suppliers' ability to fulfil contracts, research and design, and production and construction, they also consider whether the projects in operation and under construction have passed the environmental impact assessment approval or the environmental protection facility acceptance, the safety and production status and whether major safety production accidents have occurred in the past two years, so as to assess environmental and social risks of suppliers. If there is any change in the list of qualified suppliers after the annual evaluation, the Business Department and Ship Asset Management Department will report it to the management for approval.

The Group's main cooperative suppliers providing shipbuilding service are shipbuilding enterprises under CSSC Group. CSSC Group concerns about greening and intelligence at the research and design stage of ships, and enhances the research and development of new energy power ships, committing to reducing the resource consumption of products and the impact on ecological environment. This also assists the Group to develop green ships.

The Group is actively involved in industry activities in the shipping market. During the Reporting Year, the Group held the 2021 International Dry Bulk Shipping Market Exchange Seminar and invited domestic and foreign shipowners, shippers, ship brokers and other groups with a total of 600 participants approximately. The seminar discussed the opportunities and challenges of the international dry bulk shipping market in the post-pandemic era.

Information and Customer Privacy Protection

The business scope of the Group covers several countries and areas. The Group strictly complies with laws and regulations regarding sales and credit management, privacy protection, information safety, and trademarks, patents and intellectual property in each of its operating sites to ensure the security and confidentiality of stakeholders' important information. The Group has formulated the *Management Measures of Confidentiality*, which specifies a series of work procedures such as confidential personnel's resignation and declassification. In addition, when signing business-related contracts, related parties have to sign a confidentiality agreement to avoid disclosure of related confidential data and proprietary information to any third parties.

During the Reporting Period, the Group has established the internal information system and contract management system to strengthen internal information management and improve work efficiency. Employees can complete project approval, review, contract signing, rent collection and other work through the information system to avoid information leakage due to free flow of project-related paper documents in their hands. The Group also realized that the current information platform still has space for optimization and will continue to optimize the information system to improve the security management capability of information and working convenience.

Our Employees

The Group has established a standardised and comprehensive human resource policies to attract and nurture an efficient and top-notch talent team through the provision of good welfare benefits, regular review of employee salaries, formulation of clear policies and guidelines and establishment of a comprehensive training mechanism to create a positive, harmonious and fair working environment.

The Group strictly implements a series of employment management measures in accordance with the laws and regulations of the relevant operation sites and implements effective social principles during operations management and decision-making process, including but not limited to:

- Complying with labour laws and regulations;
- Providing workplaces that legal occupational safety and health standards are met;
- Complying with the provisions of the Employee Handbook on employment behaviour, employee health and safety, etc.;
- Providing equal employment opportunities and preventing discrimination against employees in all aspects such as race, religion, colour, gender, physical or mental disability, age, place of birth, marital status, sexual orientation, etc.

Employment Policy and Protecting Employees' Rights

The Group vigorously implements the strategy of strengthening the enterprise with talents and continuously promotes the standardisation and effective development of human resource work. The Group has built and implemented an effective human resource management system in accordance with relevant laws and regulations and the actual situation within the Group, covering the management of recruitment, employment contract, promotion mechanisms, salary and welfare, working hours, dismissal, etc,. The Group signs employment contracts with employees to stipulate the affairs regarding to salary, reasons of dismissals and the others. Meanwhile, the Group adheres to the concepts of equality, diversity and anti-discrimination, eliminating discrimination in any aspect such as gender, age, nationality and ethnicity, and emphasising equality between male and female employees and diversity in the workforce.

Through the formulation and implementation of the *Management Measures for Recruitment and Employment*, the Group has effectively regulated the employment management process and allocated human resources in a more scientific and reasonable manner. The Group adheres to the recruitment principles of "open recruitment, fair competition, person-job fit and merit-based enrolment", and the Administration and Human Resources Department formulates the annual recruitment plan based on demand and attracts talents through various channels including internal referral, campus recruitment, media recruitment, job fair and intermediate agencies. In addition, the Group also strictly adheres to labour standards to avoid misuse of child labour and forced labour. During the recruitment and employment process, the Group strictly vets the valid identity documents of applicants and employees to prevent employment of persons under the age of 16. If false or falsified information is found, the Group has the right to reject the employment or dismiss the employee in accordance with local labour laws and regulations. Meanwhile, the Group fully respects and protects employees' personal freedom and right to rest, and signs employment contracts or labour contracts with new employees joining the Group to establish the employment relationship, and clearly stipulates that employees shall not work more than 40 hours per week, and ensure no forced labour is used.

The remuneration of the Group's employees includes basic salaries and performance bonuses. The Group has set up social security retirement plans for eligible employees in Mainland China and contributed to them by the corresponding subsidiaries in strict compliance with the relevant labour standards in Mainland China and the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong; and set up *Mandatory Provident Fund schemes for eligible employees in Hong Kong*. Meanwhile, the Group continued to promote the reformation of incentive mechanism to align with the wage marketization, with specific measures as follows:

- To actively explore the reformation of wage marketization and to establish a reasonable and effective mechanism to determine the total salary;
- To achieve medium-term and long-term incentive mechanism;
- To promote the reformation of share incentive.

The Group is committed to maintaining a wide range of benefits for its employees and is constantly improving its employee welfare and protection system. In addition to statutory holidays, employees are also entitled to wedding leave, personal leave, maternity leave, family visit leave, etc. In addition to the statutory social benefits, the Group also provides eligible employees with sick leave and medical insurance that meets the requirements of the operating sites.

Welfare at a glance	Statutory Social Benefits	• Mandatory Provident Fund • Social Security Pension
	Complementary Medical Insurance	• Providing group medical insurance for employees to protect their basic needs such as outpatient, inpatient surgery, and dental treatment
	Annual Physical Examination	• Providing annual medical examination reimbursement for employees who have been employed for more than a year • Providing reimbursement of HKD3,000 for employees
	Leaves	• Providing employees with statutory leaves and different types of leaves to meet their needs
	Transportation Allowance	• Providing employees with transportation allowance arising from work, including applications for reimbursement of the Group's vehicles and transportation expenses

The Group actively plays a role in leading and motivating its employees and continuously promotes the improvement of the employee performance appraisal mechanism. In accordance with the *Management Measures for Employees Performance Appraisal*, the Group conducts regular quarterly employee performance appraisals to assess the personal competence and quality of employees and their work performance. The appraisal results will be applied to performance bonus distribution, promotion and salary adjustment of employees. The head of department will also help employee identify their strengths and weaknesses based on the assessment results, and work with them to develop their personal training and development plans for the next stage. In addition, the Group has implemented the share option scheme during the Reporting Year to motivate senior management and key employees of the Group.

Strengthening staff cohesion and enhancing their sense of belonging is at the core of sustainable, healthy and rapid corporate development. The Group actively organizes various staff sports and cultural activities to relieve the physical and mental stress of employees, enhance team emotional exchanges and improve the quality of life of employees.

Protecting Health and Safety

The main workplace for the Group's employees is the office. In order to create a safe and healthy working environment and to ensure that employees are free from occupational hazards, the Group has formulated and implemented the management of safety target, defined the safety management responsibilities of relevant responsible persons and adopted a series of safety management measures. The Group's safety management measures include:

- The person in charge of each department, as the responsible officer for safety management, directs regular safety inspections;
- Conducting uniform maintenance and renovation to office areas that cannot meet office needs due to ageing equipment, etc., in order to eliminate safety hazards;
- Strengthening the safety management of flammable, explosive and other dangerous goods;
- The installation and use of all computer equipment must meet safety requirements, and special personnel are responsible for keeping the computer equipment;
- All employees can report individual violations of the Group's safety and security systems;
- Providing supplementary medical care insurance, annual physical examinations, etc. to employees.

Talent Development and Training

The Group implements the strategy of "strong talents for companies" and builds up a staff development system to enhance the construction of a talent team, striving to fulfilling the career development needs of employees at different stages. The Group has established the *Management Measures of Staff Training*, which stipulates that both departments and employees have the right to voice out their training needs. The Group requires the Administration and Human Resources Department to collect the training needs of each department in December each year for the following year, and to formulate training plans for the following year accordingly; such training plans can only be implemented after they have been approved by the relevant management. The Group continues to invest in a wealth of training resources and organizes training in a variety of formats, including:

Internal Training
The Group arranges lecturers (external or internal lecturers) to train employees.

External Training
Based on training needs, employees are assigned to participate in externally organised training.

Rotation Training
Employees are trained across departments to accumulate and improve business skills and experience.

Mentor Training
Instructors or leaders in the departments train employees and impart business knowledge, skills and experience.

Employee Self-Learning
According to the needs of the position or career development, employees learn the necessary knowledge and skills on their own.

Online Learning
The Group uses Internet and other modern information technology to provide training courses, make good use of big data, "Internet +" and other concepts and technical means to improve the level of training management informatization.

The Group conducts training effectiveness evaluation to assess the effectiveness of employees learning and the reasonableness of training programmes. The Administration and Human Resources Department conducts training evaluation and analysis in an appropriate manner for different training formats and contents, and further adjusts and optimizes training planning and course settings based on the evaluation and analysis results.

Our Environment

CSSC actively promotes energy conservation and emission reduction measures to reduce the carbon footprint resulted from operation. As the Group 's main business is the leasing of ships and marine equipment, which mainly involves clerical work and business meetings in the office, the impact on the environment and natural capital is limited. Nonetheless, while the Group is actively operating its businesses, it has also been practising the concepts of energy saving and emission reduction, low carbon and environmental protection, and enhancing the environmental awareness of its employee to minimise environmental impact.

The Group is determined to implement a series of environmental management measures and continuously improve them in accordance with laws and regulations of relevant operation sites, and strictly implements the following environmental governance principles during operation management and decision-making processes:

- Complying with local environment-related laws and regulations, implementing low-carbon and green office, and ensuring long-term and sustainable development of the Company;
- Reducing consumption of natural resources and energy;
- Giving full consideration to the environmental impacts of business activities and business development throughout the full life cycle, and providing corresponding solutions;
- Ensuring proper disposal of wastes generated from business activities;
- Improving the Company's environmental performance through providing training for employees;
- Continuously monitoring and improving corporate environmental governance.

The main operation sites of the Group are offices which have low impacts on environment and low dependency of natural resources, and moreover, the Group's water consumption and some other resources consumption and emissions are managed and calculated by the property management unit of each office. In addition, through materiality assessment, "air emission", "waste generation", "greenhouse gas emission", "use of energy", "use of water resources" were identified as non-material issues. Therefore, the Group has not set up targets of emissions and resource use, and may consider to set up in the future.

Development of Green Vessel Leasing Business

The Group has continued to explore environmentally friendly industry development and product application models to promote next-generation energy construction, taking advantage of the broad prospects for the development of offshore clean energy and energy-saving technologies for ships. The Group has reduced emissions by installing desulfurization equipment for ships and acquired several dual-fuel vessels to meet different emission requirements. In addition, the Group actively invests in the research and development and use of energy-saving and environmentally friendly vessels and offshore clean energy equipment, and actively explores cooperation with advanced technology development companies to jointly promote the development of clean energy infrastructure.

The Group is focusing on the development of a green finance model and committed to fulfilling its social responsibility and commitment to the sustainable development in the shipping industry. During the Reporting Year, the Group became the first Chinese enterprise to issue green and blue dual-certified bonds overseas and made its first attempt in the area of sustainability-linked loans, helping the Group's green development.

For more information on the development of offshore clean energy equipment and green finance, please refer to the "Sustainable Development Topics: Serving National Strategies " section of this Report.

Green Office

CSSC understands that reduction of greenhouse gas emission is one of the important tasks for tackling climate change and comprehensively implements energy saving and emission reduction requirements, committing to reducing greenhouse gas emissions. The main sources of air pollution emissions and greenhouse gas emissions of the Group generated from daily operation are the emissions from vehicles used for business, electricity consumption and business travel by plane. Therefore, the Group has formulated the *Management Measures of Vehicles* to encourage employees to use public transportation as far as possible for their daily work commute and to promote the use of video and telephone channels to reduce travel and mitigate greenhouse gas emissions. In addition, as electricity consumption is the main source of greenhouse gas emissions in the operation of the Group, the Group has also posted energy saving signs in its office premises and reminded employees of turning off the power supply before going on holidays through emails to achieve the goal of energy saving and emission reduction.

CSSC Group requires its subsidiaries including the Group to minimize energy wastage and to set the cost of energy consumption generated from the use of electricity in daily operation as one of the energy saving and environmental protection indicators of its subsidiaries. The Group continuously monitors the electricity consumption, presents the yearly performance changes in the future, and prepares for setting environmental performance targets in the future.

The Group's water resources come from the municipal supply and are under the unified control of the property management. During the Reporting Year, the Group has not encountered any difficulties in obtaining water. The Group encourages employees to conserve water and reduce water consumption in their daily work.

In terms of waste, the Group's non-hazardous waste mainly consists of office paper and limited number of plastic bottles, while the small amount of hazardous waste generated includes mercury-vapour lamps, ink cartridges and batteries. The Group encourages employees to use electronic communication methods such as shared disks to circulate files and encourages double-sided printing to cultivate the habit of paper conservation among employees. In addition, the Group actively promotes waste reduction at the sources, waste recycling and reuse of resources among employees, with all waste ink cartridges collected and disposed of by the supplier and other hazardous waste collected by the property manager.

Community Investment

The Group is actively involved in social welfare projects and carries out community construction activities in local communities. The Group attaches great importance to fulfilling its corporate social responsibility and sharing the fruits of corporate development by enhancing engagement and support of community. The Group insists on implementing effective principles of social investment during operation management and decision-making processes, including but not limited to:

- Supporting employees who are dedicated to serving the vulnerable groups in the communities;
- Encouraging employees to actively participate in volunteer activities after completing their work；
- Supporting the pandemic prevention and control in Hong Kong, etc.

In the new era of building a moderately prosperous society in an all-round way, the consumer assistance program is a continuation and enhancement of the consumer poverty alleviation. During the Reporting Year, the Group helped Mengla County in Xishuangbanna, Yunnan Province to consolidate the achievements of poverty alleviation and jointly overcome the difficulties of the pandemic through the consumer assistance. In terms of purchasing tea for conferences and receptions, souvenirs, and welfare materials for employees, the Group has made every effort to help Mengla County increase its income and promote the rural revitalization strategy, assuming the responsibility as a state-owned enterprise. In the Reporting Year, the Group spent a total of RMB29,640 on consumer assistance.

