中遠海運國際(香港)有限公司
COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)
Stock Code : 00517

LIGHT UP OUR FUTURE WITH GREEN DIGITAL INTELLIGENCE

Annual Report **2023**

Corporate Profile

COSCO SHIPPING International is a company listed on the Main Board of the Stock Exchange (stock code 00517). The Company is a subsidiary of COSCO SHIPPING (Hong Kong), which is a wholly-owned subsidiary of COSCO SHIPPING.

COSCO SHIPPING International has aimed to provide global customers with full life-cycle shipping services. The Group has established a ship services platform providing integrated services, such as ship trading agency, insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings and intelligent shipping services. The Group also makes every effort to build a digital intelligent ship services platform to concur with the green, low carbon and intelligent development trend in the shipping industry. The investment in the establishment of a green and digital intelligent ship services platform and a marine new energy platform offers diversified and specialised shipping related services and products to customers such as shipping companies, shipyards, container manufacturers, etc.. Its business network covers Mainland China, Hong Kong, Singapore, Japan, Germany and the United States, etc..

Vision

COSCO SHIPPING International aims to build a green, low carbon, digital intelligent ship services industrial cluster, with the goal of "superior profitability, counter cyclical capability, large in scale and strong global presence", through deepening our penetration in Hong Kong, gaining our foothold in the Bay Area, and going global.

Mission

By virtue of the support of the parent company and leveraging on the capital raising platform as a Hong Kong listed company, and by securing trustworthy and mutual success relationship with customers, investors and business partners, COSCO SHIPPING International will accomplish its vision and sustainable development, so as to provide higher quality services to customers, offer more ideal career path to employees, create more ample return to Shareholders, and make more contribution to the community.

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Definitions and Glossary

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

"associate(s)"	the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"connected person(s)"	the meaning ascribed to it in the Listing Rules;
"COSCO Kansai Companies"	COSCO Kansai (Tianjin), COSCO Kansai (Shanghai), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai) collectively;
"COSCO Kansai Paint (Shanghai)"	中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Shanghai)"	中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Tianjin)"	COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd., a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Zhuhai)"	COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd., a non-wholly owned subsidiary of the Company;
"COSCO SHIPPING"	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a company established in the PRC and the holding company of COSCO SHIPPING (Hong Kong) and the ultimate holding company of the Company;
"COSCO SHIPPING Green Digital Intelligence"	中遠海運綠色數智船舶服務有限公司 (COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO SHIPPING Group"	COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective subsidiaries;
"COSCO SHIPPING (Hong Kong)"	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company and a wholly-owned subsidiary of COSCO SHIPPING;
"COSCO SHIPPING International" or "Company"	COSCO SHIPPING International (Hong Kong) Co., Ltd., the shares of which are listed on the Stock Exchange;
"DWT"	dead weight tonnage, the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew, etc. at a specified draft;
"Director(s)"	the director(s) of the Company;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;

* *for identification purposes only*

"Helen Insurance Brokers"	Helen Insurance Brokers Limited, a direct wholly-owned subsidiary of the Company;
"Jotun COSCO"	Jotun COSCO Marine Coatings (HK) Limited, a joint venture of the Company;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Nasurfar Changshu"	常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*), a joint venture of the Company;
"PRC"	the People's Republic of China;
"Shanghai JOYFuel Green Energy"	上海吉遠綠色能源有限公司 (Shanghai JOYFuel Green Energy Co,, Ltd.*), an associate of the Company;
"Share(s)"	the share(s) of HK$0.10 each in the capital of the Company;
"Shareholders"	the holders of the Share(s) of the Company;
"Sinfeng"	Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder(s)"	the meaning ascribed to it in the Listing Rules;
"United States"	the United States of America; and
"Zhejiang Four Brothers Rope"	浙江四兄繩業有限公司 (Zhejiang Four Brothers Rope Co., Ltd.*), an associate of the Company.

