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

(Incorporated in Hong Kong with limited liability)

(Stock code: 3877)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "**Directors**") (the "**Board**") of CSSC (Hong Kong) Shipping Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022, together with comparative figures for the year ended 31 December 2021, which shall be read in conjunction with the management discussion and analysis, as follows:

FINANCIAL HIGHLIGHTS

1. Summary of Consolidated Income Statement

	For the year ended 31 December		
	2022	2021	Change
	HK$'000	*HK$'000*	
Revenue	**3,208,242**	2,470,020	29.9%
Total expenses	**(1,901,138)**	(1,214,923)	56.5%
Profit from operations	**1,431,669**	1,359,849	5.3%
Profit for the year	**1,734,510**	1,387,642	25.0%
Basic and diluted earnings per share *(HK$)*	**0.275**	0.220	25.0%

2. Summary of Consolidated Statement of Financial Position

	As at 31 December		
	2022	2021	Change
	HK$'000	*HK$'000*	
Total assets	**40,520,890**	40,883,235	(0.9%)
Total liabilities	**28,878,564**	30,778,769	(6.2%)
Total equity	**11,642,326**	10,104,466	15.2%

3. Selected Financial Ratios

	For the year ended 31 December/ As at 31 December	
	2022	2021
Profitability indicators		
Return on average assets(1)	**4.3%**	3.9%
Return on average net assets(2)	**15.6%**	14.2%
Average cost of interest-bearing liabilities(3)	**2.6%**	1.9%
Net profit margin(4)	**54.1%**	56.2%
Liquidity indicators		
Asset-liability ratio(5)	**71.3%**	75.3%
Risk asset-to-equity ratio(6)	**3.4 times**	3.9 times
Gearing ratio(7)	**2.4 times**	2.9 times
Net debt-to-equity ratio(8)	**2.3 times**	2.8 times
Credit rating		
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, structure time deposits, time deposits with maturity over three months and pledged time deposits.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Environment

In 2022, various factors such as the Russo-Ukrainian conflict, the COVID-19 pandemic and the energy crisis have led to an increase in the average shipping distance of seaborne trade. This, combined with congested ports and intensified macroeconomic "headwinds" has put seaborne trade under pressure and caused it to trend downward. However, the overall shipping market remained at a relatively high level. The Clarksea Index rose initially, increased by 32.6% from US$33,450 per day at the beginning of the year to US$44,357 per day in mid-to-late May, it then fell by 33.1% to US$29,657 per day at the end of December, and the average for the year was US$37,253 per day, representing a year-on-year increase of 29.8%.

For oil tankers, the Russo-Ukrainian conflict has reshaped the global oil transport and trade landscape. The EU's embargo on oil from Russia and the shift of refining capacity and chemical industry to the east have resulted in longer distances, leading to higher volatility in the crude oil tanker market. This, in turn, sent median prices for refined oil tankers higher. In 2022, the annual average values of Baltic Dirty Tanker Index (BDTI) and Baltic Clean Tanker Index (BCTI) were 1,391 points and 1,231 points, respectively, representing a year-on-year increase of 116.0% and 131.4%, respectively. For liquefied natural gas (LNG), European sanctions following the Russo-Ukrainian conflict in 2022 led to a boom in maritime LNG transport but longer travel distance, sent freight rate to a record high. According to Clarkson's data, the annual average spot rate for a 174,000 cubic meters LNG ship surged by almost 50% compared to the same period last year. The market rate for bulk carriers was volatile with an annual average Baltic Dry Index (BDI) of 1,934 points in 2022, down 34.3% year-on-year. For container vessels, the total global demand for commodities continued to shrink due to the impact of weak economic development and tightened monetary policies in Europe and the United States, among others. At the same time, the delivery volume of new container vessels was relatively high, coupled with the gradual relief of port congestion, the supply of shipping capacity was loose and causing freight rates continued to fall.

Looking forward to 2023, the ongoing geopolitical tensions and slowing inflation in major economies will lead to a weakened momentum of global economic growth. However, under the influence of favourable factors such as policies that release domestic demand, the expected acceleration of real estate investment and the remaining resilience of foreign trade and exports, China's economic trend will improve and support the development of the shipping market to a certain extent. In general, challenges and opportunities would exist together in the global shipping market in 2023.

In terms of the demand for shipping capacity, the impact of the Russo-Ukrainian conflict will continue to exist. The expected realisation of China's economic recovery, and the trend of increasing shipping distance of seaborne trade will jointly promote the trade of bulk commodities such as oil, dry bulk cargo and liquefied gas. However, the inflation trend in Europe and the United States remains relevant stubborn, the global economic growth continues to decline, and container shipping trading is facing greater pressure. In general, the weak recovery of global demand in 2023 is unlikely to show strong fundamentals. According to Clarksea's data, the growth rate of global seaborne trade volume will turn from negative to positive in 2023, representing an increase of 1.6% and a year-on-year increase of 2.2 percentage points.

In terms of shipping capacity supply, the impact of supply chain disruptions and port congestion will continue to weaken, and the transportation efficiency of the shipping market will be improved. However, regulatory efforts to meet the Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII), including slower travelling speed, energy-saving revamps or even retirement of certain vessels, have compromised our efficiency in shipping capacity supply. According to Clarkson's data, global fleet capacity is expected to increase by 2.3% (in terms of DWT) in 2023, and the capacity structure is generally balanced.

From the perspective of segmented ship types, the orders on hand for oil tankers are at a historically low level, which restricts the growth of shipping capacity. The demand for oil shipping is expected to rise, and the supply of shipping capacity will be tight, especially for refined oil tankers. Shipping capacity of bulk carrier is expected to increase by 1.9% (in terms of DWT). Compared with the growth rate of 2.2% (in terms of ton nautical miles) in dry bulk trade, the overall balance between supply and demand is getting tighter, and the market has certain positive profit-generating space. The shipping capacity of container is expected to grow by 6.6% in terms of TEU, slower growth in container shipping trade volume is expected, with weak demand against strong supply and further pressure in the market. Shipping capacity of LNG is expected to grow by 5.4% (in cubic metres), higher than the 3.7% growth in container shipping demand (in ton nautical miles). The supply-demand tension for shipping capacity will be eased, but rental rates remain at a relatively high level driven by maritime go-green initiatives and restructuring of energy trade in Europe. Growth in vehicle carrier capacity is relatively limited with an expected growth rate as low as 1.3% (in number of parking spaces). Efficient shipping capacity supply is also hindered due to a severely-aging vehicle carrier fleet, so supply and demand in the vehicle carrier segment is set to be tight.

From the perspective of technological development trends, the main direction of maritime transport and ship technology would still be toward being green and intelligent. In terms of greening, the EEXI and CII came into effect in 2023. It is expected that approximately 30% of the shipping capacity of the world's major oil tankers, bulk carriers and container ships will be rated D or E in the CII rating in 2023. Faced with increasingly stringent emission reduction requirements, both existing ships and new ships are in urgent need of innovation and development of energy-saving and emission-reduction technologies. At present, LNG fuel is the main choice for low-carbon fuel in the ship market. At the same time, many research and development institutions have successively launched other alternative fuel vessels such as ammonia, hydrogen and methanol. In terms of smart vessels, in 2023, we will accelerate technological innovation in key areas such as intelligent management of energy and power systems, integrated information comprehensive systems, safety monitoring of all ships, as well as intelligent monitoring of energy conservation and environmental protection.

With more advanced technologies, the transformation of energy to go-green and low-carbon, and the deepening of the development in marine energy and resources, the application scenarios and demands of marine equipment continue to expand and develop. Apart from traditional ocean-transport vessels and offshore oil and gas equipment, modern marine development equipment such as offshore wind power, deep-sea aquaculture, and deep-sea mining had become the new "blue drivers" for quality development of marine economy. We see huge opportunities in the development of offshore installed capacity for wind energy, the need for more advanced offshore installation and construction equipment, ample demands for modern wind power installation equipment, maintenance requirements of offshore wind turbines created by large-scale wind power development. To cope with the challenges brought about by deteriorating water quality in inland and offshore areas, more stringent water quality and environmental standards, overfishing of offshore fishery resources, and substandard traditional deep-sea fishing vessels, the modern fisheries industry is finding its way to quality development, for example, marine aquaculture and deep-sea fishing. At the same time, people's demand for quality protein is growing, so development in deep-sea marine fishery equipment such as deep-sea fish farming vessels is picking up.

2. Business Review

In 2022, the Group successfully completed the first decade of entrepreneurship and fully embarked on a new journey of the second decade. The Group overcame external impacts such as the increase in US dollar interest rates, and effectively responded to a series of risks and challenges such as the Russo-Ukrainian conflict. The Group innovatively launched the cross-cycle strategy of "counter-cyclical investment and cyclical operation". The business pattern of "One Body, Two Wings" of "Ship Leasing" and "Investment and Operation" was further highlighted. The operating efficiency reached the best level since the founding of the Company, the development quality was steadily improved, and new breakthroughs were made in various tasks. For the year ended 31 December 2022, the Group recorded a revenue of HK$3.208 billion, a year-on-year increase of 29.9%. Revenue from integrated shipping services (including operating leases and commissions) and financial services (including financial leases and loans borrowings) accounted for 59.2% and 40.8%, respectively. Profit generated was HK$1.734 billion, up by 25.0% year-on-year. Total equity was HK$11.642 billion, up by 15.2% over the same period in 2021. Annual return on average net assets and return on average assets were 15.6% and 4.3%, respectively, up by 1.4 and 0.4 percentage points respectively from the same period in 2021. Asset-liability ratio was under control at 71.3%, down by 4 percentage points from the same period in 2021. Credit rating remained at A- (S&P) and A (Fitch).

