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 Report 2022

Contents

Company Profile

Established in June 2012, CSSC (Hong Kong) Shipping Company Limited (the "**Company**" or "**CSSC**", together with its subsidiaries, the "**Group**"), as the only red-chip listed company under China State Shipbuilding Corporation Limited (中國船舶集團有限公司) ("**China Shipbuilding Group**"), is the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. With the strong industrial background and strong maritime industry expertise of our controlling shareholder, the Group focuses on developing the business of leasing and investment operation of vessels and marine equipment, offering customised and flexible integrated shipping services and financial services to global ship operators, shippers and traders.

As at 31 December 2022, the Company's vessel portfolio reached 158 vessels and its total asset size exceeded HK$40 billion, placing it in a leading position in the global ship leasing industry in terms of vessel asset size and number of vessels. Since its establishment, the Group's operating efficiency has continued to grow at a high rate. With its "one body with two wings" business model of ship leasing and investment and operation, as well as its continuous efforts in the field of green and clean energy, operating results of the Group for 2022 achieved another record high.

The Group has built a high-tech fleet featuring clean energy offshore equipment, and was the first company in the leasing industry to build a complete offshore clean energy storage and transportation system; we innovated green finance and received the Hong Kong Green and Sustainable Finance Award from the Hong Kong Quality Assurance Agency (HKQAA) in 2021; we designed and developed a quantitative risk assessment tool with independent intellectual property rights to realise quantitative risk management throughout the life cycle of the project. Since our listing, we have been awarded "A" credit rating by Fitch and "A-"credit rating by S&P for four consecutive years. As one of the first enterprises in China to be selected as a pilot site for the "Double Hundred Actions" comprehensive reform by the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council, the Company was awarded the highest rating of "Benchmark" in the "Double Hundred Actions" assessment by SASAC in 2021.

The Group will focus on the goal of "dual carbon", firmly serve national strategies such as "clean energy", "strong nation of shipbuilding and strong nation of ocean" and "the construction of Guangdong, Hong Kong and Macao Greater Bay Area", and continue to expand its competitive edge in the maritime and financial industries while taking up the subject responsibility of leading the quality development of the maritime economy through the "integration of industry and finance".

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

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

Company Information

Board of Directors

Executive Director

Mr. Zhong Jian *(Chairman)*

Non-Executive Directors

Mr. Li Wei (resigned on 29 September 2022)
Mr. Zou Yuanjing (resigned on 24 February 2023)
Ms. Zhang Yi (appointed on 29 September 2022)
Mr. Zhang Qipeng (appointed on 4 November 2022)
Mr. Chi Benbin (appointed on 24 February 2023)

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Strategic and Investment Committee

Mr. Zhong Jian *(Chairperson)*
Mr. Wang Dennis
Ms. Zhang Yi
Mr. Zhang Qipeng
Mr. Chi Benbin

ESG and Sustainable Development Committee

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

Company Secretary

Mr. Ding Weisong

Assistant Company Secretary

Ms. Ng Sau Mei *(FCG, HKFCG)*

Authorised Representatives

Mr. Zhong Jian
Ms. Ng Sau Mei

Registered Office

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

Hong Kong Legal Adviser

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

Company Information

Hong Kong Share Registrar

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

Auditor

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

Principal Banks

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

Company's Website

http://www.csscshipping.cn

Stock Code

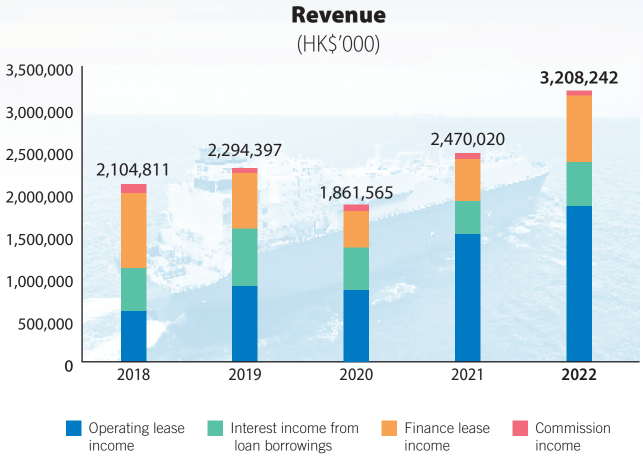
3877

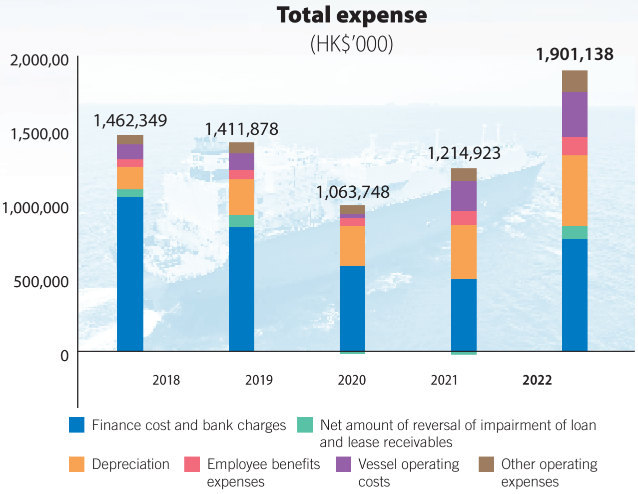
Listing Date

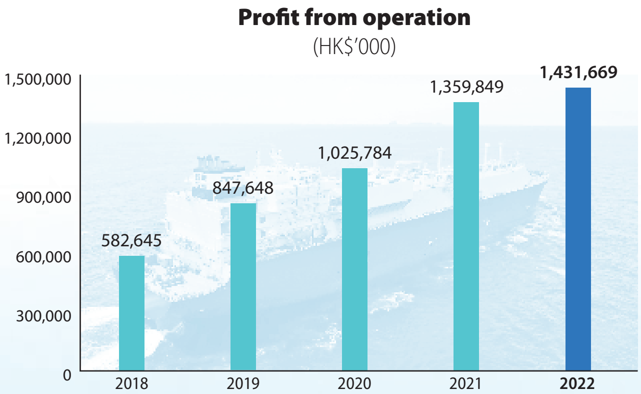
17 June 2019

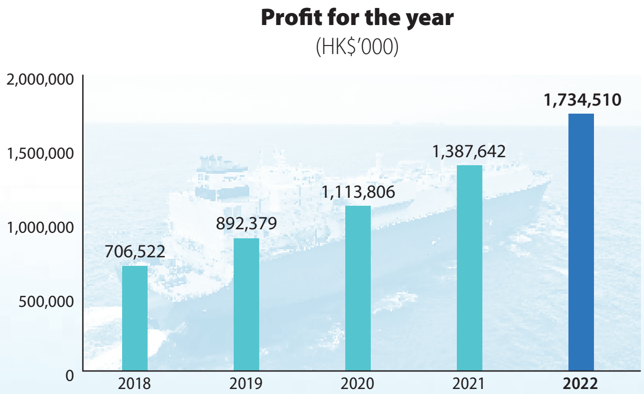
Financial Highlights and Five-year Financial Summary

Five-year Summary of Consolidated Income Statement







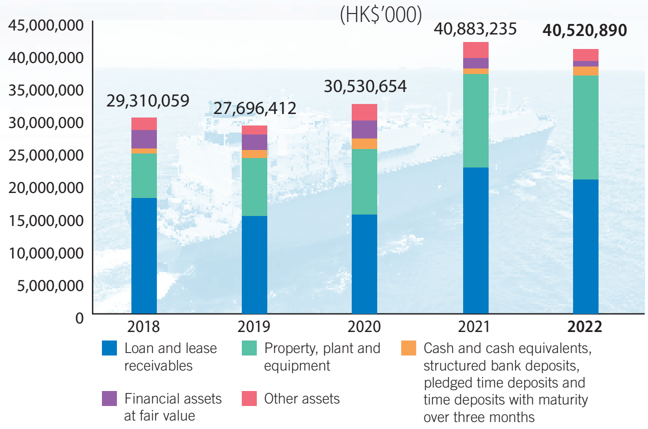


Financial Highlights and Five-year Financial Summary

Five-year Summary of Consolidated Statement of Financial Position

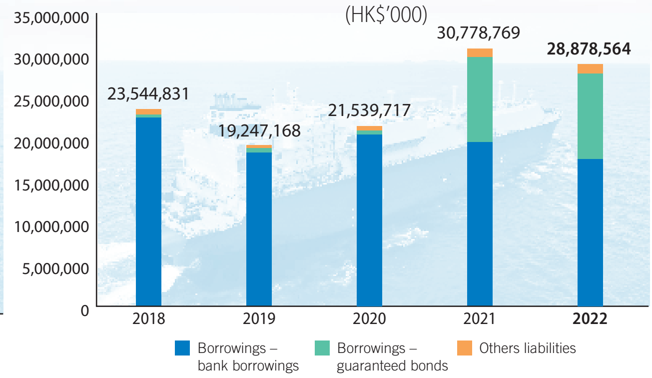
Total Assets

(HK$'000)



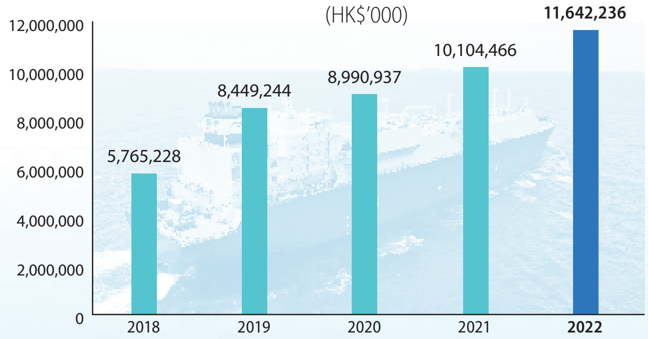
Total Liabilities

(HK$'000)



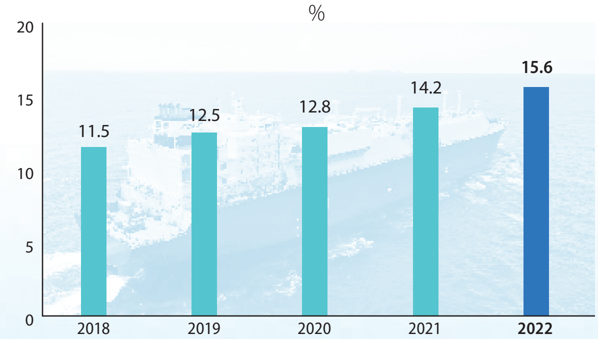
Net Assets

(HK$'000)



Return on Equity

%



Financial Highlights and Five-year Financial Summary

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 ratings		
S&P Global Ratings	**A-**	A-
Fitch Ratings	**A**	A

Notes:

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

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

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

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

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

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

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

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

Letter to the Shareholders

Zhong Jian
Chairman

Dear shareholders and investors,

In 2022, the international situation was treacherous, unpredictable and hard to grasp. But for both China and CSSC Shipping, the year was extremely unusual. In this year, our Motherland embarked on the new journey towards the second centennial goal; in this year, the tenth anniversary of the establishment of CSSC Shipping was also marked. With ten years of trail-blazing and hardworking, in 2022, CSSC Shipping has developed into an international ship leasing and investment operation enterprise with annual revenue of HK$3.208 billion, net profit of HK$1.735 billion, total assets of HK$40.521 billion, net assets of HK$11.642 billion and fleet size of 158 vessels. Compared with 2019 in which the Company was listed, the Company's net profit increased by 94.5%, with a compound annual growth rate of 24.8%; its revenue increased by 39.8%, total assets increased by 46.3% and equity attributable to owners increased by 36.9%; its ROE increased by approximately 3.1 percentage points and ROA increased by approximately 1.2 percentage points. From 2019 through 2022, the total dividend distributed was HK$0.36 per share, totaling HK$2.209 billion (including the expected dividend payment as at the end of 2022). The Company has maintained a trend of stable and healthy high speed growth, and has also shared lucrative dividend earnings with its shareholders. As the saying goes, "Taking history as a mirror, observing the past so that we could understand the future", on the occasion of the 10th annual anniversary of the Company, we have reviewed the development history of the Company, summarized the business philosophy and development path, and outlined the core values of the Company as "professionalism, focus, innovation and efficiency", thus providing guidance for the future development of the Company. To facilitate investors' deeper understanding of the Company, we would like to take this opportunity to share with you the following points.

Letter to the Shareholders

I. Professionalism

The marine shipping and cargo industry is an extremely specialized and mature industry sector, which is evident from its significant industry cycles, massive capital requirement, wide range of product types and complex factors of influence. Therefore, there are extremely high competence requirements for market participants, which also created high barriers of entry as well as corresponding management premiums. The primary factor that has enabled CSSC Shipping to continue its stable and healthy growth over the past ten years since its establishment is professionalism. We often say that the biggest competitive advantage of CSSC Shipping is "understand ships", that is the understanding of ships, shipowners and the market, so that we could grasp the market development trend more accurately, seize the right time frame, and also provide better investment advice and customised services for shipowners.

Specifically, the Company's "professionalism" is firstly reflected in the structured business strategy of fixed income plus flexible income. Our "fixed income" business mainly includes financial leasing and long-term fixed lease, the income of this kind of business has been locked and is not directly affected by the fluctuation of shipping market, the Company mainly plays the role of provider of credit facilities, the financial attributes of this kind of business are strong, the main risk exposure is the credit risk of the lessee. Our "flexible income" business refers to the Company's independent or joint investment to place shipbuilding orders at low market level, after the ship is delivered for charter, it is put into short-term and spot market operation; the revenue from this type of business is therefore flexible and influenced by the spot shipping market, hence the strong shipping attributes, and the Company mainly plays the role of an independent ship owner, benefiting through rental income and asset appreciation. For the sake of overall risk control, fixed income accounts for the vast majority of the Company's businesses, currently represents approximately 80% or more of the overall operating assets. The fixed income business can ensure the overall stable and healthy operation of the Company, and is the cornerstone for our continuous growth; while the flexible income business enables the Company to build closer ties with both upstream and downstream players in the shipping sector and further tap into the shipping market. Based on this model, the Company has also proposed a cross-cycle strategy, which includes counter-cyclical investment and pro-cyclical operation, as a means to implement the most effective cycle risk management.

Secondly, the Company's "professionalism" is reflected in its advance layout of popular ship types such as LNG and its keen insight into the market situation. As early as 2015, the Company already entered the LNG field, providing financing for a FLNG project with an annual liquefaction capacity of 2.2 million tons, investing in two 174,000-ton FSRU-LNGs in 2017, and especially, the Company invested on its own initiative in 2+2 174,000-ton LNG carriers at an average price of about US$190 million each in 2019, which seized the market opportunities. To date, the Company owns the assets in the entire LNG transportation industry chain, including FLNG, LNG-FSRU and LNG carriers, pioneering among global ship leasing companies. In 2019, the Company took its listing as an opportunity to enter into orders in the amount of tens of billions before the shipping cycle, promoting the net increase of the Company's operating fleet (including self-operated and associated companies) of 40 vessels in 2021, achieving a historic leap in operating efficiency and size of fleet.

The Company's "professionalism" is also reflected in its pioneering and leading initiatives. Our Duffy 18,000 container ship project has broken the monopoly of Japanese and Korean shipbuilding enterprises in the field of ultra-large container ship construction for many years; our FLNG project has broken the long-term monopoly of European and American financial institutions in the high-end equipment financing market; our LNG-FSRU project has assisted Chinese shipping enterprises to receive the first ultra-large FSRU order; the Guoxin No. 1 aquaculture vessel has realized the integrated development of ship manufacturing, deep-sea fishing and aquatic products processing industry, etc., and will lead the direction of development of marine fisheries.

How on earth could we become professional? The first reason is the people. "The key of doing a good job is the people", the management and business backbone of the Company are basically graduated from renowned domestic and foreign universities and majored in shipping and shipping-related subjects, and have been engaged in related work for a long time, with deep perception and understanding of the market, accumulated a large number of people connections, and have a broad access to information channels. The second reason is our corporate governance system which is tailor-made for marine and shipping projects. Our business expansion and risk control model are capable to achieve maximum unity in terms of efficiency, effectiveness, risk control and compliance. After the listing of the Company, we have continuously improved the construction of the board of directors, added the Strategic and Investment Committee and the ESG and Sustainable Development Committee; we have, in two instances, optimized and improved the powers and responsibilities of the board of directors and the managerial level personnel, systematically sorted out 120 major decision-making matters, clarified the decision-making subjects and the boundaries of powers and responsibilities, and significantly enhanced the decision-making authority of the managerial level personnel for general investment and daily operation matters. We strove to build the system closely to the business reality and development requirements, maximized the decision-making efficiency under the premise of compliance and controllability. In terms of risk control, we specifically formulated business management measures for different types of projects such as financial leasing, operating leasing, fixed income and equity investment, and operational guidelines have been issued to support these projects, with risk assessment being involved in advance and participates in project negotiations, which not only improves the efficiency of assessment but also provides targeted risk control advice to better serve the development of projects. The third reason is relying on the industrial synergy advantage of CSSC Group. As the controlling shareholder of the Company, CSSC Group is the largest shipbuilding group in the world, and its four segments of backbone shipyards, research institutes, equipment manufacturers and service platforms could cover the complete industry chain of ship R&D, design and manufacturing. The Company could leverage on CSSC Group and actively play the synergy advantage of sister units to provide more personalized and comprehensive services for the communication and cooperation between shipowners and shipyards.

II. Focus

Regardless of the industry sector, both in China and overseas, ancient and modern, when it comes to the secret of success, one word must be mentioned: focus. It is said that Warren Buffett has a rule of investment: focus on the 20% important matters and avoid the remaining 80% trivial matters. In the past ten years since its establishment, CSSC Shipping has focused on deep cultivation of the field of marine shipping, serving the real industry with capital, leading the development of China's shipbuilding industry and creating industry firsts one after another. "Focusing on what we are good at and abstaining from arrogance and impatience" are the business ideas that we always abide by.

We focus on medium and long-term stable and healthy development, the core of which lies in risk control, and the Company places risk control in an equally important position as earnings. In accordance with the regulatory requirements of the Hong Kong Stock Exchange and the needs of the Company's internal risk control, the Company has established a three-level risk prevention model under the leadership of the Board of Directors to realize a risk management mechanism with full linkage risk control and full staff participation. Each functional department is the first line of defence and has the first responsibility for risk prevention within its responsibility; the Risk Management Department is the second line of defence and is mainly responsible for guiding, coordinating, supervising and inspecting the effective operation of the Company's risk management system; the Audit Committee of the Board of Directors is the third line of defence, formulating risk appetite policies and supervising the quality of overall risk control and the effectiveness of the implementation of the risk management system.

In terms of overall risk control, the Company, on the one hand, carries out overall cycle risk control through the operation mode of "fixed + flexible". On the other hand, through the balanced allocation among different vessel types, such as container ships, bulk carriers, tankers, LNG carriers and special vessels, the Company could realize internal risk hedging by taking advantage of the different cycle fluctuations of different vessel types. In the specific operation process, the Company will make dynamic adjustments to the proportional allocation of fixed and flexible ends, the operating arrangement of assets at the flexible end, and the volume ratios of different vessel types based on forward-looking judgment of market trends.

In terms of specific risk categories, the Company's important risk exposures are credit risk, interest rate risk and asset value risk respectively, with credit risk being the first and foremost one. For the management and control of credit risk, the Company also has three lines of defence: First, the first source of repayment, namely the coverage of management expenses and capital expenditure (rental payment) by income from the operation of the leased property (the underlying vessel assets). When the project is established, the Company will conduct sensitivity tests on the rental of the leased property (i.e. the vessel) to ensure that the operating income of the leased property has sufficient coverage for capital and operating expenses under non-extreme conditions. Second, the credit capacity and credit enhancement conditions of the lessee and guarantor. The Company has developed a quantitative credit risk assessment model with independent intellectual property rights in view of the characteristics of the shipping industry, which has strengthened the risk assessment and monitoring ability against customers and also provided scientific guidance for rental pricing of fixed income projects. Third, the coverage of outstanding principal and interest by disposal proceeds of leased assets. We pay great attention to the market risk and liquidity risk of the leased assets to ensure that the outstanding principal and interest can be repaid through the disposal of the leased assets under the condition of material default of the customer.

We are deeply aware that our commitment to pursuing middle and long-term stable and healthy growth will inevitably require the surrender of certain short-term excess earnings. If we put all the assets of tankers, bulk carriers and LNG carriers into immediate market operation in these two years, or cater to the upward trend of the market and rapidly expand the shipping capacity in the short term, we will certainly be able to greatly increase the short-term profit. However, we clearly understand that there are peaks and troughs, and the short-term volatility of shipping market is no less than that of financial market, so we are not willing to become a short-term speculator who purchases when the market trend is rising and sells when the market trend is falling, and we will not be overly sensitive to short-term non-significant market events, nor will we be presumptuous to presume that we are able to accurately predict short-term changes in the market. We hope to achieve idealised returns and maintain our trend of stable and healthy development trend through accurate prediction of medium and long-term market trends and cutting-edge developments, superb ship asset allocation and management capabilities, as well as professional risk undertaking and overall control.

III. Innovation

According to Schumpeter, innovation is the recombination of factors of production and the function of the entrepreneur is to innovate and introduce such new combinations. According to Schumpeter's theory, for an extremely mature industry like shipping, only by continuously developing new areas and creating new business models could we continue to achieve excessive earnings.

In 2021, we embraced a new cycle of boom of the shipping market, with rising ship prices, tight berthing area, intensified competition and increased buyback; in 2022, the Russo-Ukrainian conflict broke out, high inflation was seen in developed economies, the Federal Reserve's interest rate hike went aggressive, the global geopolitical and macroeconomic outlook was uncertain; in 2023, the CII policy came into effect and the shipping industry is facing profound changes. Confronting all such circumstances, we took the initiative to respond to the changes, timely shifted our counter-cyclical strategy to a cross-cyclical strategy, made full use of favourable conditions and innovate tactical play, so as to win the initiative in the market.

In terms of business expansion, leveraging on our first-mover advantage in the LNG industry chain, we decisively gave effect to the option for Hudong-Zhonghua's second LNG carrier, while joining hands with our long-term partner, Southwest Maritime, to win a highly competitive charter project for three LNG vessels from the ENN Group. At the same time, we carried out finance leasing projects on the highly prevalent automobile Ro-Ro vessels and wind power installation vessels, and increased investment in deep-sea large breeding vessels to lay out in advance for future development.