* *for identification purposes only*

Company Information

DIRECTORS

Executive Directors

Mr. Zhu Changyu *(Chairman and Managing Director)*
Ms. Meng Xin

Non-executive Director

Mr. Chen Dong

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Kwong Che Keung, Gordon

COMPANY SECRETARY

Ms. Chiu Shui Suet

INDEPENDENT AUDITOR

PricewaterhouseCoopers
(Certified Public Accountants and Registered Public Interest Entity Auditor)

LEGAL ADVISERS

Woo Kwan Lee & Lo
Sit, Fung, Kwong & Shum
Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Company Limited
Agricultural Bank of China Limited
Bank of Communications (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary share (Stock code: 00517)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

INVESTOR RELATIONS

Telephone	: (852) 2809 7888
Facsimile	: (852) 3568 4426
E-mail	: ir@coscointl.com
Website	: hk.coscoshipping.com

FINANCIAL CALENDAR

2023 Annual General Meeting	: 31 May 2023
Announcement of 2023 Interim Results	: 22 August 2023
Announcement of 2023 Annual Results	: 26 March 2024
2024 Annual General Meeting	: 31 May 2024

DIVIDENDS

2023 Interim Dividend	: 22.5 HK cents per share
Proposed 2023 Final Dividend	: 17.5 HK cents per share
Dividends for the year 2023	: 40.0 HK cents per share

Corporate Structure

SHIPPING SERVICES

Ship Trading Agency Services	北京中遠海運船舶貿易有限公司 (Beijing COSCO SHIPPING Ship Trading Co., Ltd.*) 100%
Insurance Brokerage Services	COSCO SHIPPING (Hong Kong) Insurance Brokers Limited 100% Helen Insurance Brokers Limited 100%[Note 4] 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*) 55%
Supply of Marine Equipment and Spare Parts	Yuantong Marine Service Co. Limited 100%
Production and Sale of Coatings	COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. 64.71% COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. 63.07% 中遠關西塗料化工 (上海) 有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) 63.07% 中遠關西塗料 (上海) 有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) 63.07% Jotun COSCO Marine Coatings (HK) Limited 50% 常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*) 33%
Intelligent Shipping Services	中遠海運綠色數智船舶服務有限公司 (COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.*) 51%

GENERAL TRADING

General Trading	中遠海運國際貿易有限公司 (COSCO SHIPPING International Trading Company Limited*) 100% 浙江四兄繩業有限公司 (Zhejiang Four Brothers Rope Co., Ltd.*) 48%

Note 1
COSCO SHIPPING is the ultimate holding company of COSCO SHIPPING International.
Note 2
COSCO SHIPPING (Hong Kong) is the immediate holding company of COSCO SHIPPING International.
Note 3
To the best of the knowledge and belief of the Directors, COSCO SHIPPING (Hong Kong) held 71.70% issued share capital of the Company as at 31 December 2023.
Note 4
On 10 November 2023, the Company entered into a share transfer agreement with COSCO SHIPPING Development (Hong Kong) Co., Limited ("COSCO SHIPPING Development HK") and agreed to purchase the entire issued share capital of Helen Insurance Brokers. The transaction was completed on 15 January 2024.

* *for identification purposes only*

COSCO SHIPPING Note 1

COSCO SHIPPING (HONG KONG) Note 2

71.70% Note 3

COSCO SHIPPING INTERNATIONAL

PUBLIC SHAREHOLDERS

28.30%

Financial Highlights

	2023 HK$'000	2022 HK$'000	Change
ANNUAL RESULTS HIGHLIGHTS			
For the year ended 31 December			
Revenue	**3,341,729**	3,962,539	(16%)
Gross profit	**663,634**	660,612	0%
Operating profit	**145,871**	202,831	(28%)
Profit before income tax	**662,763**	425,358	56%
Profit attributable to equity holders	**593,673**	347,062	71%
Basic earnings per share (HK cents)	**40.33**	22.74	77%
Dividends per share (HK cents)	**40.0**	22.5	78%
Dividend payout ratio (%)	**99**	99	—

