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中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2022 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Revenue decreased by 13% to HK\$3,962,539,000, mainly attributable to the decrease in revenues from coatings, ship trading agency and general trading segments.
- Gross profit decreased by 14% to HK\$660,612,000, mainly attributable to the decrease in revenues from coatings and ship trading agency segments. Gross profit margin remained at 17%, same as last year.
- Operating profit decreased by 27% to HK\$202,831,000.
- Profit before income tax from core business of shipping services increased by 25% to HK\$367,018,000.
- Profit attributable to equity holders increased by 20% to HK\$347,062,000. Although the gross profit decreased due to the impact of the Coronavirus Disease 2019 pandemic on certain business segments, the adverse effect was offset by the decrease in selling expenses, increase in finance income and increase in share of profits of joint ventures.
- Basic and diluted earnings per share was 22.74 HK cents (2021: 18.81 HK cents), increased by 21%. The Board has recommended the payment of a final dividend of 11.5 HK cents per share. Together with the interim dividend of 11 HK cents per share, total dividends per share are 22.5 HK cents. The dividend payout ratio is approximately 99%.
- The Group had net cash (represented total restricted bank deposits, and current deposits and cash and cash equivalents) of HK\$5,933,120,000 as at 31 December 2022.

The board of directors (the “Board” or the “Director(s)”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “Company” or “COSCO SHIPPING International”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenue	3	3,962,539	4,533,549
Cost of sales		<u>(3,301,927)</u>	<u>(3,764,176)</u>
Gross profit		660,612	769,373
Management fee income		56,837	77,942
Other income and (losses)/gains — net	4	(17,272)	35,163
Selling, administrative and general expenses	5	<u>(497,346)</u>	<u>(604,933)</u>
Operating profit		202,831	277,545
Finance income	6	98,366	47,979
Finance costs	6	(2,015)	(7,172)
Finance income — net	6	96,351	40,807
Share of profits of joint ventures		117,529	63,711
Share of profits/(losses) of associates		<u>8,647</u>	<u>(40,889)</u>
Profit before income tax		425,358	341,174
Income tax expenses	7	<u>(58,461)</u>	<u>(37,568)</u>
Profit for the year		<u>366,897</u>	<u>303,606</u>
Profit attributable to:			
Equity holders of the Company		347,062	288,341
Non-controlling interests		<u>19,835</u>	<u>15,265</u>
		<u>366,897</u>	<u>303,606</u>
Earnings per share attributable to equity holders of the Company			
— basic and diluted, HK cents	8	<u>22.74</u>	<u>18.81</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
Profit for the year	<u>366,897</u>	<u>303,606</u>
Other comprehensive (losses)/income		
Items that may be reclassified subsequently to profit or loss:		
Share of currency translation differences of joint ventures	(22,677)	9,483
Share of currency translation differences of associates	—	(350)
Share of cash flow hedges of an associate, net of tax	—	(14,166)
Currency translation differences	(179,981)	46,293
Reserves realized upon disposal of an associate	640	—
Items that will not be reclassified to profit or loss:		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net	(7,322)	7,388
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	<u>—</u>	<u>11,362</u>
Other comprehensive (losses)/income for the year	<u>(209,340)</u>	<u>60,010</u>
Total comprehensive income for the year	<u>157,557</u>	<u>363,616</u>
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	166,692	338,878
Non-controlling interests	<u>(9,135)</u>	<u>24,738</u>
	<u>157,557</u>	<u>363,616</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Intangible assets		108,721	107,664
Property, plant and equipment		221,838	255,817
Right-of-use assets		43,815	41,412
Investment properties		151,305	158,545
Investments in joint ventures		527,896	499,999
Investments in associates		154,716	237,786
Financial assets at fair value through other comprehensive income		53,849	62,621
Deferred income tax assets		40,531	42,810
		<u>1,302,671</u>	<u>1,406,654</u>
Current assets			
Inventories		304,765	443,548
Trade and other receivables	10	1,689,698	1,671,666
Current income tax recoverable		4,239	615
Restricted bank deposits		5,597	6,115
Current deposits and cash and cash equivalents		5,927,523	6,213,626
		<u>7,931,822</u>	<u>8,335,570</u>
Total assets		<u><u>9,234,493</u></u>	<u><u>9,742,224</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		148,169	153,296
Reserves		7,654,418	7,907,721
		<u>7,802,587</u>	<u>8,061,017</u>
Non-controlling interests		<u>318,993</u>	<u>333,579</u>
Total equity		<u><u>8,121,580</u></u>	<u><u>8,394,596</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	6,969	4,738
Deferred income tax liabilities		67,336	63,308
		<u>74,305</u>	<u>68,046</u>
Current liabilities			
Trade and other payables	11	703,137	894,585
Contract liabilities	11	305,483	306,514
Current income tax liabilities		21,046	30,933
Short-term borrowings		—	42,807
Lease liabilities	11	8,942	4,743
		<u>1,038,608</u>	<u>1,279,582</u>
Total liabilities		<u><u>1,112,913</u></u>	<u><u>1,347,628</u></u>
Total equity and liabilities		<u><u>9,234,493</u></u>	<u><u>9,742,224</u></u>

NOTES

1 GENERAL INFORMATION

The Group is principally engaged in the provision of shipping services and general trading.

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its principal place of business is 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong.

The ultimate holding company of the Company is 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) (“COSCO SHIPPING”), a state-owned enterprise established in the People’s Republic of China (the “PRC”).

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (“FVOCI”) and investment properties, which are carried at fair value.

The amendments to existing standards that became effective in this accounting period do not have any significant impact on the Group’s accounting policies and had no significant impact on the results and the financial position of the Group.

The following amendments to existing standards have been published by the HKICPA and are relevant to the Group’s operations. They are not yet effective for accounting periods beginning on 1 January 2022 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the related impact of adopting the above amendments to existing standards. The adoption of these amendments to existing standards is not expected to have any significant impact on the results and the financial position of the Group.

3 REVENUE AND SEGMENT INFORMATION

Turnover, representing revenue, recognised at a point in time, during the year is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sale of coatings	1,067,153	1,685,183
Sale of marine equipment and spare parts	1,669,821	1,578,889
Commission income from ship trading agency	85,413	103,772
Commission income from insurance brokerage	114,584	102,152
General trading	<u>1,025,568</u>	<u>1,063,553</u>
	<u><u>3,962,539</u></u>	<u><u>4,533,549</u></u>

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reports in order to make decisions about resources to be allocated to the segment and assess its performance. Management considers the business from a product perspective and has identified the following reportable segments on the basis of these reports:

Reportable segments	Business activities
Coatings	Production and sale of coatings, and holding of investments in joint ventures, namely Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO”) and 常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*) (“Nasurfar Changshu”)
Marine equipment and spare parts	Trading and supply of marine equipment and spare parts, and holding of investments in joint ventures
Ship trading agency	Provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture and an associate
Insurance brokerage	Provision of insurance brokerage services
Marine fuel and other products	Trading and supply of marine fuel and other related products, and holding of investment in an associate, Double Rich Limited (“Double Rich”) [#]
General trading	Trading, storage, processing and supply of asphalt and other products, and holding of investments in associates, including 浙江四兄繩業有限公司 (Zhejiang Four Brothers Rope Co., Ltd.*) (“Zhejiang Four Brothers Rope”)

Others mainly comprise the holding of Group's financial assets at FVOCI.