(1) The innovative cross-cyclical business model focuses on further investing in LNG carriers and highly sought-after ships. The proportion of high value-added vessels continued to increase, and the fleet size was generally stable

In 2022, the Group adopted an innovative cross-cyclical business model, seized the opportunities arising from the cyclical changes in the shipping market, continued to increase investment in clean energy equipment and segmented ship types with good market potential, properly responded to ship repurchases, and optimised asset allocation. By way of joint investment, joint leasing and other business models, the Group (including joint ventures and associates) had built deeper relationship with upstream and downstream players. While investing further, we sought to reduce the overall risk of new projects effectively. 20 new vessels were added to our fleet during the year, with a total contract value of US$1.51 billion at record-high levels, providing stable support for the Company's subsequent development. Taking full advantage of the first-mover advantage in the LNG industry, the Company newly signed 4 LNG carriers with a capacity of 174,000 cubic metres, and the number of LNG carriers of the Company reached 7 (including 4 self-investment and 3 joint investment); The Group was optimistic about the effect of the Regional Comprehensive Economic Partnership (RCEP) on the trade flows between East Asia and Southeast Asia, invested in four 1100TEU and four 1600TEU feeder container vessels, deepening the cooperation with container liners in the field of container vessels, and enriching the fleet structure of shipping assets.

In 2022, the Group also saw 19 new chartered-in and operated vessels (including joint ventures and associates) with a total contract value of US$669 million, mainly including 11 bulk carriers, 2 container vessels, 2 pure car and truck carriers (PCTC), and one 100,000-tonne smart aquaculture vessel. Among them, the world's first 100,000-tonne aquaculture vessel jointly-invested by the Company integrates a number of innovative technologies such as industrial breeding and artificial intelligence, which could be regarded as a "flagship of fishery breeding", marking a breakthrough from 0 to 1 in the deep sea large-scale breeding ship industry of China, which was included in the key development part of the No. 1 Central Document for 2023. The number of ships sold and repurchased by owner was 20.

As at 31 December 2022, the size of the Group's (including joint ventures and associates) portfolio was 158 vessels, which remained unchanged compared to the same period in 2021. Among these, 129 vessels were under lease while 29 were under construction. The average age of vessels in operation was approximately 3.2 years. The Group continued to maintain a diversified, modern, young and green vessel portfolio. In terms of contract value, offshore clean energy equipment, container ships, liquid cargo ships, bulk carriers and special ships accounted for 40.5%, 19.8%, 15.4%, 13.8% and 10.5% respectively, with LNG carriers making up a significant portion of clean energy equipment. The other ship types have evenly proportioned. Balanced high-quality green ship assets can simultaneously resist risks and achieve steady growth of benefits, which is a strong guarantee for the sustainable development of the Group. The Group always maintained a flexible mode and reasonable ratio of fleet asset operation, maximized the efficiency and benefit of asset operation on the basis of ensuring the overall sound management of assets. Financial leasing is matched with operational leasing, long-term leasing is combined with short-term leasing, and fixed income is coordinated with flexible income. In 2022, the Group (including joint ventures and associates) executed 129 ship charters, of which 68 were financial charters and 61 were operational charters. Of the 129 leases under execution, the average remaining lease term for leases longer than one year was about 7.3 years.

Appendix: Asset Structure of Vessels in 2022

Asset structure table of vessels in operation (as of 31 December 2022)

Type of project	Ship category	Ship type	Number
Financial leasing	Bulker		26
	Container		9
	Gas Carrier		11
	Special Tonnage		5
	Tanker		17
	Subtotal		68
Operational leasing	Bulker	Minicape	6
		Panamax	6
		Handysize	7
	Container	18000TEU	3
	Gas Carrier	174,000 cubic metres LNG carrier	2
		Extra large LPG carrier	4
	Special Tonnage	Emergency response rescue vessel	1
		Heavy lift vessel	17
		Smart fishery aquaculture ship	1
	Tanker	LR1	6
		MR	8
	Subtotal		61
Total			129

Asset structure table of vessels under construction (as of 31 December 2022)

Type of project	Ship category	Ship type	Number
Financial leasing	Bulker	Panamax	2
	Container	Feeder container vessel	1
	Special Tonnage	Wind turbine installation vessel	1
	Subtotal		4
Operational leasing	Container	16000 TEU/24000 TEU	8
		Feeder container vessel	8
	Gas Carrier	174,000 cubic metre LNG carrier	5
	Tanker	LR2	4
	Subtotal		25
Total			29

(2) Seizing the opportunities in the industry for shipping-related assets to achieve excess "flexible returns" and driving the rapid growth of operating efficiency at a high level

In 2022, benefiting from the stable operation of long-term leased assets, flexible and resilient business model and excellent cost control ability, the Group's major operating indicators reached a new high under the trend of rapid growth for consecutive years, and the asset operation efficiency was steadily improved.

The strategic role of fleet investment and operation has been fully demonstrated. Benefiting from the forward-looking layout, flexible operating strategies and refined and professional management of shipping assets. In 2022, the Group's fleet of 26 self-operated (wholly and jointly-owned) vessels achieved a total net profit attributable to the Group of HK$632 million, representing a year-on-year increase of 117.3%, accounting for 36.42% of the Group's net profit. In particular, in 2022, the Group effectively seized the market opportunities arising from the transformation of energy trade structure and the strong demand for energy transportation due to the Russo-Ukrainian conflict, and optimised the management mechanism for joint ventures. The eight 55,000-tonne class refined oil/chemical carriers and six 75,000-tonne class refined oil tankers jointly operated by the Group (the equity interest attributable to the Group was 50%) have achieved a total investment income of HK$312 million, representing a significant increase of HK$336 million as compared to 2021. For the eight self-operated bulk carriers (including six 64,000 DWT bulk carriers and two 82,000 DWT bulk carriers), the Group accurately grasped the pace of the bulk carrier market fluctuations in 2022, timely locked high rental prices, and achieved a higher rental income than the market index level, achieving a net profit of HK$283 million, representing a year-on-year increase of 16.5%.

The existing fixed income projects operated steadily. The Group properly addressed various risks arising from the Russo-Ukrainian conflict and the Federal Reserve's interest rate hike. The utilisation rate of the operating vessel portfolio reached 100%, and the cash collection rate of charter hire was 100%.

(3) Firmly serving the national "dual carbon" and energy transformation strategy, and continuously strengthening the layout of the whole industry chain of clean energy

The Group continued to increase investment in clean energy equipment. In 2022, the Group adhered to the concept of sustainable development strategy. Through a forward-looking strategic layout and large-scale asset allocation in the clean energy industry chain, the Group established a new track of "green shipping". At present, it has become the leasing company with the largest investment, the most extensive coverage and the most complete industrial system in the field of clean energy equipment worldwide. During the year, a total of four 174,000 cubic metre LNG carriers were added through self-investment and joint venture investment, with seven self-operated and joint venture LNG carriers and ten LNG industry chain-related vessels. The contribution from vessels on hire was satisfactory, and contracts were entered into for one 1,600-tonne self-elevating self-propelled parallel wind power installation ship by way of a joint lease, officially entering the new field of offshore wind power. The newly delivered one 86,000 cubic metres ultra-large dual-fuel liquefied gas carrier (VLGC), was upgraded with a green power system, and it was the first time in the world to use liquefied petroleum gas (LPG) as the main power fuel. As of 31 December 2022, the Group had 22 clean energy equipment in its vessel portfolio, accounting for 40.5% of the total value of the contracts.

We continued to strengthen cooperation in the LNG industry chain. In 2022, the Group reached a strategic cooperation with PetroChina International (Hong Kong) Corporation Limited and COSCO SHIPPING Energy Transportation Co Ltd in the LNG transportation industry chain, and fully launched a new model of LNG business cooperation and a new path to ensure the resilience and safety of the LNG supply chain.

We fulfilled our mission and responsibility to promote green financial services and green shipping. With the objective of developing green finance and serving green shipping, the Group initiated the suggestion of establishing the Greater Bay Area Green Shipping and Financial Leasing Alliance, calling for the strengthening of exchanges and cooperation in shipping, manufacturing, finance and leasing. Leveraging the green finance pilot innovation policy in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group promotes the wide application of low-carbon and environmental-friendly ships and equipment, provides special financial leasing support for green shipping, and establishes an industrial resource-sharing mechanism to promote the healthy development of green shipping.

We actively practised the business philosophy of green development. In 2022, the Group prepared to establish the ESG and Sustainable Development Committee at the Board level to deeply integrate ESG governance concepts with business development. The establishment was approved by the Board at the beginning of 2023. The Group paid close attention to the progress of the International Maritime Organisation and the European Union's carbon emission policy. According to the requirements of the EEXI and the CII, the Group has formulated a targeted technical upgrading and transformation plan for self-owned and joint-venture vessels based on the calculation results and forecast rating of the regulatory guidelines. At present, the Group is carrying out dual-fuel transformation for four joint-venture VLGCs, which will greatly improve the economic efficiency and environmental protection of vessel operations after the transformation is completed. The Group took the lead in conducting a biofuels test on a self-operated MiniCape bulk carrier, initially achieving significant reduction in carbon dioxide emissions, and will subsequently expand the scope of biofuels testing on the Group's vessels.