In terms of the management and control of risk and cost, in response to the expansion of credit risk after the market downturn, we optimized the cash flow repayment structure on the Aspine Shipping project and increased the proportion of recent repayments, which not only seized the prevalent market trend but also narrowed the risk exposure in the later stage. In response to the rise in US dollar interest rates, we carried out multi-currency financing and took advantage of RMB and Hong Kong dollar interest rates to reduce financial costs.

In terms of climate and environmental protection, for EEXI and CII policies, we calculated the EEXI acquisition values and required values for 38 operating vessels according to IMO code guidelines, and made a forecast of CII ratings for the next 10 years based on the vessels' operation data in 2021. We analysed 6 mainstream ship energy efficiency improvement technologies currently on the market and formulated operational improvement measures in four aspects: bottom monitoring of pollutants, optimized voyage cruising speed, dynamic monitoring of CII data and use of biofuel. In order to further implement the national "dual carbon" strategy, we conducted two biofuel tests on a Mini-cape vessel leased to Cargill Marine in May and September 2022, using B30 mixed biofuel as bunker fuel, with a total test volume of 610 tons and a total CO_2 emission reduction of 521 tons. The main engine and secondary engine operated well and the tests were a complete success, which was approved by the Hong Kong Marine Department and recognized by DNV. For the next steps, we will cooperate with Cargill to carry out a larger number of applications on more ships.

In terms of technological innovation, the Company is committed to promoting the construction of information technology and digitalisation to provide technological empowerment for lean management. Based on the characteristics of shipping business, the Company developed the quantitative assessment model of credit project risk for shipping industry on its own initiative and deployed such model in the business processes of project access, project evaluation and post-lending management, making it an important tool for risk management in the whole life cycle of the project. We have built an informatization platform for the whole life cycle of the business, showing the management view of each dimension for business management and realizing the functions of application, approval and process document collection in the same platform for each stage of the whole life cycle of the project. The "Vessel Asset Management System" independently developed by the Company was awarded the first place in the informatization benchmark project of CSSC Group, and the project of integration of internal control and informatization also achieved top ranking in the assessment of CSSC Group.

IV. High efficiency

To sum up, we could say that professionalism is our ability, focus is our attitude, innovation is our method, and high efficiency is the result. Over the past ten years since our establishment, we have maintained a high growth trend regardless of whether the industry is at a high or low point, which reflects the high efficiency of the profitability and management efficiency of the Company. In particular, in 2022, our return on total assets was 4.3%, return on net assets was 15.6% and net profit per capita was over HK$20 million, significantly higher than industry average.

However, high efficiency is always a relative concept. With the constant change of market situation and competitive landscape, the only way to create better conditions for the positive and steady development of the Company is to respond to the changes and take the lead. That is why we have made efficiency the goal we strive for. We will further improve the efficiency of asset operation. We will not aim at holding ship assets for the whole life cycle, yet we will pay close attention to changes in the shipping market and seize favourable timeframe to dispose of some assets either with favourable return on investment or are obsolete and ready to be phased out due to stringent environmental rules, so as to cash in on the value-added income of assets, get back cash and reduce risks, and keep the overall quality and balance of assets. We will further strengthen the management effectiveness of shipping business to further increase the "flexible" income at the high level of the cycle.

We are promoting the classification management and materialised operation of shipping assets and financial assets to make them closer to changes in the shipping market and to obtain greater market returns through flexible lease design and rental pricing arrangements. We will further enhance our market awareness, study the market development in depth, lay out in advance in strategic emerging areas, and cultivate potential business growth points.

V. Thoughts for 2023 and future development

The world is facing profound changes unseen in a century. Such changes lie in the transformation of the world economic and political landscape by the rising of emerging economies, the transformation of human production, communication and cognitive patterns by digital revolution, and the transformation of energy structures and development patterns by climate change. From the perspective of international relations, the period of relative stability after the Cold War for more than two decades will come to an end, the Russo-Ukrainian conflict will have far reaching impact on geopolitics and energy security, and China will face a more complex and severe external environment and development situation. From the macroeconomic perspective, the World Bank expects global growth to slow down to 1.7% in 2023 due to austerity policies to control high inflation and the huge impact of the interest rate hikes of the Federal Reserve on emerging markets, however China's demand recovery and further policies on reform and opening will boost global economic performance.

As regards the shipping market, the combination of Russo-Ukrainian conflict, weakening of the global economy, China's economic recovery, and carbon emission reduction policies will bring about profound impact. Clarkson data show that the growth rate of global marine trade volume will change from negative to positive in 2023, representing an increase of 1.6%, and a year-on year increase of 2.2 percentage points, and the global fleet capacity is expected to grow by 2.3% (in DWT), with an overall balanced shipping capacity pattern. From the perspective of vessel types, our tanker orders on hand are at a historical low point, which would restrict the growth of capacity, while oil shipping demand is expected to boom and go upward, the supply of capacity will face a tight situation; bulk carrier capacity is expected to grow by 1.9% (in DWT), compared with the growth rate of dry bulk trade of 2.2% (in tonne nautical miles), the overall balance of supply and demand is tightening, and the market has certain positive space; container ship capacity is expected to grow by 6.6% (in TEU), the trade volume of container shipping is expected to lack momentum for growth, with strong supply and weak demand, yet the demand for feeder container ship capacity in the Asian region is expected to increase due to the RCEP coming into effect and industrial transfer; LNG ship fleet capacity is expected to grow by 5.4% (in cubic meters), which is higher than the 3.7% increase in seaborne trade demand (in tonne nautical miles), and the capacity supply and demand relationship is relatively improved, but as is driven by the green development of the maritime industry and the structural transformation of the European energy trade, charter rates will remain at a relatively high level.

Letter to the Shareholders

Confronting the current situation, we have three thoughts for our future development:

Firmly respond to and serve the national strategy. Conformity to the general trend is fundamental to the long-term development of the enterprise, and serving the Motherland is the core mission of central state-owned enterprises. We will actively participate in the construction of the "dual-circulation" of domestic economy, carry out the duty and mission of "combining production and finance, serving the main business", guide the domestic and foreign shipowners to invest in high value-added ships more actively, and do a good job as a connection between shipowners and shipyards. We will actively serve the "dual carbon" strategy and the strategy of the strong nation of ocean, assist the intelligent and low carbon development of vessels, and promoting the development of China's shipbuilding industry and marine manufacturing industry. We will continue to adhere to scientific and technological innovation, adhere to ecological priority and adhere to openness and cooperation, and strengthen the matching of "hard connectivity" of infrastructure and "soft connectivity" of system rules.

Enhance our core competitiveness by benchmarking against the best in the world. Leveraging our insights and expertise in shipbuilding, we will provide customers with more customised and comprehensive shipping finance solutions. We will benchmark ourselves against world-class enterprises, deepen reform and innovation, continuously improve our corporate governance system and management model, strengthen our ability on grasping the market condition, asset management and risk control, and forge core competencies that are different from those of both the financial leasing enterprises and the shipping enterprises, so as to provide strong support for the Company's stable, healthy and efficient development. We will review the situation and optimize the Company's asset portfolio in order to be more adaptable to the development requirements of the market.

Focus on return of shareholders to achieve revaluation. Giving back to investors with good business performance and market performance is the fundamental landing point of the Company's development. We will seize the favourable opportunities of building a valuation system with Chinese characteristics and a new round of state-owned enterprise reform, make full use of the convenience of being included in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, further strengthen communication and contact with the capital market, clearly depict the Company's performance, business philosophy and development path, actively respond to market concerns, maintain a stable high-proportion dividend policy, continuously increase the capital market's attention and recognition of the Company, and promote value remodelling and realise our value potential.

After ten years of development, CSSC Shipping has proven to the market our distinctive qualities of "professionalism, focus, innovation and efficiency". Standing in the new historical stage, we aim to build a world-class ship leasing and investment operation enterprise and give back to shareholders and society with better results of business performance and development and reform!

CSSC (Hong Kong) Shipping Company Limited
Zhong Jian
Chairman

Management Discussion and Analysis

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 an increase in demand for LNG shipping and extended transportation distances, sending 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 to continue 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 will 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.

1. Industry Environment *(Continued)*

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 tightening, 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 are 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 shipping 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.

1. Industry Environment *(Continued)*

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 have 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 and 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-cyclical 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 shipbroking services) and financial services (including finance 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).

2. Business Review *(Continued)*

(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 relationships 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 carriers). The Group was optimistic about the effect of the Regional Comprehensive Economic Partnership (RCEP) on the trade flows between East Asia and Southeast Asia, so we 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 has 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 the owner was 20.

2. Business Review *(Continued)*

(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 *(Continued)*

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 were 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 as well as maximized the efficiency and benefit of asset operation on the basis of ensuring the overall sound management of assets. Finance lease was matched with operating lease, long-term leasing was combined with short-term leasing, and fixed income was 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
Finance lease	Bulker		26
	Container		9
	Gas Carrier		11
	Special Tonnage		5
	Tanker		17
	Subtotal		68

2. Business Review *(Continued)*

(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 *(Continued)*

Appendix: Asset Structure of Vessels in 2022 *(Continued)*

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

Type of project	Ship category	Ship type	Number
Operating lease	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

2. Business Review *(Continued)*

(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 *(Continued)*

Appendix: Asset Structure of Vessels in 2022 *(Continued)*

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

Type of project	Ship category	Ship type	Number
Finance lease	Bulker	Panamax	2
	Container	Feeder container vessel	1
	Special Tonnage	Wind turbine installation vessel	1
	Subtotal		4
Operating lease	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, a 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 steadily improved.

2. Business Review *(Continued)*

(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 *(Continued)*

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.

2. Business Review *(Continued)*

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

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 finance lease service 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.

2. Business Review *(Continued)*

(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 rise in overseas US dollar interest rate, the Group fully utilized its capital advantages in both Mainland and Hong Kong markets and 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 a 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.

2. Business Review *(Continued)*

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

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 updates 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.

2. Business Review *(Continued)*

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

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-term 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.

Principal business

The Group provides integrated shipping services (including operating leases and shipbroking services) and financial services (including finance leases and loans borrowings).

The loans granted under the Leasing Services primarily consisted of long-term loans with tenure of up to 8 years and secured by collaterals, including corporate guarantees, refund guarantees, personal guarantees, mortgage and/or assignment of the underlying shipbuilding agreements and/or vessels while the loans granted under the Loan Services consisted of shortterm loans with tenure of less than 5 years and secured by mortgage only. The customers of the Leasing Services and the Loan Services are similar and generally include ship operators and trading companies. The operation of the Principal Business is primarily funded by bank borrowings, cash generated from the operation of the Group, share capital from shareholders and bond issuance.

2. Business Review *(Continued)*

Principal business *(Continued)*

For further details of the Principal Business implemented by the Group, please refer to the section headed "Business" in the prospectus of the Company dated 28 May 2019.

Credit risk assessment policy

The Group has adopted various policies and procedures to identify, manage and mitigate its credit risk relating to the Principal Business. In particular, it assesses the creditworthiness of the lessees on an on-going basis and closely monitor their payment records to regulate the Principal Business operation with the aim of safeguarding the Group's and the Shareholders' interests. Further, the Group have established an asset quality classification system which allows it to evaluate the quality of its asset portfolio and take appropriate risk mitigation measures in a timely manner.

In general, each lease and/or loan transaction must go through two stages before granting to the lessee/borrower, namely, (i) due diligence; and (ii) project assessment and approval. The business unit of the Group is responsible for conducting due diligence against the lessees/borrowers, their guarantors and the underlying leased assets in business, financial and legal aspects to evaluate the creditworthiness of the lessees/borrowers. The due diligence is typically conducted by obtaining information through public sources (such as Clarkson Research Tradewinds, and Drewery) and official channels (such as National Bureau of Statistics of China) and from the lessees/borrowers; interviews with the lessees' management, customers, advisers and banks; and on-site investigations. Further, the Group also consults experts and engages third party consultants to obtain professional opinions and advice and conducts additional investigations (if needed).

After conducting due diligence, the project manager prepares a preliminary project assessment report and submits a project approval application to the risk management department. The risk management department together with asset management and accounting and treasury departments review the lease/loan application from different perspectives, for instance, the risk management department is responsible for evaluating the overall risk profile of the subject project, in particular, the lessees' repayment capabilities, credit record and likelihood of default, the asset management department focuses on the risk associated with the acquisition or construction of assets, while the accounting and treasury department considers the funding requirements, source of repayment, loan-to-value ratio and commercial benefits of the lease/loan applications. The risk management department shall then compile a formal project assessment report based on the analysis from the abovesaid departments and submit the same to the senior management or the Board for consideration and approval, depending on the importance of the project. The leases and/or loan projects shall be approved on a case-by-case basis.

For further details of the risk management measures implemented by the Group, please refer to the section headed "Risk Management" in the prospectus of the Company dated 28 May 2019.

2. Business Review *(Continued)*

Credit risk assessment policy *(Continued)*

Internal control measures

The Group has persistently implemented internal control measures in relation to the Principal Business and remains sensitive in minimizing the credit risk it is exposed to and is persistent in following this approach in operating the Principal Business, including but not limited to: (i) establish the customer credit rating model through qualitative and quantitative customer dimension indicators score, forming the final customer evaluation results. The quantitative results are effectively applied to the pre-loan and post-loan stages of the "full life cycle of business". The pre-loan stage of the customer credit rating includes the review of data of the customers from the industry and the public, credit analysis, assessment of collectability of customers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. During the tenure of contracts and/or projects, the Group will monitor the cash flow, operation status and loan/asset portfolio of each customer. In the post-loan stage of the customer credit rating, the Group will keep monitoring its credit exposure on an on-going basis and take into accounts factors associated with the expected credit loss, such as change in market conditions, expected cash flows, passage of time and the likelihood of defaults; (ii) yearly review of project status on an on-going basis and prepares regular project reports to monitor the leased assets and collateral value and quality; (iii) perform evaluation of the classification of the leased assets and collaterals in accordance with the asset quality classification system which was established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions (非銀行金融機構資產風險分類指導原則) published by the China Banking Regulatory Commission (中國銀行業監督管理委員會) on an annual basis, during which the Group generally takes into consideration factors such as the lessees' ability and willingness to make lease payment, credit records as well as operating and financial conditions. Where necessary, the Group may re-classify the underlying leased assets and take appropriate measures to mitigate its potential loss; (iv) stress testing on borrowers' repayment ability and collateral value; and (v) loan collection management including issuing payment demands, negotiating a new repayment schedule with defaulting lessees/borrowers, taking possession or disposing of the leased assets and/or collaterals, enforcing security rights and initiating lega proceedings against default lessees.

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 a 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.

3. Development Prospect for 2023 *(Continued)*

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 and 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.

3. Development Prospect for 2023 *(Continued)*

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

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%

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.

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Revenue *(Continued)*

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.

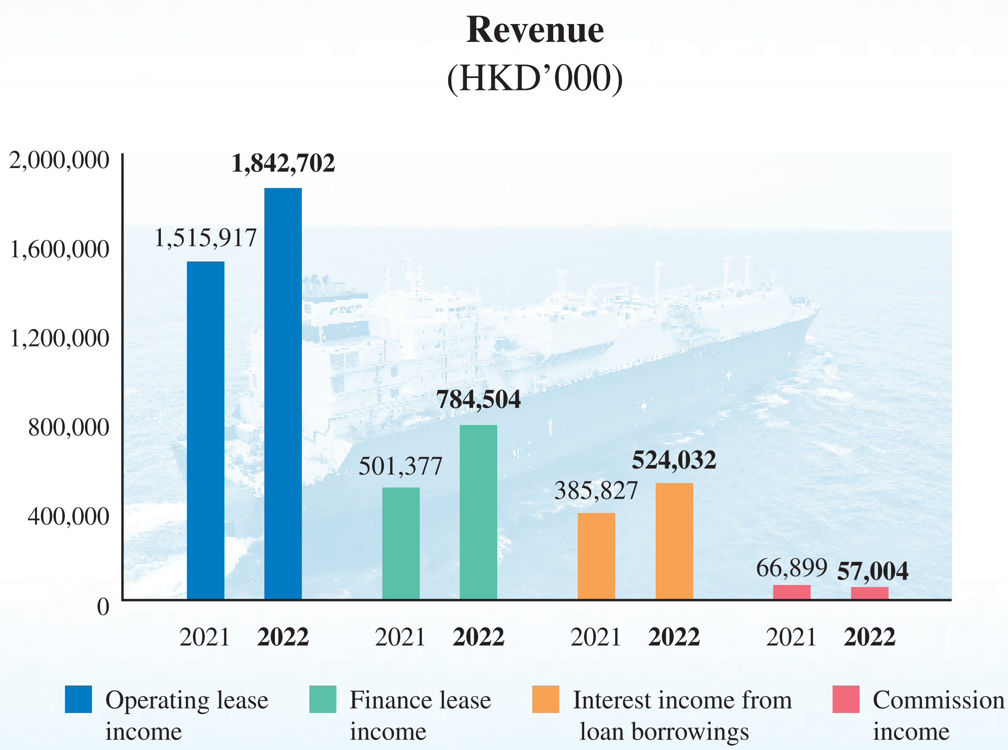
The following table sets out, for the years indicated, a breakdown of the Group's revenue by business activity:

	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%

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Revenue *(Continued)*



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 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.

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Revenue *(Continued)*

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.

Other Income

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

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Other Income *(Continued)*

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.

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.

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.

	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%

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Expenses *(Continued)*

Finance Costs and Bank Charges

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

	Year ended 31 December	
	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)
Total	**760,216**	487,927

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.

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Expenses *(Continued)*

Depreciation

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

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Vessels	**454,495**	350,833
Office equipment	**1,142**	1,392
Motor Vehicles	**22**	47
Leasehold improvements	**5,653**	4,218
Right-of-use assets	**15,412**	12,740
Total	**476,724**	369,230

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.

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Expenses *(Continued)*

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.

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

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Ship management fees	**161,536**	72,736
Crew expenses	**83,467**	76,496
Commission	**26,615**	27,041
Insurance	**7,034**	5,651
Services and suppliers	**8,256**	9,508
Repairs and maintenance	**8,818**	7,098
Port charges	**3,405**	2,936
Others	**3,726**	1,522
Total	**302,857**	202,988

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.

4. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

Expenses *(Continued)*

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 following table set out, for the years indicated, a breakdown of the Group's employee benefits expenses:

	Year ended 31 December	
	2022	2021
	HK$'000	HK$'000
Wages, salaries, and other allowances (including directors' emoluments)	**102,692**	68,680
Retirement benefit costs	**6,341**	12,730
Share-based payment expenses	**15,663**	10,355
Total	**124,696**	91,765

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. Financial Review *(Continued)*

4.1 Analysis on the Consolidated Income Statement *(Continued)*

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.

Income Tax Expenses

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

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

4. Financial Review *(Continued)*

4.2 Analysis on the Consolidated Statement of Financial Position

Summary of Consolidated Statement of Financial Position

	As at 31 December		
	2022 **HK$'000**	2021 HK$'000	Change
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%

Assets

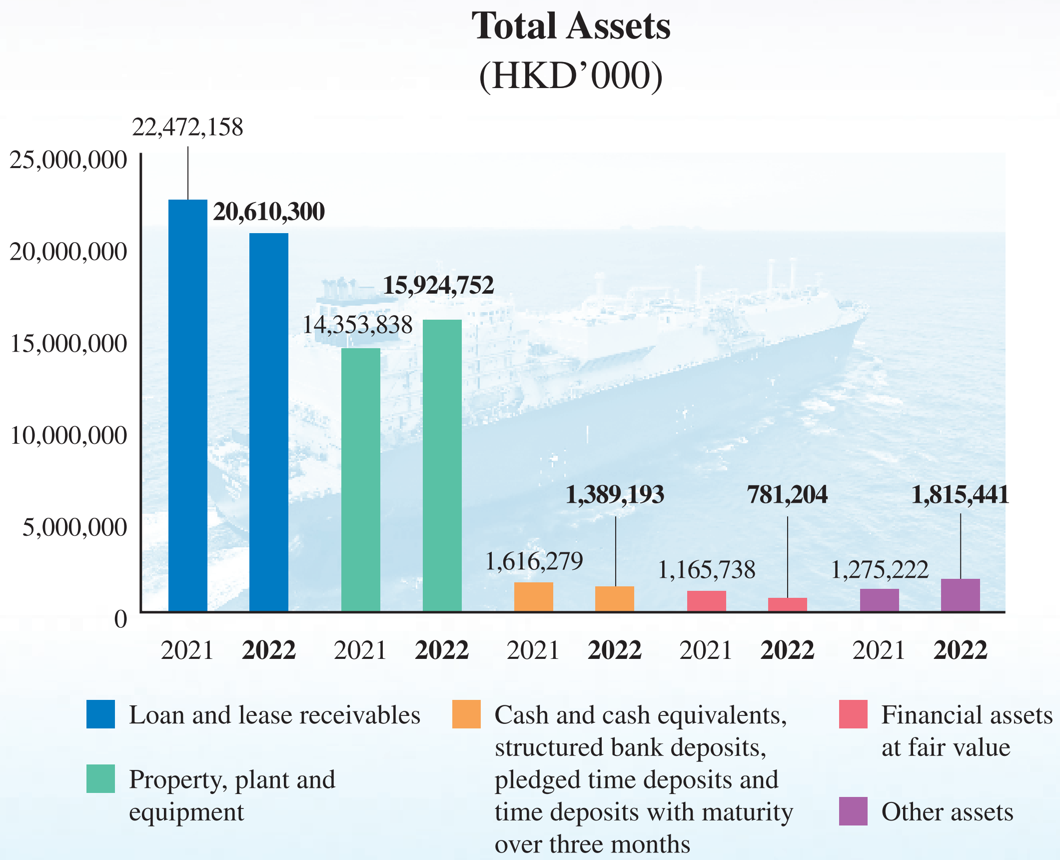
As at 31 December 2022, the total assets of the Group mainly comprised property, plant and equipment, loan and lease receivables, cash and bank deposits and financial assets at fair value, which accounted for 95.5% of the Group's total assets.