Management assesses the performance of the operating segments based on a measure of profit before income tax.

[#] On 28 June 2022, the Group entered into an agreement with the purchaser and agreed to sell the entire 18% equity interest of Double Rich held by the Group and the transaction was completed on 29 December 2022.

Year ended and as at 31 December 2022

	Shipping services					General trading	Others	Inter-segment elimination	Total	
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products					Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Profit or loss items:										
Segment revenue	1,067,153	1,669,821	85,413	115,628	—	2,938,015	1,029,229	—	(4,705)	3,962,539
Inter-segment revenue	—	—	—	(1,044)	—	(1,044)	(3,661)	—	4,705	—
Revenue from external customers	<u>1,067,153</u>	<u>1,669,821</u>	<u>85,413</u>	<u>114,584</u>	<u>—</u>	<u>2,936,971</u>	<u>1,025,568</u>	<u>—</u>	<u>—</u>	<u>3,962,539</u>
Segment operating profit/(loss)	35,700	86,332	48,598	79,626	(9,257)	240,999	(3,160)	3,256	—	241,095
Finance income	2,363	1,751	3,281	1,940	612	9,947	1,796	—	(2,176)	9,567
Finance costs	(457)	(915)	(21)	(166)	(2)	(1,561)	(2,603)	—	2,176	(1,988)
Share of profits of joint ventures	114,756	1,858	915	—	—	117,529	—	—	—	117,529
Share of profits of associates	—	—	104	—	—	104	8,543	—	—	8,647
Segment profit/(loss) before income tax	152,362	89,026	52,877	81,400	(8,647)	367,018	4,576	3,256	—	374,850
Income tax (expenses)/credit	(5,402)	(16,566)	(13,748)	(15,309)	—	(51,025)	485	—	—	(50,540)
Segment profit/(loss) after income tax	<u>146,960</u>	<u>72,460</u>	<u>39,129</u>	<u>66,091</u>	<u>(8,647)</u>	<u>315,993</u>	<u>5,061</u>	<u>3,256</u>	<u>—</u>	<u>324,310</u>
Balance sheet items:										
Total segment assets	1,581,576	1,174,174	331,531	353,340	47,886	3,488,507	857,925	53,849	(123,881)	4,276,400
Total segment assets include:										
— Joint ventures	514,195	7,858	5,843	—	—	527,896	—	—	—	527,896
— Associates	—	—	1,517	—	—	1,517	153,199	—	—	154,716
Total segment liabilities	<u>299,752</u>	<u>411,173</u>	<u>82,609</u>	<u>151,862</u>	<u>206</u>	<u>945,602</u>	<u>205,191</u>	<u>—</u>	<u>(123,881)</u>	<u>1,026,912</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	16,175	5,646	510	628	—	22,959	5,625	—	—	28,584
Provision for impairment of inventories, net	1,544	—	—	—	—	1,544	—	—	—	1,544
(Reversal of provision)/provision for impairment of trade receivables, net	(14,290)	(222)	—	—	—	(14,512)	12,166	—	—	(2,346)
Provision for impairment of other receivables	—	—	116	—	—	116	19,725	—	—	19,841
Provision for impairment of assets held for sale	—	—	—	—	8,275	8,275	—	—	—	8,275
Government subsidy income	(5,630)	(2,087)	—	(704)	—	(8,421)	(326)	—	—	(8,747)
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>14,404</u>	<u>4,944</u>	<u>2,172</u>	<u>264</u>	<u>—</u>	<u>21,784</u>	<u>836</u>	<u>—</u>	<u>—</u>	<u>22,620</u>

Year ended and as at 31 December 2021

	Shipping services					Total	General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit or loss items:										
Segment revenue	1,685,183	1,578,889	103,801	103,182	—	3,471,055	1,064,621	—	(2,127)	4,533,549
Inter-segment revenue	—	—	(29)	(1,030)	—	(1,059)	(1,068)	—	2,127	—
Revenue from external customers	<u>1,685,183</u>	<u>1,578,889</u>	<u>103,772</u>	<u>102,152</u>	<u>—</u>	<u>3,469,996</u>	<u>1,063,553</u>	<u>—</u>	<u>—</u>	<u>4,533,549</u>
Segment operating profit/(loss)	34,806	105,101	66,318	68,225	(1,000)	273,450	18,799	2,635	—	294,884
Finance income	682	582	2,649	1,288	221	5,422	671	—	(1,789)	4,304
Finance costs	(1,730)	(1,144)	(23)	(86)	(1)	(2,984)	(5,961)	—	1,789	(7,156)
Share of profits of joint ventures	61,402	1,680	629	—	—	63,711	—	—	—	63,711
Share of profits/(losses) of associates	—	—	121	—	(45,984)	(45,863)	4,974	—	—	(40,889)
Segment profit/(loss) before income tax	95,160	106,219	69,694	69,427	(46,764)	293,736	18,483	2,635	—	314,854
Income tax (expenses)/credit	(8,485)	(18,016)	(18,656)	(12,634)	99	(57,692)	(3,656)	—	—	(61,348)
Segment profit/(loss) after income tax	<u>86,675</u>	<u>88,203</u>	<u>51,038</u>	<u>56,793</u>	<u>(46,665)</u>	<u>236,044</u>	<u>14,827</u>	<u>2,635</u>	<u>—</u>	<u>253,506</u>
Balance sheet items:										
Total segment assets	1,764,578	1,169,156	356,679	327,489	124,391	3,742,293	929,335	60,134	(122,835)	4,608,927
Total segment assets include:										
— Joint ventures	482,374	11,948	5,677	—	—	499,999	—	—	—	499,999
— Associates	—	—	1,547	—	76,725	78,272	159,514	—	—	237,786
Total segment liabilities	<u>477,975</u>	<u>452,889</u>	<u>62,539</u>	<u>132,785</u>	<u>225</u>	<u>1,126,413</u>	<u>220,979</u>	<u>—</u>	<u>(122,835)</u>	<u>1,224,557</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	35,995	7,793	499	184	—	44,471	6,183	—	—	50,654
Reversal of provision for impairment of inventories, net (Reversal of provision)/provision for impairment of trade receivables, net	(3,266)	—	—	—	—	(3,266)	—	—	—	(3,266)
Government subsidy income	(884)	877	—	—	—	(7)	1,068	—	—	1,061
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	(170)	(258)	—	(97)	—	(525)	(527)	—	—	(1,052)
	<u>6,736</u>	<u>3,924</u>	<u>29</u>	<u>134</u>	<u>—</u>	<u>10,823</u>	<u>8,707</u>	<u>—</u>	<u>—</u>	<u>19,530</u>

