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

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

(Incorporated in Hong Kong with limited liability)

(Stock code: 3877)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the "**Directors**") (the "**Board**") of CSSC (Hong Kong) Shipping Company Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023, together with comparative figures for the year ended 31 December 2022, which shall be read in conjunction with the management discussion and analysis, as follows:

FINANCIAL HIGHLIGHTS

1. Summary of Consolidated Income Statement

	For the year ended 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Revenue	**3,626,148**	3,208,242	13.0%
Total expenses	**(2,197,686)**	(1,901,138)	15.6%
Profit from operations	**1,547,453**	1,431,669	8.1%
Profit for the year	**1,911,667**	1,734,510	10.2%
Basic and diluted earnings per share *(HK$)*	**0.310**	0.275	12.9%

2. Summary of Consolidated Statement of Financial Position

	As at 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Total assets	**45,143,559**	40,520,890	11.4%
Total liabilities	**32,313,648**	28,878,564	11.9%
Total equity	**12,829,911**	11,642,326	10.2%

3. Selected Financial Ratios

	For the year ended 31 December/ As at 31 December	
	2023	2022
Profitability indicators		
Return on average assets ("**ROA**")[(1)]	**4.5%**	4.3%
Return on average net assets ("**ROE**")[(2)]	**15.7%**	15.6%
Average cost of interest-bearing liabilities[(3)]	**3.7%**	2.6%
Net profit margin[(4)]	**52.7%**	54.1%
Liquidity indicators		
Asset-liability ratio[(5)]	**71.6%**	71.3%
Risk asset-to-equity ratio[(6)]	**3.4 times**	3.4 times
Gearing ratio[(7)]	**2.4 times**	2.4 times
Net debt-to-equity ratio[(8)]	**2.4 times**	2.3 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, pledged time deposits and time deposits with maturity over three months.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Environment

In 2023, the global shipping market saw a mix of positive signs, fragility and turbulence. Segments including energy products, automobiles and other maritime trade posted strong performance; however, amid turbulence due to subdued macroeconomic growth and hence pressure on market fundamentals, compounded by heightened geopolitical complexity and conflicts among certain regions, and more stringent low-carbon and zero-carbon requirements. The Clarksea Index peaked at US$29,727/day, with a trough of US$18,989/day and an average of US$23,629/day for the year, down by 36.6% year over year ("**yoy**"). Though trending downwards unlike the past two years, the Clarksea Index was still 59.2% higher than the 2020 average and performed relatively strong.

For oil tankers, demands for crude oil tankers fell sharply. Imported demands from China, India and Europe in the first quarter was a short-term booster for freight rates. In the second and third quarters, however, freight rates trended lower as major overhauls in Asia-Pacific refineries and OPEC+'s production cuts weighed on demands. The market picked up in the fourth quarter as a tradition high season, where we saw a rise in freight rates across the board. During the year, BDTI reached its highest at 1,648 points and its lowest at 713 points, with an average of 1,150 points, down by 17.3% yoy. Demands for refined oil tankers were strong but fluctuated. Strong volume in the global context, and a longer distance due to the shift of refineries to the east have sent freight indexes higher, though amid seasonal fluctuations. BCTI recorded averaged 801 points for the year, down 35.0% yoy, but was still at its second best since 2009.

For bulk carriers, in the first three quarters, freight rates received robust support, largely attributable to the two-phased rebound in iron ore demand; however, they exhibited overall volatility in response to fluctuating market momentum. In the fourth quarter, early demands from iron ore, grain and bauxite with the limited passage of the Panama Canal have contributed to a squeezed freight rate, but that was not able to last as freight rates dropped towards the end of the year. Average BDI for 2023 was 1,378 points, down 28.7% yoy.

For container vessels, new vessel deliveries continued to weigh on freight rates. The market experienced fluctuations at lower levels following a slight uptick in demand for principal routes during the second half of the year. Freight rates, however, rose towards the end of the year due to a higher European rates in November and conflicts around the Red Sea. According to the Shanghai Shipping Exchange, in 2023, CCFI and SCFI averaged 937 and 1,006 points, respectively, down 66.4% and 70.5%, respectively.

For liquefied natural gas carriers (LNGC), freight rates were buoyant for the year due to non-fundamental factors such as seasonal demands from major importers and the congestion at the Panama Canal. Average spot freight per 145,000 cubic meters, 160,000 cubic meters and 174,000 cubic meters LNGC were US$59,510/day, US$97,077/day and US$124,837/day, respectively, down 12.8%, 26.2% and 25.5% yoy respectively.

For Very Large Liquefied Gas Carriers (VLGC), higher profit margins, increased demand, and tightened supply alternated in supporting freight rates throughout the year. Freight rates soared in the year, with an average 1-year term rate per a 84,000 cubic meters VLGC of US$54,520/day, up 54.8% yoy.

For pure car carriers (PCC), record automobile trading volumes and a surging demand from electric automobile exporters in the far eastern China have led to an over-demand environment for our currently limited capacity, and an overly squeezed freight rate. Average 1-year term rate per 6,500 CEU PCTC was US$111,250/day for the year, up 54.2% yoy. 1-year term rate per 5,000 CEU PCTC averaged US$91,250/day for the year, up 55.7% yoy.

2. Business Review

In 2023, the global growth was slowed down, a frenzy of headline-hitting events, and a more fragile and vulnerable economic condition. However, unlike the overall economic movement, we have witnessed a buzzing shipping market, with an upside in vessel prices, squeezed vessel supply and abundant orders so charter companies flocked to the market and competition continued to be keen. In the face of the new environment, the Group was committed to the cross-cyclical strategy of “cross-cyclical investment and cyclical operation”, invested in a more innovative way, and sought to address issues like early repurchase of vessels and optimization of fleet size. The strategy proved to work, and we achieved yet another record results.

In 2023, the Group’s revenue was HK$3,626 million, up 13.0% yoy; net profit was HK$1,912 million, up 10.2% yoy; ROE was 15.7%, up by 0.1% yoy; ROA was 4.5%, up by 0.2% yoy. We were two years ahead to achieve our key business goals as set out in the Company’s “14th Five-Year Plan”.

I. *Cultivating healthy operating results with an active stance in combating market competition*

In 2023, except that the market performance of VLGCs exceeding expectations, the average annual revenue of its counterparts fell sharply compared with 2022, but overall the shipping market has been hovering at a relatively high level. Through scientific lease arrangements, accurate timing and sensible cost control, the Group achieved higher returns compared to the market benchmark. In particular, investment income attributable to the Group generated by eight 50,000-ton refined oil/chemical tankers was HK$205 million; profit attributable to the Group from six 75,000-ton refined oil tankers was approximately HK$139 million; profit generated by 14 oil tankers was HK$344 million, up 10.2% yoy. The fleet of four VLGCs performed well, with an investment income attributable to the Group of HK$88 million, up 143.2% yoy. Eight self-operated bulk carriers (including six 64,000-ton bulk carriers and two 82,000-ton bulk carriers) generated a total profit of HK$80 million. In 2023, 26 vessels operating on a short-term or spot basis generated a total profit of approximately HK$512 million for the Group.

Expediting new vessel delivery. During the year, a total of 20 new vessels were commissioned (including 4 inland vessels), including a variety of green, environmental friendly and high value-added vessels, such as two 174,000 cubic meters super large LNG carriers, two 24,000 TEU container ships, three 16,000 TEU container ships, and three dual-fuel LR2 oil tankers. We communicated closely with the shipyard to promote the delivery of two 174,000 cubic meters super large LNG carriers 2.5 months and 5 months ahead of the contracted time, respectively, bringing the Company a revenue of US$7 million. The Company invested a total of US$1.339 billion in vessel building during the year, with a rate of recovery of 99.97% on charter hire.