Appendix 1 Performance of 2021

Social and environmental related key performance indicators of 2021:

Social Aspect

Key Performance Indicators	Units	2021	2020
Employees	Person	**81**	74
Number of Employees by Region			
Mainland China	Person	**65**	58
Hong Kong	Person	**16**	16
Number of Employees by Gender			
Female	Person	**39**	38
Male	Person	**42**	36
Number of Employees by Type			
Full-time	Person	**81**	74
Part-time	Person	**0**	0
Number of Employees by Age			
Below 30	Person	**10**	9
30 – 40	Person	**51**	50
41 – 50	Person	**15**	11
Above 50	Person	**5**	4
Employee Turnover	Percentage	**7%**	9%
Employees Turnover Rate by Region			
Mainland China	Percentage	**9%**	3%
Hong Kong	Percentage	**0%**	31%
Employees Turnover Rate by Gender			
Female	Percentage	**8%**	11%
Male	Percentage	**7%**	8%
Employees Turnover Rate by Age			
Below 30	Percentage	**10%**	11%
30 – 40	Percentage	**8%**	8%
41 – 50	Percentage	**0%**	9%
Above 50	Percentage	**20%**	25%

Key Performance Indicators	Units	2021	2020
Employee Training[2]			
Percentage of Trained Employees by Gender			
Female	Percentage	**48.33%**	51.35%
Male	Percentage	**51.67%**	48.65%
Percentage of Trained Employees by Rank			
High-level	Percentage	**8.33%**	6.76%
Mid-level	Percentage	**15.00%**	13.51%
Basic-level	Percentage	**76.67%**	79.73%
Average Training Hours by Gender			
Female	Hour	**14.26**	8.50
Male	Hour	**15.71**	23.08
Average Training Hours by Rank			
High-level	Hour	**21.00**	17.60
Mid-level	Hour	**16.83**	75.50
Basic-level	Hour	**13.58**	5.24
Work Safety			
Work-related Fatalities	Person	**0**	2020: 0 2019: 0
Rate of Work-related Fatalities	%	**0%**	2020: 0% 2019: 0%
Lost Days Due to Work Injury	Day	**0**	0
Number of Suppliers by Geographical Region			
Mainland China	No.	**7**	Not Applicable

2 Percentage of employees trained in a specific category = Total number of employees trained in the specific category divided by the total number of employees trained.

Environmental Aspect

Key Performance Indicators	Units	2021	2020
Air Emissions[3]			
NO_x	Kg	**0.59**	0.42
SO_x	Kg	**0.04**	0.02
CO	Kg	**13.54**	9.04
PM	Kg	**0.07**	0.04
Greenhouse Gas Emission			
Total Greenhouse Gas Emissions	tCO_2e	**153.14**	106.65
Total Greenhouse Gas Emission Intensity	tCO_2e/m^2	**0.07**	0.05
Scope 1			
Direct Emissions from Mobile Sources with Operational Control[4]	tCO_2e	**5.57**	3.76
Scope 2			
Indirect Emissions from Purchased Electricity[5]	tCO_2e	**69.70**	64.67
Scope 3			
Business Air Travel by Employees	tCO_2e	**77.87**	38.22
Hazardous Waste Generated			
Total Amount of Hazardous Waste Generated	Tonnes	**0.02**	Not Applicable
Hazardous Waste Intensity	Kg/m^2	**$8.7x10^{-3}$**	Not Applicable
Waste Mercury-Vapour Lamps	Tonnes	**0**	3 (No.)
Wasted Batteries	Tonnes	**$1.16\ x10^{-3}$**	230 (No.)
Ink Cartridges/Tonner	Tonnes	**0.017**	26 (No.)

3 The calculation of air emissions is set out based on the *Technical Guide for the Preparation of Road Vehicle Air Pollutant Emission Inventory* published by the Ministry of Ecology and Environment of the People's Republic of China.

4 The calculation method refers to the *Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Land Transportation Industries (Trial)* and the *Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Industrial and Other Industry* published by the National Development and Reform Commission of the People's Republic of China.

5 The electricity emission factors used in 2021 are with reference to the *Guidelines for Accounting Methodology and Reporting of Greenhouse Gas Emissions by Enterprises - Power Facilities* issued in 2022 published by the Ministry of Ecology and Environment of the People's Republic of China, and *the Sustainability Report 2019* published by HK Electric Investments Limited. The electricity emission factors used in 2020 were with reference to the *Notice on the Establishment of 2018 Carbon Emission Reporting and Verification and Emission Monitoring Plan* and *the Sustainability Report 2019* published by HK Electric Investments Limited.

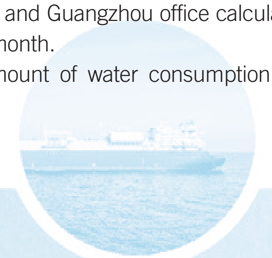
Key Performance Indicators	Units	2021	2020
Non-hazardous Waste Generated			
Total Amount of Non-hazardous Waste Generated	Tonnes	**1.29**	1.34
Non-hazardous Waste Intensity	Kg/m^2	**0.60**	0.63
Paper[6]	Tonnes	**1.19**	1.30
Plastic[7]	Tonnes	**0.10**	0.04
Non-hazardous Waste Recycled			
Total Amount of Non-hazardous Waste Recycled	Tonnes	**0.62**	Not Applicable
Paper	Tonnes	**0.53**	Not Applicable
Plastic	Tonnes	**0.09**	Not Applicable
Use of Resources			
Total Amount of Resources Consumption	kWh in 000's	**131.45**	106.24
Resources Consumption Intensity	kWh in 000's/m^2	**0.06**	0.05
Indirect Energy: Purchased Electricity Consumption	kWh in 000's	**108.99**	91.20
Purchased Electricity Consumption Intensity	kWh in 000's/m^2	**0.05**	0.04
Direct Energy: Petrol Consumption	kWh in 000's	**22.46**	15.21
Petrol Consumption Intensity	kWh in 000's/m^2	**0.01**	$7.11x10^{-3}$
Water Resource Consumption	kWh in 000's	**540**[8]	360[9]
Water Resource Consumption Intensity	kWh in 000's/m^2	**0.25**	0.17

6 Paper consumption is an estimated amount through calculating the quantity of purchased paper.

7 The plastic used by CSSC mainly comes from the plastic water bottles used at offices. The weight of each bottle is approximately 15.8g.

8 As the Group mainly operates in offices, it is difficult to collect the amount of water consumption. Shanghai office cannot collect the amount of its water consumption as its property fee covers water consumption fee. Hongkong office and Guangzhou office calculate the water consumption based on the estimation that one person consumes 1.5 m^3 of water every month.

9 The amount of water consumption in 2020 was revised as 360 m^3 and it only covers the amount of water consumption of Hongkong office, based on the estimation that one person consumes 1.5 m^3 of water every month.



Appendix 2 The List of Laws and Regulations

The laws and regulations that have a significant impact on the Group's business operations in Mainland China and Hong Kong are as follows:

ESG Aspects	Laws and Regulations		Compliance Status
	Mainland China	**Hong Kong**	
Environmental	*Environmental Protection Law of the People's Republic of China* *Environmental Impact Assessment Law of the People's Republic of China* *Environmental Protection Tax Law of the People's Republic of China* *Implementing Regulations on the Environmental Protection Tax Law of the People's Republic of China* *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* *Water Pollution Prevention and Control Law of the People's Republic of China* *Solid Waste Prevention and Control Law of the People's Republic of China*	Cap.311 *Air Pollution Control Ordinance* Cap.354 *Waste Disposal Ordinance*	During the Reporting Year, the Group did not experience any violation of laws and regulations relating to the Group's air emissions and GHG emissions, discharges into to water and land, waste generation and disposal that had a significant impact on the Group.

ESG Aspects	Laws and Regulations		Compliance Status
	Mainland China	**Hong Kong**	
Employment and Labour Standards	*Labour Law of the People's Republic of China* *Labour Contract Law of the People's Republic of China* *Social Insurance Law of the People's Republic of China* *Minors Protection Law of the People's Republic of China* *Provisions on the Prohibition of Using Child Labour*	Cap. 57 *Employment Ordinance* Cap. 480 *Sex Discrimination Ordinance* Cap. 487 *Disability Discrimination Ordinance* Cap. 602 *Race Discrimination Ordinance*	During the Reporting Year, the Group did not receive any information about laws and regulations that had a significant impact on the Group and are related to employment, employment of child labour, and forced labour.
Work Health and Safety	*Occupational Diseases Prevention and Treatment Law of the People's Republic of China* *Fire Control Law of the People's Republic of China*	Cap. 509 *Occupational Safety and Health Ordinance* Cap. 282 *Employees' Compensation Ordinance*	During the Reporting Year, the Group did not receive any complaints about occupational health and safety that had a significant impact on the Group.

ESG Aspects	Laws and Regulations: Mainland China	Laws and Regulations: Hong Kong	Compliance Status
Product Responsibility	*Patent Law of the People's Republic of China* *Trademark Law of the People's Republic of China* *Law of the People's Republic of China on the Protection of Intellectual Property Rights*	Cap. 362 *Trade Descriptions Ordinance* Cap. 486 *Personal Data (Privacy) Ordinance* Cap. 559 *Trademarks Ordinance* Cap. 571 *Securities and Futures Ordinance*	During the Reporting Year, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, which cover product and service information and labelling, privacy, marketing communications (including advertising, promotion and sponsorship), and property rights (including intellectual property rights) that had a significant impact on the Group.
Anti-corruption	*Anti-Money Laundering Law of the People's Republic of China* *Interim Provisions on Banning Commercial Bribery*	Cap. 201 *Prevention of Bribery Ordinance* Cap. 204 *Independent Commission Against Corruption Ordinance* Cap. 571 *Securities and Futures Ordinance* Cap. 615 *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* Cap. 622 *Companies Ordinance*	During the Reporting Year, the Group did not receive any laws and regulations relating to the prevention of bribery, extortion, fraud, and money laundering, and did not receive any cases relating to internal employees involved in bribery, extortion, and money laundering.

Appendix 3 Content Index

Provisions, Subject Areas, Aspects, General Disclosures and KPIs	Disclosure		Chapter
	Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.		"Our Governance"
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:	Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.	"About This Report"
		Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.	"About This Report"
		Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	"About This Report"
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.		"About This Report"

Provisions, Subject Areas, Aspects, General Disclosures and KPIs Disclosure			Chapter
		"Comply or explain" Provisions	
A. Environmental			
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		"Our Environment"
	KPI A1.1	The types of emissions and respective emissions data.	"Performance of 2021"
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Performance of 2021"
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Performance of 2021"
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Performance of 2021"
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Not Applicable[10]
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	"Green Office" [10]

Provisions, Subject Areas, Aspects, General Disclosures and KPIs			
	Disclosure		Chapter
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		"Green Office"
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	"Performance of 2021"
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	"Performance of 2021"
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Not Applicable[10]
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	"Green Office"[10]
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable[11]

10 The main operation sites of the Group are offices which have low impacts on the environment and low dependency of natural resources. In addition, through materiality assessment, "air emission", "waste generation", "greenhouse gas emission", "use of energy", "use of water resources" were identified as non-material issues. Therefore, the Group has not set up targets of emissions and resource use and may consider set up relevant targets in the future.

11 The major business activities of the Group are leasing services, ship brokerage services and loan services of which the business process, the use of packaging materials for finished products are not involved. Therefore, the indicator is not applicable.

Provisions, Subject Areas, Aspects, General Disclosures and KPIs			
	Disclosure		Chapter
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		Not Applicable[12]
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		Response to "Dual Carbon" Strategy, "Green Office"
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

12 As the Group focuses on the leasing business of vessel and marine equipment, the main operating activities involve clerical work and business meetings at the office, so its impacts on the environment and natural capital are limited.

Provisions, Subject Areas, Aspects, General Disclosures and KPIs

	Disclosure	Chapter
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	"Our Employees"
	KPI B1.1 Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	"Performance of 2021"
	KPI B1.2 Employee turnover rate by gender, age group and geographical region.	"Performance of 2021"
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	"Our Employees"
	KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	"Performance of 2021"
	KPI B2.2 Lost days due to work injury.	"Performance of 2021"
	KPI B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	"Protecting Health and Safety"

Provisions, Subject Areas, Aspects, General Disclosures and KPIs	Disclosure		Chapter
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		"Talent Development and Training"
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	"Performance of 2021"
	KPI B3.2	The average training hours completed per employee by gender and employee category.	"Performance of 2021"
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		"Our Employees"
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	"Employment Policy and Protecting Employees' Rights"
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

Provisions, Subject Areas, Aspects, General Disclosures and KPIs	Disclosure		Chapter
Operating Practices			
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.		"Our Operations"
	KPI B5.1	Number of suppliers by geographical region.	"Performance of 2021"
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	"Supply Chain Management"
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	"Supply Chain Management"
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	"Supply Chain Management"

Provisions, Subject Areas, Aspects, General Disclosures and KPIs	Disclosure		Chapter
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		"Our Operations"[13]
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable[13]
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	"Information and Customer Privacy Protection"
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
	KPI B6.4	Description of quality assurance process and recall procedures.	Not Applicable[13]
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	"Information and Customer Privacy Protection"

13 The Group understands the importance of publicity for the benefit of companies. However, the Group's current business strategy does not rely on advertising for publicity. The Group's main business is the provision of financial services and does not involve any health and safety issues related to the services, does not involve the issues of quality assurance and product recalls, intellectual property rights and customer complaints. As there are no actual product sales in the Group's direct operations, no matters related to product labeling are involved.

Provisions, Subject Areas, Aspects, General Disclosures and KPIs

	Disclosure		Chapter
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		"Our Operations"
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	"Work with Integrity"
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	"Work with Integrity"
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	"Work with Integrity"
Community			
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		"Community Investment"
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	"Community Investment"
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	"Community Investment"

Independent auditor's report

Grant Thornton
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To the members of CSSC (Hong Kong) Shipping Company Limited
(incorporated in the Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of CSSC (Hong Kong) Shipping Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 135 to 236, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter

Lease arrangements

Refer to notes 2.14 and 4 to the consolidated financial statements.

Management assessed the classification of leases in accordance with Hong Kong Financial Reporting Standard 16 "Leases",.

The Group has entered into certain agreements whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased vessels to the lessees/borrowers. The Group has excluded the vessels from its consolidated statements of financial position once which was classified as finance lease and has instead, recognised finance lease receivables. Otherwise the Group includes the vessels under operating lease in property, plant and equipment.

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease which involves critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets, the incremental borrowing rate in the calculation of the present value of minimum lease payments and whether the purchase option will be exercised.

Due to the significance of management's judgments and estimates applied in assessing the classification of leases, we considered this as a key audit matter.

How the matter was addressed in our audit

We performed the following procedures to assess management's classification of leases:

- examined the lease agreements and discussed with management the key terms in order to identify any inconsistency from our understanding;
- performed the following procedures for the appropriateness of the judgments made by management in the determination of lease classification on a sample basis:
  - – assessed the impact of the agreed terms in the lease agreements on the classification;
  - – tested the mathematical accuracy of the present value of minimum lease payment calculation and the verified relevant input data (i.e. lease terms, lease payments and lease period) to the agreements;
  - – assessed the reasonableness of the incremental borrowing rate of the respective lease arrangement;
  - – evaluated the appropriateness of the economic lives and the fair value of leased assets with reference to similar types of assets in the market; and
  - – Assessed the existence of the purchase option under the lease arrangement by checking to the lease agreements and possibility of lessees/borrowers to exercise such option by comparing the rate to exercise to the current market rate.