A reconciliation of the total of the reportable segments' profit before income tax to the Group's profit after income tax is as follows:

	2022	2021
	HK\$'000	HK\$'000
Profit before income tax for reportable segments	371,594	312,219
Profit before income tax for others	<u>3,256</u>	<u>2,635</u>
Profit before income tax for all segments	374,850	314,854
Elimination of segment income from corporate headquarters	(601)	(660)
Corporate finance income	88,799	43,675
Corporate finance costs	(27)	(16)
Corporate net exchange gains	6,469	31,046
Corporate expenses, net of income	<u>(44,132)</u>	<u>(47,725)</u>
Profit before income tax for the Group	425,358	341,174
Income tax expenses for all segments	(50,540)	(61,348)
Corporate income tax (expenses)/credit	<u>(7,921)</u>	<u>23,780</u>
Profit after income tax for the Group	<u><u>366,897</u></u>	<u><u>303,606</u></u>

A reconciliation of the total of the reportable segments' assets to the Group's total assets is as follows:

	2022	2021
	HK\$'000	HK\$'000
Total assets for reportable segments	4,346,432	4,671,628
Total assets for others	53,849	60,134
Elimination of inter-segment receivables	<u>(123,881)</u>	<u>(122,835)</u>
Total assets for all segments	4,276,400	4,608,927
Corporate assets (mainly deposits and cash and cash equivalents)	5,217,375	5,499,674
Elimination of receivables between corporate headquarters and segments	<u>(259,282)</u>	<u>(366,377)</u>
Total assets for the Group	<u><u>9,234,493</u></u>	<u><u>9,742,224</u></u>

A reconciliation of the total of the reportable segments' liabilities to the Group's total liabilities is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total liabilities for reportable segments	1,150,793	1,347,392
Elimination of inter-segment payables	<u>(123,881)</u>	<u>(122,835)</u>
Total liabilities for all segments	1,026,912	1,224,557
Corporate liabilities	345,283	489,448
Elimination of payables between corporate headquarters and segments	<u>(259,282)</u>	<u>(366,377)</u>
Total liabilities for the Group	<u><u>1,112,913</u></u>	<u><u>1,347,628</u></u>

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong (principally in the PRC) are HK\$1,147,473,000 (2021: HK\$1,043,496,000) and HK\$2,815,066,000 (2021: HK\$3,490,053,000) respectively.

The total of non-current assets, other than financial assets at FVOCI and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK\$611,705,000 (2021: HK\$667,686,000) and HK\$596,586,000 (2021: HK\$633,537,000) respectively.

4 OTHER INCOME AND (LOSSES)/GAINS — NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other income/(expenses):		
— Rental income	3,708	3,518
— Direct operating expenses for generating rental income	(75)	(66)
— Dividend income from financial assets at FVOCI	<u>3,760</u>	<u>2,635</u>
Other income — net	<u>7,393</u>	<u>6,087</u>
Other gains/(losses):		
— Net (losses)/gains on disposal of property, plant and equipment	(25)	26
— Net losses on dissolution of a subsidiary (<i>note (a)</i>)	(200)	—
— Net losses on disposal of an associate (<i>note (b)</i>)	(620)	—
— Fair value losses on investment properties	(2,182)	(688)
— Reversal of provision/(provision) for impairment of trade receivables, net (<i>note 10(b)</i>)	2,346	(1,061)
— Provision for impairment of other receivables	(19,841)	—
— (Provision)/reversal of provision for impairment of inventories, net	(1,544)	3,266
— Provision for impairment of assets held for sale (<i>note (b)</i>)	(8,275)	—
— Net exchange (losses)/gains	(7,217)	24,969
— Government subsidy income (<i>note (c)</i>)	11,225	674
— Others	<u>1,668</u>	<u>1,890</u>
Other (losses)/gains — net	<u>(24,665)</u>	<u>29,076</u>
Other income and (losses)/gains — net	<u><u>(17,272)</u></u>	<u><u>35,163</u></u>

Notes:

- (a) 中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*) was dissolved on 11 August 2022.
- (b) On 28 June 2022, the Group entered into an agreement with the purchaser and agreed to sell the entire 18% equity interest of Double Rich held by the Group with a consideration of US\$8,804,200 (approximately HK\$68,779,000). As a result, the investment in an associate was reclassified as assets held for sale and a provision for impairment of HK\$8,275,000 was recognised. The disposal was completed on 29 December 2022, upon completion of the disposal, Double Rich ceased to be an associate of the Group, net losses on disposal of HK\$620,000 was recognised.
- (c) During the year, government subsidy income included HK\$4,230,000 (2021: nil) recognised in respect of Employment Support Scheme granted by the Government of the Hong Kong Special Administrative Region. The remaining amount represented other government subsidy income.

5 SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2022 HK\$'000	2021 HK\$'000
Selling expenses	126,116	212,010
Depreciation of property, plant and equipment	4,430	4,675
Amortisation of intangible assets	1,744	1,591
Depreciation of right-of-use assets	8,475	6,876
Expenses related to short-term leases	26,811	31,955
Employee benefit expenses included in administrative and general expenses	267,282	282,682
Auditors' remuneration	5,332	3,446
Others	<u>57,156</u>	<u>61,698</u>
	<u>497,346</u>	<u>604,933</u>

6 FINANCE INCOME — NET

	2022 HK\$'000	2021 HK\$'000
Interest income from:		
— a fellow subsidiary	6,777	3,056
— bank deposits	<u>91,589</u>	<u>44,923</u>
Total finance income	<u>98,366</u>	<u>47,979</u>
Interest expenses on:		
— loans from fellow subsidiaries	(60)	(2,847)
— lease liabilities	(534)	(368)
Other finance charges	<u>(1,421)</u>	<u>(3,957)</u>
Total finance costs	<u>(2,015)</u>	<u>(7,172)</u>
Finance income — net	<u>96,351</u>	<u>40,807</u>

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year.