	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. Financial Review *(Continued)*

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

Assets *(Continued)*



4. Financial Review *(Continued)*

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

Loan and Lease Receivables

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

	As at 31 December 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

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

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

	As at 31 December	
	2022 HK$'000	2021 HK$'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

4. Financial Review *(Continued)*

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

Loan and Lease Receivables *(Continued)*

a) *Lease Receivables (Continued)*

The following table sets out, as at the dates indicated, a breakdown of the Group's gross investment in finance lease by maturity date:

	As at 31 December	
	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
Total	**15,787,011**	17,398,578

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*

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Secured loan services	**7,617,997**	7,732,019
Less: Accumulated allowance for impairment loss	**(141,243)**	(26,308)
Net carrying amount	**7,476,754**	7,705,711

4. Financial Review *(Continued)*

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

Loan and Lease Receivables *(Continued)*

b) Loan Borrowings (Continued)

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

	As at 31 December	
	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
Total	**7,476,754**	7,705,711

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. Financial Review *(Continued)*

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

Property, Plant and Equipment

The Group's property, plant and equipment comprise 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.

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 following table sets out, as at the dates indicated, a breakdown of the Group's investments by category:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
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
Total	**781,204**	1,165,738

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.

Other assets – Interests in Joint Ventures

The Group's interest in joint ventures increased from HK$587.0 million as at 31 December 2021 to HK$1,093.8 million as at 31 December 2022 due to the increase in the results of joint ventures. The reason 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.

4. Financial Review *(Continued)*

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

Other assets – Interests in Joint Ventures *(Continued)*

Particulars of the Group's joint ventures as at 31 December 2022 and 2021 are as follows:

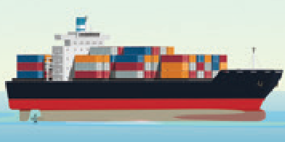
Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December		Principal activities
		2022	2021	
Ocean Classic Limited	British Virgin Islands ("BVI")	**50%**	50%	Chartering services
Sino Singapore Maritime Pte. Ltd.	Singapore	**50%**	50%	Vessel owning and chartering
Vista Shipping Pte. Limited	Singapore	**50%**	50%	Vessel owning and chartering
Zhendui Industrial Intelligent Technology Co., Ltd. ("**Zhendui**") 震兌工業智能科技有限公司	The PRC	**N/A**	18%	Marine technology

Other assets – Interests in Associates

As at 31 December 2022 and 31 December 2021, the Group's interests in associates amounted to HK$52.4 million and HK$70.3 million, respectively.

Particulars of the Group's associates as at 31 December 2022 and 2021 are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December		Principal activities
		2022	2021	
Nor Solan I Pte Ltd	Singapore	**28%**	28%	Chartering services
Nor Solan II Pte Ltd	Singapore	**28%**	28%	Chartering services
Guoxin CSSC (Qing dao) Marine Technology Company Limited* 國信中船(青島)海洋科技有限公司	The PRC	**25%**	25%	Marine technology
Glory Shipping Pte. Ltd.	Singapore	**35%**	35%	Not yet commence business
CSSC SDARI Energy Saving Technology (Shanghai) Company Limited* 中船斯達瑞節能科技(上海)有限公司	The PRC	**20%**	20%	Energy saving technology
Zhendui	The PRC	**16%**	N/A	Marine technology



4. Financial Review *(Continued)*

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

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

The Group's amounts due from associates, fellow subsidiaries and joint ventures amounted to HK$128.2 million and HK$84.6 million as at 31 December 2021 and 31 December 2022, respectively.

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Amounts due from associates	**29,715**	24,674
Amounts due from fellow subsidiaries	**2,047**	3,050
Amounts due from joint ventures	**52,792**	100,520
Total	**84,554**	128,244

Liabilities

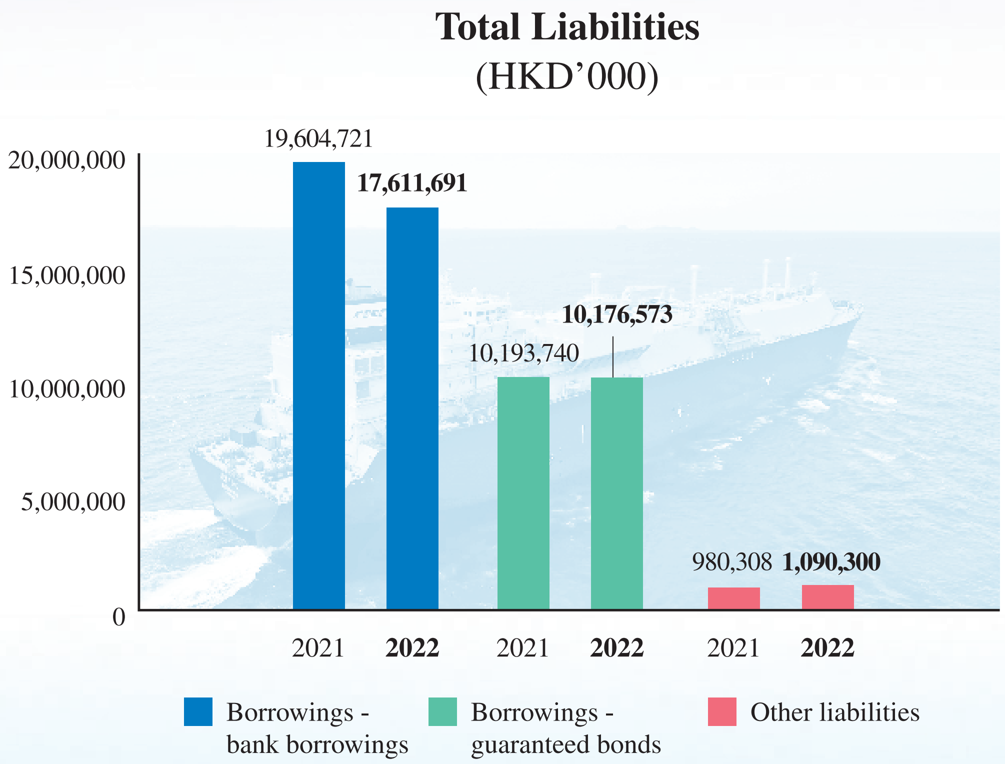
As at 31 December 2022, the total liabilities of the Group mainly comprised of borrowings, including bank borrowings and guaranteed bonds, which accounted for 96.2% of its total liabilities.

	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. Financial Review *(Continued)*

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

Liabilities *(Continued)*



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.

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

4. Financial Review *(Continued)*

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

Borrowings – Bank Borrowings *(Continued)*

The Group's borrowings bearing variable rate and were repayable based on the scheduled repayment terms set out in the respective loan agreements are as follows:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
On demand and within 1 year	**7,457,427**	11,132,698
After 1 year but within 2 years	**1,105,387**	1,130,646
After 2 years but within 5 years	**5,003,120**	3,374,365
After 5 years	**4,045,757**	3,967,012
Total	**17,611,691**	19,604,721

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.

All the guaranteed bonds were guaranteed by the Company and listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 31 December 2022, the guaranteed bonds were repayable as follows:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Within 1 year	**62,573**	49,190
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**7,002,000**	7,023,150
After 5 years	**3,112,000**	3,121,400
Total	**10,176,573**	10,193,740

4. Financial Review *(Continued)*

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

Borrowings – Guaranteed Bonds *(Continued)*

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).

4.3 Asset Quality

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

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

4. Financial Review *(Continued)*

4.3 Asset Quality *(Continued)*

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

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Provision for impairment of loan and lease receivables as at 31 December 2022	**135,631**	**254,098**	**186,394**	**576,123**
Provision for impairment of loan and lease receivables as at 31 December 2021	91,621	162,868	231,374	485,863

As at 31 December 2022, the Group made provision for impairment of loan and lease receivables of HK$576.1 million, which comprised 12-month expected credit loss of HK$135.6 million for assets under stage 1 and lifetime expected credit loss of HK$254.1 million and HK$186.4 million for assets under stage 2 and stage 3, respectively.

Write-offs

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.

4. Financial Review *(Continued)*

4.4 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 years 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

4. Financial Review *(Continued)*

4.4 Liquidity and Working Capital *(Continued)*

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.

4.5 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.

4. Financial Review *(Continued)*

4.5 Bank Loans and Capital Structure *(Continued)*

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.

5. Risk Management

5.1 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.

5. Risk Management *(Continued)*

5.2 Interest Rate Risk

In terms of interest rate risk, the continuous uptrend in domestic inflation in the United States has led to a 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.

Interest rate profile

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Loan and lease receivables	**18,573,561**	21,052,683
Bank borrowings	**17,611,691**	19,604,721

Sensitivity analysis

As at 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$8,032,000 (2021: increase/decrease by approximately HK$12,090,000). Other components of equity would not be affected by the changes in interest rates.

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

5. Risk Management *(Continued)*

5.3 Foreign Currency risk

The Group has foreign currency income, expenses and fund remittances, which expose the Group to foreign currency risk. Since the fluctuation of US$ and HK$ is minimal under the Linked Exchanged Rate System, the Directors consider the Group mainly exposed to exchange risks on Euro ("**EUR**"), Singapore dollars ("**SGD**") and Renminbi ("**RMB**"). The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities as at 31 December 2022 and 2021 are as follows:

	As at 31 December 2022			As at 31 December 2021		
	EUR	**SGD**	**RMB**	EUR	SGD	RMB
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Prepayments, deposits and other receivables	**–**	**10**	**10,976**	–	–	9,758
Amounts due from associates	**–**	**29,715**	**–**	–	24,674	–
Structured bank deposits	**–**	**–**	**–**	–	–	61,165
Time deposits with maturity over three months	**–**	**–**	**58,199**	–	–	–
Cash and cash equivalents	**387**	**201**	**295,656**	2,147	2,994	220,925
Other payables and accruals	**–**	**(3,925)**	**(26,879)**	–	(262)	(38,930)
Amounts due to non-controlling interests	**–**	**(3,526)**	**–**	–	–	–
Net exposure	**387**	**22,475**	**337,952**	2,147	27,406	252,918

The following table sets out the Group's sensitivity to a 5% increase in the relevant functional currencies against HK$ as at 31 December 2022. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for 5% change in foreign currency rates during the year. A positive/negative number indicates an increase/a decrease in profit for the year where respective functional currencies strengthen by 5% as at 31 December 2022. During the year, for a 5% weakening of respective functional currencies against HK$, there would be an equal but opposite impact on the profit for the year.

5. Risk Management *(Continued)*

5.3 Foreign Currency risk *(Continued)*

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
EUR	**16**	90
SGD	**938**	1,144
RMB	**14,278**	10,559

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 operational 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, monitoring, 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 returns 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, improving the risk assessment system; and realizing 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, operational objectives, financial conditions and compliance management objectives.

Directors and Senior Management

Directors and Senior Management

Directors

Executive Director

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

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

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

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

Directors and Senior Management

Non-Executive Directors

Ms. Zhang Yi (張軼), aged 52, was appointed as a non-executive Director on 29 September 2022. She is currently serving as the director of foreign operations of China Re Asset Management Co., Ltd.* (中再資產管理股份有限公司), and the executive director and general manager of China Re Asset Management (Hong Kong) Company Limited* (中再資產管理(香港)有限公司).

Ms. Zhang has extensive work experience in investment management, risk control and compliance management. From August 1993 to August 2003, Ms. Zhang successively served as a cadre of the business department of the People's Insurance Company of China (中國人民保險公司), a cadre of the capital division of the planning and finance department of China Insurance Reinsurance Co., Ltd. (中保再保險有限公司), the chief staff member of the capital division of the planning and finance department, the chief member of the fund utilization department, the deputy director of the bond division of the fund utilization department, the director of the bond division of the fund utilization department, and the manager of the bond business department of the investment management center of China Reinsurance Company (中國再保險公司). From August 2003 to February 2005, she served as the manager of the bond business department of the investment management center of China Reinsurance (Group) Corporation (中國再保險(集團)公司). From February 2005 to May 2009, she served as the assistant general manager of the risk control department and portfolio management department of China Re Asset Management Co., Ltd. (中再資產管理股份有限公司). From May 2009 to April 2015, she successively served as deputy general manager of risk control and compliance department, general manager of risk control and compliance department, head of general management department, general manager of general management department, and general manager of internal control and compliance risk management department of China Re Asset Management Co., Ltd. (中再資產管理股份有限公司). From May 2015 to January 2019, she served as the general manager of the asset management department of China Continent Property & Casualty Insurance Co., Ltd. (中國大地財產保險股份有限公司). From January 2019 to May 2021, she successively served as the risk control director, general manager of risk control center, interim chief risk management officer, interim compliance officer, chief risk management officer, and compliance officer of China Re Asset Management Co., Ltd. (中再資產管理股份有限公司). From May 2021 to November 2022, she served as the chief risk management executive officer and compliance officer of China Re Asset Management Co., Ltd. (中再資產管理股份有限公司), and the chief risk management executive officer of China Re Asset Management (Hong Kong) Co., Ltd. (中再資產管理(香港)有限公司). From May 2021 to October 2022, she served as the risk control director and general manager of risk control center of China Re Asset Management Co., Ltd.. Since July 2022, she has also been serving as an executive director and the general manager of China Re Asset Management (Hong Kong) Co., Ltd. (中再資產管理(香港)有限公司). Since September 2022, she has been serving as the non-executive director of Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 579).

Ms. Zhang graduated from Dongbei University of Finance and Economics (東北財經大學), majoring in international finance and obtained a bachelor's degree in economics in July 1993. Ms. Zhang holds the economist professional and technical qualification.

Mr. Zhang Qipeng (張啟鵬), aged 43, was appointed as a non-executive Director on 4 November 2022.

He is currently the deputy general manager, general legal counsel and head of legal department of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司), which is a subsidiary of China State Shipbuilding Corporation Limited* (中國船舶集團有限公司).

Mr. Zhang obtained a bachelor's degree in internal combustion engine from Wuhan University of Technology in 2001 and a master's degree in industrial engineering from Huazhong University of Science and Technology in 2011.

From August 2001 to November 2007, Mr. Zhang successively served as a trainee of the general assembly department, a designer of the design department and a trainee director of the ship assembly unit under the design department of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司). From November 2007 to March 2011, he successively served as the trainee director, deputy director of the mechanical and electrical unit and director of the mechanical and electrical unit under the marine engineering department of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司). From March 2011 to February 2019, he successively served as the assistant to the head of the marketing department and deputy head of the marketing department of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司), the head of the marketing department, head of the project department, deputy chief engineer, chief engineer, head of the technical operation department of Shanghai Waigaoqiao Shipbuilding Offshore Engineering Co., Ltd.* (上海外高橋造船海洋工程有限公司), and the general manager of CSSC Jiujiang Boiler Co., Ltd.* (中船九江鍋爐有限公司). From February 2019 to November 2020, he successively served as the assistant to general manager and head of the legal department of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司). Since November 2020, he has been the deputy general manager and head of the legal department of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司). He has also been the general legal counsel of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司) since June 2021.

Mr. Chi Benbin (遲本斌), aged 49, was appointed as a non-executive Director on 24 February 2023.

He is currently the deputy general manager of Hudong Zhonghua Shipbuilding (Group) Co., Ltd.* (滬東中華造船(集團)有限公司), which is a subsidiary of China State Shipbuilding Corporation Limited* (中國船舶集團有限公司). Mr. Chi obtained a bachelor's degree in Marine and Offshore Engineering from Huazhong University of Science and Technology* (華中理工大學) in 1994. Mr. Chi holds the senior engineer professional and technical qualification. From August 1994 to May 2002, Mr. Chi successively served as a trainee of the marketing department of Hudong Shipyard* (滬東造船廠), a salesman, a project manager, a deputy section chief and an assistant to the director of the civil products section of the marketing department of Hudong Zhonghua Shipyard* (滬東中華造船廠). From May 2002 to July 2014, he successively served as assistant director of the marketing department and head of the general management section, deputy director of the marketing department, director of the marketing department and assistant to the general manager and director of the marketing department of Hudong Zhonghua Shipbuilding (Group) Co., Ltd.* (滬東中華造船(集團)有限公司). From July 2014 to the present, he has been the deputy general manager of Hudong Zhonghua Shipbuilding (Group) Co., Ltd.* (滬東中華造船(集團)有限公司). From July 2014 to August 2021, he also successively served as the deputy general manager of Shanghai Jiangnan Changxing Shipbuilding Co., Ltd.* (上海江南長興造船有限責任公司) and the deputy general manager of Shanghai Shipyard Company Limited* (上海船廠船舶有限公司).

Directors and Senior Management

Independent Non-Executive Directors

Mr. Wang Dennis (王德銀), aged 60, was appointed as an independent non-executive Director on 10 November 2020. Mr. Wang is primarily responsible for the independent supervision of the management of the Group.

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

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

Mdm. Shing Mo Han Yvonne (盛慕嫻), *BBS, JP*, aged 67, is an independent non-executive Director appointed in May 2019. Mdm. Shing is primarily responsible for overseeing the management of our Group independently.

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

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

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

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

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

Mr. Li Hongji (李洪積), aged 66, is an independent non-executive Director appointed in May 2019. Mr. Li is primarily responsible for overseeing the management of our Group independently.

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

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

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

Senior Management

Mr. Li Xi (李晞), aged 58, is the general manager of the Company appointed in March 2022. Mr. Li previously served as the ship repairing supervisor, the associate director of production management department of ship repairing branch of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司修船分廠), the head of heavy industry branch of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司重工分廠), the associate director of business department, the director of business department, the general manager assistant, the deputy general manager, the general manager and the chairman of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司), the deputy general manager of the CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), which is a subsidiary of China State Shipbuilding Corporation Limited* (中國船舶工業集團有限公司).

Ms. Li Jun (李峻), aged 50, is the chief accountant of the Company. Ms. Li is primarily responsible for assisting our general manager in the overall management of our accounting matters, financing and capital operations.

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

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

Mr. Teng Fei (滕飛先生), aged 47, was appointed as a vice general manager (multi-divisional) of the Company (in charge of business) on 4 April 2022. He has been the general manager assistant of our Company since August 2017. Immediately prior to his current position in our Company, he served as the marketing director of our Company from March 2016 to August 2017 and the deputy general manager of business department from February 2014 to March 2016. Prior to joining the Company, he successively served as the deputy general manager of Third Shipping Department and First Shipping Department in China Shipbuilding Trading Company* (中國船舶工業貿易公司) from January 2003 to February 2014, and as a project manager, and later as a deputy section chief, of the sales department of Hudong-Zhonghua Shipbuilding (Group) Company Limited* (滬東中華造船（集團）有限公司) from August 1997 to January 2003.

Mr. Teng obtained a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1997 and obtained a Master of Business Administration degree from Shanghai University of Finance and Economics in September 2005.

Mr. Ding Weisong (丁唯淞先生), aged 40, was appointed as the company secretary and a vice general manager (asset and risk control division) of the Company on 28 September 2018 and 4 April 2022, respectively. He is also the general legal counsel of our Company and the general manager of our risk management department (audit department). Mr. Ding worked in China Shipbuilding Trading Company* (中國船舶工業貿易公司) from July 2007 to December 2012, where his last position was project manager. He joined our Company in December 2012, where he has been serving in a number of positions including deputy general manager of the credit and structured finance department, general manager of the finance department, general manager of the risk management department, chief legal counsel and general manager of the risk management department and general manager of the Board of Directors' Office.

Mr. Ding obtained a bachelor's degree in engineering from Shanghai Jiao Tong University in the PRC in July 2004 and a master's degree in law from Peking University in the PRC in July 2007. He was awarded the Certificate of Legal Professional Qualification (法律職業資格證書) of the PRC in February 2005. He became a non-practicing member of the Chinese Institute of Certified Public Accountants in December 2009.

Mr. Wang Hai (王海), aged 50, was appointed as the board secretary of the Company on 4 April 2022. He was an assistant accountant, accountant and costing supervisor of Sifang Institute of the Ministry of Railways. He was an accountant and costing supervisor of Sifang Institute of China CNR Group. He was an assistant to the general manager, the chief financial officer and executive deputy general manager of Nuctech Hong Kong Company Limited as well as the deputy head of the finance department, deputy general manager and member of finance and economic committee of Nuctech Company Limited. He was also a director of a number of subsidiaries of Nuctech Company Limited in Poland, Belgium, Israel, Singapore, South Africa, Kenya, Laos, Mexico, Panama and Morocco.

Mr. Wang obtained a bachelor's degree in accountancy from Nanjing University of Finance and Economics in the PRC in July 1996 and a master's degree in business administration from Tsinghua University in the PRC in July 2006.

Directors’ Report

Directors' Report

The Board is pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the "**Reporting Year**").

Global Offering

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

Principal Activities

The Company is a ship leasing, investment and operation company, together with its subsidiaries (collectively, the "**Group**") provides integrated shipping services (including operating leases and shipbroking services) and financial services (including finance leases and loans borrowings). An analysis of the Group's business segment for the year ended 31 December 2022 is set out in note 5 to the consolidated financial statements.

The loans granted under the Leasing Services primarily consist of long-term loans with tenure of up to 8 years and secured by collaterals, including corporate guarantees, refund guarantees, personal guarantees, mortgage and/or assignment of the underlying shipbuilding agreements and/or vessels while the loans granted under the Loan Services consist of short-term loans with tenure of less than 5 years and secured by mortgages only. The customers of the Leasing Services and the Loan Services are similar and generally include ship operators and trading companies. The operation of the Principal Business is primarily funded by bank borrowings, cash generated from the operation of the Group, share capital from shareholders and bond issuance.

For further details of the Principal Business implemented by the Group, please refer to the section headed "Business" in the prospectus of the Company dated 28 May 2019.

Results

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 115 and 116 of this annual report, respectively.

Final Dividend

To share the fruitful results of the Group among all shareholders of the Company (the "**Shareholders**"), the Board recommends the payment of a final dividend of HK$0.07 per Share out of the distributable reserve of the Company in respect of 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.

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

Business Overview

Financial Overview

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

Major Customers and Suppliers

Major Customers

For the year ended 31 December 2022, the transaction amounts of the top five customers of the Group accounted for 49.7% of the Group's total revenue (2021: 56.4%), while the transaction amounts of the single largest customer of the Group accounted for 10.7% of the Group's total revenue (2021: 16.8%).

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

Major Suppliers

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

Property, Plant and Equipment

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

Share Capital

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

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Year are set out in the consolidated financial statement of changes in equity on page 119 of this annual report.

Reserves Available for Distribution

As at 31 December 2022, the Company's reserves available for distribution calculated under Part 6 of the Companies Ordinance (Cap. 622, Laws of Hong Kong) (the "**Companies Ordinance**") amounted to approximately HK$721,042,000 (2021: HK$1,232,883,000).