Improving asset operation and management capabilities. The disposal of an 8-year old 64,000-ton bulk carrier was completed and, resulting in asset disposal income of US$3.37 million. The upgrade and revamp of the dual-combustion power trains for two VLGCs were completed ahead of schedule, before charter prices went up. The approval for the establishment of an energy transportation company engaging in shipping asset management was obtained, and the transfer of equity in 44 vessel assets in operation was completed, laying the foundation for the implementation of the next wave of quality cross-cyclical strategy.

II. Attaining progressive growth in fleet asset value with an innovative expansion and investment model

In 2023, despite soaring vessel prices, extended charter period and a constrained supply of vessels, financial leasing companies flocked to the vessel leasing market, resulting in intensified competition, and the dilemma of a more risky but less profitable environment. Given the ship owners have relatively abundant cash flow and capital costs continued to increase, amid the prospect of a shrinking supply of stock assets the ship owners have stronger will to buyback earlier the vessels, and existing assets were also facing the risk of shrinking. The Group adopted a prudent approach with its investment, in line with the overall trend in zero-carbon emissions, the Group focused on high value-added assets such as those related to clean energy, mirrored and matched customer needs, and innovated our own business model. In 2023, the Group added 18 new vessels to the fleet (including 6 inland vessels) with a contract value of US$1.443 billion, and executed early repurchases of 20 vessels.

With continued business innovation efforts, we have developed the "ship owner and ship management companies JV + locked long-term charter" model and commissioned 2+2 175,000 cubic meters super large LNG carriers. Capitalizing on the post-COVID-19 recovery in travel, we have financed two of the world's largest 2,500-passenger/3,850-lane-meter luxury RO-RO passenger vessels. Two years in the making, three 93,000 cubic meters VLGC finance lease projects were implemented. Together with CSSC's research institutes and shipyards, we have provided four 100-passenger new energy cruise vessels for the Hangzhou Asian Games, a breakthrough in the inland ship leasing business which opened up a dual-cycle model for domestic and international development.

As of 31 December 2023, the fleet size of the Group reached 151 vessels under the Group (including joint ventures and associates), of which 128 vessels were under lease and 23 vessels were under construction. Despite a loss of seven vessels compared with last year, operating assets (the sum of lease and loans receivables and property, plant and equipment) reached HK$39.96 billion, up HK$3.43 billion or 9.4% yoy compared to last year. The average age of vessels in operation was about 3.65 years. The average remaining term for leases over one year (i.e. excluding leases for immediate operation projects and those expiring within one year) was 7.29 years. In terms of contract value, in the Group's fleet portfolio, offshore clean energy equipment, container ships, tankers, bulk carriers and special ships accounted for approximately 40%, 15%, 16%, 15% and 14% respectively. After active and passive adjustment to the fleet size, the structure of the fleet improved in value and age terms.

Asset Structure of Vessels in Operation (as of 31 December 2023):

Project type	Vessel category	Vessel type	Number
Finance lease	Bulk carrier		23
	Container ship		9
	Gas carrier		10
	Tanker		11
	Special ship		10
	Subtotal		63
Operating lease	Bulk carrier	Minicape	6
		Panamax	6
		Handysize	6
	Container ship	18,000TEU	3
	Gas carrier	174,000 cubic meters super large LNG carrier	4
		Super large LPG carrier	4
	Tanker	MR	8
		LR1	6
		LR2	3
	Special ship	Heavy lift vessel	17
		Smart deep sea fishery aquaculture vessel	1
		Emergency response rescue vessel	1
	Subtotal		65
Total			128

Asset Structure of Vessels under Construction (as of 31 December 2023):

Project type	**Vessel category**	**Vessel type**	**Number**
Finance lease	Special ship	Wind turbine installation vessel	1
	Gas carrier	Super large LPG carrier	3
	Container ship	16,000TEU	3
	Subtotal		7
Operating lease	Container ship	1,100TEU/1,600TEU	8
	Gas carrier	174,000/175,000 cubic meters super large LNG carrier	5
	Tanker	LR2	1
	Special ship	Smart deep sea fishery aquaculture vessel	2
	Subtotal		16
Total			23

III. Maintaining a healthy asset structure and credit status with enhanced capital cost control measures

As at July 2023, the Federal Reserve has raised interest rates 11 consecutive times since March 2022, in aggregate increased by 525 basis points bringing its benchmark interest rate to the highest level in 22 years. With the strategy of multi-currency financing, interest-bearing liabilities control and improved capital utilization, the Group managed to keep the average costs of interest-bearing liabilities at 3.7% per annum. In addition, the Group continued to be rated "A" (international) by Fitch and "A-" (international) by S&P, as well as "AAA" (domestic) in the PRC, the highest issuer credit rating.

Leveraging the depreciating RMB and HKD, we raised funds considerably in a number of currencies including RMB, HKD and Euro to replace the costly USD loans. We raised RMB2.2 billion and approximately RMB2.57 billion with domestic panda bonds and project loans, respectively, with an average financing interest rate for new RMB debt of 3.15% per annum, significantly lower than the USD financing cost of over 6% per annum, significantly lowering our financial expenses. Compared to the previous year end, the proportion of USD loans in the Company's short-term and medium-term bank loans (excluding outstanding USD bonds) dropped as RMB, HKD and Euro loans increased, significantly diversifying our financing currency profile.

We continued to strengthen capital cost control and improve the structure of our assets and liabilities. Financial arrangements were made prior to the launch of projects and buyback plans. We adhered to the "zero unnecessary drawdown" principle, rationally arranged the timing of bank drawdown, and actively utilized existing funds. We continued to strengthen cash monitoring and management with current cash balance maintained at a relatively low level. With a large number of high-value vessels received in the second half of the year, asset-liability ratio was maintained at a decent level of 71.6%.

IV. Ensuring secured operation with strengthened risk control and compliance management measures

The ship chartering industry has strong financial attributes, with intensive capital requirement, high leverage ratio and strong periodicity. The Group consistently upheld the principle of prudence, continuously enhanced the development of risk prevention and control and compliance systems to sustain high asset quality. As of 31 December 2023, non-performing credit assets were US$23.33 million, representing a non-performing asset ratio of 0.75%. Cumulative impairment provision was US$85.77 million, with provision coverage at 368%.

We have been keen on promoting the application of quantitative risk assessment model in the access and pricing of projects, project review and post-loan management and other business processes. We continued to complement the development of international sanctions, track and organize in a systematic manner the global regulatory developments in export control, economic sanctions and other areas, and timely monitor relevant compliance risks. We have also commenced the establishment of a compliance management system in full swing, published the Compliance Management Measures (《合規管理辦法》), and promoted an organized and compliant environment for compliance management. We continued to prompt the widespread application of the model contract template, and applied the model template of the master ship financial leasing contract (sale and leaseback) in a number of projects.

V. Fully promoting the quality of work on the part on the listed entity with persisted value creation and innovation

We have exerted markedly increased influence of ESG over the industry by integrating ESG concepts into the building of our corporate governance system. In particular, we established the ESG and Sustainable Development Committee under the Board, set up an ESG leadership group and an expert research group and established a "two-tier with four-level" ESG management mechanism. We have published the first annual ESG report, held a conference specifically on ESG performance and a public open day, and commenced the preparation of a TCFD climate risk-related financial report. We have also issued the ESG Management Discrepancy Analysis Report, and formulated ESG governance improvement action plans based on important issues and major risks. We actively took part in a number of authoritative ESG rating evaluations both in China and overseas. We were recognized in the 2023 China ESG Impact List by Fortune China, won the 2023 Hong Kong Green and Sustainable Finance Awards and Pioneering Award for ESG Disclosure Contribution from Hong Kong Quality Assurance Agency (HKQAA).