The PRC enterprise income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2021: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2021: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 35% (2021: 17% to 35%) during the year.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
— current year		
— Hong Kong profits tax	18,098	19,647
— PRC enterprise income tax	28,904	38,006
— other overseas taxation	6,420	5,364
— over-provision in prior years		
— Hong Kong profits tax	(38)	(1,055)
— PRC enterprise income tax	(2,937)	(66)
— other overseas taxation	(459)	—
Deferred income tax charge/(credit) — net	<u>8,473</u>	<u>(24,328)</u>
Income tax expenses	<u><u>58,461</u></u>	<u><u>37,568</u></u>

8 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$347,062,000 (2021: HK\$288,341,000) and the weighted average number of ordinary shares outstanding during the year, adjusted for shares repurchased and cancelled during the year, of 1,526,108,930 shares (2021: 1,532,955,429 shares).

There were no potential dilutive ordinary shares in existence for both years.

9 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend paid of HK\$0.11 (2021: HK\$0.10) per ordinary share	168,625	153,296
Final dividend proposed of HK\$0.115 (2021: HK\$0.09) per ordinary share	<u>170,395</u>	<u>137,966</u>
	<u><u>339,020</u></u>	<u><u>291,262</u></u>

At the board meeting held on 28 March 2023, the directors of the Company proposed a final dividend of HK\$0.115 per ordinary share for the year ended 31 December 2022. These proposed dividends have not been recognised as a liability in the financial statements for the year ended 31 December 2022, but will be reflected as an appropriation of retained profits for the year ending 31 December 2023.

10 TRADE AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	720,703	824,509
Less: provision for impairment (<i>note (b)</i>)	<u>(26,461)</u>	<u>(31,169)</u>
Trade receivables — net (<i>note (a)</i>)	694,242	793,340
Bills receivable, prepayments, other receivables and amounts due from related parties, net of provision for impairment	<u>995,456</u>	<u>878,326</u>
	<u>1,689,698</u>	<u>1,671,666</u>

Notes:

- (a) The ageing analysis of trade receivables (including amounts due from related parties which are trading in nature) based on invoice date and after provision for impairment is as follows:

	2022 HK\$'000	2021 HK\$'000
Current – 90 days	466,773	520,484
91 – 180 days	130,306	203,010
Over 180 days	<u>97,163</u>	<u>69,846</u>
	<u>694,242</u>	<u>793,340</u>

For sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 120 days. Other than those with credit terms, all invoices are payable upon presentation.

- (b) Movements on the provision for impairment of trade receivables are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	31,169	30,293
Currency translation differences	(2,246)	668
(Reversal of provision)/provision for impairment, net	(2,346)	1,061
Amount written off	<u>(116)</u>	<u>(853)</u>
At 31 December	<u>26,461</u>	<u>31,169</u>

11 TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND LEASE LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	342,964	414,931
Bills payable, other payables, accrued liabilities, amounts due to related parties and dividend payable to non-controlling interests	<u>360,173</u>	<u>479,654</u>
	703,137	894,585
Contract liabilities (<i>note (b)</i>)	305,483	306,514
Lease liabilities (<i>note (c)</i>)	<u>15,911</u>	<u>9,481</u>
	<u><u>1,024,531</u></u>	<u><u>1,210,580</u></u>

Notes:

- (a) The ageing analysis of trade payables (including amounts due to related parties which are trading in nature) based on invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current – 90 days	270,833	317,566
91 – 180 days	43,622	35,242
Over 180 days	<u>28,509</u>	<u>62,123</u>
	<u><u>342,964</u></u>	<u><u>414,931</u></u>

- (b) Revenue recognised in the current reporting period related to brought-forward contract liabilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u><u>216,524</u></u>	<u><u>293,513</u></u>

- (c) Maturity analysis of lease liabilities is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	8,942	4,743
From the second to fifth year inclusive	<u>6,969</u>	<u>4,738</u>
	<u><u>15,911</u></u>	<u><u>9,481</u></u>

OVERALL ANALYSIS OF RESULTS

In 2022, profit attributable to equity holders of the Company was HK\$347,062,000 (2021: HK\$288,341,000), while the basic and diluted earnings per share were 22.74 HK cents (2021: 18.81 HK cents), representing an increase of 21% year-on-year. Although the gross profit decreased due to the impact of the Coronavirus Disease 2019 (“COVID-19”) pandemic on certain business segments, the adverse effect was offset by the decrease in selling expenses, increase in finance income and increase in share of profits of joint ventures.

FINANCIAL REVIEW

Revenue

During the year, the Group’s revenue was HK\$3,962,539,000 (2021: HK\$4,533,549,000), decreased by 13% year-on-year. Revenue from the core business of shipping services was HK\$2,936,971,000 (2021: HK\$3,469,996,000), decreased by 15% year-on-year, and accounted for 74% (2021: 77%) of the Group’s revenue. Due to the shrinking demand of certain businesses and the pandemic situation in Hong Kong and the PRC remained volatile, revenues from coatings and ship trading agency segments decreased. Revenue from general trading segment was HK\$1,025,568,000 (2021: HK\$1,063,553,000), decreased by 4% year-on-year, and accounted for 26% (2021: 23%) of the Group’s revenue.

Gross Profit and Gross Profit Margin

During the year, the Group’s gross profit was HK\$660,612,000 (2021: HK\$769,373,000), decreased by 14% year-on-year, mainly attributable to the decrease in revenues from coatings and ship trading agency segments. Gross profit margin remained at 17% (2021: 17%), same as last year.

Management Fee Income

During the year, management fee income arising from the provision of management services by the Company in relation to the day-to-day business operations and management of COSCO SHIPPING (Hong Kong) Co., Limited (“COSCO SHIPPING (Hong Kong)”) and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.) was HK\$56,837,000 (2021: HK\$77,942,000), decreased by 27% year-on-year, mainly due to the decrease in administrative and general expenses related to COSCO SHIPPING (Hong Kong) and its subsidiaries mentioned above.

Other Income and (Losses)/Gains — Net

During the year, other income and (losses)/gains — net losses was HK\$17,272,000 (2021: net gains of HK\$35,163,000), mainly attributable to the provision for impairment of other receivables and assets held for sale.

Selling, Administrative and General Expenses

During the year, selling, administrative and general expenses was HK\$497,346,000 (2021: HK\$604,933,000), decreased by 18% year-on-year, mainly attributable to the decrease in selling expenses as a result of drop in revenue.

Operating Profit

The Group's operating profit was HK\$202,831,000 (2021: HK\$277,545,000), decreased by 27% year-on-year, mainly attributable to the decrease in overall gross profit.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, was HK\$98,366,000 (2021: HK\$47,979,000), increased by 105% year-on-year, mainly attributable to the increase in interest rates of deposits.

Finance Costs

Finance costs, which mainly represented interest expenses on short-term borrowings and other financial charges, was HK\$2,015,000 (2021: HK\$7,172,000), decreased by 72% year-on-year.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was HK\$117,529,000 (2021: HK\$63,711,000), increased by 84% year-on-year. This item primarily represented the share of profits of Jotun COSCO of HK\$106,720,000 (2021: HK\$47,482,000) and of Nasurfar Changshu of HK\$8,036,000 (2021: HK\$13,920,000), which were included in the coatings segment.