(4) *Actively responded to the Federal Reserve's interest rate hike and took multiple measures to effectively control financing costs*

In 2022, under the situation that the US dollar interest rate rose sharply by 425 basis points beyond the market expectation, the Group adopted various methods such as reducing non-operating assets like cash, scaling down debts, adjusting the loan interest calculation method, replacing short-term loans with low-interest rates, and strictly controlling the withdrawal of new loans to vigorously curb the rapid increase in financing costs. Comprehensive financing costs for the year were controlled at 2.6%, representing a year-on-year increase of a mere 76 basis points as compared to 2021. The scale of interest-bearing liabilities was controlled at HK$27.79 billion, representing a decrease of HK$2.01 billion from the beginning of the year. The asset-liability ratio was controlled at 71.3%, representing a significant decrease of 4 percentage points as compared to the same period last year. The Group has been rated "A" by Fitch and "A-" by S&P for four consecutive years. In March 2023, in response to the sharp risen in overseas US dollar interest rate, the Group fully use of its capital advantages in both Mainland and Hong Kong markets, the Group successfully issued RMB1 billion sustainable development-linked panda bonds in Mainland China, with a coupon rate of 3.3%, which was the lowest issue rate among the industry's AAA rating for the same period since 2023.

(5) *Focusing on process construction and informatization to strengthen risk control and response capabilities*

The Group places equal importance on risk management and control and revenue. In terms of risk governance mechanism, a three-level risk prevention model comprising functional departments under the leadership of the Board, the Risk Management Department and the Audit Committee has been established to achieve risk management mechanism of full-process risk control with full participation. For major risk areas such as credit risk, asset risk, liquidity risk and information technology risk, the Company has formulated a full-process response mechanism for prevention in advance, monitoring during the process and subsequent handling.

In terms of the construction of the risk prevention and control system, in 2022, the Group strengthened risk identification and control through the integration of information and data. It established a risk and internal control information management system with the goal of "integrated management of internal control and informatization throughout the whole business life cycle". Through the integration and unified release of each system process, the internal control strategy, management and control requirements are mapped into each business management sub-system of the Company. Based on the existing information system construction foundation, the Group integrated system resources to form an integrated platform board for unified management of the whole business life cycle, and realised interconnection between systems by connecting business channels and data links. In terms of the core capability of risk prevention and control, the Company improved the scientificity and accuracy of risk assessment with quantitative measures. It developed the "Risk Quantitative Assessment Model" with independent intellectual property rights, and embedded the risk quantification tool system into the risk process control. The entry barriers of projects are strictly controlled to effectively avoid the introduction of high-risk projects at the front end of the business. At the same time, it extends to the back end of the business, regularly update the project risk rating, and adjusts the post-loan inspection strategy and frequency. In terms of key risk prevention and control, the Company timely monitored and adopted a series of measures to prevent and control major risks caused by the Russo-Ukrainian conflict. At present, the Company has no major risk events due to the Russo-Ukrainian conflict. In response to the high shipping market and rising ship prices, the Group optimised the maturity structure of charter hire cash flow, increased the proportion of recent repayment, and controlled the performance risk. We also strengthened risk disposal and made full provision. In 2022, the Group actively carried out risk disposal, and successfully reversed impairment losses of HK$12.9667 million through litigation and enforcement of judgments. No new non-performing projects were added. As of 31 December 2022, the Group's non-performing credit assets amounted to US$23.73 million, accounting for 0.87% of total credit assets, and the non-performing allowance coverage ratio was 311%.

(6) Further promoted the reform of state-owned enterprises by establishing a world-class corporate governance system

Building on the successful reform achievements and results, the Group was awarded the "benchmark" rating, which is the highest evaluation level in the reform assessment of the "Double Hundred Actions" of state-owned enterprises in 2021.

The reform of professional managers has been completed in phases, yielding positive results. In 2022, the Group increased its efforts in market-oriented reform by selecting and appointing five senior management members, including the general manager, based on a market-oriented qualifications. They have started performing their duties fully. The Board has implemented the reform of its powers and responsibilities and developed a corresponding supporting management system, resulting in a more standardised and rational corporate governance structure. Additionally, the delegation of authority to the managerial level has been optimized, significantly increasing the managerial level's decision-making authority on operational and investment matters. The improvement has led to a faster market response and decision-making efficiency, stimulated the managerial level's vitality, and promoted the full achievement of various operational targets.

The Company further deepened the reform of medium- and long-term incentive mechanism. On 4 April 2022, the Group further granted share options to 6 senior management and core technicians under the share option scheme adopted by the Group in 2021. The Company optimised the remuneration management system, integrated the benefits of the Company with the interests of the management, and stimulated the endogenous motivation of the Company.

(7) Emphasising returns to investors and maintaining a high dividend policy

Since its listing in 2019, the Group has always regarded investors as important strategic partners of the Company and created substantial investment returns for them. The Group maintained a high dividend payout ratio, and scientifically formulated dividend distribution policies based on various factors such as investment demand and cash flow management to reward investors with abundant dividends. The Board recommends the payment of a final dividend of HK$0.07 per share (subject to the approval at the Company's forthcoming annual general meeting (the "**AGM**")), together with the interim dividend of HK$0.03 per share paid in 2022. The total amount of dividend for 2022 will be approximately HK$614 million.

3. Development Prospect for 2023

Since the Group's establishment ten years ago, the Group has achieved leapfrog development. Operating results have been growing rapidly, with net return on assets and return on total assets rising significantly, leading in the industry. The fleet size is leading in the world, with relatively balanced ship configuration, green and high-end ship portfolio and outstanding characteristics in the industry. Comprehensive capabilities such as financing capability, risk prevention and control, asset management and others have been continuously enhanced to ensure stable operation.

2023 marks the first year of the Group's second decade. The Group will adhere to the principle of "quality first and efficiency first", give full play to the professional advantages of "understand ships", continue to implement the cross-cycle development strategy by relying on the strong industrial background and technical resources of the holding group, expand the marine equipment leasing and investment business with high quality, and enhance the complete system and strong core professional capabilities to meet the needs of project life cycle management, so as to become a leader in the marine equipment leasing business segment.

The Group will always adhere to the concept of stable operation and consolidate the "One Body, Two Wings" pattern of "Ship Leasing" and "Investment and Operation". The Group aims to provide customers with more personalised financial services, strictly manage and control risks and maintain solid earnings growth. The Company will promote market-oriented and professional capabilities of our maritime assets operation, dynamically and timely optimize our assets structure according to market changes, realize quantitative management of our vessels, build a differentiated competitive edge of our assets operation, and achieve immediate returns higher than the market average.

The Group will firmly practise the concept of green and sustainable development, implementing the national strategy of "carbon neutrality, peak carbon dioxide emissions " (碳中和、碳達峰)to ensure national energy security. The Group will take advantage of the first-mover advantage in green financing and green leasing, extending the industrial chain of LNG industry as an important strategic layout for the future. The Group aims to broaden the new situation of clean energy strategic development, and carry out sustainable LNG full-industrial chain cooperation with large cargo owners, traders, energy merchants and other strategic customers through the cooperation model of "industry-finance integration, transportation and trade integration". The Group's goal is to gradually develop the clean energy industry chain into a new performance increment factor of the Company.

The Group will pay close attention to the changing trend of the industry and the development trend of technology, seize opportunities brought about by domestic development and its interaction with the rest of the world, leverage diversified assets offered by the parent, explore the momentum of marine economic growth, lay out in strategic emerging areas with good development prospects in advance to cultivate future development growth points, and strive for breakthroughs in new business areas such as green shipping vessels, new energy equipment and green equipment leasing in China.

The Group will actively respond to the negative impact caused by the Federal Reserve's interest rate hike, carry out innovative multi-source financing such as cross-currency financing and ship asset securitization, reduce financing costs, and at the same time manage and control the risk of currency mismatch and the risk of asset liability maturity mismatch, so as to strike a balance between income and risk. The Group will continue to pay attention to the impact of the Russo-Ukrainian conflict or other unexpected geopolitical events on international relations and the industry, adhere to the bottom line thinking and systematic thinking, and enhance emergency response capabilities.

The Group will derive new momentum for development through technological innovation, further investment in R&D, and optimization of asset management capability by way of digitization and information construction. The Group aims to realize green development, intelligentization, and digitalization of ship assets with a focus on the application of new technologies, ancillary product upgrades on vessels. The Company will continue to deepen reform, continuously improve and optimise the corporate governance system, maximise the momentum of professional manager reform and stimulate internal motivation and operating vitality.

In 2023, the Group has embarked on a new journey. In the next decade, the Group will accelerate its construction into a world-class ship leasing and investment operation company with leading quality, efficiency, outstanding professional advantages, a reasonable business structure and strong international competitiveness. The Group aims to provide customers with integrated solutions that combine financial, leasing, operational and technological aspects in order to improve our brand awareness and hence create greater value for all shareholders.

4. Financial Review

4.1 Analysis on the Consolidated Income Statement

4.1.1 Revenue

The Group's revenue comprises (i) integrated shipping service (including operating lease income and commission income) and (ii) financial service (including finance lease income and interest income from loan borrowings).