We continued to enhance the performance and efficiency of independent non-executive Directors and protect the rights and interests of minority shareholders. We have strengthened the supervisory function of independent non-executive Directors over connected transactions and other major matters. We have mobilized independent non-executive Directors to conduct research at the shipyard, and conducted Director trainings six times during the year to improve Directors' understanding on industry development and legal responsibilities. The Working System of Independent Non-executive Directors has been formulated to regulate the qualifications for the office of independent non-executive Directors, the selection procedure and the guarantee of their performance.

We continued to deepen the reform of state-owned enterprises with a market-oriented approach in general. We have formulated a special action plan for the Company and a list of work tasks to create value for world-class enterprises. We have made coherence efforts to achieve these goals. We have completed the mid-term assessment and adjustment of the 14th Five-Year Plan and pressed to achieve the goals. The first phase of the share option scheme has been vested to its participants. In the State-owned Assets Supervision and Administration Commission's special assessment on the "double hundred enterprises" of central enterprises in 2022, we were once again rated as a "benchmark enterprise". We were also named the Board of the Year in 2022.

We continued to monitor closely the exchanges in the capital market and reward investors with generous dividends. With enriched channels, we have built closer relationship with buyer and seller institutions, and carried out multi-dimensional publicity and promotion initiatives through performance conferences, non-transactional roadshows, traditional media reports, video promotion and investor open day, etc. The Company was awarded the "Hong Kong Stock Golden Bull Award" by China Securities Journal and the "Tianma Award for Best Investment Relationship" by the Securities Times. The Board recommended a final dividend of HK$0.09 per share (subject to approval by the Company's shareholders at the upcoming annual general meeting), together with an interim dividend of HK$0.03 per share for 2023, bringing dividends for the year to a total of HK$0.12 per share, a distribution ratio of 38.7%.

3. Development Prospect for 2024

The outlook for the global economy in 2024 remains pessimistic. The World Bank recently forecasted that global GDP growth would slow down for the third year in a row to 2.4% in 2024, while global trade growth was expected to be only half of the average level in the decade before the pandemic. The UN forecasted that global GDP growth would slow down from 2.7% in 2023 to 2.4% in 2024, lower than the pre-pandemic rate of 3%. We are expecting a more complex global shipping landscape in 2024, amid heighted geopolitical risks and increased volatility in freight rates. Looking to the year ahead, how to best manage uncertainty will be key in the market. We still have opportunities in certain market segment by ship type. Fundamentals of the bulk carrier market remain weak on the supply-demand front, container ship continues to be swamped. With the demand for crude oil and refined oil tankers growing much faster than supply, fundamentals of LPG and LNG carriers are supportive, but an over-supply environment may weigh on the market in the short term.

In 2024, the Group will adhere to the general principle to pursue continued growth while maintaining stability, adopt a multi-pronged approach to achieve “stable growth, asset structure and expectations”, deepen the integration of industry and project finance, leverage financial strategies to enhance productivity, enhance service capabilities, and excel in “expanding business, controlling risks, stabilizing assets, specializing in shipping, reducing costs, promoting reform and optimizing management” to build a stronger foundation for sustainable development.

The Group will focus on the clean energy industry and strengthen the market development of green and smart vessels. We will also continue to build closer ties with large-scale vessel owners, energy suppliers and traders to explore the emerging business around big ports, big mining owners and big car companies. We are also set to adopt a more proactive second-hand vessel strategy to accelerate second-hand vessel projects to maintain the upside of operating assets with stability. We will also monitor the progress of vessels under construction to ensure new vessels are delivered on schedule or in advance and put into operation for leasing.

The Group will effectively enhance the “one body and two wings” business layout of long-term ship leasing and investment operation, and accelerate the improvement in professional operational capabilities of ship assets. In response to the market landscape, we will scientifically adjust the operation arrangement of shipping assets, enhance cost control, and strive to generate revenue that outperforms the market benchmarks. We will also strengthen the quantitative management of business asset flows, seize market opportunities, and timely dispose of vessels with a relatively high premium. We aim to improve the management system of the joint ventures and enhance the analysis and oversight of the rationality of income, costs and expenses.

The Group will continue to promote the construction of a comprehensive risk management system, strengthen the risk identification and research on diversified new projects to address the new business development needs and operational risk management of the Company. We will continue to carry out the follow-up development and application of the quantitative risk assessment model, research and expand the applicable scope, and support the steady operation of the full array of charter projects. We will strengthen the preparation and application of model contract templates, prepare model ship management contract templates, and promote the application and implementation of financial leasing model templates. We will also enhance the management over JV contract documents.

The Group will actively implement the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council on listed state-owned companies, foster closer communication with the capital market, further publicize the Company’s business philosophy and development strategy to the capital market, and strive to improve market performance to reward investors through efficient operation, healthy growth and generous dividend payouts.

4. Financial Review

4.1 Analysis on Consolidated Income Statement

4.1.1 Revenue

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

The Group's revenue increased by 13.0% or HK$417.9 million from HK$3,208.2 million for the year ended 31 December 2022 to HK$3,626.1 million for the year ended 31 December 2023, primarily due to the increase in finance lease income and interest income from loan borrowings.

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

	Year ended 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Integrated shipping service			
– Operating lease income	**1,819,906**	1,842,702	(1.2%)
– Commission income	**28,372**	57,004	(50.2%)
	1,848,278	1,899,706	(2.7%)
Financial service			
– Finance lease income	**1,171,775**	784,504	49.4%
– Interest income from loan borrowings	**606,095**	524,032	15.7%
	1,777,870	1,308,536	35.9%
Total	**3,626,148**	3,208,242	13.0%

Finance Lease Income

The Group's finance lease income increased by 49.4%, from HK$784.5 million for the year ended 31 December 2022 to HK$1,171.8 million for the year ended 31 December 2023. The main reasons were that (i) the Group engaged several new finance lease contracts during the year and (ii) the continued tightening monetary and interest rate hike policies implemented by the U.S. Federal Reserve caused, the overall interest rate reference to three-months London Interbank Offered Rate ("**3M-LIBOR**") or Secured Overnight Financing Rate ("**SOFR**") maintained at around 5.4% throughout the year has driven revenue growth.

Interest Income from Loan Borrowings

The Group's interest income from loan borrowings increased by 15.7% from HK$524.0 million for the year ended 31 December 2022 to HK$606.1 million for the year ended 31 December 2023. The increase in interest income from loan borrowings was due to the higher level of the overall interest rate reference to 3M-LIBOR or SOFR this year compared to last year.

Operating Lease Income

The Group's operating lease income decreased by 1.2% from HK$1,842.7 million for the year ended 31 December 2022 to HK$1,819.9 million for the year ended 31 December 2023 due to adverse performance in the bulker carrier market as the Baltic Dry Index (BDI) decreased by around 50% compared to last year. However, the Group had added 2 liquefied natural gas (LNG) green energy vessels in the second-half of 2023, demonstrating the Group's capacity to navigate cyclical market changes with a diverse vessel portfolio under operating lease.

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$28.4 million for the year ended 31 December 2023 and HK$57.0 million for the year ended 31 December 2022.