Share of Profits/(Losses) of Associates

The Group's share of profits of associates was HK\$8,647,000 (2021: share of losses of HK\$40,889,000). This item primarily represented the share of profit of Zhejiang Four Brothers Rope of HK\$3,424,000 (2021: HK\$1,616,000), which was included in the general trading segment. In 2021, this item also represented the share of loss of Double Rich of HK\$45,984,000, which was included in the marine fuel and other products segment. On 28 June 2022, New Renown Limited ("New Renown"), a wholly-owned subsidiary of the Company, entered into an agreement with 中國船舶燃料有限公司 (China Marine Bunker (PetroChina) Co., Ltd.*) ("Chimbusco") and agreed to sell its 18% equity interest in Double Rich with 31 December 2021 as the benchmark date, and the above transfer was completed on 29 December 2022 (the "Date of Completion"). According to the agreement, any profit or loss from the date after the benchmark date to the Date of Completion would be attributable to Chimbusco. As such, the Group did not share any profit or loss of Double Rich during the year (2021: share of loss of HK\$45,984,000).

Income Tax Expenses

During the year, the Group's income tax expenses was HK\$58,461,000 (2021: HK\$37,568,000), increased by 56% year-on-year. The ratio of income tax expenses to profit before income tax, excluding the share of profits/(losses) of joint ventures and associates, increased from 12% in 2021 to 19%, mainly attributable to the increase in deferred income tax — net for the year.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company was HK\$347,062,000 (2021: HK\$288,341,000), increased by 20% year-on-year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent but flexible approach towards financial management which aims at maintaining a healthy statement of financial position, a low level of borrowings and adequate liquidity. The Board believes this approach can ensure sufficient financial resources available for merger and acquisition opportunities that fits in well with the Group's strategic direction, and is therefore in line with the Group's long-term development.

The Group's main sources of liquidity comprises cash, bank balances and non-committed unutilised banking facilities. The liquidity is primarily for financing of general working capital requirements, dividend payments and future capital expenditure. As at 31 December 2022, deposits and cash and cash equivalents held by the Group accounted for 75% (2021: 75%) of the Group's total current assets.

As at 31 December 2022, the Group's total assets decreased by 5% to HK\$9,234,493,000 (2021: HK\$9,742,224,000). Total liabilities decreased by 17% to HK\$1,112,913,000 (2021: HK\$1,347,628,000). The Group remained cautious about potential credit risks that surrounded the shipping services industry. All business units focused on internal management, receivables management, working capital management and costs control.

Net asset value attributable to shareholders was HK\$7,802,587,000 (2021: HK\$8,061,017,000). Net asset value per share, calculated based on the 1,481,693,429 shares outstanding at the end of the year (2021: 1,532,955,429 shares), was HK\$5.27 (2021: HK\$5.26), which increased slightly as compared to the end of 2021.

As at 31 December 2022, the Group's total short-term borrowings were nil (2021: HK\$42,807,000). For the maturity profile, please refer to the table below. The Group's total cash on hand (representing total restricted bank deposits and current deposits and cash and cash equivalents) decreased by 5% to HK\$5,933,120,000 (2021: HK\$6,219,741,000) and non-committed unutilised standby banking facilities increased by 11% to HK\$767,627,000 (2021: HK\$688,846,000) respectively. The gearing ratio, which represented total borrowings over total assets, was nil (2021: 0.4%).

Debt Analysis

	31 December 2022		31 December 2021	
	HK\$'000	%	HK\$'000	%
Classified by maturity:				
— repayable within one year	<u>—</u>	<u>—</u>	<u>42,807</u>	<u>100</u>
Classified by type of loan:				
— unsecured	<u>—</u>	<u>—</u>	<u>42,807</u>	<u>100</u>
Classified by currency:				
— Renminbi	<u>—</u>	<u>—</u>	<u>42,807</u>	<u>100</u>

The Group had restricted bank deposits of HK\$5,597,000 (2021: HK\$6,115,000) representing deposits placed to meet the statutory requirement of its insurance brokerage business in the PRC.

In considering the Group's current level of cash and bank balances, funds generated internally from operations, the unutilized banking facilities available and a low debt level, the Board is confident that the Group will have sufficient resources to meet its foreseeable capital expenditures and liquidity requirements.

TREASURY POLICY

The Group operates principally in Hong Kong, the PRC and overseas, and is exposed to foreign exchange risk arising from various currency exposures, primarily respect to Renminbi and United States dollars. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group managed its foreign exchange exposure through matching its operating costs and borrowings against its trade receivables. Nevertheless, the Group is still exposed to relevant foreign exchange risk in respect of Renminbi and United States dollars exchange rate fluctuations such that the Group's profit margin might be impacted accordingly.

The Group continued to monitor and adjust its debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure, improve debt structure and lower interest expenses.

As for cash management, the Group selects suitable cash investment instruments based on the balance among security, return and liquidity to ensure sufficient funds are available and an appropriate level of liquidity is maintained to meet all its obligations during different stages of the shipping cycle.

The Group maintained a healthy cash position. As at 31 December 2022, the Group had net cash, which represented total restricted bank deposits and current deposits and cash and cash equivalents, less short-term borrowings, of HK\$5,933,120,000 (2021: HK\$6,176,934,000). To enhance the Group's finance income and to ensure availability of cash at appropriate times to meet the Group's commitments

and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mixture of stable and conservative financial products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions in Hong Kong, the PRC, Singapore, Japan, Germany and the United States. During the year, the Group strengthened its funds management and had actively negotiated with banks to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved a 1.62% rate of return on the Group's cash for the year (2021: 0.75%), representing an increase of 87 basis points year-on-year. The Group had no financial instruments for interest rate hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, sales to the largest customer and aggregate sales to the five largest customers accounted for 11% and 27% respectively (2021: 8% and 23% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 9% and 18% respectively (2021: 5% and 20% respectively) of the total cost of sales of the Group.

None of the Directors or their associates had interests in any of the five largest customers and suppliers.

Save as disclosed above, to the knowledge of the Directors, none of the shareholders of the Company ("Shareholders") owning more than 5% of the Company's shares had interests in the five largest customers and suppliers.

EMPLOYEES

As at 31 December 2022, excluding joint ventures and associates, the Group had 851 (2021: 847) employees, of which 179 (2021: 176) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK\$405,348,000 (2021: HK\$427,291,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

The share option incentive scheme of the Company was adopted by the Shareholders at the special general meeting of the Company on 9 April 2020 (the "Share Option Incentive Scheme").