	2023 HK$'000	2022 HK$'000	Change
BALANCE SHEET HIGHLIGHTS			
As at 31 December			
Total assets	**9,205,229**	9,234,493	0%
Total liabilities	**1,017,830**	1,112,913	(9%)
Net assets attributable to shareholders	**7,839,455**	7,802,587	0%
Net cash	**6,261,376**	5,933,120	6%
Net assets per share (HK$)	**5.35**	5.27	2%
Net cash per share (HK$)	**4.27**	4.00	7%
Return on total assets (%)	**6.44**	3.66	2.78pts
Return on shareholders' equity (%)	**7.59**	4.38	3.21pts

	2023	2022
KEY FINANCIAL RATIOS		
For the year ended 31 December		
Gross profit margin	**19.9%**	16.7%
Interest coverage	**362.8 times**	212.1 times
Current ratio	**8.3 times**	7.6 times
Quick ratio	**8.0 times**	7.3 times
Total liabilities/total assets	**11.1%**	12.1%
Total borrowings/total assets	**0%**	0%

	2023 HK$'000	2022 HK$'000	Change
SEGMENT REVENUE*			
For the year ended 31 December			
Shipping Services			
Coatings	**826,045**	1,067,153	(23%)
Marine equipment and spare parts	**1,725,018**	1,669,821	3%
Ship trading agency	**86,782**	85,413	2%
Insurance brokerage	**139,707**	114,584	22%
Intelligent shipping services	**97**	—	N/A
	2,777,649	2,936,971	(5%)
General trading	**564,080**	1,025,568	(45%)
Total	**3,341,729**	3,962,539	(16%)

* external customers only

	2023 HK$'000	(Restated) 2022 HK$'000	Change
SEGMENT PROFIT/(LOSS) BEFORE INCOME TAX			
For the year ended 31 December			
Shipping Services			
Coatings	**254,644**	152,362	67%
Marine equipment and spare parts	**106,696**	89,026	20%
Ship trading agency	**46,772**	52,877	(12%)
Insurance brokerage	**95,672**	81,400	18%
Intelligent shipping services	**(3,446)**	—	N/A
	500,338	375,665	33%
General trading	**(30,940)**	4,576	(776%)
Corporate and others	**193,365**	45,117	329%
Total	**662,763**	425,358	56%

Chairman's Statement

"The shift of the shipping industry towards digital transformation, intelligenisation, and greenisation is an inevitable trend that offers great opportunities and growth potential for COSCO SHIPPING International."

Zhu Changyu

Chairman

To all Shareholders,

RESULTS AND DIVIDENDS

On behalf of the Board of the Company, I am pleased to report to you the 2023 annual results and future directions of COSCO SHIPPING International. In 2023, with benefitting from the performance of the Group's marine coatings business and the significant increase in net finance income, the profit attributable to equity holders of the Company was HK$593,673,000 (2022: HK$347,062,000), representing a significant year-on-year increase of 71%. The basic and diluted earnings per share were 40.33 HK cents (2022: 22.74 HK cents). The Board recommended the payment of a final dividend of 17.5 HK cents per share. The dividend per share for the year 2023 will amount to 40.0 HK cents (2022: 22.5 HK cents) in total, representing a dividend payout ratio of 99% (2022: 99%).

According to the dividend policy of COSCO SHIPPING International, prior to achieving substantial progress in significant investment projects, the Company's annual dividend payout ratio shall not be less than 50%. That said, since 2020, under the principles of prudent investment attitudes and make good use of our capital, and also taking into account factors such as the operating environment and development needs, the actual dividend payout ratio reached nearly 100%. As to achieve better shareholders' returns, the Company further optimised its use of cash flow by repurchasing its Shares in the open market since 2022. In 2023, the Company repurchased a total of 15,722,000 Shares during the year. These measures have proven that the Company has always been adhering to its operational philosophy of maximising shareholders' returns and striving to move ahead together with Shareholders.