4.1.2 Other Income and Other Gains, Net

For the year ended 31 December 2023, the Group's other income and net other gains was HK$119.0 million, of which the interest income from bonds and bank deposits was HK$61.2 million, the disposal gain of a bulk carrier was HK$26.2 million and the unrealised gain on the wealth management products at fair value through profit or loss was HK$21.4 million.

4.1.3 Expenses

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

	Year ended 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Finance costs and bank charges	**1,106,305**	760,216	45.5%
Depreciation	**492,937**	476,724	3.4%
Vessel operating costs	**310,838**	302,857	2.6%
Employee benefits expenses	**106,306**	124,696	(14.7%)
Other operating expenses	**88,490**	146,385	(39.5%)
Research and development expenses	**1,643**	–	100%
Net amount of provision for impairment of loan and lease receivables	**91,167**	90,260	1.0%
Total	**2,197,686**	1,901,138	15.6%

Finance Costs and Bank Charges

The Group's finance costs and bank charges was HK$1,106.3 million for the year ended 31 December 2023, with a year-on-year increase of HK$346.1 million or 45.5%. The Group's finance costs mainly include (i) interest expenses on bank borrowings and (ii) interest expenses on bonds. The average cost of interest-bearing liabilities was 3.7% and 2.6% for the year ended 31 December 2023 and the year ended 31 December 2022, respectively. The increase was mainly due to the overall 3M-LIBOR or SOFR remaining at a high level of around 5.4% during the year.

Due to the tightening monetary and interest rate hike policies implemented by the U.S. Federal Reserve, the U.S. dollar financing rate increased. During the year, the Group took various measures, including: (i) hedging interest rate risk through financial derivatives; (ii) actively adopting cross-currency financing methods to replace high-interest U.S. dollar loan balances; (iii) repaying some banks loans in advance; and (iv) the public issuance of the First and the Second tranches of medium-term notes in the China inter-bank bond market during the year, with issuance scales of RMB1 billion (approximately HK$1.11 billion) and RMB1.2 billion (approximately HK$1.28 billion) respectively, with a term of three years and coupon rates of 3.3% and 3.1% per year respectively, effectively suppressing the growth of financing costs.

Depreciation

The Group's depreciation expenses increased by 3.4% or HK$16.2 million to HK$492.9 million for the year ended 31 December 2023. The Group's total shipping capacity continued to grow as the Group added 2 LNG green-energy vessels to its vessel portfolio under operating lease in the second half of 2023.

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 Group's vessel operating costs were HK$310.8 million for the year ended 31 December 2023, with an increase of HK$7.9 million year-on-year.

Employee Benefits Expenses

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

The Group's employee benefits expenses decreased from HK$124.7 million for the year ended 31 December 2022 to HK$106.3 million for the year ended 31 December 2023, in which the share-based payment expenses recognised amounted to HK$1.7 million.

Research and Development Expenses

The Group recognised the research and development expenses of HK$1.6 million for the year ended 31 December 2023, with an increase of 100% compared to last year. The usages for those expenditure were: (i) providing financial information for analysing the macro shipping market environment; (ii) tracking vessel positioning and (iii) tracking oversea customers information to monitor the operational risks and compliance.

Net Amount of Provision for Impairment of Loan and Lease Receivables

For the year ended 31 December 2023, the Group's net amount of provision for impairment of loan and lease receivables was HK$91.2 million, the main reason for the increased provision for impairment was the growth in the Group's lease assets. The loan and lease receivables increased from HK$20,610.3 million as at 31 December 2022 to HK$23,734.3 million as at 31 December 2023.

4.1.4 Share of Results of Joint Ventures

The Group's share of results of joint ventures increased by HK$78.5 million from HK$348.2 million for the year ended 31 December 2022 to HK$426.7 million for the year ended 31 December 2023. The increase in share of results of joint ventures was mainly attributable to: (i) the increase in daily charter rates as the freight rate of refined product oil and chemicals remained at a high level; (ii) the increase in shipping capacity of refined product oil LR2 vessels; and (iii) the strong revenue performance of the "energy" shipping market, with the liquefied petroleum gas (LPG) carrier market performing most prominently, and the average annual revenue of very large liquefied gas carrier (VLGC) reaching a record high.

The reasons behind this were: (i) the structural changes in energy trading, the closure of a number of refineries in Europe and the United States, and the still ongoing shift in trade routes, which led to an increase in the average transportation distance of refined oil products and a corresponding continuous increase in transportation demand, and (ii) the Group's scientific operational arrangements and effective control of operating expenses, which have contributed to the enhancement of the overall level of revenue.

4.2 Analysis on Consolidated Statement of Financial Position

As at 31 December 2023, the Group's total assets were HK$45,143.6 million, with an increase of HK$4,622.7 million compared to last year, mainly due to the Group's increased investment in vessel leasing projects.

The Group's total liabilities were HK$32,313.6 million, with an increase of HK$3,435.0 million compared to last year, mainly because the Group issued the first and the second tranches of RMB medium-term notes to effectively utilise the funds and control the scale of interest-bearing liabilities at a reasonable level.

The Group's equity was HK$12,829.9 million, with an increase of HK$1,187.6 million compared to the begining of the year. At the end of the year, the Group's asset-liability ratio was 71.6%, with an increase of approximately 0.3 percentage points from the beginning of the year.

Assets

As at 31 December 2023, the total assets of the Group mainly comprised loan and lease receivables, property, plant and equipment, cash and bank deposits and financial assets at fair value, which accounted for 92.7% of the Group's total assets.

	As at 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Loan and lease receivables	**23,734,332**	20,610,300	15.2%
Property, plant and equipment	**16,227,335**	15,924,752	1.9%
Cash and cash equivalents, pledged time deposits and time deposits with maturity over three months	**1,142,064**	1,389,193	(17.8%)
Financial assets at fair value	**723,925**	781,204	(7.3%)
Other assets	**3,315,903**	1,815,441	82.7%
Total	**45,143,559**	40,520,890	11.4%

4.2.1 Loan and Lease Receivables

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

	As at 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Lease receivables	**16,526,516**	12,291,021	34.5%
Loan borrowings	**6,462,750**	7,476,754	(13.6%)
Loans to joint ventures	**745,066**	842,525	(11.6%)
Total	**23,734,332**	20,610,300	15.2%

a) Lease Receivables

The Group's net lease receivables amounted to HK$12,291.0 million and HK$16,526.5 million as at 31 December 2022 and 31 December 2023, respectively. Such receivables increased by 34.5% or HK$4,235.5 million because the Group added several new finance lease projects during the year. As at 31 December 2023, the Group's finance lease receivables were secured and bore interest at rates ranging from 5.0% to 11.3%.

b) Loan Borrowings

Loan borrowings mainly refer to receivables from the secured loan provided by the Group. The Group's loan borrowings were secured and bore interest at rates ranging from 6.8% to 9.3% per annum and repayable from 2024 to 2033 as at 31 December 2023. The Group's loan borrowings decreased from HK$7,476.8 million as at 31 December 2022 to HK$6,462.8 million as at 31 December 2023. The decrease of 13.6% in loan borrowings was mainly because of the continuous repayment of principal amounts made by our customers during the year.

c) Loans to Joint Ventures

The Group's loans to joint ventures amounted to HK$842.5 million and HK$745.1 million as at 31 December 2022 and as at 31 December 2023, respectively. Loans to joint ventures represent the unsecured loans to joint ventures which were repayable on demand and of which HK$359.2 million bore interest at a rate of 8.4% per annum as at 31 December 2023.

During the year ended 31 December 2023, there was no major default in the repayment of loan and lease receivables from our customers and none of our loan and lease receivables was written off.