The Company granted an aggregate of 23,830,000 share options to certain directors of the Company and certain employees of the Group to subscribe for a total of 23,830,000 shares of the Company at a price of HK\$2.26 per share on 28 April 2020 under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted are exercisable from 28 April 2022 to 27 April 2026 in batches.

The Company granted an aggregate of 2,460,000 share options to certain employees of the Group to subscribe for a total of 2,460,000 shares of the Company at a price of HK\$2.184 per share on 6 October 2020 under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted are exercisable from 6 October 2022 to 5 October 2026 in batches.

The Company granted an aggregate of 1,370,000 share options to certain employees of the Group to subscribe for a total of 1,370,000 shares of the Company at a price of HK\$2.72 per share on 7 April 2021 under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted are exercisable from 7 April 2023 to 6 April 2027 in batches.

Each batch of the above share options is exercisable within the periods stated as follows: (a) 33.3% of the share options will be exercisable commencing on the first trading day after the expiration of the 24-month period (the second anniversary) from the respective dates of grant and ending on the last trading day of the 36-month period from the respective dates of grant; (b) 33.3% of share options will be exercisable commencing on the first trading day after the expiration of the 36-month period (the third anniversary) from the respective dates of grant and ending on the last trading day of the 48-month period from the respective dates of grant; and (c) 33.4% of the share options will be exercisable commencing on the first trading day after the expiration of the 48-month period (the fourth anniversary) from the respective dates of grant and ending on the last trading day of the 72-month period from the respective dates of grant.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 11.5 HK cents (2021: 9 HK cents) per share for the year ended 31 December 2022. The proposed final dividend will be payable on 28 June 2023 to shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 12 June 2023 subject to the shareholders’ approval in annual general meeting of the Company to be held on 31 May 2023 (the “AGM”). The proposed final dividend together with the interim dividend of 11 HK cents per share (2021: 10 HK cents), total dividends per share for the year 2022 are 22.5 HK cents (2021: 19 HK cents).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders’ right to attend and vote at the AGM, the Register of Members will be closed from 25 May 2023 to 31 May 2023, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited (the “Branch Share Registrar”) at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 24 May 2023.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from 7 June 2023 to 12 June 2023, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify the proposed final dividend for the year ended 31 December 2022, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 6 June 2023.

REVIEW OF BUSINESS OPERATIONS

In 2022, the global energy landscape has been disrupted due to geopolitical shocks, repeated epidemics and accelerating monetary tightening policies in developed countries. As a result, inflationary pressures soared while the growth momentum of the global economy continued weakening. According to the "World Economic Outlook" released by the International Monetary Fund in January 2023, the global economy achieved a growth rate of 3.4% in 2022, a year-on-year slowdown of 2.6 percentage points. As overseas demand weakened, China's economy has also been under severe pressure. Nevertheless, the central government has launched a series of measures to stabilize the economy in a timely manner to restore China's economic stability, and the economy has been gradually recovering since the second half of the year. The gross domestic product of the PRC rose 3.0% year-on-year, showcased that the PRC has achieved a decisive victory over the pandemic, also succeeded in strengthening the development of global trade, ensuring the smoothness of global supply chains, and stabilizing the global economy.

Regarding the shipping market, despite the appalling political and economic concerns in and outside the country, China's foreign trade has withstood all the unexpected shocks and constantly elevated from a high base value in 2021. According to the data from the Ministry of Transport of the PRC, the cargo throughput of the ports in China has reached 15.685 billion tonnes in 2022, representing a year-on-year increase of 0.9%, and total container throughput reached approximately 296 million TEUs, representing a year-on-year increase of 4.7%. In 2022, China's new shipbuilding completions, new orders and orders on hand accounted for 47.3%, 55.2% and 49.0% of the total worldwide in terms of dead weight tonnages ("DWT") respectively and maintained its world leadership in market share.

1. Core Business — Shipping Services

The Group's core business of shipping services mainly include ship trading agency services, insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products.

During the year, revenue from the Group's shipping services was HK\$2,936,971,000 (2021: HK\$3,469,996,000), representing a year-on-year decrease of 15%, which was mainly due to the decline in revenue from production and sale of coatings and ship trading agency services. Profit before income tax from shipping services was HK\$367,018,000 (2021: HK\$293,736,000), representing a year-on-year increase of 25%, which was mainly due to the significant increase in share of profit of Jotun COSCO.

1.1 Ship Trading Agency Services

The Group's ship trading agency business is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for shipping enterprises.

During the year, revenue from the ship trading agency segment of the Group decreased by 18% to HK\$85,413,000 (2021: HK\$103,772,000) year-on-year. Segment profit before income tax was HK\$52,877,000 (2021: HK\$69,694,000), representing a year-on-year decrease of 24%. These were mainly attributable to the decrease in commission income from new build vessels as a result of the decrease in number of new build vessels delivery.

During the year, the Group's aggregate number of new build vessels delivery was 18 (2021: 26), aggregating 855,400 DWT (2021: 4,993,900 DWT). A total number of 40 (2021: 16) new build vessels have been ordered, aggregating 2,094,776 DWT (2021: 1,647,200 DWT). In addition, the sale and purchase of a total of 23 (2021: 15) second-hand vessels were recorded, aggregating 1,145,103 DWT (2021: 779,719 DWT).

1.2 Insurance Brokerage Services

The Group's insurance brokerage services business is primarily engaged in the insurance and reinsurance intermediary services of marine and non-marine insurance, including the provision of professional insurance brokerage services such as risk assessment and analysis, designing insurance and reinsurance programmes, discussing insurance coverage, reviewing insurance policies, claims adjustment and claims handling for domestic and international customers and receive service commissions.

During the year, revenue from insurance brokerage segment of the Group was HK\$114,584,000 (2021: HK\$102,152,000), representing a year-on-year increase of 12%. Segment profit before income tax was HK\$81,400,000 (2021: HK\$69,427,000), representing a year-on-year increase of 17%, which was mainly attributable to the gradual expansion of business varieties and the results of business expansion in the Mainland China.

1.3 Supply of Marine Equipment and Spare Parts

The Group's supply of marine equipment and spare parts business is principally engaged in the sale and installation of equipment and spare parts for existing and new build vessels, as well as equipment of radio communications systems, satellite communications and navigation systems for ships, offshore facilities, coastal stations and land users; marine materials supply and voyage repair. Its business network covers cities such as Hong Kong, Shanghai and Beijing and countries such as Japan, Singapore, Germany, and the United States, etc..

During the year, revenue from marine equipment and spare parts segment of the Group was HK\$1,669,821,000 (2021: HK\$1,578,889,000), representing a year-on-year increase of 6%, which was mainly due to the exploration of new customers that continued the growth

momentum of the business volume in recent years. Segment profit before income tax decreased by 16% year-on-year to HK\$89,026,000 (2021: HK\$106,219,000), which was due to the drop in gross profit margin and the exchange losses respectively.