GREEN AND SMART SHIPPING MARKS THE NEW ERA

The global shipping industry is rapidly approaching a crucial turning point of digitisation and a transformation towards green energy. On one hand, the shipping industry has the features of a long industry chain, numerous associated entities, and abundant technology application scenarios, making it well-suited to the development trend of the digitalisation era. Only by promoting the application of intelligent shipping technologies and digital transformation of shipping services can new momentum and competitive advantages be consistently created for the shipping industry. On the other hand, according to the United Nations statistics, the annual carbon dioxide emissions of the global shipping industry have reached approximately 1 billion tonnes, representing about 3% of the global greenhouse gas emissions. With global warming and extreme weather are becoming more severe, the shipping industry is obligated to make contribution to global carbon emission reduction.

China is actively promoting the development of green and smart shipping, which contributes to the global shipping industry by reducing emissions and carbon footprint, while improving quality and efficiency. In recent years, the Chinese government has issued various documents to actively prepare for digital transformation and the green and low-carbon development of the shipping industry. These include《交通強國建設綱要》(the Outline for the Construction of Nation with Strong Transportation System),《國家綜合立體交通網規劃綱要》(the Outline for the Plan on National Integrated Transportation Network),《水運"十四五"發展規劃》(the Development Plan for Water Transportation Under the 14th Five-Year Plan) and《綠色交通"十四五"發展規劃》(the Development Plan for Green Transportation Under the 14th Five-Year Plan).

The shipping industry is facing growing pressure on decarbonisation from regulatory authorities. In July 2023, the International Maritime Organization ("IMO") implemented more stringent targets, i.e. requiring the maritime industry to achieve 20% carbon emission reduction by 2030 and net zero emission around 2050. The new IMO regulations require shipping industry to manage and control the energy efficiency of existing vessels. It will have an enormous impact on the business models of the whole industry, and deeply affect various aspects such as building new vessels, upgrading existing vessels, as well as shipping fuels replacement and shipping technology innovation.

In addition, starting from 1 January 2024, the shipping industry has officially been included in the scope of the European Union Emission Trading Scheme ("EU ETS"). This includes the emissions of large vessels departing from and arriving at ports within the EU, as well as 50% of the emissions of vessels traveling to and from non-EU countries. These new requirements for carbon reduction costs in the shipping industry are more pressing than those imposed by the IMO. They also have other far-reaching effects, such as potential changes in costs and freight for goods transportation due to variations in emission fees along different routes and at different ports. As a result, the global supply chain is now facing more complicated cost estimation and planning.

Considering the above, in response to various new regulations and bills that the industry is currently facing, the shipping industry is actively promoting the transformation of traditional high oil consumption and high emissions vessel types to green and low-carbon vessel types. Additionally, vessel owners and shippers are resolving complicated supply chain planning through digitalisation and intelligentisation.

EMBRACING THE NEW PHRASE, EMPOWERING THE NEW SHIPPING INDUSTRY

The shift of the shipping industry towards digital transformation, intelligenisation, and greenisation is an inevitable trend that offers great opportunities and growth potential for COSCO SHIPPING International.

COSCO SHIPPING International is dedicated to its development strategy of becoming a leading international shipping service company. We have been providing a full range of shipping services to our customers throughout the ship life-cycle. In 2023, we are operating in line with the new era, embracing changes, actively promoting innovative digital intelligent shipping service solutions, and striving to seize the opportunity in the green new energy shipping industry.

In February 2023, the Group and 中遠海運科技股份有限公司 (COSCO SHIPPING Technology Co., Ltd.*) jointly established COSCO SHIPPING Green Digital Intelligence. This partnership aimed to combine the Group's expertise in physical operations with the digitalisation technology advantages of COSCO SHIPPING Technology Co., Ltd.. The goal was to integrate the shipping service sector into the shipping supply chain system, improve operational efficiency and customer experience, and create greater value for customers.

In December 2023, the Group entered into a cooperation agreement with 吉林電力股份有限公司 (Jilin Electric Power Co., Ltd.*) and 上港集團能源(上海)有限公司 (Shanggang Group Energy (Shanghai) Co., Ltd.*), to establish a joint venture, Shanghai JOYFuel Green Energy. This is a significant milestone for the Group's development in the emerging green and low-carbon industry. Shanghai JOYFuel Green Energy will serve as an investment platform specializing in renewable fuels such as green methanol. It aims to expedite the use of renewable fuels in vessels and promote the shipping industry's transformation towards green energy.