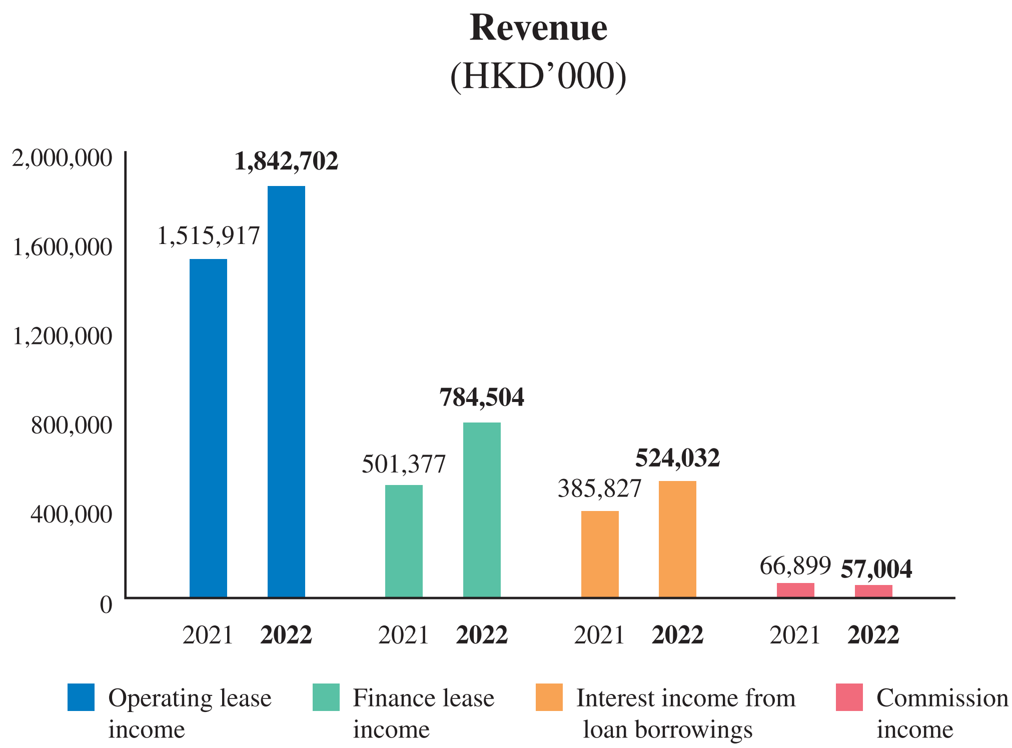
The Group's revenue increased by 29.9% from HK$2,470.0 million for the year ended 31 December 2021 to HK$3,208.2 million for the year ended 31 December 2022.

The overall increase in revenue primarily due to (i) the good performance in the Group's self-operated bulker carrier market, (ii) the increase in total shipping capacity, (iii) the increase in 3 months London Inter-bank Offered Rate ("**3M-LIBOR**") and (iv) the increase in several finance lease contracts, thus, it led to the increase in operating lease income, finance lease income and interest income from loan borrowings when comparing to the last year.

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

Revenue

	Year ended 31 December		
	2022	2021	
	HK$'000	*HK$'000*	Change
Integrated shipping service			
– Operating lease income	**1,842,702**	1,515,917	21.6%
– Commission income	**57,004**	66,899	(14.8%)
	1,899,706	1,582,816	20.0%
Financial service			
– Finance lease income	**784,504**	501,377	56.5%
– Interest income from loan borrowings	**524,032**	385,827	35.8%
	1,308,536	887,204	47.5%
Total	**3,208,242**	2,470,020	29.9%



Operating Lease Income

The Group's operating lease income increased by 21.6% from HK$1,515.9 million for the year ended 31 December 2021 to HK$1,842.7 million for the year ended 31 December 2022 due to (i) the good performance in the self-operated bulker carrier market; and (ii) the increase in the Group's total shipping capacity during the second half of 2021 and the year of 2022 as the Group added 8 multi-purpose heavy lift carriers, 6 bulk carriers and 2 LNG green-energy vessels to its vessel portfolio under operating lease.

Finance Lease Income

The Group's recognised finance lease income of HK$784.5 million for the year ended 31 December 2022, compared with HK$501.4 million for the year ended 31 December 2021, representing an increase of HK$283.1 million or 56.5%, the reasons were that (i) the Group's finance lease income was priced on a floating rate basis with reference to 3M-LIBOR. The tightening monetary and interest rate hike policies by the Federal Reserve led to the rise of 3M-LIBOR from 0.22% at the beginning of the year to 4.77% at the end of the year (2021: 0.11% to 0.22%), and (ii) the Group continually engaged several new finance lease contracts during the second half of 2021 and the year of 2022.

Interest Income from Loan Borrowings

The Group's interest income from loan borrowings increased by 35.8% from HK$385.8 million for the year ended 31 December 2021 to HK$524.0 million for the year ended 31 December 2022. The increase in interest income from loan borrowings was because the 3M-LIBOR rose from 0.22% at the beginning of the year to 4.77% at the end of the year in 2022.

Commission Income

The Group's commission income is generated by providing shipbroking services when the Group successfully facilitates shipbuilding transactions. The Group's commission income was HK$57.0 million for the year ended 31 December 2022 and HK$66.9 million for the year ended 31 December 2021.

4.1.2 Other Income

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

Other income

	Year ended 31 December		
	2022	2021	Change
	HK$'000	*HK$'000*	
Dividend income	**8,402**	14,142	(40.6%)
Interest income from:			
– financial assets at fair value through profit and loss	**21,784**	21,765	0.1%
– financial assets at fair value through other comprehensive income	**14,944**	15,020	(0.5%)
– bank deposits	**12,762**	18,811	(32.2%)
Government subsidies	**597**	3,258	(81.7%)
Total	**58,489**	72,996	(19.9%)

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 19.9% in other income for the year ended 31 December 2022.

The major reasons of the decrease in other income were that (i) the Group disposed of part of the listed preference shares in the first half of 2021, which led to the decrease in dividend income of HK$5.7 million or 40.6% from HK$14.1 million for the year ended 31 December 2021 to HK$8.4 million for the year ended 31 December 2022; and (ii) the Group's overall bank balance decreased in 2022 when compared to 2021, the interest income from bank deposits also decreased by 32.2% or HK$6.0 million because the Group continually made the payment to shipbuilders for chartering business during the year meanwhile reducing the non-operating assets such as cash.

4.1.3 Other Gains, Net

The Group recorded net other gains of HK$66.1 million for the year ended 31 December 2022, as compared to net other gains of HK$31.8 million for the year ended 31 December 2021. The other gains increased by HK$34.3 million was mainly because the Group recognised a gain on disposal of assets held for sales of HK$23.5 million, the vessel disposal transaction was completed at the beginning of the year.

4.1.4 Expenses

The Group's expenses mainly comprise of (i) finance costs and bank charges; (ii) provision for/(reversal of) impairment of loan and lease receivables, net; (iii) depreciation; (iv) vessel operating costs; (v) employee benefits expenses; (vi) other operating expenses; and (vii) research and development and IT expenses.

Expenses

	Year ended 31 December		
	2022	2021	Change
	HK$'000	*HK$'000*	
Finance costs and bank charges	**760,216**	487,927	55.8%
Depreciation	**476,724**	369,230	29.1%
Vessel operating costs	**302,857**	202,988	49.2%
Employee benefits expenses	**124,696**	91,765	35.9%
Other operating costs	**137,314**	75,982	80.7%
Research and development and IT expenses	**9,071**	7,918	14.6%
Provision for/(reversal of) impairment of loan and lease receivables, net	**90,260**	(20,887)	(532.1%)
Total	**1,901,138**	1,214,923	56.5%

Finance Costs and Bank Charges

The Group's finance costs and bank charges increased by 55.8% from HK$487.9 million for the year ended 31 December 2021 to HK$760.2 million for the year ended 31 December 2022. The Group's finance costs include (i) interest expenses on bank borrowings and (ii) interest expenses on bonds. The average cost of interest-bearing liabilities was 2.6% and 1.9% for the year ended 31 December 2022 and the year ended 31 December 2021, respectively. The increase was because of (i) the substantial increase in floating rate with reference to 3M-LIBOR from 0.22% at the beginning of the year to 4.77% at the end of the year in 2022 and (ii) the issurance of green and blue dual-certified bonds US$500,000,000 in the second half of 2021 recognised whole year interest expenses for the year ended 31 December 2022. The Group had hedged the interest rate risks and repaid several bank loans during the year in order to reduce the rising interest rate and minimise the interest expenses.

Depreciation

The Group's depreciation expenses increased by 29.1% from HK$369.2 million for the year ended 31 December 2021 to HK$476.7 million for the year ended 31 December 2022, due to the increase in the Group's total shipping capacity since the second half of 2021 and the year of 2022 as the Group added 8 multi-purpose heavy lift carriers, 6 bulk carriers and 2 LNG green-energy vessels to its vessel portfolio under operating lease.

Vessel Operating Costs

The Group's vessel operating costs represent the expenses incurred in operating vessels under operating lease arrangements, including crew expenses, vessel repair and maintenance fees, ship management fees and vessel insurances.

Those operating costs which borne by the Group were increased in line with the Group's increased self-operated fleet size since 2021. The Group's vessel operating costs increased to HK$302.9 million for the year ended 31 December 2022 because of the effects of COVID-19 which led to the increase in maintenance fees, crew expense and crew travelling expenses.

Employee Benefits Expenses

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

The Group's employee benefits expenses were HK$124.7 million and HK$91.8 million for the years ended 31 December 2022 and 2021, respectively, in which the share-based compensation expense recognised amounting to HK$15.7 million and HK$10.3 million respectively.