1.4 Production and Sale of Coatings

The coating business of the Group primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. (“COSCO Kansai (Tianjin)”), COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. (“COSCO Kansai (Zhuhai)”), 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) (“COSCO Kansai Paint (Shanghai)”) and 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) (“COSCO Kansai (Shanghai)”) (collectively “COSCO Kansai Companies”) are non-wholly owned subsidiaries of the Company. COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai), which have their own plants, are principally engaged in the production and sale of coatings, while COSCO Kansai (Shanghai) is primarily engaged in the sale of coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and Jotun A/S, Norway, an international coating supplier, is principally engaged in the production and sale of marine coatings. Nasurfar Changshu, in which the Company held 33% equity interest, is principally engaged in the research and development, production and sales of biomaterial application products, including surfactants, coating raw materials and additives, as well as resin modifiers.

During the year, revenue from coatings segment of the Group was HK\$1,067,153,000 (2021: HK\$1,685,183,000), representing a year-on-year decrease of 37%. Segment profit before income tax was HK\$152,362,000 (2021: HK\$95,160,000), representing a year-on-year increase of 60%, which was mainly due to the significant increase in share of profit of Jotun COSCO.

For container coatings, during the year, the sales volume of container coatings decreased by 54% to 19,788 tonnes (2021: 42,935 tonnes) year-on-year. The sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 15,949 tonnes (2021: 17,881 tonnes), representing a year-on-year decrease of 11%, which was mainly due to the decline in market demand for new containers, superimposed on the impacts of the pandemic in Shanghai.

For marine coatings, the sales volume of Jotun COSCO’s coatings for new build vessels amounted to 61,353,000 litres (2021: 45,166,000 litres), representing a year-on-year increase of 36%. Sales volume of coatings for repair and maintenance was 30,628,000 litres (2021: 27,618,000 litres), representing a year-on-year increase of 11%. The sales volume of Jotun COSCO’s marine coatings amounted to 91,981,000 litres (equivalent to approximately 124,174 tonnes) (2021: 72,784,000 litres (equivalent to approximately 98,258 tonnes)), increased by 26% year-on-year. During the year, the Group’s share of profit from Jotun COSCO was HK\$106,720,000 (2021: HK\$47,482,000), representing a year-on-year increase of 125%, which was mainly attributable to increase in sales volume and the improvement in gross profit margin.

During the year, the Group's share of profit from Nasurfar Changshu was HK\$8,036,000 (2021: HK\$13,920,000), representing a year-on-year decrease of 42%, which was mainly attributable to the increase in the price of imported raw materials resulting from the rise in oil prices, which affected the gross profit margin.

1.5 *Trading and Supply of Marine Fuel and Related Products*

The Group's trading and supply of marine fuel and related products business is primarily engaged in the supply, trading and brokerage services of marine fuel and related products.

The Group had recorded no revenue from marine fuel and other products segment in 2021 and 2022. In view of the liquidation filed by Coastal Oil Singapore Pte. Ltd., a major supplier of Sinfeng Marine Services Pte. Ltd. ("Sinfeng"), at the end of 2018 ("Coastal Oil's Liquidation"), the Group deliberately trimmed down Sinfeng's business as a measure of further risk control. For details of information in relation to Coastal Oil's Liquidation and the matters arising subsequent to Coastal Oil's Liquidation, please refer to the announcement of the Company dated 4 January 2019. Management is of the view that this event would not have a material impact to the Group's financial information for the year ended 31 December 2022 after taking into account of the professional opinion of Sinfeng's legal adviser in respect of the aforesaid matters.

Double Rich, in which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and marine fuel supply services in Hong Kong and also at the same time, in sourcing products such as light diesels and fuel oil, etc. Its major customers are shipowners and ship operators. On 28 June 2022, New Renown, a wholly-owned subsidiary of the Company, entered into an agreement with Chimbusco and agreed to sell its 18% equity interest in Double Rich with 31 December 2021 as the benchmark date, and the above transfer was completed on 29 December 2022. According to the agreement, any profit or loss from the date after the benchmark date to the Date of Completion would be attributable to Chimbusco. As such, the Group did not share any profit or loss of Double Rich during the year (2021: share of loss of HK\$45,984,000). For details of information in relation to disposal of 18% equity interest in Double Rich, please refer to the announcement of the Company dated 28 June 2022.

During the year, loss before income tax from marine fuel and other products segment was HK\$8,647,000 (2021: loss of HK\$46,764,000), which mainly consisted of provision for impairment of assets held for sale of HK\$8,275,000 (2021: nil).

2. General Trading

The Group's general trading business is principally engaged in the trading, storage, processing, supply of asphalt and other comprehensive trading.

During the year, revenue from general trading segment of the Group was HK\$1,025,568,000 (2021: HK\$1,063,553,000), representing a year-on-year decrease of 4%, which was mainly due to a decrease of 26% in sales volume of asphalt to 190,717 tonnes (2021: 256,251 tonnes) year-on-year. Segment profit before income tax was HK\$4,576,000 (2021: HK\$18,483,000), representing a year-on-year decrease of 75%, which was mainly due to the increase in provision for impairment of trade receivables and other receivables.

During the year, the Group's share of profit from Zhejiang Four Brothers Rope was HK\$3,424,000 (2021: HK\$1,616,000), representing a year-on-year increase of 112%.

EVENT AFTER THE BALANCE SHEET DATE

On 3 February 2023, the Company entered into an investment and cooperation agreement (the "Agreement") with 中遠海運科技股份有限公司 (COSCO SHIPPING Technology Co., Ltd.*) ("COSCO SHIPPING Technology") in relation to the formation of 中遠海運綠色數智船舶服務有限公司 (COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.*). Pursuant to the Agreement, the registered capital of COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. is RMB50,000,000, among which, the Company shall contribute RMB25,500,000, representing for 51% and COSCO SHIPPING Technology shall contribute RMB24,500,000, representing for 49%. COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. has become a non-wholly owned subsidiary of the Company and is principally engaged in providing green, low-carbon and digital intelligence solutions for the full life cycle of the shipping industry. For details of information in relation to the formation of COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd., please refer to the announcement of the Company dated 3 February 2023.

PROSPECTS

Entering 2023, the global economy will counter multiple uncertainties. Major risks such as elevated inflationary pressure, persisting geopolitical conflicts, prevailing trade protectionism, divergences of monetary policies among central banks, and the emergence of systemic credit risks may all impact the global macroeconomic environment and that the global economy will become fragile and volatile in 2023. The "World Economic Outlook" released by the International Monetary Fund in January 2023 predicted that the global economy would grow by 2.9% in 2023, a decrease of 0.5 percentage points from 2022. However, as China promptly optimized its pandemic prevention measures, China can quickly ride out the epidemic. Macroeconomic policies now put more focus on stable growth and strengthening domestic demand, in particular channeling investment in innovative technology and green transition. As such, China will once again become the main engine of global economic growth, and gradually resume normal growth momentum for the world.