Key Audit Matter	How the matter was addressed in our audit

Impairment of loan and lease receivables

Refer to notes 2.8, 3.2(i), 4 and 17 to the consolidated financial statements.

As at 31 December 2021, the net carrying amounts of the Group's loan and lease receivables amounted to approximately HK$22,472,158,000, in which provision for impairment loss of approximately HK$485,863,000 were recorded.

The balances of provision for impairment on loan and lease receivables represent the management's best estimates at the reporting date of the expected credit losses ("**ECL**") under Hong Kong Financial Reporting Standard 9 "Financial Instruments".

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period, and the ECL was calculated and provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition. For loan and lease receivables classified into stage 1, the ECL is measured on a 12-month basis. For loan and lease receivables classified into stages 2 and 3, the ECL is measured on a lifetime basis.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default ("**PD**"), Exposure at Default ("**EAD**") and Loss Given Default ("**LGD**").

The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting periods, primarily including the following:

(1) Consideration on whether the loan and lease receivables have experienced a significant increase in credit risk

(2) Identification of default and credit-impaired assets

We performed the following procedures to assess the impairment of loan and lease receivables prepared by management:

- We evaluated and tested the relevant controls, including those over the timely identification of impairment indicators and the calculation of provision for impairment on loan and lease receivables.
- We selected samples, in consideration of the financial information and non-financial information of the lessees/borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of receivables with significant increase in credit risk since initial recognition and credit-impaired loan and lease receivables.
- We reviewed the methodologies for ECL for impairment assessment and assessed the reasonableness of significant judgments and assumptions including, inputs, assumptions and estimation techniques. We tested whether or not the measurement methods reflect the methodologies documented by management.
- We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness.
- For loan and lease receivables in stages 2 and 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of the lessees/borrowers and other available information together with discount rates in supporting the computation of the provision for impairment.
- We reviewed the management's analysis for forward-looking information using forecasted economic growth rate, assessed the reasonableness and performed sensitivity analysis on possible scenarios with the assistance of independent valuer.

Key Audit Matter	How the matter was addressed in our audit
Impairment of loan and lease receivables *(Continued)* (3) Inputs, assumptions and estimation techniques in measuring ECL (i.e. PD, EAD, LGD) (4) Forward-looking information incorporated in the ECL (i.e. forecasted economic growth rates which reflect the general economic conditions of the industry in which the lessees/borrowers operate) Due to the significance of management's judgment and estimates applied in assessing the amount of ECL at the reporting date, we considered this as a key audit matter.	

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors 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 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 directors assisted by the Audit Committee are 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, in accordance with section 405 of the Companies Ordinance 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 skepticism 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.

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.

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11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

25 March 2022

Lam Yau Hing
Practising Certificate No.: P06622

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**2,470,020**	1,861,565
Other income	6	**72,996**	113,118
Other gains, net		**31,756**	114,849
Expenses			
Finance costs and bank charges	7	**(487,927)**	(578,536)
Reversal of impairment of loan and lease receivables, net	17	**20,887**	23,657
Depreciation		**(369,230)**	(272,869)
Employee benefits expenses	10	**(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	8	**1,359,849**	1,025,784
Share of results of joint ventures	15	**42,213**	112,699
Share of results of associates	16	**(668)**	(10,315)
Profit before income tax		**1,401,394**	1,128,168
Income tax expense	9	**(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$)			
Basic and diluted	12	**0.220**	0.181

The notes on pages 142 to 236 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**1,387,642**	1,113,806
Other comprehensive income/(expense) including reclassification adjustments for the year		
Items that will be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**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 adjustment from hedging reserve 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/(expense) 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

	Notes	2021 HK$'000	2020 HK$'000
ASSETS			
Property, plant and equipment	13	**14,353,838**	10,035,106
Right-of-use assets	14	**36,708**	32,964
Interests in joint ventures	15	**586,954**	483,480
Interests in associates	16	**70,294**	49,784
Loan and lease receivables	17	**22,472,158**	15,061,334
Derivative financial assets	18	**104,647**	10,306
Prepayments, deposits and other receivables	19	**148,146**	394,569
Financial assets at fair value through profit or loss	20	**790,174**	904,671
Financial assets at fair value through other comprehensive income	21	**375,564**	726,258
Deferred tax assets	28	**1,680**	–
Amounts due from associates	22	**24,674**	25,320
Amounts due from fellow subsidiaries	22	**3,050**	3,024
Amounts due from joint ventures	22	**100,520**	26,871
Structured bank deposits	23	**61,165**	467,443
Time deposits with maturity over three months	23	**127,431**	129,244
Cash and cash equivalents	23	**1,427,683**	2,180,280
Asset held for sale	24	**198,549**	–
Total assets		**40,883,235**	30,530,654
LIABILITIES			
Income tax payables		**40,089**	32,386
Borrowings	25	**29,798,461**	20,515,990
Derivative financial liabilities	18	**114,774**	263,958
Amounts due to fellow subsidiaries	22	**17,465**	17,490
Amount due to a joint venture	22	**259,216**	71,732
Amount due to a non-controlling interest	22	**88,066**	87,497
Other payables and accruals	26	**422,114**	517,017
Lease liabilities	27	**38,584**	33,647
Total liabilities		**30,778,769**	21,539,717
Net assets		**10,104,466**	8,990,937

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
EQUITY			
Share capital	29	**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

The consolidated financial statements on pages 135 to 236 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf.

ZHONG JIAN
Director

SHING MO HAN YVONNE
Director

The notes on pages 142 to 236 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									
	Share capital HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2021	**6,614,466**	**24,424**	**(169,868)**	**11,051**	**–**	**(64,338)**	**2,531,607**	**8,947,342**	**43,595**	**8,990,937**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,351,626**	**1,351,626**	**36,016**	**1,387,642**
Other comprehensive income/ (expense) for the year	**–**	**2,503**	**170,859**	**11,818**	**–**	**82,269**	**–**	**267,449**	**349**	**267,798**
Total comprehensive income for the year	**–**	**2,503**	**170,859**	**11,818**	**–**	**82,269**	**1,351,626**	**1,619,075**	**36,365**	**1,655,440**
Appropriations to statutory surplus reserve	**–**	**–**	**–**	**1,076**	**–**	**–**	**(1,076)**	**–**	**–**	**–**
Disposal of equity investments at fair value through other comprehensive income (non-recycling)	**–**	**(17,307)**	**–**	**–**	**–**	**–**	**17,307**	**–**	**–**	**–**
Transactions with equity holders – Dividends (note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**(552,246)**	**(552,246)**	**–**	**(552,246)**
Equity settled share-based payments	**–**	**–**	**–**	**–**	**10,335**	**–**	**–**	**10,335**	**–**	**10,335**
At 31 December 2021	**6,614,466**	**9,620**	**991**	**23,945**	**10,335**	**17,931**	**3,347,218**	**10,024,506**	**79,960**	**10,104,466**
At 1 January 2020	6,614,466	10,218	(67,055)	11,051	–	(71,896)	1,913,974	8,410,758	38,486	8,449,244
Profit for the year	–	–	–	–	–	–	1,108,518	1,108,518	5,288	1,113,806
Other comprehensive income/ (expense) for the year	–	14,206	(102,813)	–	–	7,558	–	(81,049)	(179)	(81,228)
Total comprehensive income for the year	–	14,206	(102,813)	–	–	7,558	1,108,518	1,027,469	5,109	1,032,578
Transactions with equity holders: – Dividends (note 37)	–	–	–	–	–	–	(490,885)	(490,885)	–	(490,885)
At 31 December 2020	6,614,466	24,424	(169,868)	11,051	–	(64,338)	2,531,607	8,947,342	43,595	8,990,937

The notes on pages 142 to 236 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	32.1	**(4,558,260)**	1,236,730
Interest received		**67,515**	74,778
Interest paid		**(516,372)**	(653,238)
Income tax paid		**(12,296)**	(4,114)
Net cash (used in)/generated from operating activities		**(5,019,413)**	654,156
Cash flows from investing activities			
Investment in joint ventures		**(45,870)**	(160,416)
Investment in associates		**(19,555)**	(22,498)
Decrease in time deposits with maturity over three months		**2,643**	41,340
Decrease/(Increase) in structured bank deposits		**415,794**	(106,126)
Payment of purchase of vessels and property, plant and equipment		**(5,362,166)**	(1,461,063)
Increase in portfolio investment at fair value through profit or loss/fair value through other comprehensive income		**–**	(1,374,458)
Dividend received from financial assets at fair value through other comprehensive income		**14,142**	29,744
Proceeds from disposal of property, plant and equipment		**298,360**	184,789
Proceeds from disposal of asset held for sale		**–**	68,254
Proceeds from disposal of financial assets at fair value through other comprehensive income		**356,537**	332,891
Proceeds from disposal of financial assets at fair value through profit or loss		**93,278**	279,310
Payment for disposal of derivative financial instruments		**(27,897)**	–
(Increase)/Decrease in loan to joint ventures		**(128,980)**	142,711
Decrease/(Increase) in amounts due from associates		**181**	(1,468)
Increase in amount due from joint ventures		**(73,189)**	(22,127)
Increase in amounts due from fellow subsidiaries		**(7)**	(2,806)
Net cash used in investing activities		**(4,476,729)**	(2,071,923)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from financing activities			
Proceeds from issuance of guaranteed bonds	32.2	**3,886,600**	6,204,880
Proceeds from borrowings	32.2	**10,920,470**	8,367,901
Repayment of borrowings	32.2	**(5,697,280)**	(12,344,582)
Payment of lease liabilities	32.2	**(12,754)**	(8,997)
Dividends paid		**(552,246)**	(490,885)
Advances from joint ventures during the year		**186,292**	508
Repayment to related companies during the year		**–**	(24,440)
Advances from fellow subsidiaries during the year		**–**	950
Repayment to fellow subsidiaries during the year		**(138)**	(3,543)
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 1 January		**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 31 December	23	**1,427,683**	2,180,280

The notes on pages 142 to 236 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General information

CSSC (Hong Kong) Shipping Company Limited (the "**Company**") is a limited liability company incorporated in Hong Kong. The registered office and its principal place of business is located at Room 1801, 18th Floor, Worldwide House, No. 19 Des Voeux Road Central, Central, Hong Kong. Shares of the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**The Stock Exchange**") on 17 June 2019.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of leasing business, ship brokerage services and financing business.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 March 2022.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated and the adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.1.

2.1 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 the requirements of the Companies Ordinance Cap. 622 and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange. The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities as specified below which are stated at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Amended HKFRSs that are effective for annual period beginning on 1 January 2021

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA which are relevant to the Group's operation and effective for the consolidated financial statements for the period beginning on 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.

2. Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

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 statements 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.

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 HKFRS Standards 2018-2020[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.

2. Summary of significant accounting policies *(Continued)*

2.2 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries 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 fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

Associates

Associates are all entities over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investees but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

Joint ventures

Interests in joint ventures are accounted for using the equity method of accounting (see below), after initially being recognised at cost in the consolidated statement of financial position.

2. Summary of significant accounting policies *(Continued)*

2.2 Principles of consolidation and equity accounting *(Continued)*

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.7.

2.3 Separate financial statements

On the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period 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.

2. Summary of significant accounting policies *(Continued)*

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("**CODM**").

The board of directors has appointed executive directors of the Company as the CODM to assess the financial performance and position of the Group, make strategic decisions and corporate planning.

2.5 Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "**functional currency**"). United States dollars ("**US$**") is the functional currency of the Company and its major subsidiaries. The financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Group's presentation currency.

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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within finance costs. All other foreign exchange gains and losses are presented in profit or loss on a net basis within other income and other gains/(losses), net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2. Summary of significant accounting policies *(Continued)*

2.5 Foreign currency translation *(Continued)*

Group companies

The results and financial position of foreign operations (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:

- assets and liabilities for each reporting date presented are translated at the closing rate at the reporting date;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this 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

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.6 Property, plant and equipment

Construction in progress

Construction in progress represents vessel under construction which is carried at cost less any accumulated impairment losses. Construction in progress includes construction expenditure incurred, borrowing costs and other direct costs attributable to the construction. On completion, the construction in progress is transferred to vessel. No depreciation is provided for construction in progress.

Other property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2. Summary of significant accounting policies *(Continued)*

2.6 Property, plant and equipment *(Continued)*

Other property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Vessels	30 years
Motor vehicles	5 years
Office equipment	3 years
Leasehold improvements	Over the lease term

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2. Summary of significant accounting policies *(Continued)*

2.7 Impairment of non-financial assets

Goodwill that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

Classification

The Group classifies its financial assets into 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 amortised cost.

The classification depends on the 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 debt instruments, this will depend on the business model in which the investment is held. 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 fair value through other comprehensive income ("**FVOCI**").

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

2. Summary of significant accounting policies *(Continued)*

2.8 Investments and other financial assets *(Continued)*

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised 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.

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss 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.

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:

- Amortised 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 amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

2. Summary of significant accounting policies *(Continued)*

2.8 Investments and other financial assets *(Continued)*

Debt instruments *(Continued)*

- 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 consolidated statement of comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in consolidated statement of comprehensive income is reclassified from equity to profit or loss.

- Fair value at profit or loss ("**FVTPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses), net 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 consolidated income statement and consolidated statement of 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 recognised 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 FVTPL are recognised in other gains/(losses), net in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on debt investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

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

For loan and lease receivables, the Group applies the general approach permitted by HKFRS 9 "Financial Instruments", which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.2(i) and 17 for further details.

2. Summary of significant accounting policies *(Continued)*

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.10 Derivatives and hedging activities

Derivatives are initially recognised 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 recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or

At the inception of the hedging, the Group documents the economic 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 hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 18. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

2. Summary of significant accounting policies *(Continued)*

2.10 Derivatives and hedging activities *(Continued)*

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging is recognised in the hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income, other gains/(losses), net.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedging no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income, other gains/(losses), net.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash at bank and on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Summary of significant accounting policies *(Continued)*

2.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the contract of services transferred to customer, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Finance lease income – refer to note 2.14(i).

Operating lease income – refer to note 2.14(ii).

Interest income – recognised using the effective interest method, refer to note 2.26.

Dividend income – recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Commission income – recognised in the accounting period in which the actual shipbroking services provided to the shipbuilding company. The Group considers the revenue will be highly probable that will not be subsequently reversed, which normally when the Group successfully facilitates the conclusion of shipbuilding transaction and when it is highly probable that there will be no default in the transaction. Commission income from the charterer would be recognised over the period of related lease.

2.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated income statement.

2.14 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

2. Summary of significant accounting policies *(Continued)*

2.14 Leases *(Continued)*

As a lessee

Leases are recognised 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.