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2022 are set out in note 25 to the consolidated financial statements.

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

1. On 13 May 2022, Fortune VGAS Shipping III Pte. Ltd. and Fortune VGAS Shipping IV Pte. Ltd., being the Company's wholly-owned subsidiaries, as borrowers (the "**VGAS Borrowers**"), entered into a facility agreement (the "**VGAS Facility Agreement**") with a bank as lender (the "**VGAS Lender**"), pursuant to which, the VGAS Lender has agreed to make available to the VGAS Borrowers a secured term loan facility of up to US$103,600,000 for the purpose of re-financing the acquisition of vessels. The loan shall be repaid in full in 120 months from the utilisation date under the VGAS Facility Agreement.

   Pursuant to the VGAS Facility Agreement, the facility will be cancelled and the loan and all such outstanding interest and other amounts will become immediately due and payable if China State Shipbuilding Industry Corporation Limited* (中國船舶工業集團有限公司)("**CSSC Group**") ceases to ultimately own at least 50.1% of the issued share capital of the Company.

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

2. On 27 June 2022, Fortune Crete Shipping Limited and Fortune Santorini Shipping Limited, being the Company's wholly-owned subsidiaries, as two borrowers (the "**Fortune Borrowers**"), entered into two secured loan agreements (the "**Fortune Loan Agreements**") with a bank as lender (the "**Fortune Lender**") respectively, pursuant to which, the Fortune Lender has agreed to advance to the Fortune Borrowers two secured loan facilities of up to US$316,736,100 for the purpose of re-financing the acquisition of two vessels. The loans shall be repaid in full in 120 months from the respective utilisation date under the Fortune Loan Agreements.

   Pursuant to the Fortune Loan Agreements, the loans together with accrued interest, and all other amounts accrued or outstanding under the Fortune Loan Agreements will become immediately due and payable if the Fortune Borrowers cease to be directly or indirectly controlled by China State Shipbuilding Industry Corporation Limited* (中國船舶工業集團有限公司).

3. On 27 June 2022, the Company as borrower, entered into a facility agreement (the "**June Facility Agreement**") with a bank as lender (the "**June Lender**"), pursuant to which the June Lender has agreed to make available to the Company a revolving loan facility up to US$47,000,000 for the purpose of financing the working capital of the Company including but not limited to purchase of vessels and repayment of outstanding indebtedness due to other banks. All amounts borrowed under the June Facility Agreement, including interest accrued thereon, shall be repaid or reborrowed at the end of each interest period, being either one or three months depending on the Company's choice.

   Pursuant to the June Facility Agreement, the Company undertakes and procures that, throughout the life of the facility, China Shipbuilding Group shall (i) remain as the single largest shareholder of the Company (directly or indirectly); and (ii) remain wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China* (國務院國有資產監督管理委員會).

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

4. On 18 August 2022, the Company entered into a term loan facility agreement (the "**August Facility Agreement**") with a bank as lender pursuant to which, the bank has agreed to make available to the Company a term loan facility of up to US$300,000,000 for financing the working capital requirement of the Company including but not limited to purchase of vessels. The loan shall be repaid in full in 3 years from the utilisation date under the August Facility Agreement.

   On 18 August 2022, the Company as borrower, entered into a revolving loan facility (the "**Revolving Loan Facility**") with a bank as lender, pursuant to which the bank has agreed to make available to the Company a revolving loan facility up to US$400,000,000 for financing the working capital requirement of the Company for its business operation including but not limited to purchase of vessels. All amounts borrowed under the Revolving Loan Facility, including interest accrued thereon, shall be repaid or reborrowed at the end of each interest period, being either one, three or six months depending on the Company's choice.

   Pursuant to the Facility Agreement and the Revolving Loan Facility, the Company undertakes and procures that, throughout the life of the facilities, China Shipbuilding Group shall (i) remain as the single largest shareholder of the Company (directly or indirectly); and (ii) remain wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China* (國務院國有資產監督管理委員會).

Directors

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

Executive Directors:

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

Non-executive Directors:

Mr. Li Wei (resigned on 29 September 2022)
Ms. Zhang Yi (appointed on 29 September 2022)
Mr. Zou Yuanjing (resigned on 24 February 2023)
Mr. Zhang Qipeng (appointed on 4 November 2022)
Mr. Chi Benbin (appointed on 24 February 2023)

Independent Non-executive Directors:

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

Pursuant to article 98(2) of the Articles of Association (the "**Articles of Association**") of the Company, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting (the "**Annual General Meeting**") of the Company after his appointment and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at an annual general meeting.

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

Therefore, Mr. Zhong Jian, Ms. Zhang Yi, Mr. Zhang Qipeng, Mr. Chi Benbin, Mr. Wang Dennis and Mdm. Shing Mo Han Yvonne shall retire by rotation, and offer themselves for re-election at the Annual General Meeting.

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

Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on pages 60 to 67 of this annual report.

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

Confirmation of Independence from the Independent Non-executive Directors

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

Directors' Service Contracts and Letters of Appointment

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

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

With regard to the appointment of non-executive Directors, each of Ms. Zhang Yi, Mr. Zhang Qipeng and Mr. Chi Benbin has signed a letter of appointment with the Company for an initial period of three years commencing from 29 September 2022, 4 November 2022 and 24 February 2023, respectively.

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

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

Management Contracts

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

Employee and Emolument Policy

As at 31 December 2022, the Group had a total of 86 employees, approximately 37% of whom were located in Hong Kong. The Group has a team of high-quality talents with a bachelor's degree or above. As at 31 December 2022, approximately 96% of the Group's employees had a bachelor's degree or above. The Group endeavors to create a competitive and fair system for remuneration and welfare. The remuneration package of the Group's employees includes basic salary, performance-related bonus and share-based payment. The Group reviews the remuneration packages and performance of its employees on an annual basis.

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

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

Retirement and Employee Benefits Scheme

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

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

As at 31 December 2022, based on the information available to the Company, Directors and chief executives of the Company had interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as follows:

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

Note:

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

Saved as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had or was deemed to have interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

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

Notes:

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

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

Save as disclosed above, as at 31 December 2022, as far as the Directors are aware, no any other persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

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

Purpose of the Scheme

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

Participants of the Scheme

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

Maximum number of shares to be granted under the Scheme

The maximum number of shares to be issued upon the exercise of the share options shall not in aggregate exceed 613,606,623 Shares, representing approximately 10% of the total number of issued Shares of the Company as at the date of approval of the Scheme at the EGM. 172,250,000 share options had been granted by the Company under the Scheme up to the date of this annual report. Therefore, the number of share options available for further grant at the beginning and at the end of the Reporting Year is 470,066,623 and 441,356,623, respectively, and the number of Shares available for issue under the Scheme is 557,536,623 Shares, representing approximately 9.09% of the total number of issued Shares as at the date of this annual report.

Maximum entitlement of each participant under the Scheme

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

Share Option Scheme *(Continued)*

Time limit for exercise of options

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

Exercise price

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

The remaining life of the Scheme

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

The Company has granted (i) share options under the Scheme on 30 April 2021 to certain Directors and employees of the Group which entitle the grantees to subscribe for up to an aggregate of 143,540,000 new Shares with an exercise price of HK$1.32 per Share; and (ii) share options under the Scheme on 4 April 2022 to certain senior management and core technical employees of the Company which entitle the grantees to subscribe for up to an aggregate of 28,710,000 new Shares with exercise price of HK$1.15 per Share. Further details of which can refer to the announcements of the Company dated 30 April 2021 and 4 April 2022.

Share Option Scheme *(Continued)*

The remaining life of the Scheme *(Continued)*

Particulars and movements of share options granted under the Scheme during the year ended 31 December 2022 are set out below:

		Number of share options										
Name or category of participant	**Position(s) held with the Group**	**As of 1 January 2022**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Forfeited during the period**	**As of 31 December 2022**	**Estimated fair value per share option** (HK$)	**Date of grant**	**Exercise period of share options (both dates inclusive)** (Note)	**Exercise price** (HK$)	**Closing price of the shares of the Company immediately before the Date of Grant** (HK$)
Directors												
Mr. Zhong Jian	Chairman and Executive Director	12,650,000	–	–	–	–	12,650,000	0.277	30/4/2021	30/4/2021-29/4/2031	1.32	1.30
Mr. Hu Kai[1]	Former Executive Director	12,650,000	–	–	–	(12,650,000)	–	0.277	30/4/2021	30/4/2021-29/4/2031	1.32	1.30
Sub-total		25,300,000	–	–	–	(12,650,000)	12,650,000					
Other employees of the Group												
Employees in aggregate		118,240,000	–	–	–	(43,420,000)	74,820,000	0.303	30/4/2021	30/4/2021-29/4/2031	1.32	1.30
		–	28,710,000	–	–	–	28,710,000	0.298	4/4/2022	4/4/2022-3/4/2032	1.15	1.10
Sub-total		118,240,000	28,710,000	–	–	(43,420,000)	103,530,000					
Total		143,540,000	28,710,000	–	–	(56,070,000)	116,180,000					

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

Note:

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

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

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

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

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

Directors' Rights to Acquire Shares or Debentures

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

Principal Risks and Uncertainties

The principal financial risks are set out in note 3 to the consolidated financial statements.

Environmental Policies and Performance

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

Compliance with Laws and Regulations

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

Equity-linked Agreement

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

Purchase, Redemption or Sales of the Listed Securities

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

Pledge of Assets

As at 31 December 2022, the Group's secured bank borrowings of HK$8,992,860,000 (2021: HK$9,623,851,000) were secured by lease receivables of approximately HK$10,461,470,000 (2021: HK$10,566,329,000), shares of certain subsidiaries, floating charge on deposits of approximately HK$162,344,000 (2021: HK$114,942,000), pledged deposits of approximately HK$7,628,000 (2021: HK$Nil), general assignments, bareboat charterer assignments, intra group loan assignments and property, plant and equipment of approximately HK$4,068,613,000 (2021: HK$3,627,047,000). Among which HK$ Nil (2021: HK$1,432,612,000) were also guaranteed by the intermediate holding company.

Deed of Non-competition

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

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

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

Directors' Interest in Competing Business

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

Connected Transactions and Continuing Connected Transactions

Non-exempt continuing connected transactions

On 18 May 2022, Fortune Vcontainer Carriers, a wholly-owned subsidiary of the Company has formed a joint venture, namely CA Shipping Company Limited ("**CA Shipping**"), with ASL NAVIGATION LIMITED for the purpose of acquiring and operating up to four 1,100 TEU high-quality feeder container ships. CA Shipping is owned as to 60% by Fortune Vcontainer Carriers and 40% by ASL NAVIGATION LIMITED. Accordingly, CA Shipping is an indirect non-wholly owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

CA Shipping (being an indirectly non-wholly subsidiary of the Company) or its nominees as purchasers has entered into the agreements with Wuchang Shipbuilding Industry Group Co., Ltd.* (武昌船舶重工集團有限公司) ("**Wuchang Shipbuilding**") (being an indirect wholly-owned subsidiary of China Shipbuilding Group) as vendor to acquire vessels at a total consideration of up to US$91.92 million (equivalent to approximately HK$716.98 million). Please refer to the announcement of the Company dated 18 May 2022 for further details.

As at the date of the agreements, China Shipbuilding Group (through China State Shipbuilding Corporation* (中國船舶工業集團有限公司) ("**CSSC Group**")) is interested in 4,602,046,234 Shares, accounting for approximately 75% of the issued share capital of the Company. As China Shipbuilding Group, the sole shareholder of CSSC Group, is the indirect shareholder of Wuchang Shipbuilding, Wuchang Shipbuilding is a connected person of the Company. Therefore, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Non-exempt continuing connected transactions *(Continued)*

On 27 May 2022, CA Shipping entered into two novation agreements (the "**Novation Agreements**") with ASL Shipping and Wuchang Shipbuilding, pursuant to which, the rights and obligations of ASL Shipping under the two initial shipbuilding contracts of two vessels at the consideration of US$22.88 million for each vessel (the "**Initial Shipbuilding Contracts**") will be transferred to CA Shipping. The principal terms of the Initial Shipbuilding Contracts are substantially the same as the Novation Agreements, save and except for the delivery dates and adjustment to the consideration. On the same day, CA Shipping or its nominees also entered into two shipbuilding agreements with Wuchang Shipbuilding for acquisition of two vessels at the consideration of US$22.98 million for each vessel. Please refer to the announcement of the Company dated 9 June 2022 for further details.

On 1 August 2022, CA Shipping or its nominee as purchaser has entered into four sale and purchase agreements with CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司)("**Huangpu Wenchong Shipbuilding**") (being an indirect wholly-owned subsidiary of China Shipbuilding Group) as vendor to acquire four 1,600 TEU container vessels at a total consideration of US$110.00 million. Further, on 1 August 2022, CA Shipping as purchaser has entered into an option agreement with Huangpu Wenchong Shipbuilding as vendor for the acquisition of the right to acquire four 1,600 TEU container vessels each for a consideration of US$27.50 million.

As at the date of the sale and purchase agreements, China Shipbuilding Group (through CSSC Group) is interested in 4,602,046,234 Shares, accounting for approximately 75% of the issued share capital of the Company. As China Shipbuilding Group, the sole shareholder of CSSC Group, is the indirect shareholder of Huangpu Wenchong Shipbuilding, Huangpu Wenchong Shipbuilding is a connected person of the Company. Therefore, the Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 1 August 2022 for further details.

On 23 November 2022, CSSC Finance Leasing (Shanghai) Co., Ltd.* (中船融資租賃(上海)有限公司), CSSC Finance Leasing (Tianjin) Co., Ltd.* (中船融資租賃(天津)有限公司)and CSSC Finance Leasing (Guangzhou) Co., Ltd.* (中船融資租賃(廣州)有限公司)(all being direct wholly owned subsidiaries of the Company) and CGN International Financial Leasing Co., Ltd.* (中廣核國際融資租賃有限公司)(collectively, referred to as the "**lessors**") entered into a finance lease agreement with Summer Bihai (Guangzhou) Offshore Wind Power Co., Ltd.* (夏天碧海(廣州)海上風電有限公司)("**Summer Bihai**"), pursuant to which, (i) the lessors shall acquire a 1,600 tons wind turbine installation vessel from Guangzhou Shipyard International Company Limited* (廣船國際有限公司)("**Guangzhou Shipyard International**") under a sale and purchase agreement; and (ii) the lessors shall lease the vessel to Summer Bihai for the period of 78 months under which the Group shall receive a total lease payment of RMB255,735,000 (equivalent to approximately HK$276,378,000). Please refer to the announcement of the Company dated 23 November 2022 for further details.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Non-exempt continuing connected transactions *(Continued)*

As at the date of the finance lease agreement, China Shipbuilding Group (through CSSC Group) is interested in 4,602,046,234 Shares, accounting for approximately 75% of the issued share capital of the Company. As China Shipbuilding Group, the sole shareholder of CSSC Group, is the indirect shareholder of Guangzhou Shipyard International, Guangzhou Shipyard International is a connected person of the Company. Therefore, the acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2022, the Group had entered into the following continuing connected transactions:

Continuing connected transactions	Related parties involved	Nature	Annual cap permitted under the Listing Rules (HK$ million)	Transaction amounts in 2022 (HK$ million)
Framework property leasing agreement (Note 1)	CSSC Group and/or its associates	Leasing of properties	26.4	17.6
Framework shipbroking agreement (Note 2)	CSSC Group and/or its associates	Shipbroking services	91.5	25.4

Notes:

1. The Company entered into a framework property leasing agreement with CSSC Group on 10 November 2021, pursuant to which CSSC Group and/or its associates agree to lease certain properties to the Company for a term of three years from 1 January 2022 to 31 December 2024.

2. The Company entered into a framework shipbroking agreement with CSSC Group, pursuant to which the Company agrees to provide shipbroking services to CSSC Group and/or its associates for a term of three years from 1 January 2022 to 31 December 2024.

For details of the above continuing connected transactions, please refer to the Company's announcement dated 10 November 2021 (the "**Announcement**").

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Non-exempt continuing connected transactions *(Continued)*

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

(1) have been approved by the Board;

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

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

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

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

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

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

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

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

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

Charity Donation

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

Material Legal Proceedings

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

Permitted Indemnity Provisions

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

Material Acquisitions and Disposals

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

Events After the Reporting Year

Details of the significant events occurring after the Reporting Year are set out in note 38 to the consolidated financial statements.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has, together with the senior management of the Group, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements for the year ended 31 December 2022.

Corporate Governance Practices

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the corporate governance report on pages 89 to 108 in this annual report.

Public Float

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

Auditor

The consolidated financial statements for the year ended 31 December 2022 have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming Annual General Meeting. A resolution to reappoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming Annual General Meeting.

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

Hong Kong, 24 March 2023

Corporate Governance Report

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

Corporate Governance Practices

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

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

The Board

Responsibilities

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

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

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

Board Composition

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

Executive Director:

Mr. Zhong Jian *(Chairman)*

Non-executive Directors:

Ms. Zhang Yi
Mr. Zhang Qipeng
Mr. Chi Benbin

Independent Non-executive Directors:

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

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

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

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

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

Board Composition *(Continued)*

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

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

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

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

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

For the year ended 31 December 2022 and as of the date of this report, the Board comprised five male Directors and two female Directors. The Board considers that it is sufficiently diversified in terms of gender and the balance of skills and interests.

Board Composition *(Continued)*

The numbers of male and female employees as a percentage of the total number of employees of the Company for the year ended 31 December 2022 are set out in the Environmental, Social and Governance Report of this annual report. The Company will continue to take steps to promote gender diversity at all levels of the Group, including but not limited to the Board and senior management.

Independence of the Board

The Company is committed to promoting a high level of Board independence. The Board must be satisfied that each of the independent non-executive Directors is not related to the Group in all material respects. Independence of the independent non-executive Directors is determined by the Board based on the requirements set out in the Listing Rules. Each of the independent non-executive Directors has provided the Company with a written confirmation of his or her independence in the 2022 financial year (including his or her immediate family members) pursuant to Rule 3.13 of the Listing Rules. The Board is of the view that they continue to be independent. The Board has mechanisms in place that ensure independent views and opinions of Directors are conveyed to the Board. The Chairman schedules annual meetings with the independent non-executive Directors in the absence of other Directors to encourage them to express their independent views and to promote an open and constructive dialogue. During the year, the Chairman held two meetings with the independent non-executive Directors to discuss matters relating to the Group and its operations. In addition, all Directors (including the independent non-executive Directors) provide valuable views and advice to the Board through the Board's performance review previously mentioned in this report. The Board has reviewed these mechanisms and their implementation in the 2022 financial year and is of the view that such mechanism are effectively implemented.

Induction and Continuous Professional Development

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

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

Induction and Continuous Professional Development *(Continued)*

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

Name of Directors	Nature of Continuous Professional Development
Mr. Zhong Jian	A/B
Mr. Hu Kai[(1)]	A/B
Mr. Li Wei[(2)]	A/B
Ms. Zhang Yi [(3)]	A/B
Mr. Zou Yuanjing[(4)]	A/B
Mr. Zhang Qipeng [(5)]	A/B
Mr. Chi Benbin[(6)]	A/B
Mr. Wang Dennis	A/B
Mdm. Shing Mo Han Yvonne	A/B
Mr. Li Hongji	A/B

Notes:

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

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

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

(2) Mr. Li Wei resigned as a non-executive Director on 29 September 2022.

(3) Ms. Zhang Yi was appointed as a non-executive Director on 29 September 2022.

(4) Mr. Zou Yuanjing resigned as a non-executive Director on 24 February 2023.

(5) Mr. Zhang Qipeng was appointed as a non-executive Director on 4 November 2022.

(6) Mr. Chi Benbin was appointed as a non-executive Director on 24 February 2023.

Chairman and Chief Executive Officer

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

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

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

Appointment and Re-election of Directors

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

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

With regard to the appointment of non-executive Directors, each of Ms. Zhang Yi, Mr. Zhang Qipeng and Mr. Chi Benbin has signed a letter of appointment with the Company for an initial period of three years commencing from 29 September 2022, 4 November 2022 and 24 February 2023, respectively.

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

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

Appointment and Re-election of Directors *(Continued)*

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

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

Board Meetings

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

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

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

Board Meetings *(Continued)*

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

Directors	Number of Board meetings attended/held	Number of general meetings attended/held
Mr. Zhong Jian	10/10	4/4
Mr. Hu Kai(1)	1/10	0/4
Mr. Li Wei(2)	7/10	0/4
Ms. Zhang Yi (3)	3/10	0/4
Mr. Zou Yuanjing (4)	10/10	4/4
Mr. Zhang Qipeng (5)	2/10	0/4
Mr. Chi Benbin (6)	0/10	0/4
Mr. Wang Dennis	10/10	4/4
Mdm. Shing Mo Han Yvonne	10/10	2/4
Mr. Li Hongji	10/10	4/4

Notes:

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

(2) Mr. Li Wei resigned as a non-executive Director on 29 September 2022.

(3) Ms. Zhang Yi was appointed as a non-executive Director on 29 September 2022.

(4) Mr. Zou Yuanjing resigned as a non-executive Director on 24 April 2023.

(5) Mr. Zhang Qipeng was appointed as a non-executive Director on 4 November 2022.

(6) Mr. Chi Benbin was appointed as a non-executive Director on 24 February 2023.

Model Code for Securities Transactions by Directors

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

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

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

Risk Management and Internal Control

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

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

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

The Group's risk management and internal control systems are reviewed by the Audit Committee annually. The Audit Committee has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2022, and considers it effective and adequate. The Group has an internal audit function.

Board Committees

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

The Strategic and Investment Committee currently comprises of five members, including Mr. Zhong Jian, Ms. Zhang Yi, Mr. Chi Benbin, Mr. Zhang Qipeng and Mr. Wang Dennis. Mr. Zhong Jian is the Chairperson of the Strategic and Investment Committee.

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

Audit Committee

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

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

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

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

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

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

Board Committees *(Continued)*

Audit Committee *(Continued)*

The Audit Committee held three meetings during the year ended 31 December 2022 to discuss and consider the following:

- Review of the interim results of the Company and its subsidiaries for the six months ended 30 June 2022;
- Review of the Company's 2021 Environmental, Social and Governance Report, review of the Company's continuing connected transactions, consideration of the 2021 risk management and internal audit exercise, consideration of the 2021 internal control evaluation report, and consideration of the resolution in respect of the adjustment on the annual auditor's work programme; and
- Review of the financial reporting systems, compliance procedures, internal controls (including the adequacy of the resources, qualifications, training courses and budget for the employees of the accounting and financial reporting department of the Company), risk management systems and procedures, and re-appointment of external auditor.