In terms of the shipping market, global trade and the demand for shipping is being impacted by weakening macroeconomic environment, according to the forecast by the United Nations Conference on Trade and Development (UNCTAD), the growth of global seaborne trade volume will slow down to approximately 1.4% in 2023. At the same time, increasingly stringent environmental regulations and accelerating demand for global carbon emission reduction in the shipping industry, are promoting the transition of environmental focus from restrictions on ballast water and sulfur emissions to the reduction of greenhouse gas emissions. Green transformation and sustainable development is now a consensus, and the whole industry is accelerating toward the direction of green, low-carbon, and smart shipping. COSCO SHIPPING International will conform to the global trend and attentively intensify our competitive edges in digitization, intelligence, and environmental protection. As such, the Company and COSCO SHIPPING Technology have jointly established COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. on 14 February 2023 for the purpose of creating greater value for customers by promoting a high-quality low-carbon intelligent shipping system.

Looking into each sector, the demand for container shipping market has been deteriorating amid active destocking activities by the companies in Europe and the United States. Moreover, as the new container vessels are being delivered that coupled with the easing of port congestion and the improvement of supply chain bottlenecks, the growth of global shipping capacity will overtake the demand side, which will put huge downward pressure on freight rates. Clarksons estimates that the global container shipping demand will decline by 0.3% in 2023, while shipping capacity will grow at 6.9%. As a result, freight rates will continue sluggish. In terms of dry bulk market, the demand for bulk cargo such as iron ore and coal has been emerging with China's reopening and the continuous recovery of the country's economic activities, meanwhile orders on hand of bulk carriers are at low level and that the newly implemented environmental protection regulations has accelerated the demolition of the old vessels, resulting in stable capacity and it is expected that the dry bulk cargo market will gradually recover from downturn. In terms of the tankers market, reopening of China's economic activities will support the demand for crude oil, and subsequently the demand for tanker transportation, freight rates and the rents of tankers will remain lifted. In terms of the shipbuilding market, it will be benefited from long-term positive factors such as the transition of seaborne trade structure, the acceleration of the green transformation of the industry, and the gradual clarity of international rules. However, demand will vary among ship types in accordance with the market performance.

For the ship trading agency services, focusing on the common needs of customers, the Group will continue to optimise its service quality, strengthen market research and information management, and strive to achieve new progress in business development.

For insurance brokerage services, the Group will continue to explore new business needs within and outside COSCO SHIPPING Group, develop new types of insurance and innovate cooperation models to enhance service efficiency and benefits, diversify customer channels and increase market share.

For the supply of marine equipment and spare parts, the Group will give full play to its advantages in terms of channels and expand its service offerings while focusing on digital construction, in order to improve its operational efficiency. The Group will also push forward the green and environmental-friendly spare parts business, and further improve customer satisfaction.

For container coatings, the Group will speed up technology improvement and optimise its products for stable quality to further reduce its product costs. The Group will also increase its efforts in market expansion and tap into potential customer resources to further enhance its market position.

For industrial heavy-duty anti-corrosion coatings, the Group will continue to drive down its product costs through technical improvement and constantly refine its products in terms of environmental-friendly level and sustainability. The Group will also launch collaborative marketing to develop new customer bases and expand the room for growth.

For marine coatings, the Group will conduct in-depth market research and push ahead IT-based data analysis with an aim to enhance customer service capabilities, improve supply chain processes, and alleviate the pressure on raw material costs. The Group will also continue to strengthen research and development on product technology to reinforce our competitive advantages.

For the trading and supply of marine fuel and related products, the Group will continue to adhere to a robust and prudent operating approach and strive to conduct risk prevention and control.

For general trading, the Group will proactively drive business transformation, enhance its service quality and expand its business scope while strengthening market expansion and customer development. The Group will also adopt effective measures to avert operation risks.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, the Company repurchased a total of 51,262,000 shares of the Company (“Shares”) on the Stock Exchange for an aggregate consideration of HK\$118,091,720 before expenses. All the repurchased Shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Month of Share(s) repurchased in 2022	No. of Shares repurchased	Highest price paid (HK\$)	Lowest price paid (HK\$)	Aggregate consideration (before expenses) (HK\$)
September	11,726,000	2.38	2.10	26,442,040
October	27,910,000	2.33	2.23	63,570,640
November	11,596,000	2.73	2.21	27,999,540
December	<u>30,000</u>	2.65	2.65	<u>79,500</u>
Total:	<u>51,262,000</u>			<u>118,091,720</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance has always been one of the Company’s priorities. This is achieved through an effective, timely disclosure of information by the Board and a proactive investor relations programme. The Company will continue to implement measures in order to further strengthen its corporate governance and overall risk management.

The Board believed that the Company had complied with the code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the year ended 31 December 2022, except that (a)(i) Mr. Chen Dong, the Non-executive Director, was unable to attend the annual general meeting of the Company held on 31 May 2022 due to other business engagement; and (ii) Mr. Chen Dong, the Non-Executive Director and Mr. Jiang, Simon X., the Independent Non-Executive Director were unable to attend the special general meeting of the Company held on 5 December 2022 due to other business engagement, a deviation from the code provision C.1.6 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings; and (b) the roles of Chairman and Managing Director are performed by the same individual, Mr. Zhu Jianhui, which deviates from the code provision C.2.1 of the CG Code. However, the Board believes that the roles of Chairman of the Board and Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he acts for the benefit and in the best interests of

the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategic and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management of the Company, there is no other matter deviated from the CG Code. The Company will continue to review its corporate governance policies and compliance with the Listing Rules and will continue to comply with the relevant provisions as set out in the CG Code.

The audit committee of the Company (the “Audit Committee”) consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of the Audit Committee include reviewing the accounting policies and the Company’s financial reporting; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting, the risk management and internal control systems; ensuring compliance with applicable statutory accounting and reporting requirements. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the “Securities Code”) no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. In order to ensure the Directors’ dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31 December 2022, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

By Order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Zhu Jianhui
Chairman and Managing Director

Hong Kong, 28 March 2023

As at the date of this announcement, the Board comprises six directors with Mr. Zhu Jianhui¹ (Chairman and Managing Director), Mr. Chen Dong², Ms. Meng Xin¹, Mr. Tsui Yiu Wa, Alec³, Mr. Jiang, Simon X.³ and Mr. Kwong Che Keung, Gordon³.

¹ *Executive Director*

² *Non-executive Director*

³ *Independent Non-executive Director*

* *for identification purposes only*