Provision for Impairment of Loan and Lease Receivables, net

For the year ended 31 December 2022, the net provision for impairment of loan and lease receivables was HK$90.3 million, which was mainly due to (i) the bulk carrier shipping market remained at a high level in general, but started to decline gradually in the second half of the year, with the larger decline in the Capesize bulk carriers, hence downgraded some of the bulk carrier projects; and (ii) the container vessel shipping market declined in the second half of the year. Although all container vessel projects were performing normally, due to prudent consideration and its conservative policy, the Group has downgraded all container vessel projects accordingly.

Research and Development and IT Expenses

The Group recognised the research and development and IT expenses of HK$9.1 million and HK$7.9 million for the years ended 31 December 2022 and 31 December 2021, respectively. The Group continued to improve the internal IT systems in order to increase the efficiency for daily operation such as cloud-based accounting system, Robotic Process Automation (RPA) and upgrading related computer software.

4.1.5 Share of Results of Joint Ventures

The Group's share of results of joint ventures increased by 724.9% or HK$306.0 million from HK$42.2 million for the year ended 31 December 2021 to HK$348.2 million for the year ended 31 December 2022.

The increase in the share of results of joint ventures was due to (i) the outstanding performance in the international transportation segment of refined product oil and chemical and (ii) the increase in shipping capacity of chemical vessel compared to 2021 as the total number of operating days for the year of 2022 has increased accordingly.

The reasons behind were that (i) the geopolitical conflicts have led to a rise in oil freight rates, (ii) the strong demands for energy transportation and (iii) the structural changes in energy trading have led to the increase in shipping distance of oil tankers.

As a result, the fuel consumption of refined product oil was recovered and returned to close to the pre-epidemic level in 2022 which led to the increasing demand for product oil transportation, the average daily market charter rates level increased by 215.8% as compared to that for the year ended 31 December 2021.

Besides, the demand for chemical transportation also increased, the average daily market charter rates level increased by 74.0% as compared to that for the year ended 31 December 2021.

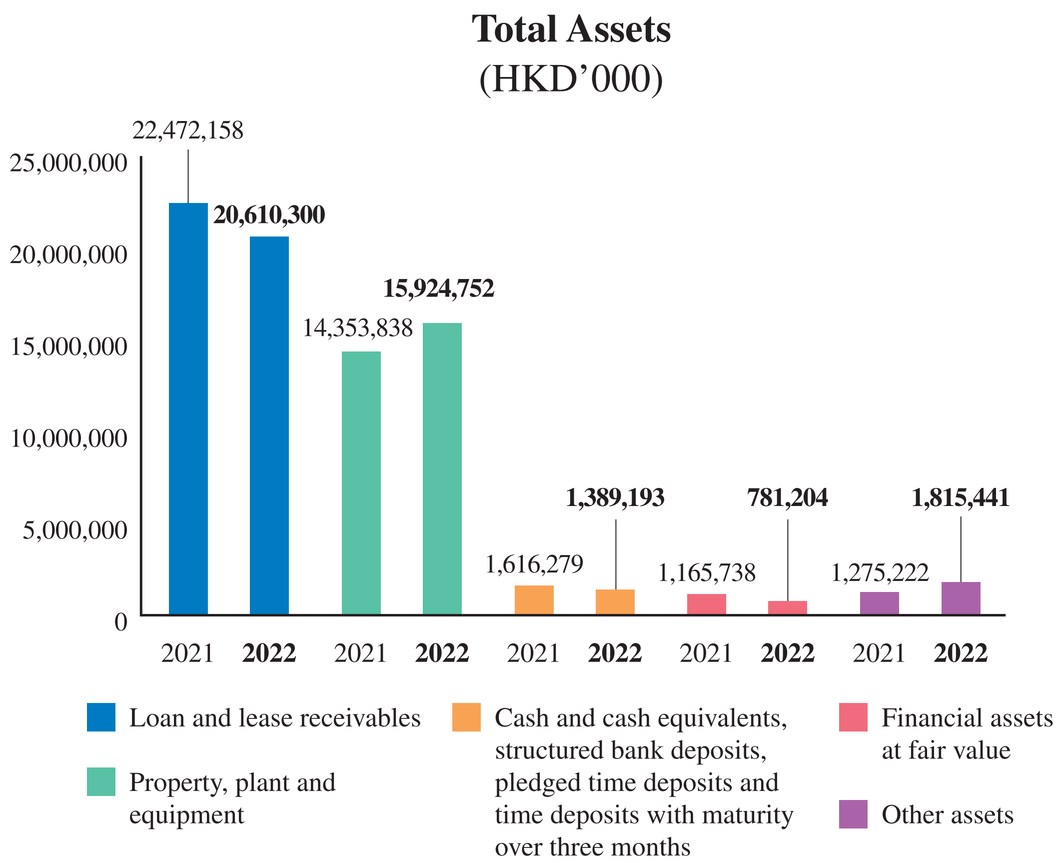
4.2 Analysis on the Consolidated Statement of Financial Position

Assets

As at 31 December 2022, 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 95.5% of the Group's total assets.

Total Assets

	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*	Change
Loan and lease receivables	**20,610,300**	22,472,158	(8.3%)
Property, plant and equipment	**15,924,752**	14,353,838	10.9%
Cash and cash equivalents, structured bank deposits, pledged time deposits and time deposits with maturity over three months	**1,389,193**	1,616,279	(14.0%)
Financial assets at fair value	**781,204**	1,165,738	(33.0%)
Other assets	**1,815,441**	1,275,222	42.4%
Total	**40,520,890**	40,883,235	(0.9%)



4.2.1 Loan and Lease Receivables

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

Loan and lease receivables

	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*	Change
Lease receivables	**12,291,021**	13,901,500	(11.6%)
Loan borrowings	**7,476,754**	7,705,711	(3.0%)
Loans to joint ventures	**842,525**	864,947	(2.6%)
Total	**20,610,300**	22,472,158	(8.3%)

a) Lease Receivables

The Group's net lease receivables amounted to HK$13,901.5 million and HK$12,291.0 million as at 31 December 2021 and 31 December 2022, respectively. Such receivables decreased by 11.6% or HK$1,610.5 million because some of finance lease projects were completed during the year.

As at 31 December 2022, the Group's finance lease receivables were secured and bore interest at rates ranging from 6.0% to 10.4%.

b) Loan Borrowings

Loan borrowings mainly refer to receivables from the secured loan provided by the Group. The Group's loan borrowings were secured and bore interest at rates ranging from 3.6% to 8.7% per annum and repayable from 2023 to 2034 as at 31 December 2022.

The Group's loan borrowings decreased from HK$7,705.7 million as at 31 December 2021 to HK$7,476.8 million as at 31 December 2022. The decrease of 3.0% in loan borrowings was mainly because of the continuous repayment of principal amounts by the Group's customers during the year.

c) Loans to Joint Ventures

The Group's loans to joint ventures amounted to HK$864.9 million and HK$842.5 million as at 31 December 2021 and 31 December 2022, respectively.

Loans to joint ventures represent the unsecured loans to joint ventures which were repayable on demand, of which HK$484.5 million bore interest at a rate of 7.8% per annum as at 31 December 2022.

During the year ended 31 December 2022, there was no major default in the repayment of loan and lease receivables from the Group's customers and none of the Group's loan and lease receivables was written off.

4.2.2 Property, Plant and Equipment

The Group's property, plant and equipment comprise constructions in progress, vessels held for operating leases, leasehold improvements, office equipment and motor vehicles held for business purposes. As at 31 December 2021 and 31 December 2022, the Group's property, plant and equipment amounted to HK$14,353.8 million and HK$15,924.8 million, respectively. The increase of 10.9% in the Group's property, plant and equipment as at 31 December 2022 was primarily because the Group continued to increase the number of vessels for chartering business.