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 has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2. Summary of significant accounting policies *(Continued)*

2.14 Leases *(Continued)*

As a lessee *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions and credit rating of the Group since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

- makes adjustments specific to the lease, e.g. value of right-of-use assets, term, country, currency and value of security.

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.

As a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(i) *Finance lease*

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease payments receivable by the Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) their present value (presented in the consolidated statement of financial position as finance lease receivables-net under loan and lease receivables) is recognised as unearned finance income. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

2. Summary of significant accounting policies *(Continued)*

2.14 Leases *(Continued)*

As a lessor *(Continued)*

(i) Finance lease (Continued)

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the commencement of the lease; any increase or decrease in lease payments that result from subsequent changes on floating interest rate is recorded as an increase or a decrease in finance lease income in the period of the interest rate change.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

(ii) Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in property, plant and equipment, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms.

2.15 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.

2.16 Other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Amounts due to fellow subsidiaries, a joint venture and a non-controlling interest

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of significant accounting policies *(Continued)*

2.18 Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised 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 recognised 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 drawdown 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 capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

2. Summary of significant accounting policies *(Continued)*

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries or jurisdiction where the Company's subsidiaries 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

Deferred income tax is provided 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 income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. Summary of significant accounting policies *(Continued)*

2.21 Current and deferred income tax *(Continued)*

Deferred income tax *(Continued)*

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences 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 and liabilities and when the deferred tax balances relate to the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred income tax asset is recognised for unclaimed tax credits that are carried forward as deferred income tax assets.

2.22 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the consolidated statement of financial positions.

2. Summary of significant accounting policies *(Continued)*

2.22 Employee benefits *(Continued)*

Pension obligations

The Group participated the Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and who are eligible to participate in the MPF Scheme.

The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee–administered funds. The Group has no further payment obligations once the contribution has been paid. The Group's contributions to the scheme are recognised as employee benefit expenses when they are due. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The Group's PRC subsidiaries participates in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contributes to these plans based on a certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities.

The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "share option reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

2. Summary of significant accounting policies *(Continued)*

2.22 Employee benefits *(Continued)*

Share-based employee compensation *(Continued)*

At the time when the share options are exercised, the amount previously recognised in "share option reserve" will be transferred to "share capital". After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in "share option reserve" will be transferred to "retained profits".

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 "Provisions, Contingent liabilities and Contingent Assets" and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.23 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2. Summary of significant accounting policies *(Continued)*

2.23 Earnings per share *(Continued)*

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Dividend income

Dividends are received from financial assets measured at FVTPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.26 Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised 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, see note 6 below. 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 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).

2. Summary of significant accounting policies *(Continued)*

2.27 Financial guarantee contracts

Financial guarantee contracts are recognised 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 ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised 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 are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.28 Asset held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition.

Asset are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

2. Summary of significant accounting policies *(Continued)*

2.29 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. Financial risk management

3.1. Financial instruments by category

Financial assets as at 31 December 2021	Amortised cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Derivative financial assets	–	104,647	–	104,647
Financial assets at fair value through profit or loss	–	790,174	–	790,174
Financial assets at fair value through other comprehensive income	–	–	375,564	375,564
Loan and lease receivables	22,472,158	–	–	22,472,158
Other receivables (excluding prepayments)	21,127	–	–	21,127
Amounts due from associates	24,674	–	–	24,674
Amounts due from fellow subsidiaries	3,050	–	–	3,050
Amounts due from joint ventures	100,520	–	–	100,520
Time deposits with maturity over three months	127,431	–	–	127,431
Cash and cash equivalents	1,427,683	–	–	1,427,683
Structured bank deposits	–	61,165	–	61,165
Total	24,176,643	955,986	375,564	25,508,193

3. Financial risk management *(Continued)*

3.1. Financial instruments by category *(Continued)*

Financial assets as at 31 December 2020	Amortised at cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Derivative financial assets	–	10,306	–	10,306
Financial assets at fair value through profit or loss	–	904,671	–	904,671
Financial assets at fair value through other comprehensive income	–	–	726,258	726,258
Loan and lease receivables	15,061,334	–	–	15,061,334
Other receivables (excluding prepayments)	30,510	–	–	30,510
Amounts due from associates	25,320	–	–	25,320
Amounts due from fellow subsidiaries	3,024	–	–	3,024
Amounts due from joint ventures	26,871	–	–	26,871
Time deposits with maturity over three months	129,244	–	–	129,244
Cash and cash equivalents	2,180,280	–	–	2,180,280
Structured bank deposits	–	467,443	–	467,443
Total	17,456,583	1,382,420	726,258	19,565,261

Financial liabilities as at 31 December 2021	**Financial liabilities at amortised cost HK$'000**	**Financial liabilities at fair value through profit or loss HK$'000**	**Total HK$'000**
Borrowings	**29,798,461**	**–**	**29,798,461**
Other payables and accruals (excluding deposits received)	**57,064**	**–**	**57,064**
Amount due to a non-controlling interest	**88,066**	**–**	**88,066**
Amount due to a joint venture	**259,216**	**–**	**259,216**
Amounts due to fellow subsidiaries	**17,465**	**–**	**17,465**
Derivative financial liabilities	**–**	**114,774**	**114,774**
Lease liabilities	**38,584**	**–**	**38,584**
Total	**30,258,856**	**114,774**	**30,373,630**

3. Financial risk management *(Continued)*

3.1. Financial instruments by category *(Continued)*

Financial liabilities as at 31 December 2020	Financial liabilities at amortised cost HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
Borrowings	20,515,990	–	20,515,990
Other payables and accruals (excluding deposits received)	82,739	–	82,739
Amount due to a non-controlling interest	87,497	–	87,497
Amount due to a joint venture	71,732	–	71,732
Amounts due to fellow subsidiaries	17,490	–	17,490
Derivative financial liabilities	–	263,958	263,958
Lease liabilities	33,647	–	33,647
Total	20,809,095	263,958	21,073,053

3.2 Financial risk factors

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to risks and the financial risk management policies and practises used by the Group to manage these risks are described below.

(i) Credit risk

The Group's credit risk are primarily attributable to financial instruments, loan and lease receivables, deposits and other receivables, amounts due from joint ventures, fellow subsidiaries and associates, time deposits, structured bank deposits, financial assets at FVOCI – debt instruments, and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In this respect, management considers the credit risk is significantly reduced.

The amounts due from the fellow subsidiaries, joint ventures, and associates are considered by management to be fully recoverable.

The credit risk on cash and cash equivalents, structured bank deposits and time deposits are placed in reputable financial institutions with sound credit ratings assigned by international credit rating agencies.

For deposits and other receivables and financial assets at FVOCI – debt instruments, management makes periodic collective assessments as well as individual assessment on the recoverability with no significant credit risk identified.

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

The Group also issued financial guarantees to banks for borrowings of its joint ventures. These guarantees are subject to ECL under the HKFRS 9. The Group assessed those joint ventures have strong financial capacity to meet the contractual cash flow obligation in the near future and hence, does not expect significant credit losses arising from these guarantees.

Impairment allowance policies for loan and lease receivables

The Group applies ECL model for impairment assessment and considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. No significant credit risk is conscious for the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third–party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the counter party, including changes in the payment status of borrower in the Group and changes in the operating results of the counter party

To manage risk arising from loan and lease receivables, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrowers. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviours.

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Impairment allowance policies for loan and lease receivables (Continued)

In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in market conditions, expected cash flows and passage of time.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default ("**PD**"), Exposure at Default ("**EAD**") and Loss Given Default ("**LGD**"). This is consistent with the general approach used for the purposes of measuring ECL under HKFRS 9.

ECL model for loan and lease receivables, as summarised below:

- The ECL was calculated and provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition.

- The loan and lease receivables that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to "Stage 3". The ECL is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Impairment allowance policies for loan and lease receivables (Continued)

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(1) Consideration on whether the loan and lease receivables to have experienced a significant increase in credit risk

The Group considers whether the loan and lease receivables to have experienced a significant increase in credit risk when backstop criteria have been met. A backstop is applied and the loan and lease receivables considered to have experienced a significant increase in credit risk if the borrower is past due on its contractual payments.

(2) Identification of default and credit-impaired assets

The Group identifies a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan and lease receivables held by the Group.

(3) Inputs, assumptions and estimation techniques in measuring ECL

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL are the discounted product of the PD, EAD, and LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each portfolio. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summarised. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and ECL. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Provision for impairment

The provision for impairment recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to loan and lease receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional provisions for new financial instruments recognised, as well as releases for loan and lease receivables derecognised in the period;
- Loan and lease receivables derecognised and write-offs of provisions related to assets that were written off during the period.

The following tables explain the changes in the provision for impairment of loan and lease receivables between the beginning and the end of the year:

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Provision for impairment of loan and lease receivables as at 1 January 2021	**39,938**	**192,132**	**271,495**	**503,565**
Transfer from stage 1 to stage 2	**(3,886)**	**3,886**	**–**	**–**
Transfer from stage 2 to stage 1	**8,089**	**(8,089)**	**–**	**–**
Loan and lease receivables originated/ (reversal) during the year	**47,021**	**(26,184)**	**(41,724)**	**(20,887)**
Exchange rate realignment	**459**	**1,123**	**1,603**	**3,185**
Provision for impairment of loan and lease receivables as at 31 December 2021	**91,621**	**162,868**	**231,374**	**485,863**
Provision for impairment of loan and lease receivables as at 1 January 2020	37,121	228,389	261,712	527,222
Transfer from stage 1 to stage 2	(15,679)	39,548	–	23,869
Transfer from stage 2 to stage 1	12,716	(142,001)	–	(129,285)
Loan and lease receivables originated during the year	5,780	66,196	9,783	81,759
Provision for impairment of loan and lease receivables as at 31 December 2020	39,938	192,132	271,495	503,565

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

***(i) Credit risk** (Continued)*

Provision for impairment (Continued)

The gross carrying amount of the loan and lease receivables explains the significance to the changes is the provision above.

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and lease receivables as at 1 January 2021	**13,187,769**	**2,105,635**	**271,495**	**15,564,899**
Transfer from stage 1 to stage 2	**(866,329)**	**866,329**	**–**	**–**
Transfer from stage 2 to stage 1	**606,308**	**(606,308)**	**–**	**–**
Loan and lease receivables originated/ (derecognised) during the year other than write-off	**7,804,282**	**(514,956)**	**(41,099)**	**7,248,227**
Exchange rate realignment	**122,451**	**13,907**	**8,537**	**144,895**
Loan and lease receivables as at 31 December 2021	**20,854,481**	**1,864,607**	**238,933**	**22,958,021**
Loan and lease receivables as at 1 January 2020	11,872,063	2,822,695	877,266	15,572,024
Transfer from stage 1 to stage 2	(600,621)	600,621	–	–
Transfer from stage 2 to stage 1	1,461,103	(1,461,103)	–	–
Loan and lease receivables originated/ (derecognised) during the year other than write-off	455,224	143,422	(605,771)	(7,125)
Loan and lease receivables as at 31 December 2020	13,187,769	2,105,635	271,495	15,564,899

Write-off policy

The Group writes off loan and lease receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write-off loan and lease receivables that are still subject to enforcement activity.

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Modification

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. The Group considers the impact from such modification is not significant.

(ii) Liquidity risk

The Group is responsible for its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial assets and liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

Financial assets

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
As at 31 December 2021						
Derivative financial instruments	**104,647**	**–**	**–**	**–**	**104,647**	**104,647**
Financial assets at fair value through profit or loss and other comprehensive income	**1,165,738**	**–**	**–**	**–**	**1,165,738**	**1,165,738**
Loan and lease receivables	**3,752,814**	**2,959,418**	**8,778,937**	**11,802,612**	**27,293,781**	**22,472,158**
Other receivables (excluding prepayments)	**21,127**	**–**	**–**	**–**	**21,127**	**21,127**
Amounts due from associates, joint ventures and fellow subsidiaries	**128,244**	**–**	**–**	**–**	**128,244**	**128,244**
Cash and cash equivalents and time deposits with maturity over three months	**1,555,114**	**–**	**–**	**–**	**1,555,114**	**1,555,114**
Structured bank deposits	**61,165**	**–**	**–**	**–**	**61,165**	**61,165**
	6,788,849	**2,959,418**	**8,778,937**	**11,802,612**	**30,329,816**	**25,508,193**
As at 31 December 2020						
Derivative financial instruments	10,306	–	–	–	10,306	10,306
Financial assets at fair value through profit or loss and other comprehensive income	1,630,929	–	–	–	1,630,929	1,630,929
Loan and lease receivables	4,527,888	1,447,317	4,422,125	7,698,535	18,095,865	15,061,334
Other receivables (excluding prepayments)	30,510	–	–	–	30,510	30,510
Amounts due from associates, joint ventures and fellow subsidiaries	55,215	–	–	–	55,215	55,215
Cash and cash equivalents and time deposits with maturity over three months	2,309,524	–	–	–	2,309,524	2,309,524
Structured bank deposits	467,443	–	–	–	467,443	467,443
	9,031,815	1,447,317	4,422,125	7,698,535	22,599,792	19,565,261

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

Financial liabilities

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
As at 31 December 2021						
Other payables and accruals (excluding deposits received)	57,064	–	–	–	57,064	57,064
Amounts due to a non-controlling interest, a joint venture and fellow subsidiaries	364,747	–	–	–	364,747	364,747
Borrowings	11,611,492	1,537,522	11,381,170	7,753,879	32,284,063	29,798,461
Derivative financial instruments	114,774	–	–	–	114,774	114,774
Lease liabilities	15,270	14,061	10,990	–	40,321	38,584
	12,163,347	1,551,583	11,392,160	7,753,879	32,860,969	30,373,630
Financial guarantees issued						
Maximum amount guaranteed	4,388,439	–	–	–	4,388,439	–
As at 31 December 2020						
Other payables and accruals (excluding deposits received)	82,739	–	–	–	82,739	82,739
Amounts due to a non-controlling interest, a joint venture and fellow subsidiaries	176,719	–	–	–	176,719	176,719
Borrowings	8,755,918	1,142,544	6,456,522	6,081,506	22,436,490	20,515,990
Derivative financial instruments	263,958	–	–	–	263,958	263,958
Lease liabilities	9,755	9,755	15,769	–	35,279	33,647
	9,289,089	1,152,299	6,472,291	6,081,506	22,995,185	21,073,053
Financial guarantees issued						
Maximum amount guaranteed	3,550,796	–	–	–	3,550,796	–

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the directors considered that it was not probable that the borrower of the loan would default the repayment of the loan and therefore no provision for the Group's obligation under the guarantee has been made.