4.2.2 Property, Plant and Equipment

The Group's property, plant and equipment comprise constructions in progress, vessels held for operating leases, leasehold improvements, office equipment and motor vehicles held for business purposes. As at 31 December 2022 and 31 December 2023, the Group's property, plant and equipment amounted to HK$15,924.8 million and HK$16,227.3 million, respectively. The increase of 1.9% in the Group's property, plant and equipment as at 31 December 2023 was primarily due to the Group's ongoing payments to shipbuilders for the continued increase in the number of vessels intended for the chartering business.

4.2.3 Financial Assets at Fair Value

Financial assets at fair value represent private and listed bonds and wealth management products held by the Group.

The total amount of financial assets at fair value decreased by 7.3% from HK$781.2 million as at 31 December 2022 to HK$723.9 million as at 31 December 2023. The Group will continue to optimise the allocation of financial assets by holding a suitable investment portfolio, which includes listed bonds and wealth management products, to obtain stable returns.

Liabilities

As at 31 December 2023, the total liabilities of the Group mainly consisted of borrowings, including bank borrowings, bonds and other borrowings, which accounted for 97.0% of its total liabilities.

	As at 31 December		
	2023	2022	Change
	HK$'000	*HK$'000*	
Borrowings – bank borrowings	**18,436,045**	17,611,691	4.7%
Borrowings – bonds	**12,625,506**	10,176,573	24.1%
Borrowings – others	**271,876**	–	100%
Other liabilities	**980,221**	1,090,300	(10.1%)
Total	**32,313,648**	28,878,564	11.9%

4.2.4 Borrowings – Bank Borrowings

The Group's bank borrowings increased by 4.7% from HK$17,611.7 million as at 31 December 2022 to HK$18,436.0 million as at 31 December 2023, mainly because the Group carried out cross-currency bank borrowings based on business development and needs, and repaid those high-interest U.S. dollar borrowing balances. The interest rates as at 31 December 2023 ranged from 3.10% to 7.15%. There were no delays in the repayment or defaults on any of our bank borrowings during the year.

4.2.5 Borrowings – Bonds

As at 31 December 2023, 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 of US$500,000,000 (approximately HK$3,890,000,000) due 2026 with a coupon rate of 2.10% per annum.

In addition, in March and September 2023, the Group successfully issued the First (Sustainability Linked and Bond Connect) and the Second Tranche of 2023 Medium-term Notes publicly at the PRC Interbank Bond Market with the issue size of RMB1.0 billion (approximately HK$1.11 billion) and RMB1.2 billion (approximately HK$1.28 billion) for a term of three years at a coupon rate of 3.3% and 3.1% per annum, respectively. The Group and the First and the Second 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).

The issuance of the First and the Second Tranche of 2023 Medium-term Notes can lower the Group's finance costs from the high interest rate of bank borrowings. 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.

5. Asset Quality

The Group writes off loan and lease receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activities. The Group may write off loan and lease receivables that are still subject to enforcement activities. The Group did not write off any loan and lease receivables during the year ended 31 December 2022 and the year ended 31 December 2023.

6. Liquidity and Working Capital

The Group funded its operations and growth primarily through cash generated from operations, bank borrowings and issuance of bonds. In 2023, the Group continued to maintain a stable risk appetite for liquidity management. The target of the Group's liquidity risk management is to maintain moderate liquidity reserves and assets and sufficient funding resources to adequately meet the repayment needs of matured liabilities and the funding needs of business development. When determining the allocation of its capital resources, the Group primarily considers its business strategies and development plans, future capital needs and projected cash flows, in order to achieve a higher interest rate margins level and control the liquidity management costs on conditions that liquidity risks have been well managed.

The Group managed liquidity risk and struck a balance between interest rate spread and liquidity risk through the following measures: (i) established a comprehensive capital operation and management system, developed, repeatedly calculated and upgraded the business and financial information system, closely monitored, dynamically tracked, and conducted rolling calculations and analyses of the working capital, and provided timely advance warnings of funding shortfalls; (ii) proactively managed the maturity portfolio of assets and liabilities and controlled cash flow mismatch gap to reduce structural liquidity risk; (iii) established a diversified source of funds through the reserve of sufficient credit, and improved the Group's financing and daily liquidity management capabilities to obtain sufficient funds to meet debt repayment and business development needs.

During the year, the Group had sufficient cash flow, while the credit facilities granted by the banks to the Company were sufficient, there was no significant change in the indebtedness and credit standing, and the credit ratings and future outlooks assigned to the Company by the credit rating agencies remained unchanged. In addition, during the year, the Group was rated "AAA" for domestic entities by Dagong Global Credit Rating Co., Ltd.（大公國際資信評估有限公司）in China, and maintained an "A" (international) and "A-" (international) ratings by Fitch and S&P, respectively. 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	
	2023	2022
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(452,170)**	3,844,684
Net cash used in investing activities	**(2,533,091)**	(1,530,170)
Net cash generated from/(used in) financing activities	**2,726,938**	(2,548,463)
Net decrease in cash and cash equivalents	**(258,323)**	(233,949)
Cash and cash equivalents at the beginning of the year	**1,181,458**	1,427,683
Effect of foreign exchange rate changes on cash and cash equivalents	**14,870**	(12,276)
Cash and cash equivalents at the end of the year	**938,005**	1,181,458

The net cash used in operating activities amounted to HK$452.2 million, which was mainly because the Group approved several finance lease projects and payment to shipbuilders during the year ended 31 December 2023.

The net cash used in investing activities amounted to HK$2,533.1 million, which was mainly due to the Group's payment to shipbuilders for operating lease and self-investment projects during the year ended 31 December 2023.

The net cash generated from financing activities amounted to HK$2,726.9 million, which was mainly because during the year ended 31 December 2023, the Group issued the First and the Second Tranche of Medium-term Notes for RMB2.2 billion (approximately HK$2.4 billion) which effectively controlled the scale of interest-bearing liabilities at a reasonable level to finance the lease projects. Meanwhile, the Group adopted cross-currency financing methods to replace high-interest U.S. dollar loan balances, effectively controlling financing costs.

7. Bank Loans and Capital Structure

In 2023, with the positive development of its main business, the Group's operating performance steadily improved. Benefiting from excellent international ratings and good market reputation, the Group's liquidity was solid, and its financing capabilities continued to increase and financing methods were increasingly diversified. The Group kept abreast of the changes in macroeconomic conditions, actively responded to the complicated financial environment at home and abroad, proactively grasped the market trend and adjusted its financing strategies in a timely manner to further optimize its debt structure and balance its finance costs. Due to the increase in the interest rate differential between China and the United States, the Group increased its efforts in RMB financing during the year, effectively controlled the rapid increase in finance costs, and maintained an obvious advantage in finance costs compared to its peers.

In 2023, the Federal Reserve maintained its trend of interest rate hikes and the US dollar benchmark interest rate rose to a historical high of 5.25% to 5.50%, resulting in a significant increase in the cost of US dollar financing. On the other hand, RMB interest rates remained at a lower level, with the 1-year LPR falling to 3.45% and the 5-year or above LPR falling to 4.20%; therefore, the cost advantage of RMB financing was increasingly highlighted. During the year, the Group has taken effective measures to control the excessive increase in finance costs and has achieved better results, with the consolidated finance costs remaining at a lower level in the market. The average cost of the Group's interest-bearing liabilities increased from 2.6% as at 31 December 2022 to 3.7% as at 31 December 2023.