4.2.3 Financial Assets at Fair Value

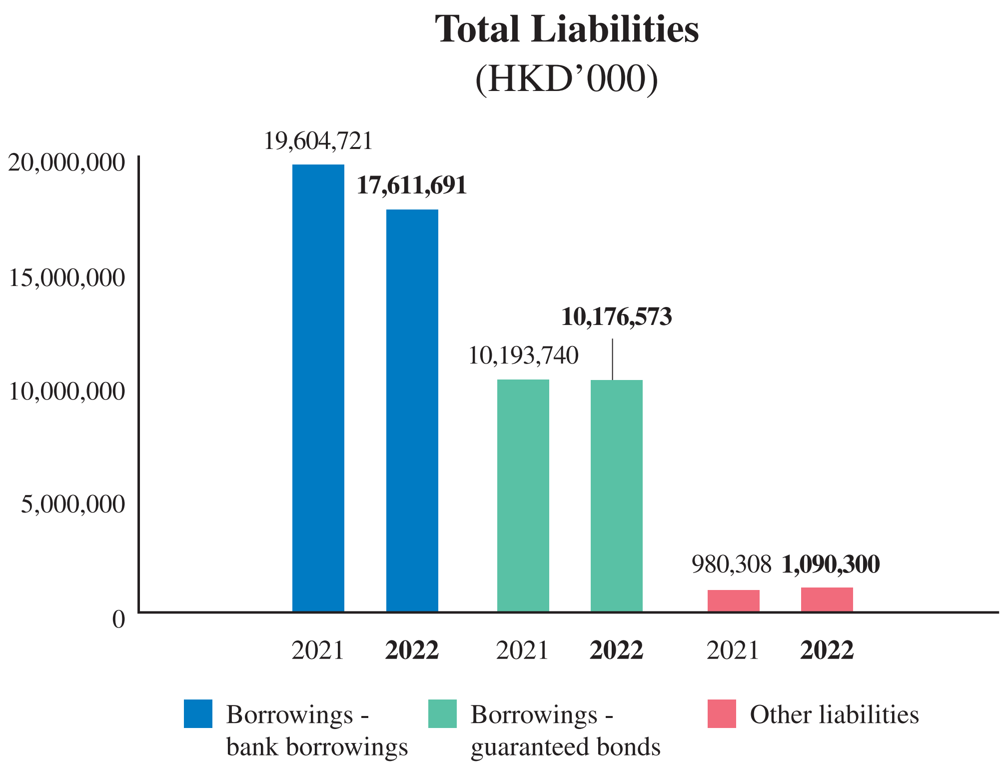
Financial assets at fair value represent private and listed bonds, listed preference shares and wealth management products held by the Group. The total amount of financial assets at fair value decreased by 33.0% from HK$1,165.7 million as at 31 December 2021 to HK$781.2 million as at 31 December 2022. Such decrease was because (i) the Group disposed of the listed bonds in the 3rd quarter of 2022 and (ii) the Group disposed of the listed preference shares at the end of 2022. The Group will continue to optimise the allocation of financial assets for holding suitable investment portfolio of listed bonds and wealth management products in order to obtain stable returns.

Liabilities

As at 31 December 2022, the total liabilities of the Group mainly comprised of borrowings, including bank borrowings and guaranteed bonds, which accounted for 96.2% of its total liabilities.

Total liabilities

	As at 31 December 2022 *HK$'000*	As at 31 December 2021 *HK$'000*	Change
Borrowings – bank borrowings	**17,611,691**	19,604,721	(10.2%)
Borrowings – guaranteed bonds	**10,176,573**	10,193,740	(0.2%)
Other liabilities	**1,090,300**	980,308	11.2%
Total	**28,878,564**	30,778,769	(6.2%)



4.2.4 Borrowings – Bank Borrowings

The Group's bank borrowings decreased by 10.2% from HK$19,604.7 million as at 31 December 2021 to HK$17,611.7 million as at 31 December 2022, mainly due to the repayment of borrowings during the year of 2022. The interest rates as at 31 December 2021 and 2022 ranged from 0.96% to 2.27% and from 4.91% to 6.22%, respectively. There was no delay in the repayment of or default in any bank borrowings during the year.

4.2.5 Borrowings – Guaranteed Bonds

As at 31 December 2022, the Group held (i) two guaranteed bonds of US$400,000,000 (approximately HK$3,112,000,000) due 2025 and US$400,000,000 (approximately HK$3,112,000,000) due 2030 bearing interest at 2.5% and 3.0% per annum respectively, and (ii) a green and blue dual-certified bond US$500,000,000 (approximately HK$3,890,000,000) due 2026 with 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.

Besides, the Group is actively promoting the issuance of domestic sustainability-linked RMB panda bonds. Due to the upward trend of USD interest rates and the relatively low interest rate of RMB financing, the issuance of RMB bonds can save finance cost and interest expense. Meanwhile, the issuance of RMB panda bonds in China is of significance to broaden the Group's financing channels, debut in the domestic bond market, innovate financing models and promote green finance. After the reporting period, the Group successfully issued the first tranche of 2023 medium-term notes (Sustainability Linked and Bond Connect) (the "**First Tranche of 2023 Medium-term Notes**") publicly at the PRC inter-bank Bond Market on 6 March 2023, with the issue size of RMB1,000,000,000 for a term of three years at a coupon rate of 3.3% per annum. The Group and the First Tranche of 2023 Medium-term Notes received "AAA" rating from credit rating agency Dagong Global Credit Rating Co., Ltd.（大公國際資信評估有限公司）.

5. Asset Quality

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

The Group did not write off any loan and lease receivables during the year ended 31 December 2021 and the year ended 31 December 2022.

6. Liquidity and Working Capital

During the year, the Group funded its operations and growth primarily through cash generated from operations, bank borrowings and issuance of bonds. When determining the allocation of its capital resources, the Group primarily considers its business strategies and development plans, future capital needs and projected cash flow. During the period, 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. There was no significant change in the Group's indebtedness and credit standing in 2022 and the credit ratings assigned to the Group by the credit rating agencies remain unchanged. The Group has sufficient cash flow, while the credit facilities granted by the banks to the Group are sufficient. The Group has sufficient cash to pay for the future business expansion and development, including the future payment for capital expenditure to shipbuilders and finance lease business. 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 Group during the reporting period, the Directors expected that the Group would have adequate resources to meet its liabilities and commitment as and when they fall due and be able to continue its operation for the foreseeable future.

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

	Year ended 31 December	
	2022	2021
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**3,844,684**	(5,019,413)
Net cash used in investing activities	**(1,530,170)**	(4,476,729)
Net cash (used in)/generated from financing activities	**(2,548,463)**	8,730,944
Net decrease in cash and cash equivalents	**(233,949)**	(765,198)
Cash and cash equivalents at the beginning of the year	**1,427,683**	2,180,280
Effect of foreign exchange rate changes on cash and cash equivalents	**(12,276)**	12,601
Cash and cash equivalents at the end of the year	**1,181,458**	1,427,683

The net cash generated from operating activities amounted to HK$3,844.7 million, which was mainly because the Group received the payment from the completed finance lease projects and generated a profit from operation during the year ended 31 December 2022.

The net cash used in investing activities amounted to HK$1,530.2 million, which was mainly due to the payments to shipbuilders during the year ended 31 December 2022.

The net cash used in financing activities amounted to HK$2,548.5 million, which was mainly because the Group repaid several bank loans during the year ended 31 December 2022.

7. Bank Loans and Capital Structure

In 2022, with the continuous development of its main business, the Group's operating results and performance steadily improved. Benefiting from excellent international ratings and good market reputation, the Group's financing capabilities continued to increase, finance methods were becoming more diverse, and financing costs were effectively controlled. The Group kept abreast of the changes in macro situation, actively responded to the complexity in domestic and external financial environment and adjusted its financing strategies in a timely manner. The Group also rationally selected USD-denominated financing products and properly arranged the maturity structure, continuously improved its debt structure and maintained a clear advantage in financing costs compared to its peers.

In 2022, high inflation rate has seen around the world. The tightening monetary and interest rate hike policies by the Federal Reserve have led to a significant increase in USD financing interest rates, with the 3M-LIBOR rising from 0.22% at the beginning of the year to 4.77% and interest rate on new bank loans has seen an upward trend. As at 31 December 2022, the average cost of interest-bearing liabilities of the Group increased from 1.9% as at 31 December 2021 to 2.6%. The Group has taken effective measures to control the excessive increase in financing costs and has achieved better results, with the consolidated financing costs remaining at a lower level in the market.

In the direct financing market, the Group continued to diversify its bond portfolio and optimize its product structure by issuing products including USD long term bonds, USD medium-term bonds, USD green and blue bonds. The relevant proceeds were used to support qualified green shipping projects such as energy efficiency upgrades, pollution prevention and control, low-carbon and clean fuels, and sustainable transportation, helping China's shipping industry achieve green and sustainable development and supporting the high-quality development of China's economy. In addition, the Group has successfully completed the issuance of domestic sustainability-linked RMB panda bonds, the first tranche of medium-term note. Due to the upward trend of USD interest rates and the relatively low interest rate of RMB financing, the issuance of RMB bonds can save finance cost and interest expense. Meanwhile, the issuance of RMB panda bonds in China is of significance to broaden the Group's financing channels, debut in the domestic bond market, innovate financing models and promote green finance.

In the indirect financing market, the Group continued to deepen its partnership with core banks based on its existing financing channels in accordance with its strategic development needs, forming in-depth strategic partnerships with banks including the large banks and policy banks, as well as international commercial banks, and launched loan products such as sustainability-linked loans, long term vessel project loans and syndicated loans for vessel projects. As at 31 December 2022, the Group held loan facilities of approximately HK$24.91 billion (approximately US$3.20 billion), the utilised bank loan facilities were approximately HK$17.74 billion (approximately US$2.28 billion) and the unutilised bank loan facilities were approximately HK$7.17 billion (approximately US$0.92 billion).

In summary, the Group has increasingly diversified its financing instruments, continued to optimize its debt structure, further reduced its reliance on a single product and market, achieved diversification of financing products and geographical diversification of financing and continued to maintain a competitive cost advantage.

As at 31 December 2022, the Group's total assets and total liabilities were HK$40,520.9 million and HK$28,878.6 million, respectively, its equity attributable to owners was HK$11,513.0 million and the gearing ratio was 2.4 times. By improving the stock fund operation, implementing delicacy management, enhancing the utilisation efficiency of funds, strictly implementing funding plans and controlling the scale of interest-bearing indebtedness, the gearing ratio recorded a decrease and remained at a lower level in the industry, resulting in a healthier gearing position.

8. Pledge of Assets

As at 31 December 2022, the Group's lease receivables of approximately HK$10,461.5 million (31 December 2021: HK$10,566.3 million), floating charge on deposits of approximately HK$162.3 million (31 December 2021: HK$114.9 million), pledged deposits of approximately HK$7.6 million (31 December 2021: Nil) and property, plant and equipment of approximately HK$4,068.6 million (31 December 2021: HK$3,627.0 million) were pledged to bank to acquire bank loans.