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iii) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises primarily from its loan receivables and bank borrowings with floating interest rate which expose the Group to cash flow interest rate risk. The Group hedges the cash flow volatility risk as the result of the interest rate fluctuation through derivatives such as interest rate swap contracts. The Group switches the floating rate into fixed rate through interest rate swap contract to effectively match the future fixed lease income, and fix the interest spread. The interest rate swap settle at maturity. The Group will settle the difference between the fixed and floating interest rate on a net basis. The Group's hedge relationship between interest rate swaps and the designated hedged items were highly effective.

Interest rate profile

The following table details the interest rate profile of the Group's net variable rate borrowings at the end of the reporting period:

	2021 **HK$'000**	2020 HK$'000
Loan receivables	**21,052,683**	11,931,272
Bank borrowings	**19,604,721**	13,487,888

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iii) Cash flow and fair value interest rate risk *(Continued)*

Instruments used by the Group

Swaps currently in place cover approximately 22% (2020: 35%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 0.72% and 3.00% (2020: 0.72% and 3.00%), and the variable rates of the loans are the 3 month LIBOR rate which, at the end of the reporting period, was 0.21% (2020: 0.24%). The swap contracts require settlement of net interest receivable or payable every 3 months. The settlement dates coincide with or are close with the dates on which interest is payable on the underlying debt. The details and effects of the interest rate swaps on the Group's consolidated financial position and performance are as follows:

	2021 HK$'000	2020 HK$'000
Interest rate swaps designated as cash flow hedges		
Carrying amount	**(16,498)**	(213,803)
Notional amount	**4,334,281**	4,739,410
Hedge ratio	**1:1**	1:1
Weighted average hedged rate for the year	**1.56%**	1.53%
	Year	Year
Maturity date	**2028-2032**	2028-2032

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$12,090,000 (2020: decrease/increase by approximately HK$12,998,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for both years.

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iv) Foreign currency risk

The Group has foreign currency income, expenses and fund remittances, which expose the Group to foreign currency risk. Since the fluctuation of US$ and HK$ is minimal under the Linked Exchanged Rate System, the directors of the Company consider the Group mainly exposes to Euro ("**EUR**"), Singapore dollars ("**SGD**") and Renminbi ("**RMB**"). The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities as at 31 December 2021 and 2020, are as follows:

	As at 31 December 2021			As at 31 December 2020		
	EUR	**SGD**	**RMB**	EUR	SGD	RMB
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Prepayments, deposits and other receivables	**–**	**–**	**9,758**	–	1,977	5,796
Amounts due from associates	**–**	**24,674**	**–**	–	25,320	–
Structured bank deposits	**–**	**–**	**61,165**	–	–	467,443
Cash and cash equivalents	**2,147**	**2,994**	**220,925**	145,436	5,136	128,907
Other payables and accruals	**–**	**(262)**	**(38,930)**	–	(6,707)	(31,734)
Net exposure	**2,147**	**27,406**	**252,918**	145,436	25,726	570,412

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iv) Foreign currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase in the relevant functional currencies against HK$ as at 31 December 2021. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for 5% change in foreign currency rates during the year. A positive/negative number indicates an increase/a decrease in profit for the year where respective functional currencies strengthening 5% as at 31 December 2021. During the year, for a 5% weakening of respective functional currencies against HK$, there would be an equal but opposite impact on the profit for the year.

	2021 **HK$'000**	2020 HK$'000
EUR	**90**	6,072
SGD	**1,144**	1,074
RMB	**10,559**	23,815

3.3 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 equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "bank borrowings" and "guaranteed bonds" as shown in the consolidated statement of financial position).

3. Financial risk management *(Continued)*

3.3 Capital risk management *(Continued)*

The gearing ratios as at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Borrowings	**29,798,461**	20,515,990
Total equity	**10,104,466**	8,990,937
Gearing ratio	**2.9 times**	2.3 times

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the debt to asset ratio must be not more than 80%, and
- the ratio of net finance cost to earnings before interest, tax, depreciation and amortisation ("**EBITDA**") must be not more than 63%.

The Group has complied with these covenants throughout the reporting period.

3.4 Fair value estimation

The different levels of financial instruments carried at fair value 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 not using significant unobservable inputs.
- Inputs for the asset or liability that are not based on observable market data (that is, significant unobservable inputs) (level 3).

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

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

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

Fair value hierarchy

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2021					
Financial assets					
Derivative financial assets	18	**–**	**104,647**	**–**	**104,647**
Financial assets at fair value through profit or loss	20	**–**	**571,676**	**218,498**	**790,174**
Financial assets at fair value through other comprehensive income	21	**375,564**	**–**	**–**	**375,564**
Structured bank deposits	23	**–**	**61,165**	**–**	**61,165**
Total financial assets at fair values		**375,564**	**737,488**	**218,498**	**1,331,550**
Financial liabilities					
Derivative financial liabilities	18	**–**	**114,774**	**–**	**114,774**
At 31 December 2020					
Financial assets					
Derivative financial assets	18	–	10,306	–	10,306
Financial assets at fair value through profit or loss	20	–	687,584	217,087	904,671
Financial assets at fair value through other comprehensive income	21	726,258	–	–	726,258
Structured bank deposits	23	–	467,443	–	467,443
Total financial assets at fair values		726,258	1,165,333	217,087	2,108,678
Financial liabilities					
Derivative financial liabilities	18	–	263,958	–	263,958

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

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

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the unlisted exchangeable note is determined using binomial option pricing model.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Fair value at 31 December			Range of inputs		Relationship of unobservable inputs to fair value
	2021 HK$'000	2020 HK$'000	**Unobservable inputs**	**2021**	2020	
Unlisted exchangeable note	**218,498**	217,087	Discount rate	**12.10%**	11.47%	The higher the discount rate, the lower the fair value
			Expected volatility	**41.50%**	39.82%	The lower the expected volatility, the lower the fair value.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

It is estimated that on the assumption of a movement of 35% and 10% increase and increase of (i) the expected volatility; and/or (ii) the expected rate of return, where applicable, with all other variables held constant, the profit before income tax for the year ended 31 December 2021 would have been decreased by approximately HK$86,000 and HK$4,356,000 respectively and the Group's equity would have been decreased by approximately HK$72,000 and HK$3,637,000 respectively, which are not significant to the financial performance and financial position of the Group.

It is estimated that on the assumption of a movement of 35% and 10% decrease and increase of (i) the expected volatility; and/or (ii) the expected rate of return, where applicable, with all other variables held constant, the profit before income tax for the year ended 31 December 2020 would have been decreased by approximately HK$739,000 and HK$16,820,000 respectively and the Group's equity would have been decreased by approximately HK$617,000 and HK$14,044,000 respectively, which are not significant to the financial performance and financial position of the Group.

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

Valuation processes

The Group has engaged the professional valuer that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This valuer reports directly to the finance department. Discussions of valuation processes and results are held between the finance department and the professional valuer at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by internal credit risk management of Group.

Changes in level 2 and 3 fair values are analysed at the end of each reporting periods during the half-yearly valuation discussion between the CFO and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

There was no transfer among level 1, 2 and 3 during the year.

The carrying values of the Group's financial assets and financial liabilities carried at amortised costs approximate their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

3.5 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2021 and 2020.

4. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgments and estimates, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of leases

The Group has entered into certain agreements whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased vessels to the lessees/borrowers. The Group has excluded the vessels from its consolidated statement of financial position once which was classified as finance lease and has instead, recognised as finance lease receivables. Otherwise the Group includes the vessels under operating lease in property, plant and equipment.

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets and the incremental borrowing rate in the calculation of the present value of minimum lease payments, and whether the purchases option will be exercised. As set out in note 13 and 17.2 to the consolidated financial statements, lease receivables and vessels in property, plant and equipment consist of leasing during 2021 and 2020. As at 31 December 2021, the carrying amount of lease receivables and vessels and construction in progress in property, plant and equipment are HK$13,901,500,000 (2020: HK$6,881,529,000), HK$12,399,080,000 (2020: HK$7,633,004,000) and HK$1,936,812,000 (2020: HK$2,398,736,000).

4. Significant accounting judgments and estimates *(Continued)*

Impairment loss for loan and lease receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period, and the ECL was calculated and provided based on "three-stages" model by referring to the changes in credit quality since initial recognition. For loan and lease receivables classified into stages 1, the ECL is measured on 12-month basis. For loan and lease receivables classified into stages 2 and 3, the ECL is measured on lifetime basis.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using PD, EAD and LGD.

The Group measures the loss allowance for loan and lease receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. 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 without undue cost or effort.

The Group uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting periods, primarily including the following:

(1) Consideration on whether the loan and lease receivables to have experienced a significant increase in credit risk

(2) Identification of default and credit-impaired assets

(3) Inputs, assumptions and estimation techniques in measuring ECL

(4) Forward-looking information incorporated in the ECL models

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2(i) to the consolidated financial statements.

4. Significant accounting judgments and estimates *(Continued)*

Useful lives and residual value of property, plant and equipment

The Group estimates residual values of its vessels by reference to the lightweight tonnes of the vessels and the average demolition steel price of similar vessels in the market.

The Group estimates the useful life of its vessels with reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of property, plant and equipment is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

Income taxes

Significant management judgments on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation of the fair values of financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

Lease term and discount rate determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying asset and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4. Significant accounting judgments and estimates *(Continued)*

Impairment of investments in associates and joint ventures

The Group assesses whether there are any indicators of impairment for investments in associates and joint ventures at the end of each reporting period. Investments in associates and joint ventures are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in associates or joint ventures exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose a discount rate commensurate with the associated risk in order to calculate the present values of those cash flows.

5. Segment information and revenue

The 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 a business perspective: (i) leasing services, (ii) shipbroking services and (iii) loan borrowings.

Leasing services

The Group provide tailored vessel leasing services to the Group's customers with the options of finance lease and operating lease. Finance lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return for periodic lease payments.

Shipbroking Services

Shipbroking services to shipbuilders includes recommending shipbuilders to interested purchasers and advising interested purchasers on vessel types, specifications and capabilities. Shipbroking services to charterers includes advising interested charterers to lease the vessels in form of finance lease and operating lease and advising interested charterers on vessel types, specifications and capabilities.

Loan borrowings

Loan borrowings mainly include pre-delivery loan and secured loan. Pre-delivery loan services are offered as part of leasing services and to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. Secured loan services are offered to customers to satisfy their funding needs and are generally secured by customers' vessels or assets.

5. Segment information and revenue *(Continued)*

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**

	Leasing services HK$'000	Loan borrowings HK$'000	Shipbroking services HK$'000	Total HK$'000
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.

5. Segment information and revenue *(Continued)*

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 **HK$'000**	2020 HK$'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

Information about major customers

Details of revenue from external customers individually contributed over 10% of the Group's revenue during the year are as follows:–

	2021 **HK$'000**	2020 HK$'000
Customer A in the loan borrowings segment	**255,774**	261,885
Customer B in the leasing services segment	**337,813**	329,705
Customer C in the leasing services segment	**413,815**	303,764

6. Other income

Other income recognise during the year are as follows:–

	2021 HK$'000	2020 HK$'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

During the year ended 31 December 2021, the Group received government grants amounting to HK$3,258,000 (2020: HK$3,616,000) from government authorities of the PRC to support the Group's operations.

In addition, during the year ended 31 December 2020, the Group received government grant of HK$700,000 from the Employment Support Scheme ("**ESS**"), which aims to retain employment and combat COVID-19, under the Anti-epidemic Fund, set up by the Government of the HKSAR. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7. Finance costs and bank charges

	2021 HK$'000	2020 HK$'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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 1.96% (2020: 3.07%).

8. Profit from operations

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

	2021 **HK$'000**	2020 HK$'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 (note 10)	**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 sale	**–**	(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

9. Income tax expense

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

Hong Kong profits tax is provided at 16.5% (2020: 16.5%) based on the estimated assessable profits arising in Hong Kong during the year.

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

For the year ended 31 December 2021, Singapore corporate income tax is 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 statement 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 (note 28)	**(1,656)**	–
Income tax expense	**13,752**	14,362

9. Income tax expense *(Continued)*

Reconciliation between income tax expense and profit before income tax at the applicable tax rate:

	2021 HK$'000	2020 HK$'000
Profit before income tax	**1,401,394**	1,128,168
Add/(Less):		
Share of results of associates	**668**	10,315
Share of results of joint ventures	**(42,213)**	(112,699)
	1,359,849	1,025,784
Calculated at tax rate of 16.5%	**224,375**	169,255
Effect of different tax rates in other countries	**2,297**	2,660
Income not subject to tax	**(451,069)**	(340,506)
Expenses not deductible for tax purpose	**199,866**	187,069
Utilisation of previously unrecognised tax losses	**(7,421)**	(6,634)
Tax effect of tax loss not recognised	**45,347**	–
Tax effect of temporary differences not recognised	**861**	(60)
(Over)/Under-provision in prior years	**(21)**	2,578
Others	**(483)**	–
Income tax expense	**13,752**	14,362

10. Employee benefits expenses and five highest paid individual

	2021 HK$'000	2020 HK$'000
Wages, salaries, and other allowances (including directors' emoluments)	**68,680**	41,457
Retirement benefit costs (Note)	**12,730**	7,502
Share-based payment expenses	**10,355**	–
	91,765	48,959

Note:

At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2020: HK$ nil).

For the year ended 31 December 2021, the five individuals whose remuneration were the highest in the Group include 2 directors (2020: 2 directors) whose remuneration are reflected in the analysis presented in note 11.

The remuneration paid to the remaining 3 (2020: 3) highest paid individuals are as follows:

	2021 HK$'000	2020 HK$'000
Wages, salaries, and other allowances	**6,954**	7,206
Retirement benefit costs	**1,010**	660
	7,964	7,866

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	2021 HK$'000	2020 HK$'000
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	2
HK$3,000,001 to HK$3,500,000	**1**	–

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2021 (2020: nil).

In addition to the above remuneration, certain highest paid individuals were granted share options under the share option scheme, details of which were disclosed in note 30.