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

Directors	Number of meetings attended/ eligible to attend
Mdm. Shing Mo Han Yvonne	3/3
Mr. Wang Dennis	3/3
Mr. Li Hongji	3/3
Mr. Li Wei (1)	2/2
Ms. Zhang Yi (2)	1/1
Mr. Zou Yuanjing (3)	3/3
Mr. Zhang Qipeng (4)	1/1

Notes:

(1) Mr. Li Wei resigned as a non-executive Director and a member of the Audit Committee on 29 September 2022.

(2) Ms. Zhang Yi was appointed as a non-executive Director and a member of the Audit Committee on 29 September 2022.

(3) Mr. Zou Yuanjing resigned as a non-executive Director and a member of the Audit Committee on 24 February 2023.

(4) Mr. Zhang Qipeng was appointed as a non-executive Director and a member of the Audit Committee on 4 November 2022.

Board Committees *(Continued)*

Nomination Committee

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

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

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

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

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

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

(e) To review the Board diversity policy.

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

The Nomination Committee held three meetings during the year ended 31 December 2022 to discuss and consider the following:

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

Board Committees *(Continued)*

Nomination Committee *(Continued)*

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

Directors	Number of meeting attended/ eligible to attend
Mr. Zhong Jian	3/3
Mr. Chi Benbin [(1)]	0/0
Mr. Wang Dennis	3/3
Mdm. Shing Mo Han Yvonne	3/3
Mr. Li Hongji	3/3

Note:

(1) Mr. Chi Benbin was appointed as a non-executive Director and a member of the Nomination Committee on 24 February 2023.

Remuneration Committee

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

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

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

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

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

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

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

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

(f) To review and approve matters relating to share schemes under Chapter 17 of the Listing Rules of the Stock Exchange and other incentive schemes of the Company;

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

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

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

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

The Remuneration Committee held six meetings during the year ended 31 December 2022 to discuss and consider the following:

- Review of the policies in respect of the remuneration of Directors for 2022;
- Review of the proposal regarding the allocation of reserved equity under the Company's share option scheme;
- Review of the proposal regarding the recommendation of the level of remuneration for nominated non-executive Directors;
- Review of the proposal regarding the amendment to the terms of reference of Remuneration Committee of the Board of Directors;
- Review of the proposal regarding the implementation of 2021 excess profit reward; and
- Review of the proposal regarding the establishment of the Company's total wage management measures.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

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

Directors	Number of meetings attended/ eligible to attend
Mr. Wang Dennis	3/3
Mdm. Shing Mo Han Yvonne	3/3
Mr. Li Hongji	3/3

Directors' Remuneration Policy

The remuneration to be paid to Directors is a fixed amount which is determined by reference to the Directors' time commitment, duties and responsibilities, qualifications and experience. Such fixed amount is approved by the Board upon the recommendation of the Remuneration Committee, and may be changed from time to time, pursuant to the authority granted by the Shareholders at the annual general meeting of the Company. No Director or any of his/her associates shall be involved in deciding his/her own remuneration. The Directors' remuneration policy shall be reviewed and may be changed by the Board upon recommendation by the Remuneration Committee from time to time.

Remuneration of Directors and Senior Management

Details of the remuneration of the members of the Board and the senior management of the Company as set out on pages 60 to 67 of this annual report for the year ended 31 December 2022 are as follows:

Remuneration band	Number of individuals
Nil to HK$1,000,000	6
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	1
HK$3,000,000 to HK$3,500,000	2

The remuneration band shown above excludes share-based compensation benefits. There is no any share option vested for the year ended 31 December 2022.

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2022 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 109 to 114 of this annual report.

Auditor's Remuneration

The approximate auditor's remuneration in respect of the audit and non-audit services provided to the Company and the Group during the year ended 31 December 2022 is as follows:

Type of services	Amount (HK$'000)
Audit services	4,465
Non-audit services	1,380
Total	5,845

Company Secretary

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

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

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

Communication with Shareholders and Investor Relationship Enquiries to the Board

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

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

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

The Board has reviewed the implementation and effectiveness of the Shareholder Communication Policy for the year and is of the view that it helps promote an open and ongoing channel for shareholder communication in line with fair information disclosure standards.

Shareholders' Rights

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

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

Dividend Policy

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

Convening a General Meeting

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

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

Propose Resolutions at the AGM

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

Making Inquiries to the Board

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

Amendments to Constitutional Documents

The Company has adopted the Articles of Association effective from the Listing Date on 6 May 2019, and approved the amendments to the Articles of Association at the annual general meeting of the Company held on 30 June 2022. The latest Articles of Association of the Company are available on the websites of the SSE, the Stock Exchange and the Company.

Independent auditor's report

Grant Thornton 致同

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

Opinion

We have audited the consolidated financial statements of CSSC (Hong Kong) Shipping Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 115 to 220, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in our audit
Lease arrangements	
Refer to notes 2.14 and 4 to the consolidated financial statements. Management assessed the classification of leases in accordance with Hong Kong Financial Reporting Standard 16 "Leases". The Group has entered into certain agreements whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased vessels to the lessees/borrowers, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair value of the leased assets at the inception of the leases. Accordingly, the Group has excluded the vessels from its consolidated statements of financial position and has instead, recognised finance lease receivables. Otherwise the Group includes the vessels under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease which involves critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets, the incremental borrowing rate in the calculation of the present value of minimum lease payments and whether the purchase option will be exercised. Due to the significance of management's judgments and estimates applied in assessing the classification of leases, we considered this as a key audit matter.	We performed the following procedures to assess management's classification of leases: • examined the lease agreements and discussed with management the key terms in order to identify any inconsistency from our understanding; • performed the following procedures for the appropriateness of the judgments made by management in the determination of lease classification on a sample basis: – assessed the impact of the agreed terms in the lease agreements on the classification; – tested the mathematical accuracy of the present value of minimum lease payment calculation and the verified relevant input data (i.e. lease terms, lease payments and lease period) to the agreements; – assessed the reasonableness of the incremental borrowing rate of the respective lease arrangement; – evaluated the appropriateness of the economic lives and the fair value of leased assets with reference to similar types of assets in the market; and – assessed the existence of the purchase option under the lease arrangement by checking to the lease agreements and possibility of lessees/borrowers to exercise such option by comparing the rate to exercise to the current market rate.

Key Audit Matter	How the matter was addressed in our audit

Impairment of loan and lease receivables

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

As at 31 December 2022, the net carrying amounts of the Group's loan and lease receivables amounted to approximately HK$20,610,300,000, in which provision for impairment loss of approximately HK$576,123,000 were recorded.

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

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

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

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

- we evaluated and tested the relevant controls, including those over the timely identification of impairment indicators and the calculation of provision for impairment on loan and lease receivables.

- we selected samples, in consideration of the financial information and non-financial information of the lessees/borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of receivables with significant increase in credit risk since initial recognition and credit-impaired loan and lease receivables.

- we reviewed the methodologies for ECL for impairment assessment and assessed the reasonableness of significant judgments and assumptions including, inputs, assumptions and estimation techniques. We tested whether or not the measurement methods reflect the methodologies documented by management.

- we examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness.

- for loan and lease receivables in stages 2 and 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of the lessees/borrowers and other available information together with discount rates in supporting the computation of the provision for impairment.

Key Audit Matter	How the matter was addressed in our audit
Impairment of loan and lease receivables *(Continued)*	
The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting periods, primarily including the following: (1) Consideration on whether the loan and lease receivables have experienced a significant increase in credit risk; (2) Identification of default and credit-impaired assets; (3) Inputs, assumptions and estimation techniques in measuring ECL (i.e. PD, EAD, LGD); and (4) Forward-looking information incorporated in the ECL (i.e. forecasted economic growth rates which reflect the general economic conditions of the industry in which the lessees/borrowers operate). Due to the significance of management's judgment and estimates applied in assessing the amount of ECL at the reporting date, we considered this as a key audit matter.	• we reviewed the management's analysis for forward-looking information using forecasted economic growth rate, assessed the reasonableness and performed sensitivity analysis on possible scenarios with the assistance of independent valuer.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

24 March 2023

Lam Yau Hing
Practising Certificate No.: P06622

Consolidated Income Statement

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**3,208,242**	2,470,020
Other income	6	**58,489**	72,996
Other gains, net		**66,076**	31,756
Expenses			
Finance costs and bank charges	7	**(760,216)**	(487,927)
(Provision)/Reversal of impairment of loan and lease receivables, net	17	**(90,260)**	20,887
Depreciation		**(476,724)**	(369,230)
Employee benefits expenses	10	**(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	8	**1,431,669**	1,359,849
Share of results of joint ventures	15	**348,214**	42,213
Share of results of associates	16	**(24,242)**	(668)
Profit before income tax		**1,755,641**	1,401,394
Income tax expense	9	**(21,131)**	(13,752)
Profit for the year		**1,734,510**	1,387,642
Profit for the year attributable to:			
Equity holders 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	12	**0.275**	0.220

The notes on pages 122 to 220 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**1,734,510**	1,387,642
Other comprehensive (expense)/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

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Property, plant and equipment	13	**15,924,752**	14,353,838
Right-of-use assets	14	**28,240**	36,708
Interests in joint ventures	15	**1,093,817**	586,954
Interests in associates	16	**52,429**	70,294
Loan and lease receivables	17	**20,610,300**	22,472,158
Derivative financial assets	18	**511,817**	104,647
Prepayments, deposits and other receivables	19	**40,459**	148,146
Financial assets at fair value through profit or loss	20	**686,726**	790,174
Financial assets at fair value through other comprehensive income	21	**94,478**	375,564
Deferred tax assets	28	**4,125**	1,680
Amounts due from associates	22	**29,715**	24,674
Amounts due from fellow subsidiaries	22	**2,047**	3,050
Amounts due from joint ventures	22	**52,792**	100,520
Structured bank deposits	23	**–**	61,165
Time deposits with maturity over three months	23	**200,107**	127,431
Pledged time deposits	23	**7,628**	–
Cash and cash equivalents	23	**1,181,458**	1,427,683
Asset held for sale	24	**–**	198,549
Total assets		**40,520,890**	40,883,235
LIABILITIES			
Income tax payables		**33,422**	40,089
Borrowings	25	**27,788,264**	29,798,461
Derivative financial liabilities	18	**–**	114,774
Amounts due to fellow subsidiaries	22	**–**	17,465
Amount due to a joint venture	22	**207,172**	259,216
Amounts due to non-controlling interests	22	**168,227**	88,066
Other payables and accruals	26	**651,517**	422,114
Lease liabilities	27	**29,962**	38,584
Total liabilities		**28,878,564**	30,778,769
Net assets		**11,642,326**	10,104,466

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
EQUITY			
Share capital	29	**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

The consolidated financial statements on pages 115 to 220 were approved by the Board of Directors on 24 March 2023 and were signed on its behalf.

ZHONG JIAN
Director

SHING MO HAN YVONNE
Director

The notes on pages 122 to 220 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to equity holders of the Company									
	Share capital HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2022	**6,614,466**	**9,620**	**991**	**23,945**	**10,335**	**17,931**	**3,347,218**	**10,024,506**	**79,960**	**10,104,466**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,684,909**	**1,684,909**	**49,601**	**1,734,510**
Other comprehensive (expense)/income for the year	**–**	**(7,655)**	**401,415**	**61,193**	**–**	**(114,833)**	**–**	**340,120**	**(187)**	**339,933**
Total comprehensive income for the year	**–**	**(7,655)**	**401,415**	**61,193**	**–**	**(114,833)**	**1,684,909**	**2,025,029**	**49,414**	**2,074,443**
Appropriations to statutory surplus reserve	**–**	**–**	**–**	**(1,181)**	**–**	**–**	**1,181**	**–**	**–**	**–**
Disposal of equity investments at fair value through other comprehensive income (non-recycling)	**–**	**(2,470)**	**–**	**–**	**–**	**–**	**2,470**	**–**	**–**	**–**
Transactions with equity holders – Dividends (note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**(552,246)**	**(552,246)**	**–**	**(552,246)**
Equity settled share-based payments	**–**	**–**	**–**	**–**	**15,663**	**–**	**–**	**15,663**	**–**	**15,663**
At 31 December 2022	**6,614,466**	**(505)**	**402,406**	**83,957**	**25,998**	**(96,902)**	**4,483,532**	**11,512,952**	**129,374**	**11,642,326**
At 1 January 2021	6,614,466	24,424	(169,868)	11,051	–	(64,338)	2,531,607	8,947,342	43,595	8,990,937
Profit for the year	–	–	–	–	–	–	1,351,626	1,351,626	36,016	1,387,642
Other comprehensive income for the year	–	2,503	170,859	11,818	–	82,269	–	267,449	349	267,798
Total comprehensive income for the year	–	2,503	170,859	11,818	–	82,269	1,351,626	1,619,075	36,365	1,655,440
Appropriations to statutory surplus reserve	–	–	–	1,076	–	–	(1,076)	–	–	–
Disposal of equity investments at fair value through other comprehensive income (non-recycling)	–	(17,307)	–	–	–	–	17,307	–	–	–
Transactions with equity holders – Dividends (note 37)	–	–	–	–	–	–	(552,246)	(552,246)	–	(552,246)
Equity settled share-based payments	–	–	–	–	10,335	–	–	10,335	–	10,335
At 31 December 2021	6,614,466	9,620	991	23,945	10,335	17,931	3,347,218	10,024,506	79,960	10,104,466

The notes on pages 122 to 220 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	32.1	**4,597,648**	(4,558,260)
Interest received		**51,586**	67,515
Interest paid		**(772,802)**	(516,372)
Income tax paid		**(31,748)**	(12,296)
Net cash generated from/(used in) operating activities		**3,844,684**	(5,019,413)
Cash flows from investing activities			
Investment in joint ventures		**(66,063)**	(45,870)
Investment in associates		**(1)**	(19,555)
(Increase)/Decrease in time deposits with maturity over three months		**(75,686)**	2,643
Increase in pledged time deposits		**(7,628)**	–
Decrease in structured bank deposits		**58,336**	415,794
Payment of purchase of vessels and property, plant and equipment		**(1,990,801)**	(5,362,166)
Payment of acquisition of right-of-use assets		**(18)**	–
Dividend received from financial assets at fair value through other comprehensive income		**8,402**	14,142
Proceeds from disposal of property, plant and equipment		**466**	298,360
Proceeds from disposal of asset held for sale		**221,449**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**272,300**	356,537
Proceeds from disposal of financial assets at fair value through profit or loss		**38,900**	93,278
Payment for disposal of derivative financial instruments		**(38,124)**	(27,897)
Decrease/(Increase) in loan to joint ventures		**31,303**	(128,980)
(Increase)/Decrease in amounts due from associates		**(4,460)**	181
Decrease/(Increase) in amount due from joint ventures		**20,461**	(73,189)
Decrease/(Increase) in amounts due from fellow subsidiaries		**994**	(7)
Net cash used in investing activities		**(1,530,170)**	(4,476,729)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from financing activities			
Proceeds from issuance of guaranteed bonds	32.2	**–**	3,886,600
Proceeds from borrowings	32.2	**13,779,459**	10,920,470
Repayment of borrowings	32.2	**(15,770,635)**	(5,697,280)
Payment of lease liabilities	32.2	**(16,711)**	(12,754)
Dividends paid		**(552,246)**	(552,246)
Advances from joint ventures during the year	32.2	**–**	186,292
Repayment to joint ventures during the year	32.2	**(51,264)**	–
Advances from non-controlling interests during the year	32.2	**135,992**	–
Repayment to non-controlling interests during the year	32.2	**(55,646)**	–
Repayment to fellow subsidiaries during the year	32.2	**(17,412)**	(138)
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 1 January		**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 31 December	23	**1,181,458**	1,427,683

The notes on pages 122 to 220 are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

1. General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2023.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the requirements of the Companies Ordinance Cap. 622 and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange. The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities as specified below which are stated at fair value.

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

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

2.1 Basis of preparation *(Continued)*

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

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

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.

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

2.2 Principles of consolidation and equity accounting

Subsidiaries

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

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

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

Associates

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

Joint arrangements

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

Joint ventures

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

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

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

Equity method

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

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

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

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

2.3 Separate financial statements

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

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

2.4 Segment reporting

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

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

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

2.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

Group companies

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

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

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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

2.5 Foreign currency translation *(Continued)*

Group companies *(Continued)*

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

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

2.6 Property, plant and equipment

Construction in progress

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

Other property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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

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

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

2.6 Property, plant and equipment *(Continued)*

Other property, plant and equipment *(Continued)*

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

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

2.7 Impairment of non-financial assets

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

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

2.8 Investments and other financial assets

Classification

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

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

- those to be measured at amortised cost.

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

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

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

Recognition and derecognition

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

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

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

2.8 Investments and other financial assets *(Continued)*

Measurement

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

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through consolidated statement of comprehensive income, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in consolidated statement of comprehensive income is reclassified from equity to profit or loss.

- Fair value at profit or loss ("**FVTPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

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

2.8 Investments and other financial assets *(Continued)*

Equity instruments

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

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses), net in the consolidated income statements as applicable. Impairment losses (and reversal of impairment losses) on debt investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

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

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

2.9 Offsetting financial instruments

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

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

2.10 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or

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

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

Cash flow hedges that qualify for hedge accounting

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

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

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

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

Derivatives that do not qualify for hedge accounting

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

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

2.11 Cash and cash equivalents

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

2.12 Revenue recognition

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

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

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

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

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

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

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

2.13 Government grants

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

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

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

2.14 Leases

Definition of a lease and the Group as a lessee

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

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

As a lessee

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

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

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

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

2.14 Leases *(Continued)*

As a lessee *(Continued)*

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

2.14 Leases *(Continued)*

As a lessor

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

(i) Finance lease

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

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

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

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

2.14 Leases *(Continued)*

As a lessor *(Continued)*

(ii) Operating lease

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

Leasing services revenues are generated from a combination of bareboat charters and time charters. Revenue from a bareboat charter, is recognised in accordance with HKFRS 16.

Revenue from a time charter, is recognised over time based on daily rate. The Group separately accounts for the lease and non-lease components (i.e. vessel management services) for time charter contracts. The Group estimates the stand-alone selling price of lease component by reference to the total transaction price less the sum of the observable stand-alone selling prices of non-lease components promised in the contract.

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Other payables

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

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

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

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

2.18 Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries or jurisdiction where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2.21 Current and deferred income tax *(Continued)*

Deferred income tax

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Investment allowances and similar tax incentives

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

2.22 Employee benefits

Short-term obligations

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

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

2.22 Employee benefits *(Continued)*

Pension obligations

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

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

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

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

Share-based employee compensation

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

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

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

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

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

2.22 Employee benefits *(Continued)*

Profit-sharing and bonus plans

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

Termination benefits

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

2.23 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

Diluted earnings per share

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

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

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

2.24 Dividend income

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

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

2.25 Dividend distribution

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

2.26 Interest income

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

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 6 below. Any other interest income is included in other income.

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

2.27 Financial guarantee contracts

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

- the amount determined in accordance with the ECL model under HKFRS 9; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 “Revenue from Contracts with Customers”.

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

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

2.28 Asset held for sale

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

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

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

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

2.29 Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. Financial risk management

3.1. Financial instruments by category

Financial assets as at 31 December 2022	Amortised cost HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Derivative financial assets	–	511,817	511,817
Financial assets at fair value through profit or loss	–	686,726	686,726
Financial assets at fair value through other comprehensive income	–	94,478	94,478
Loan and lease receivables	20,610,300	–	20,610,300
Other receivables (excluding prepayments)	25,191	–	25,191
Amounts due from associates	29,715	–	29,715
Amounts due from fellow subsidiaries	2,047	–	2,047
Amounts due from joint ventures	52,792	–	52,792
Time deposits with maturity over three months	200,107	–	200,107
Pledged time deposits	7,628	–	7,628
Cash and cash equivalents	1,181,458	–	1,181,458
Total	22,109,238	1,293,021	23,402,259

3. Financial risk management *(Continued)*

3.1. Financial instruments by category *(Continued)*

Financial assets as at 31 December 2021	Amortised cost HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Derivative financial assets	–	104,647	104,647
Financial assets at fair value through profit or loss	–	790,174	790,174
Financial assets at fair value through other comprehensive income	–	375,564	375,564
Loan and lease receivables	22,472,158	–	22,472,158
Other receivables (excluding prepayments)	21,127	–	21,127
Amounts due from associates	24,674	–	24,674
Amounts due from fellow subsidiaries	3,050	–	3,050
Amounts due from joint ventures	100,520	–	100,520
Time deposits with maturity over three months	127,431	–	127,431
Cash and cash equivalents	1,427,683	–	1,427,683
Structured bank deposits	–	61,165	61,165
Total	24,176,643	1,331,550	25,508,193

Financial liabilities as at 31 December 2022	**Financial liabilities at amortised cost HK$'000**	**Financial liabilities at fair value HK$'000**	**Total HK$'000**
Borrowings	**27,788,264**	**–**	**27,788,264**
Other payables and accruals (excluding deposits received)	**144,605**	**–**	**144,605**
Amounts due to non-controlling interests	**168,227**	**–**	**168,227**
Amount due to a joint venture	**207,172**	**–**	**207,172**
Lease liabilities	**29,962**	**–**	**29,962**
Total	**28,338,230**	**–**	**28,338,230**

3. Financial risk management *(Continued)*

3.1. Financial instruments by category *(Continued)*

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

3.2 Financial risk factors

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

(i) Credit risk

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

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

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

Impairment allowance policies for loan and lease receivables

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Impairment allowance policies for loan and lease receivables (Continued)

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

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

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

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

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

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Impairment allowance policies for loan and lease receivables (Continued)

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

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

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

(2) Identification of default and credit-impaired assets

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

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

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

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

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

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and ECL.

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Provision for impairment

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

- Transfers between Stage 1 and Stage 2 or 3 due to loan and lease receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;

- Additional provisions for new financial instruments recognised, as well as releases for loan and lease receivables derecognised in the period;

- Loan and lease receivables derecognised and write-offs of provisions related to assets that were written off during the period.