In light of the surge in US dollar interest rates that stayed at a high level, the Group had been active in seeking to diversify its financing channels and took effective measures in a timely manner. In March this year, the Group issued the first tranche of sustainability-linked panda bond denominated in RMB for the first time at the PRC inter-bank Bond Market, raising RMB1.0 billion for a term of three years at a coupon rate of 3.3% per annum, and then renewed the issuance of the second tranche of panda bond in September, raising RMB1.2 billion for a term of three years at a coupon rate of 3.1% per annum, with the issuance costs of both tranches being significantly lower than the US dollar finance costs. The sustainability-linked panda bond marked another milestone in the Group's sustainable development following the issuance of the first overseas green and blue dual-certified bond by the Group as a Chinese enterprise. It also represented another major achievement by the Group in proactively "embracing change" and innovating in response to changes in the macro environment and interest rate market. We have also completed cross-border financing arrangements that facilitated both domestic and international financing, effectively curbing the excessive growth of financial costs. The relevant proceeds were used to support qualified green shipping projects such as energy efficiency upgrade, pollution prevention and control, low-carbon and clean fuels, and sustainable transportation. Meanwhile, the Group made comprehensive use of multi-currency financing, such as Euro and Hong Kong dollars, for daily operations such as vessel leasing, which effectively reduced the negative impact of the US dollar interest rate hike.

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 successively launched multiple products such as sustainability index-linked liquidity loan, sustainability index-linked project loan, vessel project loans and syndicated loans for vessel projects. As at 31 December 2023, the Group held loan facilities of approximately HK$27.84 billion (approximately US$3.58 billion), utilized loan facilities of approximately HK$18.44 billion (approximately US$2.37 billion) and unutilized bank loan facilities of approximately HK$9.40 billion (approximately US$1.21 billion), and the credit balance was sufficient.

As at 31 December 2023, the Group's total assets and total liabilities were HK$45,143.6 million and HK$32,313.6 million, respectively, its equity attributable to owners was HK$12,711.9 million and the gearing ratio was 2.4 times. By improving the existing fund operation, enhancing the utilisation efficiency of funds, strictly implementing funding plans and controlling the scale of interest-bearing indebtedness and remained at a lower level in the industry, consistently maintaining a healthly gearing position.

8. Exchange Rate Risk and Interest Rate Risk

8.1 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 Dollars (USD), and the corresponding finance lease receivables and fixed assets are denominated in USD, while the main source of funding is bank loans denominated in USD. There is therefore no significant exposure to exchange rate risk. 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.

The Group has adopted a prudent foreign exchange risk management strategy and established a foreign exchange rate risk tracking system to monitor the trend of major currencies around the world in a timely manner. During the year, the exchange rate of Renminbi fluctuated considerably and the Group paid close attention to it. In view of the existing and new Renminbi exchange rate risk exposure, the Group has effectively hedged its foreign exchange risk exposure through the development of financial businesses such as foreign exchange swaps and cross-currency swaps, etc. During the year, the Group's exchange rate risk has remained at a controllable level.

8.2 Interest Rate Risk

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other facilities and lease receivables and other loans. During the year, the continuous uptrend in domestic inflation in the United States has led to the continued expectations for the Federal Reserve's interest rate hikes, and the United States Federal Funds Rate rose from 4.33% at the beginning of 2023 to 5.33%, and continued to remain at a relatively high level. In order to cope with the persistently high interest rates in the US dollar interest rate market, the Group has maintained its usual interest rate risk control measures by using financial instruments such as interest rate swaps to hedge its interest rate risk exposure. As at the end of 2023, the notional principal amount of the Group's existing interest rate swap products was approximately HK$3,871.1 million, and the locked-in US dollar average long-term fixed interest rate was approximately 1.59%, which effectively hedged the negative impact of the high interest rate of the US dollar.

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. For the Group's operating lease assets, the Group continued to improve the interest rate matching of assets and liabilities through measures such as the issuance of fixed interest rate bonds, fixed interest rate loans and operating interest rate swaps, thereby effectively preventing interest rate risks, and the existing interest rate risk exposure is relatively low. During the year, the Group added a number of new fixed-rate RMB bonds and loans, which further increased the match with the operator's leased assets and further reduced the exposure to interest rate risk. Meanwhile, the Group's financial leasing assets and bank loan liabilities are both primarily at floating rates, so the effects of fluctuations in US dollar interest rates can be offset by mutual hedging.

9. Pledge of Assets

As at 31 December 2023, the Group's lease receivables of approximately HK$7,431.5 million (31 December 2022: HK$10,461.5 million), floating charge on deposits of approximately HK$88.9 million (31 December 2022: HK$162.3 million), pledged deposits of approximately HK$5.1 million (31 December 2022: HK$7.6 million), property, plant and equipment of approximately HK$3,616.3 million (31 December 2022: HK$4,068.6 million), shares of certain subsidiaries, general assignments, bareboat charterer assignments and intra group loan assignments were secured to banks to acquire bank loans.

10. Capital Expenditures

The capital expenditures of the Group principally comprise expenditures for the construction of vessels. In 2023, the capital expenditures for the acquisition for vessels and property, plant and equipment of the Group amounted to HK$2,626.1 million. The Group financed its capital expenditures through cash generated from operations, bank borrowings and issurance of bonds. As at 31 December 2023, the capital commitment for construction of vessels amounted to HK$613.6 million, which was expected to be paid in the next 3 years.

11. Risk Management

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, foreign currency 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 leveraged 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 various operation strategies, taking into account the market environment and the features of leased properties. While realizing the steady growth of the business, the Group achieves a return on investment commensurate with the risks and maintains risk levels within an acceptable range. Based on the characteristics of the leasing industry, its own risk tolerance and risk appetite, the Group has established an effective risk identification, evaluation, monitor, control and reporting mechanism to support the effective implementation of the Company's risk management policies through a sound management information system to actively strengthen risk assessment and management system. Meanwhile, it will strengthen the proactive response management of risks; reduce the overall business risks by carrying out asset risk management in different countries, regions and industries; strive to maximize the risk return by actively adjusting the business strategy of the industry, establishing the customer credit quantitative assessment model and debt assessment model, strengthening the customer access standards, and improving the risk assessment system; and realize the value creation of risk management by improving the business quality and resource allocation efficiency of the Group. In 2023, the Group continued to strengthen the establishment of a comprehensive risk management system and promoted the improvement of corporate risk governance structure; comprehensively assessed the Company's risk management strategy system, formulated a comprehensive risk management optimization plan for the Group's main risk categories and business segments, and established a comprehensive risk management structure that matches the business development strategies, operation objectives, financial conditions and compliance management objectives.

12. Human Resources

As at 31 December 2023, the Group had a total of 86 employees (31 December 2022: 86). The Group has a highly qualified team with bachelor's degrees or higher. As at 31 December 2023, approximately 96% of the Group's employees had a bachelor's degree or above. The Group attaches great importance to the work of talents and comprehensively strengthens the human resources management structure such as organizational structure, remuneration management, performance appraisal, career advancement, training management and talent acquisition to provide strong support for business development.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	3	**3,626,148**	3,208,242
Other income	4	**65,589**	58,489
Other gains, net		**53,402**	66,076
Expenses			
Finance costs and bank charges	5	**(1,106,305)**	(760,216)
Net amount of provision for impairment of loan and lease receivables		**(91,167)**	(90,260)
Depreciation		**(492,937)**	(476,724)
Employee benefits expenses		**(106,306)**	(124,696)
Vessel operating costs		**(310,838)**	(302,857)
Other operating expenses		**(90,133)**	(146,385)
Total expenses		**(2,197,686)**	(1,901,138)
Profit from operations	6	**1,547,453**	1,431,669
Share of results of joint ventures		**426,653**	348,214
Share of results of associates		**(30,285)**	(24,242)
Profit before income tax		**1,943,821**	1,755,641
Income tax expense	7	**(32,154)**	(21,131)
Profit for the year		**1,911,667**	1,734,510
Profit for the year attributable to:			
Equity holders of the Company		**1,901,606**	1,684,909
Non-controlling interests		**10,061**	49,601
		1,911,667	1,734,510
Earnings per share *(HK$)*			
Basic and diluted	9	**0.310**	0.275