11. Benefits and Interests of Directors (Disclosures required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Listing Rules)

The remuneration of every director are set out below:

	Year ended 31 December 2021				
Name of Directors	Fees HK$'000	Salaries and allowances HK$'000	Discretionary Bonus (Note ii) HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman and Executive Directors					
ZHONG JIAN (note i, v and x)	–	1,203	669	254	2,126
Executive Director					
HU KAI (note i, viii and x)	–	1,203	1,235	441	2,879
Non-Executive Directors					
LI WEI	–	–	–	–	–
ZOU YUANJING	–	–	–	–	–
Independent Non-Executive Directors					
SHING MO HAN YVONNE	300	–	–	–	300
LI HONG JI	300	–	–	–	300
WANG DENNIS (note vii)	300	–	–	–	300
Total	900	2,406	1,904	695	5,905

11. Benefits and Interests of Directors (Disclosures required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Listing Rules) *(Continued)*

	Year ended 31 December 2020				
Name of Directors	Fees HK$'000	Salaries and allowances HK$'000	Discretionary Bonus (Note ii) HK$'000	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Chairman and Executive Directors					
ZHONG JIAN (note i and v)	–	695	–	110	805
YANG LI (note i and iv)	–	464	2,196	81	2,741
Executive Director					
HU KAI (note i and viii)	–	1,160	2,196	259	3,615
Non-Executive Directors					
LI WEI	–	–	–	–	–
ZHONG JIAN (note v)	–	–	–	–	–
ZOU YUANJING	–	–	–	–	–
Independent Non-Executive Directors					
WONG YAU KAR DAVID (note vi)	270	–	–	–	270
SHING MO HAN YVONNE	300	–	–	–	300
LI HONG JI	300	–	–	–	300
WANG DENNIS (note vii)	30	–	–	–	30
Total	900	2,319	4,392	450	8,061

Note:

i. The remuneration represents remuneration received from the Group by these directors in their capacity as employees to the Company and no directors waived any emolument during the year ended 31 December 2021 (2020: Nil).

ii. The bonus is determined with reference to the operating results, individual performance and comparable market statistics during both years.

iii. During the year ended 31 December 2021, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2020: Nil). There are no loans, quasi loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2020: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the Directors during the year ended 31 December 2021 (2020: Nil).

iv. Mr. Yang Li resigned on 29 April 2020.

11. Benefits and Interests of Directors (Disclosures required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Listing Rules) *(Continued)*

Note: *(Continued)*

v. Mr. Zhong Jian was re-designated as an executive director and appointed as the chairman on 29 April 2020.

vi. Dr. Wong Yau Kar David resigned on 10 November 2020.

vii. Mr. Wang Dennis was appointed as the Company's independent non-executive director on 10 November 2020.

viii. Mr. Hu Kai resigned all his office in the Company with effect from 4 March 2022.

ix. No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

x. In addition to the above emoluments, certain directors of the Company were granted share options under the share option scheme, details of which were disclosed in note 30.

12. 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 **HK$'000**	2020 HK$'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

12. Earnings per share *(Continued)*

	Number '000	Number '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.

13. Property, plant and equipment

	Construction in progress HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost						
At 1 January 2021	**2,398,736**	**8,538,067**	**2,385**	**6,526**	**2,197**	**10,947,911**
Additions	**5,362,573**	**13,056**	**–**	**1,887**	**18,075**	**5,395,591**
Transfer	**(5,576,673)**	**5,576,673**	**–**	**–**	**–**	**–**
Transfer to asset held for sale	**–**	**(219,401)**	**–**	**–**	**–**	**(219,401)**
Reclassification	**(261,561)**	**–**	**–**	**–**	**–**	**(261,561)**
Disposal	**–**	**(376,902)**	**–**	**(737)**	**–**	**(377,639)**
Exchange differences	**13,737**	**74,967**	**80**	**179**	**437**	**89,400**
At 31 December 2021	**1,936,812**	**13,606,460**	**2,465**	**7,855**	**20,709**	**15,574,301**
Accumulated depreciation						
At 1 January 2021	**–**	**905,063**	**2,055**	**4,748**	**939**	**912,805**
Charge for the year	**–**	**350,833**	**47**	**1,392**	**4,218**	**356,490**
Transfer to asset held for sale	**–**	**(21,623)**	**–**	**–**	**–**	**(21,623)**
Written back on disposal	**–**	**(33,928)**	**–**	**(737)**	**–**	**(34,665)**
Exchange differences	**–**	**7,035**	**71**	**92**	**258**	**7,456**
At 31 December 2021	**–**	**1,207,380**	**2,173**	**5,495**	**5,415**	**1,220,463**
Net carrying amount						
At 31 December 2021	**1,936,812**	**12,399,080**	**292**	**2,360**	**15,294**	**14,353,838**
Cost						
At 1 January 2020	1,608,725	8,216,972	2,249	5,314	1,808	9,835,068
Additions	1,430,896	86,034	–	1,057	449	1,518,436
Transfer	(632,705)	632,705	–	–	–	–
Disposal	–	(357,804)	–	–	–	(357,804)
Exchange differences	(8,180)	(39,840)	136	155	(60)	(47,789)
At 31 December 2020	2,398,736	8,538,067	2,385	6,526	2,197	10,947,911
Accumulated depreciation						
At 1 January 2020	–	913,041	1,763	3,886	468	919,158
Charge for the year	–	262,550	176	745	601	264,072
Written back on disposal	–	(266,125)	–	–	–	(266,125)
Exchange differences	–	(4,403)	116	117	(130)	(4,300)
At 31 December 2020	–	905,063	2,055	4,748	939	912,805
Net carrying amount						
At 31 December 2020	2,398,736	7,633,004	330	1,778	1,258	10,035,106

13. Property, plant and equipment *(Continued)*

At 31 December 2021, the Group's vessels with aggregate net carrying amounts of HK$3,627,047,000 (2020: HK$2,545,058,000) were pledged to secure general banking facilities granted to the Group.

14 Right-of-use assets

	HK$'000
Cost	
At 1 January 2021	**41,552**
Additions	**16,307**
Written off	**(1,201)**
Exchange differences	**208**
At 31 December 2021	**56,866**
Accumulated depreciation	
At 1 January 2021	**8,588**
Charge for the year	**12,740**
Written back on written off	**(1,201)**
Exchange differences	**31**
At 31 December 2021	**20,158**
Net carrying amount	
At 31 December 2021	**36,708**
Cost	
At 1 January 2020	27,151
Additions	18,117
Written off	(3,754)
Exchange differences	38
At 31 December 2020	41,552
Accumulated depreciation	
At 1 January 2020	3,466
Charge for the year	8,797
Written back on written off	(3,699)
Exchange differences	24
At 31 December 2020	8,588
Net carrying amount	
At 31 December 2020	32,964

14 Right-of-use assets *(Continued)*

The Group leases various offices. Rental contracts are typically entered into for fixed periods of 2 years to 5 years without any extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

15. Interests in joint ventures

	2021 **HK$'000**	2020 HK$'000
At the beginning of the year	**483,480**	211,304
Capital Injection	**45,870**	160,416
Share of results of joint ventures	**42,213**	112,699
Share of other comprehensive income of joint ventures, net	**11,818**	–
Exchange differences	**3,573**	(939)
At the end of the year	**586,954**	483,480

As at 31 December 2021 and 2020, details of the Group's interests in joint ventures which unlisted corporate entities whose quoted market price is not available, are as follows:

Name	**Place of incorporation/ registration and operation**	**Percentage of equity attributable to the Company at 31 December 2021**	2020	**Principal activities**
Ocean Classic Limited	British Virgin Island ("**BVI**")	**50%**	50%	Chartering services
Sino Singapore Maritime Pte. Ltd.	Singapore	**50%**	50%	Vessel owning and chartering
Vista Shipping Pte. Limited	Singapore	**50%**	50%	Vessel owning and chartering
Zhendui Industrial Intelligent Technology Co., Ltd.	The PRC	**18%**	18%	Marine technology

All joint ventures have a reporting date of 31 December.

15. Interests in joint ventures *(Continued)*

Summarised financial information for a material joint venture

The tables below provide summarised financial information of a joint venture that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Ocean Classic Limited	
	2021	2020
	HK$'000	HK$'000
Current assets	**179,282**	173,967
Non-current assets	**1,996,866**	2,078,470
Current liabilities	**(549,499)**	(691,246)
Non-current liabilities	**(1,220,468)**	(1,300,195)
Revenue	**471,790**	421,094
Profit after income tax	**142,932**	153,931
Other comprehensive income	**–**	–
Total comprehensive income	**142,932**	153,931
Cash and cash equivalents	**26,492**	64,705
Current financial liabilities (excluding trade and other payables and provisions)	**69,348**	65,126
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Depreciation and amortisation	**(87,457)**	(87,265)
Interest income	**4**	21
Interest expense	**(32,460)**	(43,911)
Income tax expense	**–**	–

15. Interests in joint ventures *(Continued)*

Reconciliation of summarised financial information

	Ocean Classic Limited	
	2021	2020
	HK$'000	HK$'000
Opening net assets as at 1 January	**260,996**	107,644
Profit for the year	**142,932**	153,931
Exchange differences	**2,253**	(579)
Closing net assets as at 31 December	**406,181**	260,996
Interest in joint venture	**50%**	50%
Share of net assets	**203,091**	130,498
Carrying value	**203,091**	130,498

The aggregate amount of the Group's share of results of its joint ventures which are individually immaterial as follows:

	2021	2020
	HK$'000	HK$'000
Aggregate carrying amount of individual joint ventures the consolidated financial statements	**383,863**	352,982

	2021	2020
	HK$'000	HK$'000
Net (loss)/profit for the year	**(29,253)**	35,733
Other comprehensive income for the year	**11,818**	–

Commitments of joint ventures as at the reporting date attributable to the Group

	2021	2020
	HK$'000	HK$'000
Capital commitments in respect of construction of vessels	**395,637**	502,835

16. Interests in associates

	2021 HK$'000	2020 HK$'000
At the beginning of the year	**49,784**	35,618
Share of results of associates	**(668)**	(10,315)
Capital injection	**19,555**	22,498
Exchange differences	**1,623**	1,983
At the end of the year	**70,294**	49,784

As at 31 December 2021 and 2020, details of the Group's interests in associates which unlisted corporate entities whose quoted market price is not available, are as follows

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December 2021	2020	Principal activities
Nor Solan I Pte Ltd	Singapore	**28%**	28%	Chartering services
Nor Solan II Pte Ltd	Singapore	**28%**	28%	Chartering services
Guoxin CSSC (Qing dao) Marine Technology Company Limited* 國信中船(青島)海洋科技有限公司	The PRC	**25%**	25%	Marine technology
Glory Shipping Pte. Ltd.	Singapore	**35%**	N/A	Not yet commence business
CSSC SDARI Energy Saving Technology (Shanghai) Company Limited* 中船斯達瑞節能科技(上海)有限公司	The PRC	**20%**	N/A	Energy saving technology

Commitments of associates as at the reporting date attributable to the Group

	2021 HK$'000	2020 HK$'000
Capital commitments in respect of construction of vessels	**43,733**	–

All associates have a reporting date of 31 December.

* The English name of the associate represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

17. Loan and lease receivables

	Notes	As at 31 December 2021 Gross amount HK$'000	Allowance for impairment losses HK$'000	Net carrying amount HK$'000
Loan borrowings	17.1	**7,732,019**	**(26,308)**	**7,705,711**
Lease receivables	17.2	**14,361,055**	**(459,555)**	**13,901,500**
Loans to joint ventures	17.3	**864,947**	**–**	**864,947**
		22,958,021	**(485,863)**	**22,472,158**

	Notes	As at 31 December 2020 Gross amount HK$'000	Allowance for impairment losses HK$'000	Net carrying amount HK$'000
Loan borrowings	17.1	7,486,207	(27,421)	7,458,786
Lease receivables	17.2	7,357,569	(476,040)	6,881,529
Loans to joint ventures	17.3	721,123	(104)	721,019
		15,564,899	(503,565)	15,061,334

Movement in the Group's provision of impairment loss of loan and lease receivables are as follows:

	HK$'000
At 1 January 2020	527,222
Provision for the year	189,255
Reversal during the year	(212,912)
At 31 December 2020 and 1 January 2021	**503,565**
Provision for the year	**116,884**
Reversal during the year	**(137,771)**
Exchange difference	**3,185**
At 31 December 2021	**485,863**

17. Loan and lease receivables *(Continued)*

17.1 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 are secured by the respective vessel and certain shares of 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 **HK$'000**	2020 HK$'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

17.2 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 **HK$'000**	2020 HK$'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

17. Loan and lease receivables *(Continued)*

17.2 Lease receivables *(Continued)*

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 HK$'000	2020 HK$'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 HK$'000	2020 HK$'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

17.3 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.

18. Derivative financial instruments

	2021 HK$'000	2020 HK$'000
Assets		
Interest rate swap – held for trading	**12,615**	–
Interest rate swap – cash flow hedges	**92,032**	10,306
	104,647	10,306
Liabilities		
Interest rate swap – held for trading	**6,244**	28,029
Interest rate swap – cash flow hedges	**108,530**	224,109
Cross currency swap	**–**	11,820
	114,774	263,958

18.1 Interest rate swap

As at 31 December 2021, the Group has outstanding interest rate swap contracts, which will expire between June 2022 and April 2032 (2020: between June 2022 and April 2032) with notional amount of US$694,366,000, approximately equivalent to HK$5,418,487,000 (2020: US$708,936,000, approximately equivalent to HK$5,496,452,000) to exchange floating interest rates into fixed interest rates in a range of 0.72% to 3% (2020: 0.72% to 3%).

18.2 Cross currency swap

As at 31 December 2020, the Group has outstanding cross currency swap contracts which will expire in January 2021, with notional amount of US$58,430,000, approximately equivalent to HK$453,014,000 to mitigate EUR exchange rate risks. These forward contracts did not satisfy the requirements for hedge accounting, the fair value changes of which were recognised in other gains or losses.

18. Derivative financial instruments *(Continued)*

Hedging reserves

The Group's hedging reserves disclosed in consolidated statement of changes in equity relate to the following hedging instruments:

	Hedging reserves HK$'000
At 1 January 2020	67,055
Add: Changes in fair value of hedging instrument recognised in other comprehensive income	111,027
Less: Reclassified from OCI to profit or loss	(8,214)
At 31 December 2020 and 1 January 2021	**169,868**
Less: Changes in fair value of hedging instrument recognised in other comprehensive income	**(138,950)**
Reclassified from hedging reserve to profit or loss	**(31,909)**
At 31 December 2021	**(991)**

Amounts recognised in consolidated income statement

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in consolidated income statement in relation to derivatives:

	2021 **HK$'000**	2020 HK$'000
Net (gain)/loss on cross currency swap and interest rate swap not qualifying as hedges included in other gain, net	**(34,448)**	35,503
Hedge ineffectiveness of interest rate swap – amount recognised in other gains/(losses)	**(25,214)**	12,871

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As critical terms matched during the year, there is an economic relationship.

18. Derivative financial instruments *(Continued)*

Amounts recognised in consolidated income statement *(Continued)*

Hedge ineffectiveness for interest rate swaps is assessed by using hypothetical derivative which has terms that mirror those of the hedged item. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Fair value measurement

Details of the methods and assumptions used in determining the fair value of derivatives are as set out in note 3.4.

19. Prepayments, deposits and other receivables

	2021 HK$'000	2020 HK$'000
Prepayments	**127,019**	364,059
Interest receivables	**11,526**	23,340
Other receivables	**9,601**	7,170
	148,146	394,569

As at 31 December 2021, included in prepayments is an amount of HK$119,105,000 (2020: HK$325,312,000) represents prepayments to fellow subsidiaries for acquisition of vessels for finance lease purposes.

The carrying amounts of these receivables of the Group approximate their fair values.