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

	Stage 1 **12-month ECL** HK$'000	**Stage 2** **Lifetime ECL** HK$'000	**Stage 3** **Lifetime ECL** HK$'000	**Total** HK$'000
Provision for impairment of loan and lease receivables as at 1 January 2022	**91,621**	**162,868**	**231,374**	**485,863**
Transfer from stage 1 to stage 2	**(2,161)**	**2,161**	**–**	**–**
Transfer from stage 2 to stage 1	**40,632**	**(40,632)**	**–**	**–**
Loan and lease receivables originated/(reversal) during the year	**5,539**	**129,701**	**(44,980)**	**90,260**
Provision for impairment of loan and lease receivables as at 31 December 2022	**135,631**	**254,098**	**186,394**	**576,123**
Provision for impairment of loan and lease receivables as at 1 January 2021	39,938	192,132	271,495	503,565
Transfer from stage 1 to stage 2	(3,886)	3,886	–	–
Transfer from stage 2 to stage 1	8,089	(8,089)	–	–
Loan and lease receivables originated/(reversal) during the year	47,021	(26,184)	(41,724)	(20,887)
Exchange rate realignment	459	1,123	1,603	3,185
Provision for impairment of loan and lease receivables as at 31 December 2021	91,621	162,868	231,374	485,863

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Provision for impairment (Continued)

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

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and lease receivables as at 1 January 2022	**20,854,481**	**1,864,607**	**238,933**	**22,958,021**
Transfer from stage 1 to stage 2	**(1,272,972)**	**1,272,972**	**–**	**–**
Transfer from stage 2 to stage 1	**718,333**	**(718,333)**	**–**	**–**
Loan and lease receivables (derecognised)/ originated during the year other than write-off	**(2,294,939)**	**702,661**	**(32,340)**	**(1,624,618)**
Exchange rate realignment	**(121,948)**	**(5,615)**	**(19,417)**	**(146,980)**
Loan and lease receivables as at 31 December 2022	**17,882,955**	**3,116,292**	**187,176**	**21,186,423**
Loan and lease receivables as at 1 January 2021	13,187,769	2,105,635	271,495	15,564,899
Transfer from stage 1 to stage 2	(866,329)	866,329	–	–
Transfer from stage 2 to stage 1	606,308	(606,308)	–	–
Loan and lease receivables originated/ (derecognised) during the year other than write-off	7,804,282	(514,956)	(41,099)	7,248,227
Exchange rate realignment	122,451	13,907	8,537	144,895
Loan and lease receivables as at 31 December 2021	20,854,481	1,864,607	238,933	22,958,021

Write-off policy

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Modification

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

(ii) Liquidity risk

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

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

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

***(ii) Liquidity risk** (Continued)*

Financial assets

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
As at 31 December 2022						
Derivative financial instruments	**511,817**	**–**	**–**	**–**	**511,817**	**511,817**
Financial assets at fair value through profit or loss and other comprehensive income	**781,204**	**–**	**–**	**–**	**781,204**	**781,204**
Loan and lease receivables	**4,033,999**	**3,587,995**	**8,476,048**	**10,721,763**	**26,819,805**	**20,610,300**
Other receivables (excluding prepayments)	**25,191**	**–**	**–**	**–**	**25,191**	**25,191**
Amounts due from associates, joint ventures and fellow subsidiaries	**84,554**	**–**	**–**	**–**	**84,554**	**84,554**
Cash and cash equivalents and time deposits with maturity over three months	**1,381,565**	**–**	**–**	**–**	**1,381,565**	**1,381,565**
Pledged time deposits	**7,628**	**–**	**–**	**–**	**7,628**	**7,628**
	6,825,958	**3,587,995**	**8,476,048**	**10,721,763**	**29,611,764**	**23,402,259**
As at 31 December 2021						
Derivative financial instruments	104,647	–	–	–	104,647	104,647
Financial assets at fair value through profit or loss and other comprehensive income	1,165,738	–	–	–	1,165,738	1,165,738
Loan and lease receivables	3,752,814	2,959,418	8,778,937	11,802,612	27,293,781	22,472,158
Other receivables (excluding prepayments)	21,127	–	–	–	21,127	21,127
Amounts due from associates, joint ventures and fellow subsidiaries	128,244	–	–	–	128,244	128,244
Cash and cash equivalents and time deposits with maturity over three months	1,555,114	–	–	–	1,555,114	1,555,114
Structured bank deposits	61,165	–	–	–	61,165	61,165
	6,788,849	2,959,418	8,778,937	11,802,612	30,329,816	25,508,193

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

Financial liabilities

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
As at 31 December 2022						
Other payables and accruals (excluding deposits received)	**144,605**	**–**	**–**	**–**	**144,605**	**144,605**
Amounts due to non-controlling interests, a joint venture and fellow subsidiaries	**375,399**	**–**	**–**	**–**	**375,399**	**375,399**
Borrowings	**8,422,596**	**1,957,431**	**13,584,113**	**8,107,049**	**32,071,189**	**27,788,264**
Lease liabilities	**15,931**	**12,072**	**3,128**	**–**	**31,131**	**29,962**
	8,958,531	**1,969,503**	**13,587,241**	**8,107,049**	**32,622,324**	**28,338,230**
Financial guarantees issued Maximum amount guaranteed	**4,365,887**	**–**	**–**	**–**	**4,365,887**	**–**
As at 31 December 2021						
Other payables and accruals (excluding deposits received)	57,064	–	–	–	57,064	57,064
Amounts due to non-controlling interests, a joint venture and fellow subsidiaries	364,747	–	–	–	364,747	364,747
Borrowings	11,611,492	1,537,522	11,381,170	7,753,879	32,284,063	29,798,461
Derivative financial instruments	114,774	–	–	–	114,774	114,774
Lease liabilities	15,270	14,061	10,990	–	40,321	38,584
	12,163,347	1,551,583	11,392,160	7,753,879	32,860,969	30,373,630
Financial guarantees issued Maximum amount guaranteed	4,388,439	–	–	–	4,388,439	–

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iii) Cash flow and fair value interest rate risk

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

Interest rate profile

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

	2022 **HK$'000**	2021 HK$'000
Loan and lease receivables	**18,573,561**	21,052,683
Bank borrowings	**17,611,691**	19,604,721

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iii) Cash flow and fair value interest rate risk *(Continued)*

Instruments used by the Group

Swaps currently in place cover approximately 21% (2021: 22%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 0.72% and 3.00% (2021: 0.72% and 3.00%), and the variable rates of the loans are mainly at 3 month LIBOR rate which, at the end of the reporting period, was 4.77% (2021: 0.21%). The swap contracts require settlement of net interest receivable or payable every 3 months. The settlement dates coincide with or are close with the dates on which interest is payable on the underlying debt. The details and effects of the interest rate swaps on the Group's consolidated financial position and performance are as follows:

	2022 **HK$'000**	2021 HK$'000
Interest rate swaps designated as cash flow hedges		
Carrying amount	**419,163**	(16,498)
Notional amount	**3,652,846**	4,334,281
Hedge ratio	**1:1**	1:1
Weighted average hedged rate for the year	**1.60%**	1.56%
	Year	Year
Maturity date	**2028-2032**	2028-2032

Sensitivity analysis

At 31 December 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$8,032,000 (2021: increase/decrease by approximately HK$12,090,000). Other components of equity would not be affected by the changes in interest rates.

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iv) Foreign currency risk

The Group has foreign currency income, expenses and fund remittances, which expose the Group to foreign currency risk. Since the fluctuation of US$ and HK$ is minimal under the Linked Exchanged Rate System, the directors of the Company consider the Group mainly exposes to Euro ("**EUR**"), Singapore dollars ("**SGD**") and Renminbi ("**RMB**"). The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities as at 31 December 2022 and 2021, are as follows:

	As at 31 December 2022			As at 31 December 2021		
	EUR	**SGD**	**RMB**	EUR	SGD	RMB
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Prepayments, deposits and other receivables	**–**	**10**	**10,976**	–	–	9,758
Amounts due from associates	**–**	**29,715**	**–**	–	24,674	–
Structured bank deposits	**–**	**–**	**–**	–	–	61,165
Time deposits with maturity over three months	**–**	**–**	**58,199**	–	–	–
Cash and cash equivalents	**387**	**201**	**295,656**	2,147	2,994	220,925
Other payables and accruals	**–**	**(3,925)**	**(26,879)**	–	(262)	(38,930)
Amounts due to non-controlling interests	**–**	**(3,526)**	**–**	–	–	–
Net exposure	**387**	**22,475**	**337,952**	2,147	27,406	252,918

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iv) Foreign currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase in the relevant functional currencies against HK$ as at 31 December 2022. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for 5% change in foreign currency rates during the year. A positive/negative number indicates an increase/a decrease in profit for the year where respective functional currencies strengthening 5% as at 31 December 2022. During the year, for a 5% weakening of respective functional currencies against HK$, there would be an equal but opposite impact on the profit for the year.

	2022 **HK$'000**	2021 HK$'000
EUR	**16**	90
SGD	**938**	1,144
RMB	**14,278**	10,559

3.3 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "bank borrowings" and "guaranteed bonds" as shown in the consolidated statement of financial position).

3. Financial risk management *(Continued)*

3.3 Capital risk management *(Continued)*

The gearing ratios as at 31 December 2022 and 2021 were as follows:

	2022 **HK$'000**	2021 HK$'000
Borrowings	**27,788,264**	29,798,461
Total equity	**11,642,326**	10,104,466
Gearing ratio	**2.4 times**	2.9 times

Loan covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- the debt to asset ratio must be not more than 80%, and
- the ratio of net finance cost to earnings before interest, tax, depreciation and amortisation ("**EBITDA**") must be not more than 63%.

The Group has complied with these covenants throughout the reporting period.

3.4 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

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

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

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

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

Fair value hierarchy

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2022					
Financial assets					
Derivative financial assets	18	**–**	**511,817**	**–**	**511,817**
Financial assets at fair value through profit or loss	20	**–**	**468,886**	**217,840**	**686,726**
Financial assets at fair value through other comprehensive income	21	**94,478**	**–**	**–**	**94,478**
Total financial assets at fair values		**94,478**	**980,703**	**217,840**	**1,293,021**
At 31 December 2021					
Financial assets					
Derivative financial assets	18	–	104,647	–	104,647
Financial assets at fair value through profit or loss	20	–	571,676	218,498	790,174
Financial assets at fair value through other comprehensive income	21	375,564	–	–	375,564
Structured bank deposits	23	–	61,165	–	61,165
Total financial assets at fair values		375,564	737,488	218,498	1,331,550
Financial liabilities					
Derivative financial liabilities	18	–	114,774	–	114,774

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the–counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the unlisted exchangeable note is determined using binomial option pricing model.

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Fair value at 31 December			Range of inputs		Relationship of unobservable inputs
	2022 HK$'000	2021 HK$'000	**Unobservable inputs**	**2022**	2021	**to fair value**
Unlisted exchangeable note	**217,840**	218,498	Discount rate	**14.21%**	12.10%	The higher the discount rate, the lower the fair value
			Expected volatility	**27.97%**	41.50%	The lower the expected volatility, the lower the fair value.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

It is estimated that on the assumption of a movement of 35% and 10% increase and increase of (i) the expected volatility; and/or (ii) the expected rate of return, where applicable, with all other variables held constant, the profit before income tax for the year ended 31 December 2022 would have been decreased by approximately HK$2,000 and HK$275,000 respectively and the Group's equity would have been decreased by approximately HK$2,000 and HK$230,000 respectively, which are not significant to the financial performance and financial position of the Group.

It is estimated that on the assumption of a movement of 35% and 10% increase and increase of (i) the expected volatility; and/or (ii) the expected rate of return, where applicable, with all other variables held constant, the profit before income tax for the year ended 31 December 2021 would have been decreased by approximately HK$86,000 and HK$4,356,000 respectively and the Group's equity would have been decreased by approximately HK$72,000 and HK$3,637,000 respectively, which are not significant to the financial performance and financial position of the Group.

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

Valuation processes

The Group has engaged the professional valuer that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This valuer reports directly to the finance department. Discussions of valuation processes and results are held between the finance department and the professional valuer at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by internal credit risk management of Group.

Changes in level 2 and 3 fair values are analysed at the end of each reporting periods during the half-yearly valuation discussion between the CFO and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

There was no transfer among level 1, 2 and 3 during the year.

The carrying values of the Group's financial assets and financial liabilities carried at amortised costs approximate their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

3.5 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2022 and 2021.

4. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In the process of applying the Group's accounting policies, management has made the following judgments and estimates, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of leases

The Group has entered into certain agreements whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased vessels to the lessees/borrowers, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair value of the leased assets at the inception of the leases. Accordingly, the Group has excluded the vessels from its consolidated statement of financial position and has instead, recognised as finance lease receivables. Otherwise the Group includes the vessels under operating lease in property, plant and equipment.

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets and the incremental borrowing rate in the calculation of the present value of minimum lease payments, and whether the purchases option will be exercised. As set out in note 13 and 17.2 to the consolidated financial statements, lease receivables and vessels in property, plant and equipment consist of leasing during 2022 and 2021. As at 31 December 2022, the carrying amount of lease receivables and vessels and construction in progress in property, plant and equipment are HK$12,291,021,000 (2021: HK$13,901,500,000), HK$12,752,267,000 (2021: HK$12,399,080,000) and HK$3,160,998,000 (2021: HK$1,936,812,000), respectively.

4. Significant accounting judgments and estimates *(Continued)*

Impairment loss for loan and lease receivables

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

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using PD, EAD and LGD.

The Group measures the loss allowance for loan and lease receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default1 occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

(2) Identification of default and credit-impaired assets

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

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

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2(i) to the consolidated financial statements.

4. Significant accounting judgments and estimates *(Continued)*

Useful lives and residual value of property, plant and equipment

The Group estimates residual values of its vessels by reference to the lightweight tonnes of the vessels and the average demolition steel price of similar vessels in the market.

The Group estimates the useful life of its vessels with reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of property, plant and equipment is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

Income taxes

Significant management judgments on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation of the fair values of financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

Lease term and discount rate determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying asset and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4. Significant accounting judgments and estimates *(Continued)*

Impairment of investments in associates and joint ventures

The Group assesses whether there are any indicators of impairment for investments in associates and joint ventures at the end of each reporting period. Investments in associates and joint ventures are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in associates or joint ventures exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose a discount rate commensurate with the associated risk in order to calculate the present values of those cash flows.

5. Segment information and revenue

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

Leasing services

The Group provide tailored vessel leasing services to the Group's customers with the options of finance lease and operating lease. Finance lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return for periodic lease payments.

Shipbroking services

Shipbroking services to shipbuilders includes recommending shipbuilders to interested purchasers and advising interested purchasers on vessel types, specifications and capabilities. Shipbroking services to charterers includes advising interested charterers to lease the vessels in form of finance lease and operating lease and advising interested charterers on vessel types, specifications and capabilities.

Loan borrowings services

Loan borrowings services mainly include pre-delivery loan and secured loan. Pre-delivery loan services are offered as part of leasing services and to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. Secured loan services are offered to customers to satisfy their funding needs and are generally secured by customers' vessels or assets.

5. Segment information and revenue *(Continued)*

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

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

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

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 amounting to HK$276,863,000 (2021: HK$145,576,000).

5. Segment information and revenue *(Continued)*

Segment assets and liabilities

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

Geographic information

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

The Group's assets, consisted of its property, plant and equipment, right-of-use assets, asset held for sale, 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 **HK$'000**	2021 HK$'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

Information about major customers

Details of revenue from external customers individually contributed over 10% of the Group's revenue during the year are as follows:

	2022 **HK$'000**	2021 HK$'000
Customer A in the loan borrowings services segment	**333,800**	255,774
Customer B in the leasing services segment	**342,017**	337,813
Customer C in the leasing services segment	**334,306**	413,815

6. Other income

Other income recognise during the year are as follows:

	2022 HK$'000	2021 HK$'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 Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7. Finance costs and bank charges

	2022 HK$'000	2021 HK$'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%).

8. Profit from operations

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

	2022 HK$'000	2021 HK$'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 (note 10)	**124,696**	91,765
Gain on deemed disposal of joint venture (note 15)	**(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

9. 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, 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, 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.

9. Income tax expense *(Continued)*

Income tax expense in the consolidated income statement represents:

	2022 **HK$'000**	2021 HK$'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 (note 28)	**(2,709)**	(1,656)
Income tax expense	**21,131**	13,752

Reconciliation between income tax expense and profit before income tax at the applicable tax rate:

	2022 **HK$'000**	2021 HK$'000
Profit before income tax	**1,755,641**	1,401,394
Add/(Less):		
Share of results of associates	**24,242**	668
Share of results of joint ventures	**(348,214)**	(42,213)
	1,431,669	1,359,849
Calculated at tax rate of 16.5%	**236,225**	224,375
Effect of different tax rates in other countries	**(14,505)**	2,297
Income not subject to tax	**(494,718)**	(451,069)
Expenses not deductible for tax purpose	**296,123**	199,866
Utilisation of previously unrecognised tax losses	**–**	(7,421)
Tax effect of tax loss not recognised	**1,172**	45,347
Tax effect of temporary differences not recognised	**–**	861
Over-provision in prior years	**(3,530)**	(21)
Others	**364**	(483)
Income tax expense	**21,131**	13,752

10. Employee benefits expenses and five highest paid individual

	2022 HK$'000	2021 HK$'000
Wages, salaries, and other allowances (including directors' emoluments)	**102,692**	68,680
Retirement benefit costs (Note)	**6,341**	12,730
Share-based payment expenses	**15,663**	10,355
	124,696	91,765

Note:

At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: HK$ nil).

For the year ended 31 December 2022, the five individuals whose remuneration were the highest in the Group include 1 director (2021: 2 directors) whose remuneration are reflected in the analysis presented in note 11.

The remuneration paid to the remaining 4 (2021: 3) highest individuals are as follows:

	2022 HK$'000	2021 HK$'000
Wages, salaries, and other allowances	**9,609**	6,954
Retirement benefit costs	**1,319**	1,010
	10,928	7,964

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	2022 HK$'000	2021 HK$'000
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	**1**	1

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2022 (2021: nil).

In addition to the above remuneration, certain highest paid individuals were granted share options under the share option scheme, details of which were disclosed in note 30.

11. Benefits and interests of Directors (Disclosures required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Listing Rules)

The remuneration of every director are set out below:

	Year ended 31 December 2022				
Name of Directors	Fees	Salaries and allowances	Discretionary bonus (Note ii)	Employer's contribution to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and Executive Directors					
ZHONG JIAN (note i)	–	980	1,738	292	3,010
Executive Director					
HU KAI (note i and iv)	–	223	1,332	105	1,660
Non-Executive Directors					
LI WEI (note v)	–	–	–	–	–
ZOU YUANJING (note viii)	–	–	–	–	–
ZHANG YI (note vi)	–	–	–	–	–
ZHANG QI PENG (note vii)	–	–	–	–	–
Independent Non-Executive Directors					
SHING MO HAN YVONNE	350	–	–	–	350
LI HONG JI	350	–	–	–	350
WANG DENNIS	350	–	–	–	350
Total	1,050	1,203	3,070	397	5,720

11. Benefits and interests of Directors (Disclosures required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Listing Rules) *(Continued)*

	Year ended 31 December 2021				
Name of Directors	Fees	Salaries and allowances	Discretionary bonus (Note ii)	Employer's contribution to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman and Executive Directors					
ZHONG JIAN (note i)	–	1,203	669	254	2,126
Executive Director					
HU KAI (note i)	–	1,203	1,235	441	2,879
Non-Executive Directors					
LI WEI (note v)	–	–	–	–	–
ZOU YUANJING	–	–	–	–	–
Independent Non-Executive Directors					
SHING MO HAN YVONNE	300	–	–	–	300
LI HONG JI	300	–	–	–	300
WANG DENNIS	300	–	–	–	300
Total	900	2,406	1,904	695	5,905

Note:

i. The remuneration represents remuneration received from the Group by these directors in their capacity as employees to the Company and no directors waived any emolument during the year ended 31 December 2022 (2021: Nil).

ii. The bonus is determined with reference to the operating results, individual performance and comparable market statistics during both years.

iii. During the year ended 31 December 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2021: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2021: Nil). There are no loans, quasi loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2021: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the Directors during the year ended 31 December 2022 (2021: Nil).

iv. Mr. Hu Kai resigned all his office in the Company with effect from 4 March 2022.

11. Benefits and interests of Directors (Disclosures required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Listing Rules) *(Continued)*

Note: *(Continued)*

v. Mr. Li Wei resigned as a non-executive director of the Company with effect from 29 September 2022.

vi. Ms. Zhang Yi was appointed as the Company's non-executive director on 29 September 2022.

vii. Mr. Zhang Qi Peng was appointed as the Company's non-executive director on 4 November 2022.

viii. Mr. Zou Yuanjing resigned as a non-executive director of the Company with effect from 24 February 2023.

ix. No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the years ended 31 December 2022 and 2021.

x. In addition to the above emoluments, certain directors of the Company were granted share options under the share option scheme, details of which were disclosed in note 30.

12. Earnings per share

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

	2022 **HK$'000**	2021 HK$'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

12. Earnings per share *(Continued)*

	2022 Number '000	2021 Number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,136,066**	6,136,066
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,136,066**	6,136,066
Basic and diluted earnings per share (in HK$)	**0.275**	0.220

The calculation of the diluted earnings per share for the year 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.