9. Exchange Rate Risk and Interest Rate Risk

9.1 Exchange Rate Risk

Exchange rate risk refers to the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The vessels under finance lease and operating lease are purchased in US Dollar, 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. 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.

9.2 Interest Rate Risk

In terms of interest rate risk, the continuous uptrend in domestic inflation in the United States has led to significant rise in expectations for the Federal Reserve's interest rate hike, while the USD interest rate continued to rise, the 3M-LIBOR increased from 0.22% at the beginning of the year to 4.77% with an upward trend. In response to drastic fluctuations and uncertainties in the USD interest rate market, the Group exerted greater pressure on interest rate risk management by using financial instruments such as interest rate swaps to hedge its interest rate risk exposure. In terms of interest rate structure, the Group continued to maintain its original interest rate risk management strategies and proactively managed the matching of assets and liabilities in terms of interest rate structure. The Group's finance lease assets and bank loan liabilities are both subject to fluctuations in USD interest rate, which are offset by mutual hedging, and the related interest rate risk exposure is relatively small. Therefore, it is expected that the interest rate risk arising from the USD interest rate hike will have minimal effect on the Group.

10. Capital Expenditures

The capital expenditures of the Group principally comprise expenditures for the construction of vessels. In 2022, the capital expenditures for the acquisition for vessels of the Group amounted to HK$2,075.0 million. The Group financed its capital expenditures through cash from operating activities and bank borrowings. As at 31 December 2022, the capital commitment for construction of vessels amounted to HK$9,454.8 million, which was expected to be paid in the next 3 years.

11. Risk Management

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, asset risk, information technology risk and reputation risk. The Group carries out risk management with the strategic objectives of sustainable development of business and enhancement of the Group's value, and has established a comprehensive risk management system. The Group has unleashed its potential in resources to improve the responsiveness in risk management for safeguarding the stable development of its performance. At present, the Group has adopted a stable strategy in relation to risk appetite. With regard to the selection of industries, the Group prefers industries and fields with mature business models, economies of scale and excellent asset quality. In terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or high-quality listed companies. In terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management, and accelerate the transfer of leased assets by combining operation strategies, market environment and the features of leased properties. While realizing the steady growth of the business, the Group achieves a return on its earnings that matches the risks, and controls its risks within an acceptable range. Based on the characteristics of the leasing industry, its own risk tolerance and risk appetite, the Group has established an effective risk identification, evaluation, monitor, control and reporting mechanism to support the effective implementation of the Company's risk management policies through a sound management information system to actively strengthen risk assessment and management system. Meanwhile, it will strengthen the proactive response management of risks; reduce the overall business risks by carrying out asset risk management in different countries, regions and industries; strive to maximize the risk return by actively adjusting the business strategy of the industry, establishing the customer credit quantitative assessment model and debt assessment model, strengthening the customer access standards, and improving the risk assessment system; and realize the value creation of risk management by improving the business quality and resource allocation efficiency of the Group. In 2022, the Group continued to strengthen the establishment of a comprehensive risk management system and promoted the improvement of corporate risk governance structure; comprehensively assessed the Company's risk management strategy system, formulated a comprehensive risk management optimization plan for the Group's main risk categories and business segments, and established a comprehensive risk management structure that matches the business development strategies, operation objectives, financial conditions and compliance management objectives.

12. Human Resources

As at 31 December 2022, the Group had a total of 86 employees. The Group has a team of high-quality talents with a bachelor's degree or above. As at 31 December 2022, approximately 96% of the Group's employees had a bachelor's degree or above. The Group attaches great importance to the work of talents and comprehensively strengthens the human resources management structure such as organizational structure, remuneration management, performance appraisal, position and rank, training management and talent introduction to provide strong support for business development.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022** ***HK$'000***	2021 *HK$'000*
Revenue	*3*	**3,208,242**	2,470,020
Other income	*4*	**58,489**	72,996
Other gains, net		**66,076**	31,756
Expenses			
Finance cost and bank charges	*5*	**(760,216)**	(487,927)
(Provision for)/reversal of impairment of loan and lease receivables, net		**(90,260)**	20,887
Depreciation		**(476,724)**	(369,230)
Employee benefits expenses		**(124,696)**	(91,765)
Vessel operating costs		**(302,857)**	(202,988)
Other operating expenses		**(146,385)**	(83,900)
Total Expenses		**(1,901,138)**	(1,214,923)
Profit from operations	*6*	**1,431,669**	1,359,849
Share of results of joint ventures		**348,214**	42,213
Share of results of associates		**(24,242)**	(668)
Profit before income tax		**1,755,641**	1,401,394
Income tax expense	*7*	**(21,131)**	(13,752)
Profit for the year		**1,734,510**	1,387,642
Profit for the year attributable to:			
Equity holder of the Company		**1,684,909**	1,351,626
Non-controlling interests		**49,601**	36,016
		1,734,510	1,387,642
Earnings per share *(HK$)*			
Basic and diluted	*9*	**0.275**	0.220

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	HK$'000	*HK$'000*
Profit for the year	**1,734,510**	1,387,642
Other comprehensive (loss)/income 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	**(115,020)**	82,618
– Share of other comprehensive income of joint ventures, net	**61,193**	11,818
– Fair value change of financial assets at fair value through other comprehensive income (debt instruments)	**(8,355)**	748
– Fair value change of derivative financial instruments (cash flow hedges)	**398,091**	138,950
– Reclassification adjustment from hedging reserve to profit or loss	**3,324**	31,909
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)	**700**	1,755
Total other comprehensive income for the year	**339,933**	267,798
Total comprehensive income for the year	**2,074,443**	1,655,440
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**2,025,029**	1,619,075
Non-controlling interests	**49,414**	36,365
Total comprehensive income for the year	**2,074,443**	1,655,440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 HK$'000	2021 HK$'000
Assets			
Property, plant and equipment		**15,924,752**	14,353,838
Right-of-use assets		**28,240**	36,708
Interests in joint ventures		**1,093,817**	586,954
Interests in associates		**52,429**	70,294
Loan and lease receivables	*10*	**20,610,300**	22,472,158
Derivative financial assets		**511,817**	104,647
Prepayment, deposits, and other receivables		**40,459**	148,146
Financial assets at fair value through profit or loss		**686,726**	790,174
Financial assets at fair value through other comprehensive income		**94,478**	375,564
Deferred tax assets		**4,125**	1,680
Amount due from associates		**29,715**	24,674
Amount due from fellow subsidiaries		**2,047**	3,050
Amount due from joint ventures		**52,792**	100,520
Structured bank deposits		**–**	61,165
Time deposits with maturity over three months		**200,107**	127,431
Pledged time deposits		**7,628**	–
Cash and cash equivalents		**1,181,458**	1,427,683
Asset held for sale		**–**	198,549
Total assets		**40,520,890**	40,883,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

	2022	2021
	HK$'000	*HK$'000*
Liabilities		
Income tax payables	**33,422**	40,089
Borrowings	**27,788,264**	29,798,461
Derivative financial liabilities	**–**	114,774
Amount due to fellow subsidiaries	**–**	17,465
Amount due to a joint venture	**207,172**	259,216
Amount due to a non-controlling interest	**168,227**	88,066
Other payables and accruals	**651,517**	422,114
Lease liabilities	**29,962**	38,584
Total liabilities	**28,878,564**	30,778,769
Net assets	**11,642,326**	10,104,466
Equity		
Share capital	**6,614,466**	6,614,466
Reserves	**4,898,486**	3,410,040
	11,512,952	10,024,506
Non-controlling interests	**129,374**	79,960
Total equity	**11,642,326**	10,104,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION

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

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

2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these consolidated financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended 31 December 2021, except that the Group has adopted the following amended HKFRSs, which are effective for the annual period beginning from 1 January 2022.

(a) Amended HKFRSs that are effective for annual period beginning from 1 January 2022

Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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.

(b) Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[2]
Amendments to HKAS 1	Non-Current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

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

[3] Effective date not yet determined

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

3. SEGMENT INFORMATION AND REVENUE

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from business perspectives: (i) leasing services, (ii) shipbroking services and (iii) loan borrowings.

The segment information provided to the executive directors for the years ended 31 December 2022 and 2021 are as follows:

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

	Leasing services	**Loan borrowings**	**Shipbroking services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2022				
Segment revenue and revenue from external customers	**2,627,206**	**524,032**	**57,004**	**3,208,242**

	Leasing services	Loan borrowings	Shipbroking services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2021				
Segment revenue and revenue from external customers	2,017,294	385,827	66,899	2,470,020

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 2022, commission income included in shipbroking services are recognised at a point in time and over time amounting to HK$27,172,000 and HK$29,832,000 (2021: HK$41,169,000 and HK$25,730,000) respectively.

For the year ended 31 December 2022, revenue from non-lease component included in leasing services amounted to HK$276,863,000 (2021: HK$145,576,000).