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	HK$'000	*HK$'000*
Profit for the year	**1,911,667**	1,734,510
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	**(24,070)**	(115,020)
– Share of other comprehensive (expense)/income of joint ventures, net	**(14,574)**	61,193
– Fair value change of financial assets at fair value through other comprehensive income/(expense) (debt instruments)	**484**	(8,355)
– Fair value change of derivative financial instruments (cash flow hedges)	**(173,158)**	398,091
– Reclassification adjustment from hedging reserve to profit or loss	**119,569**	3,324
Item 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
Total other comprehensive (expense)/income for the year	**(91,749)**	339,933
Total comprehensive income for the year	**1,819,918**	2,074,443
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**1,809,858**	2,025,029
Non-controlling interests	**10,060**	49,414
Total comprehensive income for the year	**1,819,918**	2,074,443

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	**2023** **HK$'000**	2022 *HK$'000*
Assets			
Property, plant and equipment		**16,227,335**	15,924,752
Right-of-use assets		**22,888**	28,240
Interests in joint ventures		**1,469,330**	1,093,817
Interests in associates		**97,372**	52,429
Loan and lease receivables	*10*	**23,734,332**	20,610,300
Derivative financial assets		**424,226**	511,817
Prepayment, deposits and other receivables		**1,161,296**	40,459
Financial assets at fair value through profit or loss		**296,157**	686,726
Financial assets at fair value through other comprehensive income		**427,768**	94,478
Deferred tax assets		**3,668**	4,125
Amounts due from associates		**24,740**	29,715
Amounts due from joint ventures		**109,197**	52,792
Amounts due from fellow subsidiaries		**3,186**	2,047
Time deposits with maturity over three months		**198,915**	200,107
Pledged time deposits		**5,144**	7,628
Cash and cash equivalents		**938,005**	1,181,458
Total assets		**45,143,559**	40,520,890

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

	2023	2022
	HK$'000	*HK$'000*
Liabilities		
Income tax payables	**53,485**	33,422
Borrowings	**31,333,427**	27,788,264
Derivative financial liabilities	**98,291**	–
Deferred tax liabilities	**1,008**	–
Amount due to a joint venture	**207,794**	207,172
Amounts due to non-controlling interests	**162,383**	168,227
Other payables and accruals	**433,304**	651,517
Lease liabilities	**23,956**	29,962
Total liabilities	**32,313,648**	28,878,564
Net assets	**12,829,911**	11,642,326
Equity		
Share capital	**6,615,789**	6,614,466
Reserves	**6,096,083**	4,898,486
	12,711,872	11,512,952
Non-controlling interests	**118,039**	129,374
Total equity	**12,829,911**	11,642,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 (the "**Companies Ordinances**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these consolidated financial statements are consistent with those adopted in the annual consolidated financial statements for the year ended 31 December 2022, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA which are relevant to the Group's operation and effective for the consolidated financial statements for the period beginning on 1 January 2023:

(a) New and amended HKFRSs that are effective for annual period beginning on 1 January 2023

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are applied by the Group on 1 January 2023 and are applied prospectively. The Group revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as "monetary amounts in the financial statements that are subject to measurement uncertainty".

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are applied by the Group on 1 January 2023 and are applied prospectively. The amendments have no impact on the consolidated financial statements of the Group.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022, with any cumulative effect recognised as an adjustment to retained profits at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments.

Amendments to HKAS 12 "International Tax Reform – Pillar Two Model Rules"

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes. The amendments are immediately effective upon issuance and require retrospective application.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and would account for the tax as current tax when incurred.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates and the legislation will be effective for the Group's financial year beginning 1 January 2025.

The Group is currently assessing its exposure to Pillar Two income taxes with the assistance of its tax advisors.

(b) Issued but not yet effective HKFRSs

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

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[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 Effective date not yet determined

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

3. SEGMENT INFORMATION AND REVENUE

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

The segment information provided to the executive directors for the years ended 31 December 2023 and 2022 are as follows:

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

	Leasing services *HK$'000*	Loan borrowings *HK$'000*	Shipbroking services *HK$'000*	Total *HK$'000*
Year ended 31 December 2023				
Segment revenue and revenue from external customers	**2,991,681**	**606,095**	**28,372**	**3,626,148**
Year ended 31 December 2022				
Segment revenue and revenue from external customers	2,627,206	524,032	57,004	3,208,242

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 2023, commission income included in shipbroking services are recognised at a point in time and over time amounting to HK$8,646,000 and HK$19,726,000 (2022: HK$27,172,000 and HK$29,832,000) respectively.

For the year ended 31 December 2023, revenue from non-lease component included in leasing services amounting to HK$193,714,000 (2022: HK$276,863,000).

Segment assets and liabilities

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

Geographic information

During the year, the Group provided a majority of leasing services and financing and other services to customers mainly located in the PRC, Asia, United States and Europe. The Group's assets, consisted of its property, plant and equipment, right-of-use assets, joint ventures, associates, financial instruments, loan and lease receivables, prepayments, deposits and other receivables, 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

	2023	2022
	HK$'000	*HK$'000*
Finance lease income	**1,171,775**	784,504
Operating lease income	**1,819,906**	1,842,702
Interest income from loan borrowings	**606,095**	524,032
Commission income	**28,372**	57,004
	3,626,148	3,208,242

4. OTHER INCOME

Other income recognise during the year are as follows:

	2023	2022
	HK$'000	*HK$'000*
Dividend income	**–**	8,402
Interest income from		
– financial assets at fair value through profit or loss	**7,867**	21,784
– financial assets at fair value through other comprehensive income	**19,705**	14,944
– bank deposits	**33,621**	12,762
Government subsidies	**4,396**	597
	65,589	58,489

During the year ended 31 December 2023, the Group received government grants amounting to HK$4,396,000 from government authorities of the PRC to support the Group's operations.

During the year ended 31 December 2022, the Group received government subsidies of HK$397,000 from the Employment Support Scheme ("**ESS**"), which aims to retain employment and combat COVID-19, under the Anti-epidemic Fund, set up by the Government of the 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.

5. FINANCE COSTS AND BANK CHARGES

	2023	2022
	HK$'000	*HK$'000*
Interest and charges on bonds	**301,460**	268,596
Interest and charges on bank borrowings	**862,908**	574,922
Interest and charges on other borrowings	**2,898**	–
Interest on lease liabilities	**1,195**	1,277
Bank charges	**4,538**	1,001
	1,172,999	845,796
Less: finance costs capitalised	**(66,694)**	(85,580)
	1,106,305	760,216

6. PROFIT FROM OPERATIONS

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

	2023	2022
	HK$'000	*HK$'000*
Depreciation on		
– property, plant and equipment	**477,742**	461,312
– right-of-use assets	**15,195**	15,412
Foreign exchange (gain)/loss, net	**(981)**	3,660
Employee benefits expenses	**106,306**	124,696
Gain on deemed disposal of a joint venture	**–**	(9,429)
Net realised gain from settlement of derivative financial instruments	**–**	(211)
Net unrealised (gain)/loss on changes in fair value of financial assets at fair value through profit or loss	**(21,374)**	62,168
Net gain on disposal of debt instruments at fair value through other comprehensive income (recycling)	**(120)**	–
Net gain on disposal of asset held for sales	**–**	(23,498)
Net gain on disposal of property, plant and equipment	**(26,206)**	(258)
Net gain on de-recognition of finance lease receivables	**(122,419)**	(51,597)
Auditor remuneration		
– audit services	**4,472**	4,465
– non-audit services	**1,425**	1,380

7. INCOME TAX EXPENSE

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

Hong Kong profits tax is provided at 16.5% (2022: 16.5%) based on the estimated assessable profits arising from Hong Kong during the year.