20. Financial assets at fair value through profit or loss

	2021 HK$'000	2020 HK$'000
Investments in wealth management portfolio	**571,676**	687,584
Investments in exchange notes	**218,498**	217,087
	790,174	904,671

20. Financial assets at fair value through profit or loss *(Continued)*

The movements of financial assets at fair value through profit or loss are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**904,671**	39,460
Addition during the year	**–**	1,109,122
Disposal during the year	**(93,278)**	(279,310)
Net change in fair value	**(26,632)**	35,925
Exchange differences	**5,413**	(526)
At 31 December	**790,174**	904,671

21. Financial assets at fair value through other comprehensive income

	2021 **HK$'000**	2020 HK$'000
Equity instruments		
– Listed perpetual securities	**155,368**	508,230
Debt instruments		
– Listed debts	**220,196**	218,028
	375,564	726,258

21. Financial assets at fair value through other comprehensive income *(Continued)*

The movements in financial assets at fair value through other comprehensive income are as follows:

	Equity instruments HK$'000	Debt instruments HK$'000	Total HK$'000
At 1 January 2021	**508,230**	**218,028**	**726,258**
Disposal during the year	**(356,537)**	**–**	**(356,537)**
Net change in fair value	**1,755**	**748**	**2,503**
Exchange differences	**1,920**	**1,420**	**3,340**
At 31 December 2021	**155,368**	**220,196**	**375,564**
At 1 January 2020	574,198	203,026	777,224
Addition during the year	–	265,336	265,336
Disposal during the year	(77,565)	(255,326)	(332,891)
Net change in fair value	10,718	9,629	20,347
Exchange differences	879	(4,637)	(3,758)
At 31 December 2020	508,230	218,028	726,258

22. Amounts due from/to associates, fellow subsidiaries, joint ventures and a non-controlling interest

	2021 HK$'000	2020 HK$'000
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

	2021 HK$'000	2020 HK$'000
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

22. Amounts due from/to associates, fellow subsidiaries, joint ventures and a non-controlling interest *(Continued)*

The amounts due from associates are unsecured, interest free, repayable on demand and are denominated in SGD which are non-trade nature.

The amounts due from/to fellow subsidiaries are unsecured, interest free, repayable on demand and are denominated in HK$ and US$ which are non-trade nature.

The amount due to a non-controlling interest is unsecured, interest free, repayable on demand and denominated in US$ which are non-trade nature.

The amounts due from/to joint ventures are unsecured, interest free, repayable on demand and denominated in HK$ and US$ which are non-trade nature.

23. Cash and cash equivalents, time deposits with maturity over three months and structured bank deposits

	2021 **HK$'000**	2020 HK$'000
Time deposits with maturity over three months	**127,431**	129,244
Cash at bank and on hand	**1,427,683**	2,180,280
Total	**1,555,114**	2,309,524
Structured bank deposits	**61,165**	467,443

The carrying amounts of the Group's cash and cash equivalents and time deposits are denominated in following currencies:

	2021 **HK$'000**	2020 HK$'000
EUR	**2,147**	145,436
HK$	**6,101**	53,046
RMB	**220,925**	128,907
SGD	**2,994**	5,136
US$	**1,322,947**	1,976,999
	1,555,114	2,309,524

23. Cash and cash equivalents, time deposits with maturity over three months and structured bank deposits *(Continued)*

The short-term bank deposits are with original maturity over three months and carried interests at the prevailing market interest during the year. The effective interest rate on deposits with bank as at 31 December 2021 is 0.17% (2020: 0.57%) per annum.

As at 31 December 2021, the bank balances of the Group denominated in RMB amounted to HK$220,925,000 (2020: HK$128,907,000). These bank balances are not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2021 and 2020, the Group's structured bank deposits are principal-protected and placed with the PRC banks. These deposits are with original maturity dates more than three months, interest bearing, denominated in RMB. The carrying amounts of structured bank deposits approximate their fair values.

24. Asset held for sale

	2021 **HK$'000**	2020 HK$'000
Vessel	**198,549**	–

In December 2021, the Group intended to sell two vessels which were under operating lease arrangements. These vessels were consequently present as asset held for sale in the consolidated financial statements. The sales transaction was completed in January 2022 at a consideration of US$29,000,000 (approximately equivalent to HK$226,302,000).

25. Borrowings

	2021 **HK$'000**	2020 HK$'000
Bank borrowings	**19,604,721**	14,279,534
Guaranteed bonds	**10,193,740**	6,236,456
	29,798,461	20,515,990

25. Borrowings *(Continued)*

25.1 Bank borrowings

The Group's borrowings were repayable based on the scheduled repayment terms set out in the loan agreements as follows:

	2021 **HK$'000**	2020 HK$'000
On demand and within 1 year	**11,132,698**	8,374,024
After 1 year but within 2 years	**1,130,646**	854,066
After 2 years but within 5 years	**3,374,365**	2,625,900
After 5 years	**3,967,012**	2,425,544
	19,604,721	14,279,534

The weighted average interest rates of the borrowings of the Group during the year ended 31 December 2021 and 2020 were as follows:

	2021 **HK$'000**	2020 HK$'000
Bank borrowings	**From 0.96% to 2.27%**	From 1.12% to 3.62%

As at 31 December 2021, the Group's borrowing bears variable rate were as follows:

	2021 **HK$'000**	2020 HK$'000
Variable rate balances		
Bank borrowings	**19,604,721**	13,487,888

As at 31 December 2021, the Group's secured bank borrowings of HK$9,623,851,000 (2020: HK$7,569,637,000) were secured by lease receivables of approximately HK$10,566,329,000 (2020: HK$9,594,395,000), shares of certain subsidiaries, deposits of approximately HK$114,942,000 (2020: HK$158,568,000), general assignments, bareboat charterer assignments, intra group loan assignments and property, plant and equipment of approximately HK$3,627,047,000 (2020: HK$2,545,058,000). Among which HK$1,432,612,000 (2020: HK$1,922,949,000) were also guaranteed by the intermediate holding company (2020: ultimate holding company).

As at 31 December 2021, the Group's bank borrowings of HK$9,980,870,000 (2020: HK$6,709,897,000) were unsecured and guaranteed by the Company.

25. Borrowings *(Continued)*

25.2 Guaranteed bonds

In July 2021, the Group issued guaranteed bonds of US$500,000,000 (approximately HK$3,901,750,000) due 2026 bearing interest at 2.1%.

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.

All the guaranteed bonds were guaranteed by the Company and listed on The Stock Exchange of Hong Kong Limited. As at 31 December 2021, the guaranteed bonds were repayable as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	**49,190**	33,976
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**7,023,150**	3,101,240
After 5 years	**3,121,400**	3,101,240
	10,193,740	6,236,456

26. Other payables and accruals

	2021 HK$'000	2020 HK$'000
Accruals	**7,590**	12,608
Deposits received	**365,050**	434,278
Other payables	**49,474**	70,131
	422,114	517,017

The carrying amount of other payables and accruals are considered to be the same as their fair values, due to their short-term nature.

27. Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 HK$'000	2020 HK$'000
Total minimum lease payments:		
Due within one year	**15,270**	9,755
Due in the second to fifth years	**25,051**	25,524
	40,321	35,279
Future finance charges	**(1,737)**	(1,632)
Present value of lease liabilities	**38,584**	33,647

	2021 HK$'000	2020 HK$'000
Present value of minimum lease payments:		
Due within one year	**14,245**	9,041
Due in the second to fifth years	**24,339**	24,606
	38,584	33,647

During the year ended 31 December 2021, the total cash outflows for the leases amounted to HK$12,754,000 (2020: HK$12,569,000).

28. Deferred tax

The movement during the year in the deferred tax assets is as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**–**	–
Recognised in profit or loss (note 9)	**1,656**	–
Exchange differences	**24**	–
At 31 December	**1,680**	–

28. Deferred tax *(Continued)*

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years is as follows:

	2021			
	ECL allowance HK$'000	Tax losses HK$'000	Other HK$'000	Total HK$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–	–
Recognised in profit or loss	64	1,266	326	1,656
Exchange differences	1	19	4	24
At 31 December 2021	65	1,285	330	1,680

At 31 December 2021, the Group did not recognised deferred income tax assets in respect of tax losses of approximately HK$17,946,000 (2020: HK$11,688,000 due to the unpredictability of future profit streams. The Group had no other significant un-provided deferred taxation as at 31 December 2021. Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such unremitted earnings in the unforeseeable future.

At 31 December 2021, the Group's tax losses will expire:

	2021 HK$'000	2020 HK$'000
No expiry date	108,760	70,835

29. Share capital

	Numbers of shares ('000)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	6,136,066	6,614,466

30. Share-based employee compensation

The Company has adopted a share option scheme (the "**Scheme**"), which was approved by the shareholders on the extraordinary general meeting held on 30 April 2021.

Pursuant to which, the maximum number of shares to be issued upon the exercise of the share options shall not in aggregate exceed 613,606,623 shares, representing approximately 10% of the total number of issued shares of the Company as at the date of approval of the Scheme at the extraordinary general meeting.

Participants of the Scheme shall be employees of the Company and include executive directors and senior management members (the "**Grantees**") of the Company, as well as core technical personnel and backbone management whom the board of directors considers will have a direct impact on the Company's overall operating performance and sustainable development.

On 30 April 2021 (the "**Grant Date**"), the Company granted 143,540,000 share options to certain of its directors and employees for nil consideration at an exercise price of HK$1.32 per share. The options shall be vested to the Grantees during the period and in the respective proportions as follows:

(i) The first batch (being 33% of the share options granted) will be vested on the first trading day after 24 months from the Grant Date;

(ii) The second batch (being 33% of the share options granted) will be vested on the first trading day after 36 months from the Grant Date; and

(iii) The third batch (being 34% of the Share Options granted) will be vested on the first trading day after 48 months from the Grant Date.

The options are exercisable within a period of ten years from the Grant Date. Each option gives the holder the right to subscribe for one ordinary share in the Company. Details of the Scheme are as set out in the Company's circular dated 13 April 2021.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

30. Share-based employee compensation *(Continued)*

Details of movements in share options during the year ended 31 December 2021 were as follows:

	2021	
	Number '000	**Weighted average exercise price HK$**
Outstanding at 1 January	–	–
Granted	**143,540**	**1.32**
Outstanding at 31 December	**143,540**	**1.32**

As at 31 December 2021, the outstanding share options had a weighted average remaining contractual life of 9.3 years. None of the share options were exercisable as at 31 December 2021.

The fair values of options granted were determined using the Binomial Option Pricing Model that takes into account of factors specific to the share incentive plans. The following principal assumptions were used in the valuation at the Grant Date:

Share price at date of grant	HK$1.32
Exercise price at date of grant	HK$1.32
Expected volatility	44.20%
Expected option life	10 years
Dividend yield	8.58%
Risk-free interest rate	1.15%
Post-vesting forfeiture rate	14.15% to 25.44%
Fair value per share option at the grant date	HK$0.277 to HK$0.303

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Binomial Option Pricing Model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, HK$10,335,000 of employee compensation expenses has been recognised in profit or loss for the year ended 31 December 2021 and the corresponding amount of which has been credited to "Share option reserve". No liabilities were recognised in connection with share-based payment transactions.

Certain directors and highest paid individuals held share options during the year. The related charge recognised for such options for the year ended 31 December 2021, estimated in accordance with the Group's accounting policy in note 2.22 was as follows:

(1) Mr. Zhong Jian, HK$0.84 million (2020: HK$Nil);

(2) Mr. Hu Kai, HK$0.84 million (2020: HK$Nil); and

(3) The remaining 3 highest paid individuals, HK$2.80 million (2020: HK$Nil).

31. Related party transactions

The directors of the Company regard CSSC International Holding Company Limited as the immediate holding company, which owns approximately 75% of the Company's issued ordinary shares at 31 December 2021. The ultimate parent company of the Group is China State Shipbuilding Corporation Limited ("**China Shipbuilding Group**") (中國船舶集團有限公司), a state-owned enterprise established in the PRC. China Shipbuilding Group itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include China Shipbuilding Group and its subsidiaries (other than the 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 China Shipbuilding Group as well as their close family members.

For the years ended 31 December 2021 and 2020, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include bank deposits, bank borrowings and the corresponding interest income and interest expenses and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in these consolidated financial statements, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year ended 31 December 2021.

31.1 Transaction with related parties

Other than as disclosed in elsewhere of these consolidated financial statements, the Group entered into the following related party transactions during the year:

Transactions with fellow subsidiaries:

	2021 **HK$'000**	2020 HK$'000
Commission income	**32,123**	14,386
Rental and utilities expenses	**16,334**	14,384
Purchase of vessels and offshore equipment	**6,775,518**	2,162,058
Addition of leasehold improvement	**4,558**	–

Transactions with ultimate holding company:

	2021 **HK$'000**	2020 HK$'000
Guarantee expenses	**–**	4,131

31. Related party transactions *(Continued)*

31.1 Transaction with related parties *(Continued)*

Transactions with joint ventures:

	2021 HK$'000	2020 HK$'000
Interest income	**9,616**	9,409

Transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

31.2 Balances with related parties

	2021 HK$'000	2020 HK$'000
Amounts due from		
– Associates	**24,674**	25,320
– Fellow subsidiaries	**3,050**	3,024
– Joint ventures	**100,520**	26,871
Loans to joint ventures	**864,947**	721,019
Prepayment to fellow subsidiaries	**119,105**	325,312
Amounts due to		
– Fellow subsidiaries	**17,465**	17,490
– A joint venture	**259,216**	71,732
– A non-controlling interest	**88,066**	87,497

31.3 Key management personnel compensations

Key management includes executive directors and senior management. The compensations paid or payable to key management for employee services are shown below:

	2021 HK$'000	2020 HK$'000
Wages, salaries and bonuses	**14,406**	17,747
Retirement benefit costs	**2,276**	1,506
Share-based payment expenses	**3,645**	–
	20,327	19,253

32. Note to consolidated statement of cash flows

32.1 Reconciliation from profit before income tax to net cash generated from operations

	2021 HK$'000	2020 HK$'000
Profit before income tax	**1,401,394**	1,128,168
Adjustments for		
– Finance costs and bank charges	**487,927**	578,536
– Interest income	**(55,596)**	(79,058)
– Depreciation	**369,230**	272,869
– Dividend income	**(14,142)**	(29,744)
– Reversal of impairment of loan and lease receivables, net	**(20,887)**	(23,657)
– Share-based payment expenses	**10,335**	–
– Net gain on disposal of property, plant and equipment	**(19,788)**	(109,269)
– Gain on disposal of asset held for sale	**–**	(19,615)
– Net gain on de-recognition of finance lease receivable	**(25,609)**	(13,653)
– Net (gain)/loss on changes in fair value of derivative financial instruments	**(59,662)**	48,374
– Net realised loss from settlement of derivative financial instruments	**16,047**	6,913
– Net realised gain from financial assets at fair value through profit or loss	**–**	(7,343)
– Net loss/(gain) on changes in fair value of financial assets at fair value through profit or loss	**26,632**	(28,582)
– Share of results of associates	**668**	10,315
– Share of results of joint ventures	**(42,213)**	(112,699)
– Net realised gain on disposal of debt instruments at fair value through other comprehensive income	**–**	(6,141)
Operating profit before working capital charges	**2,074,336**	1,615,414
Increase in loan and lease receivables	**(7,087,143)**	(2,046,630)
Increase in prepayments, deposits and other receivables	**(84,492)**	(226,478)
(Decrease)/Increase in other payables and accruals	**(34,157)**	42,344
Proceeds on de-recognition of finance lease receivable	**573,196**	1,852,080
Net cash (used in)/generated from operations	**(4,558,260)**	1,236,730

Material non-cash transactions

(i) During the year ended 31 December 2021, the Group has transferred from prepayments to finance lease receivables upon the delivery of the respective vessels for finance leasing and commencement of the respective finance lease arrangements amounting to HK$325,312,000 (2020: HK$2,256,001,000).