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, pledged time deposits 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

	2022	2021
	HK$'000	*HK$'000*
Finance lease income	**784,504**	501,377
Operating lease income	**1,842,702**	1,515,917
Interest income from loan borrowings	**524,032**	385,827
Commission income	**57,004**	66,899
	3,208,242	2,470,020

4. OTHER INCOME

Other income recognise during the year are as follows:-

	2022	2021
	HK$'000	*HK$'000*
Dividend income	**8,402**	14,142
Interest income from		
– financial assets at fair value through profit or loss	**21,784**	21,765
– financial assets at fair value through other comprehensive income	**14,944**	15,020
– bank deposits	**12,762**	18,811
Government subsidies	**597**	3,258
	58,489	72,996

During the year ended 31 December 2022, the Group received government grants amounting to HK$ Nil (2021: HK$3,258,000) from government authorities of the PRC to support the Group's operations.

In addition, during the year ended 31 December 2022, the Group received government grant of HK$397,000 (2021: HK$ Nil) 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.

5. FINANCE COSTS AND BANK CHARGES

	2022	2021
	HK$'000	*HK$'000*
Interest and charges on bonds	**268,596**	213,486
Interest and charges on borrowings	**574,922**	304,974
Interest on lease liabilities	**1,277**	1,191
Bank charges	**1,001**	1,701
	845,796	521,352
Less: finance costs capitalised	**(85,580)**	(33,425)
	760,216	487,927

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 2.93% (2021: 1.96%).

6. PROFIT FROM OPERATIONS

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

	2022	2021
	HK$'000	*HK$'000*
Depreciation on		
– property, plant and equipment	**461,312**	356,490
– right-of-use assets	**15,412**	12,740
Foreign exchange loss/(gain), net	**3,660**	(8,412)
Employee benefits expenses	**124,696**	91,765
Gain on deemed disposal of a joint venture	**(9,429)**	–
Net unrealised gain on changes in fair value of derivative financial instruments	**(82,164)**	(59,662)
Net realised (gain)/loss from derivative financial instruments	**(211)**	16,047
Net unrealised loss on changes in fair value of financial assets at fair value through profit or loss	**62,168**	26,632
Net gain on disposal of asset held for sales	**(23,498)**	–
Net gain on disposal of property, plant and equipment	**(258)**	(19,788)
Net gain on de-recognition of finance lease receivables	**(51,597)**	(25,609)
Auditor remuneration		
– audit services	**4,465**	3,772
– non-audit services	**1,380**	1,100

7. INCOME TAX EXPENSE

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

Hong Kong profits tax is provided at 16.5% (2021: 16.5%) based on the estimated assessable profits arising in Hong Kong during the year.

For the years ended 31 December 2022 and 2021, the PRC corporate income tax is charged at the statutory rate of 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 2022, the Singapore corporate income tax is charged at the statutory rate of 17% (2021: 17%) of the estimated assessable income as determined with the relevant tax rules and regulations of Singapore.

For the year ended 31 December 2022, the Malta corporate income tax is charged at the statutory rate of 35% (2021: 35%) of the estimated assessable income as determined with the relevant tax rules and regulations of Malta. Normally, 6/7 of the tax paid would be refunded.

Income tax expense in the consolidated income statement represents:

	2022	2021
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**10,281**	8,881
– Overseas taxation	**17,089**	6,548
(Over)/under provision in respect of prior years		
– Hong Kong profits tax	**(4,276)**	–
– Overseas taxation	**746**	(21)
	23,840	15,408
Deferred tax		
– current year	**(2,709)**	(1,656)
Income tax expense	**21,131**	13,752

8. DIVIDENDS

	2022	2021
	HK$'000	*HK$'000*
Dividend approved and paid:		
Interim dividend of HK 3 cents (2021: HK 3 cents) per ordinary share	**184,082**	184,082
Final dividend in respect of the year ended 31 December 2021 of HK 6 cents (2020: HK 6 cents) per ordinary share	**368,164**	368,164
	552,246	552,246
Dividends proposed:		
Final dividend in respect of the year ended 31 December 2022 of HK 7 cents (2021: HK 6 cents) per ordinary share	**429,525**	368,164

At the board meeting held on 24 March 2023, the board has declared final dividend of HK 7 cents (2021: HK 6 cents) per share, and the final dividend is declared after reporting period, such dividend has not been recognised as liability as at 31 December 2022.

9. EARNINGS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**1,684,909**	1,351,626

	Number	Number
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,136,066**	6,136,066
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,136,066**	6,136,066
Basic and diluted earnings per share *(in HK$)*	**0.275**	0.220

The calculation of the diluted earnings per share for the years ended 31 December 2022 and 2021 has not taken into account the effect of the share options of the Company as they are considered as anti-dilutive.

10. LOAN AND LEASE RECEIVABLES

	As at 31 December 2022		
		Allowance for	
	Gross	**impairment**	**Net carrying**
	amount	**losses**	**amount**
	HK$'000	***HK$'000***	***HK$'000***
Loan borrowings *(note a)*	**7,617,997**	**(141,243)**	**7,476,754**
Lease receivables *(note b)*	**12,725,901**	**(434,880)**	**12,291,021**
Loans to joint ventures *(note c)*	**842,525**	**–**	**842,525**
	21,186,423	**(576,123)**	**20,610,300**

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

(a) Loan borrowings

As at 31 December 2022, loan borrowings were secured, interest bearing at rates ranging from 3.6% to 8.7% (2021: 3.7% to 8.0%) per annum and repayable from 2023 to 2034 (2021: 2022 to 2033). The loan receivables 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:

	2022	2021
	HK$'000	*HK$'000*
Within 1 year	**584,767**	661,369
After 1 year but within 2 years	**672,031**	664,939
After 2 years but within 5 years	**2,059,676**	2,021,243
Over 5 years	**4,160,280**	4,358,160
	7,476,754	7,705,711

(b) Lease receivables

As at 31 December 2022, the Group's finance lease receivables were secured, interest bearing at rates ranging from 6.0% to 10.4% (2021: 3.6% to 7.3%). Details of lease receivables as at 31 December 2022 and 2021 are as follows:

	2022	2021
	HK$'000	*HK$'000*
Gross investment in finance leases	**15,787,011**	17,398,578
Less: unearned finance income	**(3,071,128)**	(3,175,366)
Net investments in finance leases	**12,715,883**	14,223,212
Operating lease receivables	**10,018**	137,843
Gross lease receivables	**12,725,901**	14,361,055
Less: accumulated allowance for impairment	**(434,880)**	(459,555)
Net lease receivables	**12,291,021**	13,901,500

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:

	2022	2021
	HK$'000	*HK$'000*
Minimum lease payments receivable	**15,787,011**	17,398,578
Less: unearned finance income related to minimum lease payments receivable	**(3,071,128)**	(3,175,366)
Present value of minimum lease payments receivable	**12,715,883**	14,223,212

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings as at 31 December 2022 and 2021:

	2022	2021
	HK$'000	*HK$'000*
Gross investment in finance leases		
– Within 1 year	**2,225,972**	2,216,550
– After 1 year but within 2 years	**2,377,096**	2,002,087
– After 2 years but within 3 years	**1,571,867**	2,465,102
– After 3 years but within 4 years	**2,056,576**	1,577,208
– After 4 years but within 5 years	**1,515,150**	2,015,361
– Over 5 years	**6,040,350**	7,122,270
	15,787,011	17,398,578

(c) Loans to joint ventures

As at 31 December 2022, except for loans to joint ventures of HK$484,490,000 (2021: HK$403,441,000) which were unsecured, interest bearing at rates 7.8% (2021: ranging from 3.1% to 3.2%) per annum, and repayable on demand, the remaining balances were unsecured, interest-free and repayable on demand.

11. OTHER INFORMATION

The consolidated financial statements of the Group for the years ended 31 December 2022 and 2021 have been reviewed by the audit committee of the Company and audited by the Company's auditor, Grant Thornton Hong Kong Limited. An unqualified auditor's report will be included in the Annual Report to the shareholders.

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results for the year ended 31 December 2022 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company will deliver the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies in due course.

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

12. EVENTS AFTER THE REPORTING PERIOD

In March 2023, the Group publicly issued the First Tranche of 2023 Medium-term Notes at the PRC inter-bank Bond Market, with an issue size of RMB1,000,000,000 for a term of three years at the coupon rate of 3.3% per annum, details of which were as set out in the Company's announcement dated 7 March 2023.

OTHER INFORMATION

Corporate Governance Practices

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

During the year ended 31 December 2022, the Company had complied with all applicable code provisions set out in the CG Code and adopted most of the recommended best practices.

Final Dividend

To share the fruitful results of the Group among all Shareholders, the Board recommends the payment of a final dividend of HK$0.07 per Share out of the distributable reserve of the Company for the year ended 31 December 2022. 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 28 July 2023 following approval at the Company's forthcoming AGM.

ANNUAL GENERAL MEETING

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the standards set out in the Model Code during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF ANNUAL RESULTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the Company's senior management and the Company's external auditor, and has reviewed the annual results for the year ended 31 December 2022.

This annual results announcement is based on the draft consolidated financial statements of the Group for the year ended 31 December 2022, which have been agreed with the external auditor of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 December 2022 has been published on the websites of the Company (http://www.csscshipping.cn) and HKExnews of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2022 annual report containing all the information as required by the Listing Rules will be dispatched to the Shareholders and published on the aforementioned websites in due course.

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

Hong Kong, 24 March 2023

As at the date of this announcement, the Board comprises Mr. Zhong Jian as executive Director, Ms. Zhang Yi, Mr. Zhang Qipeng and Mr. Chi Benbin as non-executive Directors, and Mdm. Shing Mo Han Yvonne, Mr. Li Hongji and Mr. Wang Dennis as independent non-executive Directors.