13. Property, plant and equipment

	Construction in progress HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost						
At 1 January 2022	**1,936,812**	**13,606,460**	**2,465**	**7,855**	**20,709**	**15,574,301**
Additions	**2,070,869**	**4,172**	**454**	**877**	**9**	**2,076,381**
Transfer	**(840,850)**	**840,850**	**–**	**–**	**–**	**–**
Disposal	**–**	**–**	**(840)**	**(11)**	**–**	**(851)**
Exchange differences	**(5,833)**	**(40,975)**	**(199)**	**(370)**	**(1,004)**	**(48,381)**
At 31 December 2022	**3,160,998**	**14,410,507**	**1,880**	**8,351**	**19,714**	**17,601,450**
Accumulated depreciation						
At 1 January 2022	**–**	**1,207,380**	**2,173**	**5,495**	**5,415**	**1,220,463**
Charge for the year	**–**	**454,495**	**22**	**1,142**	**5,653**	**461,312**
Written back on disposal	**–**	**–**	**(638)**	**(5)**	**–**	**(643)**
Exchange differences	**–**	**(3,635)**	**(163)**	**(256)**	**(380)**	**(4,434)**
At 31 December 2022	**–**	**1,658,240**	**1,394**	**6,376**	**10,688**	**1,676,698**
Net carrying amount						
At 31 December 2022	**3,160,998**	**12,752,267**	**486**	**1,975**	**9,026**	**15,924,752**
Cost						
At 1 January 2021	2,398,736	8,538,067	2,385	6,526	2,197	10,947,911
Additions	5,362,573	13,056	–	1,887	18,075	5,395,591
Transfer	(5,576,673)	5,576,673	–	–	–	–
Transfer to asset held for sale	–	(219,401)	–	–	–	(219,401)
Reclassification	(261,561)	–	–	–	–	(261,561)
Disposal	–	(376,902)	–	(737)	–	(377,639)
Exchange differences	13,737	74,967	80	179	437	89,400
At 31 December 2021	1,936,812	13,606,460	2,465	7,855	20,709	15,574,301
Accumulated depreciation						
At 1 January 2021	–	905,063	2,055	4,748	939	912,805
Charge for the year	–	350,833	47	1,392	4,218	356,490
Transfer to asset held for sale	–	(21,623)	–	–	–	(21,623)
Written back on disposal	–	(33,928)	–	(737)	–	(34,665)
Exchange differences	–	7,035	71	92	258	7,456
At 31 December 2021	–	1,207,380	2,173	5,495	5,415	1,220,463
Net carrying amount						
At 31 December 2021	1,936,812	12,399,080	292	2,360	15,294	14,353,838

At 31 December 2022, the Group's vessels with aggregate net carrying amounts of HK$4,068,613,000 (2021: HK$3,627,047,000) were pledged to secure general banking facilities granted to the Group.

14 Right-of-use assets

	HK$'000
Cost	
At 1 January 2022	**56,866**
Additions	**8,059**
Exchange differences	**(1,711)**
At 31 December 2022	**63,214**
Accumulated depreciation	
At 1 January 2022	**20,158**
Charge for the year	**15,412**
Exchange differences	**(596)**
At 31 December 2022	**34,974**
Net carrying amount	
At 31 December 2022	**28,240**
Cost	
At 1 January 2021	41,552
Additions	16,307
Written off	(1,201)
Exchange differences	208
At 31 December 2021	56,866
Accumulated depreciation	
At 1 January 2021	8,588
Charge for the year	12,740
Written back on written off	(1,201)
Exchange differences	31
At 31 December 2021	20,158
Net carrying amount	
At 31 December 2021	36,708

The Group leases various offices. Rental contracts are typically entered into for fixed periods of 2 years to 5 years without any extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

15. Interests in joint ventures

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**586,954**	483,480
Capital Injection	**100,807**	45,870
Share of results of joint ventures	**348,214**	42,213
Share of other comprehensive income of joint ventures, net	**61,193**	11,818
Gain on deemed disposal of joint venture	**9,429**	–
Reclassified to interests in associates (note 16)	**(10,944)**	–
Exchange differences	**(1,836)**	3,573
At the end of the year	**1,093,817**	586,954

As at 31 December 2022 and 2021, details of the Group's interests in joint ventures which are unlisted corporate entities whose quoted market price is not available, are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December 2022	2021	Principal activities
Ocean Classic Limited	British Virgin Islands ("**BVI**")	**50%**	50%	Chartering services
Sino Singapore Maritime Pte. Ltd.	Singapore	**50%**	50%	Vessel owning and chartering
Vista Shipping Pte. Limited	Singapore	**50%**	50%	Vessel owning and chartering
Zhendui Industrial Intelligent Technology Co., Ltd.* ("**Zhendui**") (note) 震兌工業智能科技有限公司	The PRC	**N/A**	18%	Marine technology

All joint ventures have a reporting date of 31 December.

Note:

During the year ended 31 December 2022, Zhendui entered into a capital increase subscription agreement with the shareholders whereby Zhendui allotted and issued new shares. Upon completion of the capital increase subscription agreement, the Group's equity interest in Zhendui reduced from 18% to 16%, which also results changes in board composition, however the Group remains significant influence in Zhendui. Accordingly, investments in Zhendui has been reclassified to investments in associates.

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

15. Interests in joint ventures *(Continued)*

Summarised financial information for material joint ventures

The tables below provide summarised financial information of joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Sino Singapore Maritime Pte. Ltd. 2022 HK$'000
Current assets	**538,277**
Non-current assets	**2,253,024**
Current liabilities	**(127,909)**
Non-current liabilities	**(1,325,457)**
Revenue	**592,160**
Profit after income tax	**294,977**
Other comprehensive income	**122,386**
Total comprehensive income	**417,363**
Cash and cash equivalents	**139,575**
Current financial liabilities (excluding trade and other payables and provisions)	**119,135**
Non-current financial liabilities (excluding trade and other payables and provisions)	**1,325,457**
Depreciation and amortisation	**(96,677)**
Interest income	**17**
Interest expense	**(48,119)**
Income tax expense	**–**

15. Interests in joint ventures *(Continued)*

Summarised financial information for material joint ventures *(Continued)*

Reconciliation of summarised financial information

	Sino Singapore Maritime Pte. Ltd. 2022 HK$'000
Opening net assets as at 1 January	721,129
Capital Injection	201,615
Other comprehensive income	122,386
Profit for the year	294,977
Exchange differences	(2,172)
Closing net assets as at 31 December	1,337,935
Interest in joint venture	50%
Share of net assets	668,968
Carrying value	668,968

15. Interests in joint ventures *(Continued)*

Summarised financial information for material joint ventures *(Continued)*

	Ocean Classic Limited 2021 HK$'000
Current assets	179,282
Non-current assets	1,996,866
Current liabilities	(549,499)
Non-current liabilities	(1,220,468)
Revenue	471,790
Profit after income tax	142,932
Other comprehensive income	–
Total comprehensive income	142,932
Cash and cash equivalents	26,492
Current financial liabilities (excluding trade and other payables and provisions)	69,348
Non-current financial liabilities (excluding trade and other payables and provisions)	–
Depreciation and amortisation	(87,457)
Interest income	4
Interest expense	(32,460)
Income tax expense	–

Reconciliation of summarised financial information

	Ocean Classic Limited 2021 HK$'000
Opening net assets as at 1 January	260,996
Profit for the year	142,932
Exchange differences	2,253
Closing net assets as at 31 December	406,181
Interest in joint venture	50%
Share of net assets	203,091
Carrying value	203,091

15. Interests in joint ventures *(Continued)*

The aggregate amount of the Group's share of results of its joint ventures which are individually immaterial as follows:

	2022 HK$'000	2021 HK$'000
Aggregate carrying amount of individual joint ventures the consolidated financial statements	**424,849**	383,863

	2022 HK$'000	2021 HK$'000
Net profit/(loss) for the year	**200,725**	(29,253)
Other comprehensive income for the year	**–**	11,818

Commitments of joint ventures as at the reporting date attributable to the Group

	2022 HK$'000	2021 HK$'000
Capital commitments in respect of construction of vessels	**626,290**	395,637

16. Interests in associates

	2022 HK$'000	2021 HK$'000
At the beginning of the year	**70,294**	49,784
Share of results of associates	**(24,242)**	(668)
Capital injection	**1**	19,555
Reclassified from interests in joint ventures (note 15)	**10,944**	–
Exchange differences	**(4,568)**	1,623
At the end of the year	**52,429**	70,294

As at 31 December 2022 and 2021, details of the Group's interests in associates which are unlisted corporate entities whose quoted market price is not available, are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December 2022	2021	Principal activities
Nor Solan I Pte Ltd	Singapore	**28%**	28%	Chartering services
Nor Solan II Pte Ltd	Singapore	**28%**	28%	Chartering services
Guoxin CSSC (Qing dao) Marine Technology Company Limited* 國信中船(青島)海洋科技有限公司	The PRC	**25%**	25%	Marine technology
Glory Shipping Pte. Ltd.	Singapore	**35%**	35%	Not yet commence business
CSSC SDARI Energy Saving Technology (Shanghai) Company Limited* 中船斯達瑞節能科技(上海)有限公司	The PRC	**20%**	20%	Energy saving technology
Zhendui	The PRC	**16%**	N/A	Marine technology

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

16. Interests in associates *(Continued)*

Commitments of associates as at the reporting date attributable to the Group

	2022 **HK$'000**	2021 HK$'000
Capital commitments in respect of construction of vessels	**–**	43,733

All associates have a reporting date of 31 December.

17. Loan and lease receivables

	Notes	**As at 31 December 2022** **Gross amount HK$'000**	**Allowance for impairment losses HK$'000**	**Net carrying amount HK$'000**
Loan borrowings	17.1	**7,617,997**	**(141,243)**	**7,476,754**
Lease receivables	17.2	**12,725,901**	**(434,880)**	**12,291,021**
Loans to joint ventures	17.3	**842,525**	**–**	**842,525**
		21,186,423	**(576,123)**	**20,610,300**

	Notes	As at 31 December 2021 Gross amount HK$'000	Allowance for impairment losses HK$'000	Net carrying amount HK$'000
Loan borrowings	17.1	7,732,019	(26,308)	7,705,711
Lease receivables	17.2	14,361,055	(459,555)	13,901,500
Loans to joint ventures	17.3	864,947	–	864,947
		22,958,021	(485,863)	22,472,158

17. Loan and lease receivables *(Continued)*

Movement in the Group's provision of impairment loss of loan and lease receivables are as follows:

	HK$'000
At 1 January 2021	503,565
Provision for the year	116,884
Reversal during the year	(137,771)
Exchange difference	3,185
At 31 December 2021 and 1 January 2022	485,863
Provision for the year	269,163
Reversal during the year	(178,903)
At 31 December 2022	576,123

17.1 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 **HK$'000**	2021 HK$'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

17. Loan and lease receivables *(Continued)*

17.2 Lease receivables

As at 31 December 2022, the Group's finance lease receivables were secured, interest bearing at rates ranging from 6% to 10.4% (2021: 3.6% to 7.3%). Details of lease receivables as at 31 December 2022 and 2021 are as follows:

	2022 **HK$'000**	2021 HK$'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 **HK$'000**	2021 HK$'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

17. Loan and lease receivables *(Continued)*

17.2 Lease receivables *(Continued)*

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

	2022 **HK$'000**	2021 HK$'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

During the year ended 31 December 2022, the interest rates of certain lease receivables amounting to HK$323,203,000 were replaced from London Interbank Offered Rate ("**LIBOR**") to Secured Overnight Financing Rate ("**SOFR**") plus fixed spread adjustment. Since the Group applied the practical expedient upon the modification of these lease receivables provided that the "economically equivalent" criterion is met, there is no impact on the financial position and performance of the Group.

17.3 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 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.

18. Derivative financial instruments

	2022 HK$'000	2021 HK$'000
Assets		
Interest rate swap – held for trading	**92,654**	12,615
Interest rate swap – cash flow hedges	**419,163**	92,032
	511,817	104,647
Liabilities		
Interest rate swap – held for trading	**–**	6,244
Interest rate swap – cash flow hedges	**–**	108,530
	–	114,774

Interest rate swap

As at 31 December 2022, the Group has outstanding interest rate swap contracts, which will expire between December 2028 and April 2032 (2021: between June 2022 and April 2032) with notional amount of US$543,112,000, approximately equivalent to HK$4,225,408,000 (2021: US$694,366,000, approximately equivalent to HK$5,418,487,000) to exchange floating interest rates into fixed interest rates in a range of 0.72% to 3% (2021: 0.72% to 3%).

18. Derivative financial instruments *(Continued)*

Hedging reserves

The Group's hedging reserves disclosed in consolidated statement of changes in equity relate to the following hedging instruments:

	Hedging reserves HK$'000
At 1 January 2021	169,868
Less: Changes in fair value of hedging instrument recognised in other comprehensive income	(138,950)
Reclassified from hedging reserve to profit or loss	(31,909)
At 31 December 2021 and 1 January 2022	**(991)**
Less: Changes in fair value of hedging instrument recognised in other comprehensive income	**(398,091)**
Reclassified from hedging reserve to profit or loss	**(3,324)**
At 31 December 2022	**(402,406)**

Amounts recognised in consolidated income statement

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in consolidated income statement in relation to derivatives:

	2022 **HK$'000**	2021 HK$'000
Net gain on interest rate swap not qualifying as hedges included in other gain, net	**(70,971)**	(34,448)
Hedge ineffectiveness of interest rate swap – amount recognised in other gains	**(11,193)**	(25,214)

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As critical terms matched during the year, there is an economic relationship.

18. Derivative financial instruments *(Continued)*

Amounts recognised in consolidated income statement *(Continued)*

Hedge ineffectiveness for interest rate swaps is assessed by using hypothetical derivative which has terms that mirror those of the hedged item. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Fair value measurement

Details of the methods and assumptions used in determining the fair value of derivatives are as set out in note 3.4.

19. Prepayments, deposits and other receivables

	2022 HK$'000	2021 HK$'000
Prepayments	**15,268**	127,019
Interest receivables	**9,711**	11,526
Other receivables	**15,480**	9,601
	40,459	148,146

As at 31 December 2021, included in prepayments is an amount of HK$119,105,000 represents prepayments to fellow subsidiaries for acquisition of vessels for finance lease purposes.

The carrying amounts of these receivables of the Group approximate their fair values.

20. Financial assets at fair value through profit or loss

	2022 HK$'000	2021 HK$'000
Investments in wealth management portfolio	**468,886**	571,676
Investments in exchange notes	**217,840**	218,498
	686,726	790,174

20. Financial assets at fair value through profit or loss *(Continued)*

The movements of financial assets at fair value through profit or loss are as follows:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**790,174**	904,671
Disposal during the year	**(38,900)**	(93,278)
Net changes in fair value	**(62,168)**	(26,632)
Exchange differences	**(2,380)**	5,413
At 31 December	**686,726**	790,174

21. Financial assets at fair value through other comprehensive income

	2022 **HK$'000**	2021 HK$'000
Equity instruments		
– Listed perpetual securities	**–**	155,368
Debt instruments		
– Listed debts	**94,478**	220,196
	94,478	375,564

21. Financial assets at fair value through other comprehensive income *(Continued)*

The movements in financial assets at fair value through other comprehensive income are as follows:

	Equity instruments HK$'000	Debt instruments HK$'000	Total HK$'000
At 1 January 2022	**155,368**	**220,196**	**375,564**
Disposal during the year	**(155,600)**	**(116,700)**	**(272,300)**
Net change in fair value	**700**	**(8,355)**	**(7,655)**
Exchange differences	**(468)**	**(663)**	**(1,131)**
At 31 December 2022	**–**	**94,478**	**94,478**
At 1 January 2021	508,230	218,028	726,258
Disposal during the year	(356,537)	–	(356,537)
Net change in fair value	1,755	748	2,503
Exchange differences	1,920	1,420	3,340
At 31 December 2021	155,368	220,196	375,564

22. Amounts due from/to associates, fellow subsidiaries, joint ventures and non-controlling interests

	2022 HK$'000	2021 HK$'000
Amounts due from associates	**29,715**	24,674
Amounts due from fellow subsidiaries	**2,047**	3,050
Amounts due from joint ventures	**52,792**	100,520

	2022 HK$'000	2021 HK$'000
Amounts due to fellow subsidiaries	**–**	17,465
Amount due to a joint venture	**207,172**	259,216
Amounts due to non-controlling interests	**168,227**	88,066

22. Amounts due from/to associates, fellow subsidiaries, joint ventures and non-controlling interests *(Continued)*

The amounts due from associates are unsecured, interest free, repayable on demand and are denominated in SGD which are non-trade nature.

The amounts due from/to fellow subsidiaries are unsecured, interest free, repayable on demand and are denominated in HK$ and US$ which are non-trade nature.

The amounts due to non-controlling interests are unsecured, interest free, repayable on demand and denominated in US$ and SGD, which are non-trade nature.

The amounts due from/to joint ventures are unsecured, interest free, repayable on demand and denominated in HK$ and US$, which are non-trade nature.

23. Cash and cash equivalents, time deposits with maturity over three months, pledged time deposits and structured bank deposits

	2022 **HK$'000**	2021 HK$'000
Time deposits with maturity over three months	**200,107**	127,431
Pledged time deposits	**7,628**	–
Cash at bank and on hand	**1,181,458**	1,427,683
Total	**1,389,193**	1,555,114
Structured bank deposits	**–**	61,165

The carrying amounts of the Group's cash and cash equivalents, pledged time deposits and time deposits are denominated in following currencies:

	2022 **HK$'000**	2021 HK$'000
EUR	**387**	2,147
HK$	**3,127**	6,101
RMB	**353,855**	220,925
SGD	**201**	2,994
US$	**1,031,623**	1,322,947
	1,389,193	1,555,114

23. Cash and cash equivalents, time deposits with maturity over three months, pledged time deposits and structured bank deposits *(Continued)*

The time deposits are with original maturity over three months and carried interests at the prevailing market interest during the year. The effective interest rate on deposits with bank as at 31 December 2022 is from 3.15% to 5% (2021: 0.17%) per annum.

The pledged time deposits carried interests at the fixed interest rate during the year. The effective interest rate on pledged time deposits as at 31 December 2022 is 4.49% (2021: Nil%) per annum.

As at 31 December 2022, the bank balances of the Group denominated in RMB amounted to HK$353,855,000 (2021: HK$220,925,000). These bank balances are not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2021, the Group's structured bank deposits are principal-protected and placed with the PRC banks. These deposits are with original maturity dates more than three months, interest bearing, denominated in RMB. The carrying amounts of structured bank deposits approximate their fair values.

24. Asset held for sale

	2022 **HK$'000**	2021 HK$'000
Vessel	–	198,549

In December 2021, the Group intended to sell two vessels which were under operating lease arrangements. These vessels were consequently present as asset held for sale in the consolidated financial statements. The sales transaction was completed in January 2022 at a consideration of US$29,000,000.

25. Borrowings

	2022 **HK$'000**	2021 HK$'000
Bank borrowings	**17,611,691**	19,604,721
Guaranteed bonds	**10,176,573**	10,193,740
	27,788,264	29,798,461

25. Borrowings *(Continued)*

25.1 Bank borrowings

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

	2022 HK$'000	2021 HK$'000
On demand and within 1 year	**7,457,427**	11,132,698
After 1 year but within 2 years	**1,105,387**	1,130,646
After 2 years but within 5 years	**5,003,120**	3,374,365
After 5 years	**4,045,757**	3,967,012
	17,611,691	19,604,721

The interest rates of the borrowings of the Group as at 31 December 2022 were as follows:

	2022 HK$'000	2021 HK$'000
Bank borrowings	**From 4.91% to 6.22%**	From 0.96% to 2.27%

As at 31 December 2022, the Group's secured bank borrowings of HK$8,992,860,000 (2021: HK$9,623,851,000) were secured by lease receivables of approximately HK$10,461,470,000 (2021: HK$10,566,329,000), shares of certain subsidiaries, floating charge on deposits of approximately HK$162,344,000 (2021: HK$114,942,000), pledged deposits of approximately HK$7,628,000 (2021: HK$Nil), general assignments, bareboat charterer assignments, intra group loan assignments and property, plant and equipment of approximately HK$4,068,613,000 (2021: HK$3,627,047,000). Among which HK$ Nil (2021: HK$1,432,612,000) were also guaranteed by the intermediate holding company.

As at 31 December 2022, the Group's bank borrowings of HK$8,618,831,000 (2021: HK$9,980,870,000) were unsecured and guaranteed by the Company.

For the year ended 31 December 2022, the interest rates of certain bank borrowings amounting to HK$797,324,000 were replaced from LIBOR to SOFR plus fixed spread adjustment. Since the Group applied the practical expedient upon the modification of these bank borrowings provided that the "economically equivalent" criterion is met, there is no impact on the financial position and performance of the Group.

25. Borrowings *(Continued)*

25.2 Guaranteed bonds

In July 2021, the Group issued guaranteed bonds of US$500,000,000 (approximately HK$3,890,000,000) due 2026 bearing interest at 2.1%.

In February 2020, the Group issued two guaranteed bonds of US$400,000,000 (approximately HK$3,112,000,000) due 2025 and US$400,000,000 (approximately HK$3,112,000,000) due 2030 bearing interest at 2.5% and 3.0% respectively.

All the guaranteed bonds were guaranteed by the Company and listed on The Stock Exchange of Hong Kong Limited. As at 31 December 2022, the guaranteed bonds were repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	**62,573**	49,190
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**7,002,000**	7,023,150
After 5 years	**3,112,000**	3,121,400
	10,176,573	10,193,740

26. Other payables and accruals

	2022 HK$'000	2021 HK$'000
Accruals	**41,021**	7,590
Deposits received	**506,912**	365,050
Other payables	**103,584**	49,474
	651,517	422,114

The carrying amount of other payables and accruals are considered to be the same as their fair values, due to their short-term nature.

27. Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2022 HK$'000	2021 HK$'000
Total minimum lease payments:		
Due within one year	**15,931**	15,270
Due in the second to fifth years	**15,200**	25,051
	31,131	40,321
Future finance charges	**(1,169)**	(1,737)
Present value of lease liabilities	**29,962**	38,584

	2022 HK$'000	2021 HK$'000
Present value of minimum lease payments:		
Due within one year	**15,133**	14,245
Due in the second to fifth years	**14,829**	24,339
	29,962	38,584

During the year ended 31 December 2022, the total cash outflows for the leases amounted to HK$16,711,000 (2021: HK$12,754,000).

28. Deferred tax

The movement during the year in the deferred tax assets is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**1,680**	–
Recognised in profit or loss (note 9)	**2,709**	1,656
Exchange differences	**(264)**	24
At 31 December	**4,125**	1,680

28. Deferred tax *(Continued)*

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the years is as follows:

	ECL allowance HK$'000	Tax losses HK$'000	Other HK$'000	Total HK$'000
At 1 January 2021	–	–	–	–
Recognised in profit or loss	64	1,266	326	1,656
Exchange differences	1	19	4	24
At 31 December 2021 and 1 January 2022	65	1,285	330	1,680
Recognised in profit or loss	2,221	803	(315)	2,709
Exchange differences	(102)	(147)	(15)	(264)
At 31 December 2022	2,184	1,941	–	4,125

At 31 December 2022, the Group did not recognise deferred tax assets in respect of tax losses of approximately HK$19,118,000 (2021: HK$17,946,000) due to the unpredictability of future profit streams. The Group had no other significant un-provided deferred taxation as at 31 December 2022. Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such unremitted earnings in the unforeseeable future.