(ii) During the year ended 31 December 2021, the Group has transferred from property, plant and equipment to loan and lease receivables amounting to HK$261,561,000 (2020: HK$Nil).

32. Note to consolidated statement of cash flows *(Continued)*

32.2 Net debt reconciliation

The table below set out the reconciliation of liabilities arising from financing activities:

	Lease liabilities HK$'000	Amount due to fellow subsidiaries HK$'000	Amount due to a joint venture HK$'000	Amount due to a non-controlling interest HK$'000	Borrowings HK$'000
As at 1 January 2020	23,654	20,179	96,118	87,922	18,397,969
Proceeds from issuance of guaranteed bonds	–	–	–	–	6,204,880
Proceeds of borrowings	–	–	–	–	8,367,901
Repayment of borrowings	–	–	–	–	(12,344,582)
Interests paid	–	–	–	–	(653,238)
Principle element of lease liabilities paid	(8,176)	–	–	–	–
Interest element of lease liabilities paid	(821)	–	–	–	–
Foreign exchange adjustments	52	(96)	(454)	(425)	(92,028)
Financial costs incurred	–	–	–	–	635,088
Increase in lease liabilities from entering into new leases during the year	18,117	–	–	–	–
Interest on lease liabilities	821	–	–	–	–
Proceeds during the year	–	950	508	–	–
Repayment during the year	–	(3,543)	(24,440)	–	–
As at 31 December 2020 and 1 January 2021	**33,647**	**17,490**	**71,732**	**87,497**	**20,515,990**
Proceeds from issuance of guaranteed bonds	**–**	**–**	**–**	**–**	**3,886,600**
Proceeds of borrowings	**–**	**–**	**–**	**–**	**10,920,470**
Repayment of borrowings	**–**	**–**	**–**	**–**	**(5,697,280)**
Interests paid	**–**	**–**	**–**	**–**	**(516,372)**
Principle element of lease liabilities paid	**(11,563)**	**–**	**–**	**–**	**–**
Interest element of lease liabilities paid	**(1,191)**	**–**	**–**	**–**	**–**
Foreign exchange adjustments	**193**	**113**	**1,192**	**569**	**168,892**
Financial costs incurred	**–**	**–**	**–**	**–**	**520,161**
Increase in lease liabilities from entering into new leases during the year	**16,307**	**–**	**–**	**–**	**–**
Interest on lease liabilities	**1,191**	**–**	**–**	**–**	**–**
Proceeds during the year	**–**	**–**	**186,292**	**–**	**–**
Repayment during the year	**–**	**(138)**	**–**	**–**	**–**
As at 31 December 2021	**38,584**	**17,465**	**259,216**	**88,066**	**29,798,461**

33. Operating lease arrangements

As lessor

The Group leases its vessels under operating lease arrangements, which leases negotiated for terms of 1 to 14 years (2020: 1 to 15 years). None of the leases includes contingent rentals (2020: none).

At 31 December 2021, the Group had total future minimum lease receivables under non-cancellable operating leases with its leases falling due as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**1,567,420**	606,750
In the second to fifth year inclusive	**4,828,526**	2,835,880
After five years	**3,518,325**	4,632,328
	9,914,271	8,074,958

34. Capital commitments

As at 31 December 2021, capital commitments outstanding contracted but not provided for are as follows:

	2021 **HK$'000**	2020 HK$'000
Contracted for in respect of construction of vessels	**9,415,309**	2,834,735

35. Provisions and contingencies

The financial guarantees issued by the Group as at 31 December 2021 are analysed as below:

	2021 **HK$'000**	2020 HK$'000
Guarantees provided in respect of joint ventures' bank loans	**3,173,075**	2,731,800

Among the guarantees provided in respect of the joint ventures' bank loan, HK$1,105,112,000 (2020: HK$1,182,122,000) were jointly and severally guaranteed by the joint venture partners.

Among the guarantees provided in respect of the joint ventures' bank loan, HK$1,289,138,000 (2020: HK$1,349,039,000) were counter-guaranteed by the joint venture partners.

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

36. Reserves

36.1 Investment revaluation reserve

Investment revaluation reserve represents the reserve of the fair value change from financial assets at fair value through other comprehensive income.

36.2 Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 18 for details. The cash flow hedge reserve is used to recognise effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 2.10.

36.3 Exchange reserve

Exchange reserve represents the exchange difference on translation of the foreign operations.

36.4 Other reserves

Other reserves represent the statutory surplus reserve and other reserve.

36.5 Share option reserves

Share option reserves represent the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2.22.

37. Dividends

	2021 HK$'000	2020 HK$'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 of 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.

38. Impact of COVID-19

The COVID-19 epidemic has caused significant impact on the domestic and overseas social and economic development. The Group has considered this factor when assessing the recoverability of receivables for the year ended 31 December 2021.

The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of report, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

39. Investments in subsidiaries

Particulars of the Company's material subsidiaries are as follows:

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December		Principal activities
			2021	2020	
New Pearl River Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
CP Shanghai Shipping S.A.	Marshall Islands	–	**75%**	75%	Operating leasing
CP Guangzhou Shipping S.A.	Marshall Islands	–	**75%**	75%	Operating leasing
CP Tianjin Shipping S.A.	Marshall Islands	–	**75%**	75%	Operating leasing
CP Chongqing Shipping S.A.	Marshall Islands	–	**75%**	75%	Operating leasing
CP Nanjing Shipping S.A.	Marshall Islands	–	**75%**	75%	Operating leasing
CP Shenzhen Shipping S.A.	Marshall Islands	–	**75%**	75%	Operating leasing
CSSC Financial Leasing (Shanghai) Company Limited* # (中船融資租賃 (上海) 有限公司)	The PRC	RMB100,000,000	**100%**	100%	Finance leasing
CSSC Financial Leasing (Guangzhou) Company Limited* # (中船融資租賃 (廣州) 有限公司)	The PRC	RMB200,000,000	**100%**	100%	Finance leasing
CSSC Financial Leasing (Tianjin) Company Limited* # (中船融資租賃 (天津) 有限公司)	The PRC	RMB500,000,000	**100%**	100%	Finance leasing
CSSC Ruiyun (Tianjin) Financial Leasing Co., Ltd.* # (中船瑞雲 (天津) 融資租賃有限公司)	The PRC	RMB100,000	**100%**	100%	Finance leasing
CSSC Jiyun (Tianjin) Financial Leasing Co., Ltd.* # (中船吉雲 (天津) 融資租賃有限公司)	The PRC	RMB100,000	**100%**	100%	Finance leasing
CHA First Shipping S.A	Marshall Islands	US$1	**100%**	100%	Finance leasing
CHA Second Shipping S.A	Marshall Islands	US$1	**100%**	100%	Finance leasing
CHC First Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
CHC Second Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
CHC Third Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
Kylin Offshore Engineering Pte Ltd.	Singapore	SGD5,000,000	**70%**	70%	Marine engineering business
Fortune Fuzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Quanzhou Shipping Limited	Hong Kong	HK$1	**100%**	100%	Operating leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2021	2020	Principal activities
Fortune Xiamen Shipping Limited	Hong Kong	HK$1	**100%**	100%	Operating leasing
Fortune Lianjiang Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Loan borrowings
Shenjiamen Shipping S.A	Marshall Islands	US$100	**100%**	100%	Finance leasing
Zhujiajian Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Chile Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
CP Jinan Shipping S.A	Marshall Islands	–	**100%**	100%	Operating leasing
CP Xian Shipping S.A	Marshall Islands	–	**100%**	100%	Operating leasing
CP Hangzhou Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
CP Fuzhou Shipping S.A	Marshall Islands	–	**100%**	100%	Operating leasing
Fortune Taizhou Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Tianhe Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Haizhu Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Nansha Shipping Limited	Hong Kong	HK$1	**100%**	100%	Loan borrowings
Fortune Ricardo Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Qian Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Kun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Zhen Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Xun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Kan Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Li Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Gen Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Dui Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suez I Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suez III Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Xuanyuan Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2021	Effective interest held at 31 December 2020	Principal activities
Fortune East Sea Holding Company Limited	BVI	US$100	**100%**	100%	Loan borrowings and investment holding
Fortune Aspiration I Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Aspiration II Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Earl Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Emma Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Empire Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Essence Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Excellency Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Elmar Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Elsa Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Ernest Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Bec I Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec II Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec III Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec IV Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec V Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec VI Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
CP Chartering Company Limited	BVI	US$1	**75%**	75%	Operating leasing
Fortune Guangzhou Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune May Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune July Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune Pluto Holding Company Limited	BVI	US$100	**100%**	N/A	Loan borrowings
Fortune Harbin Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December		Principal activities
			2021	2020	
Fortune Central Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune CD Astraeus Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune CD Prometheus Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Gentle Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Operating leasing
Fortune Grit Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Shanghai Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
CSSC Capital 2015 Limited	BVI	US$100	**100%**	N/A	Bond issuing
Fortune Changchun Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Crete Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune Great Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Operating leasing
Fortune Grind Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Lantau Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Leopard Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Pingtan Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Power Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Operating leasing
Fortune Shenyang Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Tsingyi Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Vbulker Shipping Pte Ltd	Singapore	US$50,000	**100%**	N/A	Finance leasing
Fortune VGAS Shipping I Pte Ltd	Singapore	US$100	**100%**	N/A	Finance leasing
Fortune VGAS Shipping II Pte Ltd	Singapore	US$100	**100%**	N/A	Finance leasing
Fortune VGAS Shipping III Pte Ltd	Singapore	US$100	**100%**	N/A	Finance leasing
Fortune VGAS Shipping IV Pte Ltd	Singapore	US$100	**100%**	N/A	Finance leasing
Fortune Wanchai Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Chem1 Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2021	2020	Principal activities
Fortune Chem2 Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Chem3 Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Chem4 Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Chem5 Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Chem6 Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune MGAS I Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune MGAS II Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune MC Hercules Shipping Limited	BVI	US$100	100%	N/A	Finance leasing
Fortune MC Titan Shipping Limited	BVI	US$100	100%	N/A	Finance leasing
Fortune Santorini Shipping Limited	Marshall Islands	US$100	100%	N/A	Finance leasing
Fortune Suqian Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Mudanjiang Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Changle Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Teddy Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Civilization Carriers Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Equality Carriers Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Freedom Carriers Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Integrity Carriers Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Changsha Shipping Limited	Marshall Islands	US$100	100%	N/A	Finance leasing
Fortune Nanjing Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Lanzhou Shipping Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Lasa Shipping Limited	Marshall Islands	US$100	100%	N/A	Finance leasing
Fortune Sealion I Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Sealion II Limited	Hong Kong	HK$100	100%	N/A	Finance leasing
Fortune Sealion III Limited	Hong Kong	HK$100	100%	N/A	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2021	2020	Principal activities
Fortune Sealion IV Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Yangzhou Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune Suzhou Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Loan borrowings
Fortune Wuxi Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Loan borrowings
Fortune Lyra Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Matthew Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Aquila Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Colossians Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Grus Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Ephesians Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing
Fortune Hebrews Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Operating leasing

Notes:

All companies now comprising the Group have adopted 31 December as their financial year end date.

* The English name of these subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

These subsidiaries were registered in the PRC as a wholly foreign owned enterprise.

40. Statement of financial position and reserve movements of the Company

		2021 HK$'000	2020 HK$'000
ASSETS			
Property, plant and equipment		**8,010**	1,267
Right-of-use asset		**24,747**	32,709
Interests in subsidiaries		**999,633**	835,489
Interests in associate		**273**	–
Loan receivables		**965,332**	1,117,569
Derivative financial assets		**99,268**	10,306
Prepayments, deposits and other receivables		**11,507**	23,705
Financial assets at fair value through profit or loss		**218,498**	217,087
Financial assets at fair value through other comprehensive income		**375,564**	726,258
Amounts due from subsidiaries		**30,672,142**	20,064,298
Cash and bank balances		**853,128**	1,752,571
Total assets		**34,228,102**	24,781,259
LIABILITIES			
Borrowings		**9,973,878**	6,709,897
Derivative financial liabilities		**88,146**	263,958
Amounts due to subsidiaries		**16,213,775**	11,051,264
Amount due to joint venture		**72,199**	–
Lease liabilities		**25,312**	33,077
Other payables and accruals		**3,080**	88,671
Total liabilities		**26,376,390**	18,146,867
Net assets		**7,851,712**	6,634,392
EQUITY			
Share capital		**6,614,466**	6,614,466
Reserves	Note a	**1,237,246**	19,926
Total equity		**7,851,712**	6,634,392

The statement of financial position of the Company was approved by the Board of Directors on 25 March 2022 and was signed on its behalf.

ZHONG JIAN *Director*	**SHING MO HAN YVONNE** *Director*

40. Statement of financial position and reserve movements of the Company *(Continued)*

Note (a) Reserve movement of the Company

	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2021	**24,424**	**–**	**(4,296)**	**(58,983)**	**58,781**	**–**	**19,926**
Profit and total comprehensive income for the year	**2,503**	**–**	**–**	**47,687**	**1,719,376**	**–**	**1,769,566**
Disposal of equity investments at fair value through other comprehensive income (non-recycling)	**(17,307)**	**–**	**–**	**–**	**17,307**	**–**	**–**
Equity settled share-based payments	**–**	**–**	**–**	**–**	**(10,335)**	**10,335**	**–**
Dividends (Note 37)	**–**	**–**	**–**	**–**	**(552,246)**	**–**	**(552,246)**
At 31 December 2021	**9,620**	**–**	**(4,296)**	**(11,296)**	**1,232,883**	**10,335**	**1,237,246**
At 1 January 2020	5,558	(67,055)	(4,296)	(210,253)	(104,359)	–	(380,405)
Profit and total comprehensive income for the year	18,866	67,055	–	151,270	654,025	–	891,216
Dividends (Note 37)	–	–	–	–	(490,885)	–	(490,885)
At 31 December 2020	24,424	–	(4,296)	(58,983)	58,781	–	19,926

41. Comparative figures

Certain comparative figures has reclassified in order to confirm with the current year's presentation.

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