For the years ended 31 December 2023 and 2022, 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 2023, Singapore corporate income tax is charged at the statutory rate of 17% (2022: 17%) of the estimated assessable income as determined with the relevant tax rules and regulations of Singapore.

For the year ended 31 December 2023, Malta corporate income tax is charged at the statutory rate of 35% (2022: 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 deducted, taking the effective tax rate to be 5%.

Income tax expense in the consolidated income statement represents:

	2023	2022
	HK$'000	*HK$'000*
Current taxation		
– Hong Kong profits tax	**10,978**	10,281
– Overseas taxation	**22,106**	17,089
Under/(over) provision in respect of prior years		
– Hong Kong profits tax	**562**	(4,276)
– Overseas taxation	**(2,875)**	746
	30,771	23,840
Deferred tax		
– Origination and reversal of temporary differences	**1,383**	(2,709)
Income tax expense	**32,154**	21,131

8. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Dividend approved and paid:		
Interim dividend of HK3 cents (2022: HK3 cents) per ordinary share	**184,106**	184,082
Final dividend in respect of the year ended 31 December 2022 of HK7 cents (2021 of HK6 cents) per ordinary share	**429,525**	368,164
	613,631	552,246
Dividend proposed:		
Final dividend in respect of the year ended 31 December 2023 of HK9 cents (2022: HK7 cents) per ordinary share	**552,319**	429,525

At the board meeting held on 26 March 2024, the board has declared final dividend of HK9 cents (2022: HK7 cents) per share, and the final dividend is declared after reporting period, such dividend has not been recognised as liability as at 31 December 2023.

9. EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**1,901,606**	1,684,909
	Number	Number
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**6,136,346**	6,136,066
Effect of dilutive potential ordinary shares		
Share options issued by the Company	**1,490**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**6,137,836**	6,136,066
	HK$	*HK$*
Earnings per share		
Basic	**0.310**	0.275
Diluted	**0.310**	0.275

The calculation of the diluted earnings per share for the year ended 31 December 2023 has not taken into account the effect of the share options of the Company granted on the First Grant Date as they are considered as anti-dilutive (2022: the calculation has not taken into account the effect of the share options of the Company granted on both the First Grant Date and the Second Grant Date as they are considered as anti-dilutive).

10. LOAN AND LEASE RECEIVABLES

		As at 31 December 2023		
	Notes	**Gross amount** *HK$'000*	**Allowance for impairment losses** *HK$'000*	**Net carrying amount** *HK$'000*
Loan borrowings	(a)	**6,553,344**	**(90,594)**	**6,462,750**
Lease receivables	(b)	**17,103,212**	**(576,696)**	**16,526,516**
Loans to joint ventures	(c)	**745,066**	**–**	**745,066**
		24,401,622	**(667,290)**	**23,734,332**

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

(a) Loan borrowings

As at 31 December 2023, loan borrowings were secured, interest bearing at rates ranging from 6.8% to 9.3% (2022: 3.6% to 8.7%) per annum and repayable from 2024 to 2033 (2022: 2023 to 2034). 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:

	2023 *HK$'000*	2022 *HK$'000*
Within 1 year	**584,672**	584,767
After 1 year but within 2 years	**650,230**	672,031
After 2 years but within 5 years	**4,028,080**	2,059,676
Over 5 years	**1,199,768**	4,160,280
	6,462,750	7,476,754

(b) Lease receivables

As at 31 December 2023, the Group's finance lease receivables were secured, interest bearing at rates ranging from 5.0% to 11.3% (2022: 6.0% to 10.4%). Details of lease receivables as at 31 December 2023 and 2022 are as follows:

	2023	2022
	HK$'000	*HK$'000*
Gross investment in finance leases	**23,766,703**	15,787,011
Less: unearned finance income	**(6,664,899)**	(3,071,128)
Net investments in finance leases	**17,101,804**	12,715,883
Operating lease receivables	**1,408**	10,018
Gross lease receivables	**17,103,212**	12,725,901
Less: accumulated allowance for impairment	**(576,696)**	(434,880)
Net lease receivables	**16,526,516**	12,291,021

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

	2023	2022
	HK$'000	*HK$'000*
Minimum lease payments receivable	**23,766,703**	15,787,011
Less: unearned finance income related to minimum lease payments receivable	**(6,664,899)**	(3,071,128)
Present value of minimum lease payments receivable	**17,101,804**	12,715,883

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings as at 31 December 2023 and 2022.

	2023	2022
	HK$'000	*HK$'000*
Gross investment in finance leases		
Within 1 year	**3,112,583**	2,225,972
After 1 year but within 2 years	**2,193,153**	2,377,096
After 2 years but within 3 years	**2,275,526**	1,571,867
After 3 years but within 4 years	**2,036,069**	2,056,576
After 4 years but within 5 years	**1,673,765**	1,515,150
Over 5 years	**12,475,607**	6,040,350
	23,766,703	15,787,011

(c) Loans to joint ventures

As at 31 December 2023, except for loans to joint ventures of HK$359,178,000 (2022: HK$484,490,000) which were unsecured, interest bearing at 8.4% (2022: 7.8%) per annum, and repayable on demand, the remaining balances were unsecured, interest-free and repayable on demand.

11. OTHER INFORMATION

The consolidated financial statements of the Group for the years ended 31 December 2023 and 2022 have been reviewed by the audit committee of the Company and audited by the Company's auditor, Grant Thornton Hong Kong Limited. An unqualified auditor's report will be included in the Annual Report to the shareholders.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results for the year ended 31 December 2023 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company will deliver the consolidated financial statements for the year ended 31 December 2023 to the Registrar of Companies in due course.

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

12. CHANGE OF CHINESE NAME OF THE COMPANY

Pursuant to the special resolution passed at the annual general meeting on 26 June 2023, the Chinese name of the Company has been changed from 中國船舶(香港)航運租賃有限公司 to 中國船舶集團(香港)航運租賃有限公司 and effective from 10 August 2023.

OTHER INFORMATION

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance.

During the year ended 31 December 2023, the Company has applied the relevant principles and had complied with all applicable code provisions set out in the CG Code and adopted most of the recommended best practices.

Final Dividend

To share the fruitful results of the Group among all Shareholders, the Board recommends the payment of a final dividend of HK$0.09 per Share out of the distributable reserve of the Company for the year ended 31 December 2023. 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 31 July 2024 following approval at the Company's forthcoming annual general meeting.

ANNUAL GENERAL MEETING

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities by Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the standards set out in the Model Code during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

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

The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the Company's senior management and the Company's external auditor, and has reviewed the annual results for the year ended 31 December 2023.

This annual results announcement is based on the draft consolidated financial statements of the Group for the year ended 31 December 2023, which have been agreed with the external auditor of the Company.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 December 2023 has been published on the websites of the Company (http://www.csscshipping.cn) and HKExnews of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The Company's 2023 annual report containing all the information as required by the Listing Rules will be published on the aforementioned websites in due course.

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

Hong Kong, 26 March 2024

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