Subject to the agreement by the tax authorities, at 31 December 2022, the Group's tax losses will expire:

	2022 HK$'000	2021 HK$'000
No expiry date	**115,869**	108,760

29. Share capital

	Numbers of shares ('000)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	6,136,066	6,614,466

30. Share-based employee compensation

The Company has adopted a share option scheme (the "**Scheme**"), which was approved by the shareholders on the extraordinary general meeting held on 30 April 2021.

Pursuant to which, the maximum number of shares to be issued upon the exercise of the share options shall not in aggregate exceed 613,606,623 shares, representing approximately 10% of the total number of issued shares of the Company as at the date of approval of the Scheme at the extraordinary general meeting.

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

On 30 April 2021 (the "**First Grant Date**") and 4 April 2022 (the "**Second Grant Date**"), the Company granted 143,540,000 and 28,710,000 share options to certain of its directors and employees for nil consideration at an exercise price of HK$1.32 and HK$1.15 per share respectively. The exercise price represents the highest of (i) the closing price as stated in the daily quotations sheet issued by the Stock Exchange on the First and Second Grant Date; and (ii) the average closing price as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the First and Second Grant Date. The options shall be vested to the Grantees during the period and in the respective proportions as follows:

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

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

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

The options are exercisable within a period of ten years from the grant date. Each option gives the holder the right to subscribe for one ordinary share in the Company. Details of the Scheme are as set out in the Company's circular dated 13 April 2021.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

30. Share-based employee compensation *(Continued)*

Details of movements in share options during the year ended 31 December 2022 were as follows:

	2022		2021	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
	'000	**HK$**	'000	HK$
Outstanding at 1 January	**143,540**	**1.32**	–	–
Granted	**28,710**	**1.15**	143,540	1.32
Forfeited	**(56,070)**	**1.32**	–	–
Outstanding at 31 December	**116,180**	**1.28**	143,540	1.32

As at 31 December 2022, the outstanding share options had a weighted average remaining contractual life of 8.6 years (2021: 9.3 years). None of the share options were exercisable as at 31 December 2022 and 2021.

The fair values of options granted were determined by using the Binomial Option Pricing Model that takes into account of factors specific to the share incentive plans. The following principal assumptions were used in the valuation at the respective grant date:

	The First Grant Date	**The Second Grant Date**
Share price at date of grant	HK$1.32	HK$1.15
Exercise price at date of grant	HK$1.32	HK$1.15
Expected volatility	44.20%	43.93%
Expected option life	10 years	10 years
Dividend yield	8.58%	7.50%
Risk-free interest rate	1.15%	2.24%
Post-vesting forfeiture rate	14.16% to 25.44%	12.81%

30. Share-based employee compensation *(Continued)*

Details of the share options granted on the respective grant dates were as follows:

	Grant Date	**Share options granted during the year ended 31 December 2022**	**Estimated fair value per share option HK$**	**Fair value as at the grant date HK$'000**
Other employees	4 April 2022	**28,710,000**	**0.298**	**8,556**

Directors	Grant Date	Share options granted during the year ended 31 December 2021	Estimated fair value per share option HK$	Fair value as at the grant date HK$'000
Mr. Zhong Jian	30 April 2021	12,650,000	0.277	3,504
Mr. Hu Kai	30 April 2021	12,650,000	0.277	3,504
Sub-total		25,300,000		7,008
Other employees	30 April 2021	118,240,000	0.303	35,874
Total		143,540,000		42,882

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Binomial Option Pricing Model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, HK$15,663,000 (2021: HK$10,335,000) of employee compensation expenses has been recognised in profit or loss for the year ended 31 December 2022 and the corresponding amount of which has been credited to "Share option reserve". No liabilities were recognised in connection with share-based payment transactions.

30. Share-based employee compensation *(Continued)*

Certain directors and highest paid individuals held share options during the year. The related charge recognised for such options for the year ended 31 December 2022, estimated in accordance with the Group's accounting policy in note 2.22 was as follows:

(1) Mr. Zhong Jian, HK$1,262,000 (2021: HK$841,000);

(2) Mr. Hu Kai, HK$210,000 (2021: HK$841,000) and forfeiture amount at HK$1,051,000 (2021: HK$Nil); and

(3) The remaining 4 (2021: 3) highest paid individuals, HK$3,453,000 (2021: HK$2,797,000).

31. Related party transactions

The directors of the Company regard CSSC International Holding Company Limited as the immediate holding company, which owns approximately 75% of the Company's issued ordinary shares at 31 December 2022. The ultimate parent company of the Group is China State Shipbuilding Corporation Limited ("**China Shipbuilding Group**") (中國船舶集團有限公司), a state-owned enterprise established in the PRC. China Shipbuilding Group itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include China Shipbuilding Group and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and China Shipbuilding Group as well as their close family members.

For the years ended 31 December 2022 and 2021, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include bank deposits, bank borrowings and the corresponding interest income and interest expenses and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in these consolidated financial statements, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year ended 31 December 2022.

31. Related party transactions *(Continued)*

31.1 Transaction with related parties

Other than as disclosed in elsewhere of these consolidated financial statements, the Group entered into the following related party transactions during the year:

Transactions with fellow subsidiaries:

	2022 **HK$'000**	2021 HK$'000
Commission income	**25,355**	32,123
Rental and utilities expenses	**17,556**	16,334
Purchase of vessels and offshore equipment	**2,005,258**	6,775,518
Addition of leasehold improvement	**–**	4,558

Transactions with intermediate holding company:

	2022 **HK$'000**	2021 HK$'000
Guarantee expenses	**2,766**	–

Transactions with joint ventures:

	2022 **HK$'000**	2021 HK$'000
Interest income	**19,266**	9,616

Transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

31. Related party transactions *(Continued)*

31.2 Balances with related parties

	2022 HK$'000	2021 HK$'000
Amounts due from		
– Associates	**29,715**	24,674
– Fellow subsidiaries	**2,047**	3,050
– Joint ventures	**52,792**	100,520
Loans to joint ventures	**842,525**	864,947
Prepayment to fellow subsidiaries	**–**	119,105
Amounts due to		
– Fellow subsidiaries	**–**	17,465
– A joint venture	**207,172**	259,216
– Non-controlling interests	**168,227**	88,066

31.3 Key management personnel compensations

Key management includes executive directors and senior management. The compensations paid or payable to key management for employee services are shown below:

	2022 HK$'000	2021 HK$'000
Wages, salaries and bonuses	**16,686**	14,406
Retirement benefit costs	**2,030**	2,276
Share-based payment expenses	**3,646**	3,645
	22,362	20,327

32. Note to consolidated statement of cash flows

32.1 Reconciliation from profit before income tax to net cash generated from operations

	2022 HK$'000	2021 HK$'000
Profit before income tax	**1,755,641**	1,401,394
Adjustments for		
– Finance costs and bank charges	**759,215**	487,927
– Interest income	**(49,490)**	(55,596)
– Depreciation	**476,724**	369,230
– Dividend income	**(8,402)**	(14,142)
– Provision/(Reversal) of impairment of loan and lease receivables, net	**90,260**	(20,887)
– Share-based payment expenses	**15,663**	10,335
– Net gain on disposal of property, plant and equipment	**(258)**	(19,788)
– Gain on disposal of asset held for sale	**(23,498)**	–
– Net gain on de-recognition of finance lease receivable	**(51,597)**	(25,609)
– Net gain on changes in fair value of derivative financial instruments	**(82,164)**	(59,662)
– Net realised (gain)/loss from settlement of derivative financial instruments	**(211)**	16,047
– Net loss on changes in fair value of financial assets at fair value through profit or loss	**62,168**	26,632
– Share of results of associates	**24,242**	668
– Share of results of joint ventures	**(348,214)**	(42,213)
– Gain on deemed disposal of joint venture	**(9,429)**	–
Operating profit before working capital charges	**2,610,650**	2,074,336
Increase in loan and lease receivables	**(231,444)**	(7,087,143)
Increase in prepayments, deposits and other receivables	**(13,198)**	(84,492)
Increase/(Decrease) in other payables and accruals	**232,822**	(34,157)
Proceeds on de-recognition of finance lease receivable	**1,998,818**	573,196
Net cash generated from/(used in) operations	**4,597,648**	(4,558,260)

Material non-cash transactions

(i) During the year ended 31 December 2022, the Group has transferred from prepayments to finance lease receivables upon the delivery of the respective vessels for finance leasing and commencement of the respective finance lease arrangements amounting to HK$118,746,000 (2021: HK$325,312,000).

(ii) During the year ended 31 December 2022, the Group has subscribed redeemable preference shares of joint venture amounting to HK$26,964,000 and HK$7,780,000 (2021: HK$Nil and HK$Nil) which were settled by netting off amounts due from joint ventures and loans to joint ventures respectively.

(iii) During the year ended 31 December 2021, the Group has transferred from property, plant and equipment to loan and lease receivables amounting to HK$261,561,000.

32. Note to consolidated statement of cash flows *(Continued)*

32.2 Net debt reconciliation

The table below set out the reconciliation of liabilities arising from financing activities:

	Lease liabilities HK$'000	Amounts due to fellow subsidiaries HK$'000	Amount due to a joint venture HK$'000	Amounts due to non-controlling interests HK$'000	Borrowings HK$'000
As at 1 January 2021	33,647	17,490	71,732	87,497	20,515,990
Proceeds from issuance of guaranteed bonds	–	–	–	–	3,886,600
Proceeds of borrowings	–	–	–	–	10,920,470
Repayment of borrowings	–	–	–	–	(5,697,280)
Interests paid	–	–	–	–	(516,372)
Principle element of lease liabilities paid	(11,563)	–	–	–	–
Interest element of lease liabilities paid	(1,191)	–	–	–	–
Foreign exchange adjustments	193	113	1,192	569	168,892
Finance costs incurred	–	–	–	–	520,161
Increase in lease liabilities from entering into new leases during the year	16,307	–	–	–	–
Interest on lease liabilities	1,191	–	–	–	–
Proceeds during the year	–	–	186,292	–	–
Repayment during the year	–	(138)	–	–	–
As at 31 December 2021 and 1 January 2022	**38,584**	**17,465**	**259,216**	**88,066**	**29,798,461**
Proceeds of borrowings	**–**	**–**	**–**	**–**	**13,779,459**
Repayment of borrowings	**–**	**–**	**–**	**–**	**(15,770,635)**
Interests paid	**–**	**–**	**–**	**–**	**(772,802)**
Principle element of lease liabilities paid	**(15,434)**	**–**	**–**	**–**	**–**
Interest element of lease liabilities paid	**(1,277)**	**–**	**–**	**–**	**–**
Foreign exchange adjustments	**(1,229)**	**(53)**	**(780)**	**(185)**	**(89,737)**
Finance costs incurred	**–**	**–**	**–**	**–**	**843,518**
Increase in lease liabilities from entering into new leases during the year	**8,041**	**–**	**–**	**–**	**–**
Interest on lease liabilities	**1,277**	**–**	**–**	**–**	**–**
Proceeds during the year	**–**	**–**	**–**	**135,992**	**–**
Repayment during the year	**–**	**(17,412)**	**(51,264)**	**(55,646)**	**–**
As at 31 December 2022	**29,962**	**–**	**207,172**	**168,227**	**27,788,264**

33. Operating lease arrangements

As lessor

The Group leases its vessels under operating lease arrangements, which leases negotiated for terms of 1 to 14 years (2021: 1 to 14 years). None of the leases includes contingent rentals (2021: none).

At 31 December 2022, the Group had total future minimum lease receivables under non-cancellable operating leases with its leases falling due as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**1,770,491**	1,567,420
After 1 year but within 2 years	**2,358,586**	1,311,919
After 2 year but within 3 years	**2,408,169**	1,163,995
After 3 year but within 4 years	**2,161,441**	1,156,734
After 4 year but within 5 years	**2,267,488**	1,195,878
After five years	**14,424,058**	3,518,325
	25,390,233	9,914,271

34. Capital commitments

As at 31 December 2022, capital commitments outstanding contracted but not provided for are as follows:

	2022 HK$'000	2021 HK$'000
Contracted for in respect of construction of vessels	**9,454,787**	9,415,309

35. Provisions and contingencies

The financial guarantees issued by the Group as at 31 December 2022 are analysed as below:

	2022 HK$'000	2021 HK$'000
Guarantees provided in respect of joint ventures' bank loans	**1,736,103**	3,173,075
Guarantees provided in respect of joint ventures' other borrowings	**737,544**	–
	2,473,647	3,173,075

35. Provisions and contingencies *(Continued)*

As at 31 December 2022, among the guarantees provided in respect of the joint ventures' bank loan, HK$1,017,345,000 (2021: HK$1,105,112,000) were jointly and severally guaranteed by the joint venture partners.

As at 31 December 2021, among the guarantees provided in respect of the joint ventures' bank loan, HK$1,289,138,000 were counter-guaranteed by the joint venture partners.

As at 31 December 2022, the Group has an outstanding guarantees up to a maximum amount of US$94,800,000 approximately HK$737,544,000 (2021: Nil) for the punctual performance of the joint ventures in respect of their respective obligations, duties and liabilities of other borrowings. The guarantees will be released upon the end of the charter period.

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

36. Reserves

36.1 Investment revaluation reserve

Investment revaluation reserve represents the reserve of the fair value change from financial assets at fair value through other comprehensive income.

36.2 Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 18 for details. The cash flow hedge reserve is used to recognise effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 2.10.

36.3 Exchange reserve

Exchange reserve represents the exchange difference on translation of the foreign operations.

36.4 Other reserves

Other reserves represent the statutory surplus reserve and other reserve.

36.5 Share option reserves

Share option reserves represent the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2.22.

37. Dividends

	2022 **HK$'000**	2021 HK$'000
Dividend approved and paid:		
Interim dividend of HK3 cents (2021: HK3 cents) per ordinary share	**184,082**	184,082
Final dividend in respect of the year ended 31 December 2021 of HK6 cents (2020 of HK6 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 HK7 cents (2021: HK6 cents) per ordinary share	**429,525**	368,164

At the board meeting held on 24 March 2023, the board has declared final dividend of HK7 cents (2021: HK6 cents) per share, and the final dividend is declared after reporting period, such dividend has not been recognised as liability as at 31 December 2022.

38. Events after the reporting period

Issuance of bond

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.

39. Investments in subsidiaries

Particulars of the Company's material subsidiaries are as follows:

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2022	2021	Principal activities
New Pearl River Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
CP Shanghai Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Guangzhou Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Tianjin Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Chongqing Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Nanjing Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Shenzhen Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CSSC Financial Leasing (Shanghai) Company Limited* # (中船融資租賃(上海)有限公司)	The PRC	RMB100,000,000	**100%**	100%	Finance leasing
CSSC Financial Leasing (Guangzhou) Company Limited* # (中船融資租賃(廣州)有限公司)	The PRC	RMB200,000,000	**100%**	100%	Finance leasing
CSSC Financial Leasing (Tianjin) Company Limited* # (中船融資租賃(天津)有限公司)	The PRC	RMB500,000,000	**100%**	100%	Finance leasing
CSSC Ruiyun (Tianjin) Financial Leasing Co., Ltd.* # (中船瑞雲(天津)融資租賃有限公司)	The PRC	RMB100,000	**100%**	100%	Finance leasing
CSSC Jiyun (Tianjin) Financial Leasing Co., Ltd.* # (中船吉雲(天津)融資租賃有限公司)	The PRC	RMB100,000	**100%**	100%	Finance leasing
CHA First Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Finance leasing
CHA Second Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Finance leasing
CHC First Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
CHC Second Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
CHC Third Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
Kylin Offshore Engineering Pte Ltd.	Singapore	SGD5,000,000	**70%**	70%	Marine engineering business
Fortune Fuzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Lianjiang Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Loan borrowings

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2022	2021	Principal activities
Shenjiamen Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Finance leasing
Zhujiajian Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Finance leasing
CP Jinan Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
CP Xian Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
CP Hangzhou Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
CP Fuzhou Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
Fortune Tianhe Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Haizhu Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Nansha Shipping Limited	Hong Kong	HK$1	**100%**	100%	Loan borrowings
Fortune Ricardo Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Kun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Zhen Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Xun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Kan Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Li Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Gen Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Dui Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suez I Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suez III Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Xuanyuan Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune East Sea Holding Company Limited	BVI	US$100	**100%**	100%	Loan borrowings and investment holding

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2022	2021	Principal activities
Earl Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Emma Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Empire Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Epoch Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Essence Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Excellency Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Elmar Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Elsa Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Ernest Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Bec I Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec II Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec III Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec IV Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec V Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec VI Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
CP Chartering Company Limited	BVI	US$1	**75%**	75%	Operating leasing
Fortune Guangzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune May Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune July Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Pluto Holding Company Limited	BVI	US$100	**100%**	100%	Loan borrowings
Fortune Harbin Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Central Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune CD Prometheus Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2022	2021	Principal activities
Fortune Gentle Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Grit Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Shanghai Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
CSSC Capital 2015 Limited	BVI	US$100	**100%**	100%	Bond issuing
Epoch Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Changchun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Crete Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Great Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Grind Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Lantau Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Leopard Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Pingtan Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Power Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Shenyang Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Tsingyi Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Vbulker Shipping Pte Ltd.	Singapore	US$50,000	**100%**	100%	Finance leasing
Fortune VGAS Shipping I Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune VGAS Shipping II Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune VGAS Shipping III Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune VGAS Shipping IV Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune Wanchai Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Chem1 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem2 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem3 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2022	2021	Principal activities
Fortune Chem4 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem5 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem6 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune MGAS I Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune MGAS II Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune MC Hercules Shipping Limited	BVI	US$100	**100%**	100%	Finance leasing
Fortune MC Titan Shipping Limited	BVI	US$100	**100%**	100%	Finance leasing
Fortune Santorini Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suqian Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Mudanjiang Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Changle Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Teddy Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Civilization Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Equality Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Freedom Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Integrity Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Changsha Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Lanzhou Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Lasa Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Sealion I Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Sealion II Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Sealion III Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Sealion IV Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Yangzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2022	2021	Principal activities
Fortune Suzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Loan borrowings
Fortune Wuxi Shipping Limited	Marshall Islands	US$100	**100%**	100%	Loan borrowings
Fortune Lyra Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Matthew Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Aquila Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Colossians Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Grus Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Ephesians Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Hebrews Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Dongming Maritime Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Elsa Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Faith HLMPP Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Falcon HLMPP Maritime Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Fame HLMPP Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Fighter HLMPP Maritime Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Focus HLMPP Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Force Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Fortune HLMPP Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Freedom HLMPP Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Frontier HLMPP Maritime Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Fusion HLMPP Shipping Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Future 13KMPPF900HL Maritime Limited	Malta	EUR1,200	**100%**	N/A	Operating leasing
Fortune Capricorn Holding Limited	BVI	US$100	**100%**	100%	Investment holding
Fortune Car Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing

39. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2022	2021	Principal activities
Fortune Chengdu Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Chongqing Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Geneva Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune HLC Shipping Limited	Liberia	US$100	**100%**	N/A	Finance leasing
Fortune Idea Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune Image Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune Jinhua Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune Leo Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Nanning Shipping Limited	Marshall Islands	US$100	**100%**	100%	Loan borrowings
Fortune Truck Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Vision Shipping Limited	Marshall Islands	US$100	**100%**	N/A	Finance leasing
Fortune Xinhang Shipping Pte. Limited	Singapore	US$50,000	**100%**	100%	Finance leasing
Fortune Xintian Shipping Pte. Limited	Singapore	US$50,000	**100%**	100%	Finance leasing
CA Shipping Company Limited	Hong Kong	HK$10,000	**60%**	N/A	Operating leasing

Notes:

All companies now comprising the Group have adopted 31 December as their financial year end date.

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

These subsidiaries were registered in the PRC as a wholly foreign owned enterprise.

40. Statement of financial position and reserve movements of the Company

		2022 HK$'000	2021 HK$'000
ASSETS			
Property, plant and equipment		**5,493**	8,010
Right-of-use asset		**15,768**	24,747
Interests in subsidiaries		**996,622**	999,633
Interests in associate		**272**	273
Loan receivables		**382,748**	965,332
Derivative financial assets		**409,149**	99,268
Prepayments, deposits and other receivables		**9,376**	11,507
Financial assets at fair value through profit or loss		**217,840**	218,498
Financial assets at fair value through other comprehensive income		**94,478**	375,564
Amounts due from subsidiaries		**30,227,649**	30,672,142
Amounts due from fellow subsidiaries		**1,711**	–
Cash and bank balances		**598,038**	853,128
Total assets		**32,959,144**	34,228,102
LIABILITIES			
Borrowings		**8,931,145**	9,973,878
Derivative financial liabilities		**–**	88,146
Amounts due to subsidiaries		**16,566,475**	16,213,775
Amount due to joint venture		**71,981**	72,199
Lease liabilities		**16,327**	25,312
Other payables and accruals		**48,199**	3,080
Total liabilities		**25,634,127**	26,376,390
Net assets		**7,325,017**	7,851,712
EQUITY			
Share capital		**6,614,466**	6,614,466
Reserves	Note a	**710,551**	1,237,246
Total equity		**7,325,017**	7,851,712

The statement of financial position of the Company was approved by the Board of Directors on 24 March 2023 and was signed on its behalf.

ZHONG JIAN
Director

SHING MO HAN YVONNE
Director

40. Statement of financial position and reserve movements of the Company *(Continued)*

Note (a) Reserve movement of the Company

	Investment revaluation reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2022	**9,620**	**(4,296)**	**(11,296)**	**1,232,883**	**10,335**	**1,237,246**
Profit and total comprehensive income for the year	**(7,655)**	**–**	**(20,392)**	**37,935**	**–**	**9,888**
Disposal of equity investments at fair value through other comprehensive (non-recycling)	**(2,470)**	**–**	**–**	**2,470**	**–**	**–**
Equity settled share-based payments	**–**	**–**	**–**	**–**	**15,663**	**15,663**
Dividends (Note 37)	**–**	**–**	**–**	**(552,246)**	**–**	**(552,246)**
At 31 December 2022	**(505)**	**(4,296)**	**(31,688)**	**721,042**	**25,998**	**710,551**
At 1 January 2021	24,424	(4,296)	(58,983)	58,781	–	19,926
Profit and total comprehensive income for the year	2,503	–	47,687	1,709,041	–	1,759,231
Disposal of equity investments at fair value through other comprehensive (non-recycling)	(17,307)	–	–	17,307	–	–
Equity settled share-based payments	–	–	–	–	10,335	10,335
Dividends (Note 37)	–	–	–	(552,246)	–	(552,246)
At 31 December 2021	9,620	(4,296)	(11,296)	1,232,883	10,335	1,237,246


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