In 2023, green methanol had gradually become the leading alternative fuel for shipping companies. According to DNV AFI statistics, 16% of new build vessel orders in 2023 were for vessels using alternative fuels, with green methanol accounting for approximately 50%. Vessels fueled by green methanol successfully covered almost all mainstream vessel types. Given this trend, it is believed that the potential market for green methanol for vessels will be significant.

The Group has been actively expanding and strengthening its competitive advantages and profitability of its existing shipping services to create stable value for shareholders. On 28 December 2023, the Company held a special general meeting where the majority of independent shareholders passed a resolution for the acquisition of the entire issued share capital of Helen Insurance Brokers. COSCO SHIPPING International has been involved in insurance brokerage business for nearly 20 years, and this segment is an important part of the Group's shipping service industry cluster business. The acquisition of Helen Insurance Brokers marks a milestone for the Group in further expanding and strengthening its market share and competitive edge in the insurance brokerage business. Helen Insurance Brokers will create synergy with the Group's existing insurance business, optimise the allocation of resources and service procedures, and increase profitability for the Group.

ENHANCE CORPORATE GOVERNANCE, FULFILL SOCIAL RESPONSIBILITY

COSCO SHIPPING International has always placed great importance on its role as a role model through establishing a solid corporate governance structure, and continually promoting and improving the management mechanism of corporate social responsibility.

We are committed to upholding high standards of corporate governance and risk management in order to facilitate and ensure the high-quality development of the Company's operations. In 2023, COSCO SHIPPING International continued to enhance its risk prevention and management system, improving its capability and standards for early identification, assessment, and monitoring of various risk exposures. Additionally, the Company optimised its standard of integrated management of internal control, risk, and compliance by enhancing its dual control system for risk prevention and control, as well as conducting potential hazard investigations.

* *for identification purposes only*

In order to fulfill our corporate social responsibility, COSCO SHIPPING International highly attends to the issues regarding production safety and employee welfare, as well as civil responsibilities such as environmental protection and charity. The Company has specialised divisions for facilitating works in relation to employees and social welfare and actively participates in numerous community building and voluntary activities, and is committed to give back to the society. In 2023, the Company actively promoted and participated in various charity and volunteering activities, such as Sowers Action, the Neighbourhood Advice-Action Council and UNICEF. We also provided assistance to grassroots families and students in Hong Kong. These initiatives highlight the Group's corporate spirit of being rooted in Hong Kong and serving the local community.

VALUE INVESTOR RELATIONS, CREATE VALUES FOR SHAREHOLDERS

COSCO SHIPPING International always places great importance on investor relations. The Company aims to strengthen communication with shareholders, potential investors, and stakeholders through various works, such as providing a more convenient way for shareholders to exercise their rights, information disclosure, interactive communications and handling requests. COSCO SHIPPING International believes that good investor relations will enhance corporate governance standards and ensure consistency in information between The Company and investors, consequently strengthen investors' recognition of the Company's value. COSCO SHIPPING International has been recognised for its efforts, receiving the Outstanding Certificate from the Hong Kong Investor Relations Association for four consecutive years. In 2023, COSCO SHIPPING International was honored with the Most Progress in IR award for the first time, demonstrating the Hong Kong capital market's recognition of the Company's continuous progression and improvement in investor relations.

PROSPECTS

Looking ahead in 2024, the global economy is starting to slow down despite its continuous recovery. The financial policies in developed markets are approaching a turning point, and the geopolitics and global supply chain continue to fluctuate. As a result, the economy will continue to face challenges. Factors such as a new round of vessel capacity growth and short-term unstable supply chain are expected to bring more uncertainties to the shipping market in 2024.

As proven, COSCO SHIPPING International operates and invests in a diversified shipping services portfolio, has always been promoting business development in a prudent and steady manner. This approach effectively reduces cyclical fluctuations in our overall business, leading to consecutive years of stable profit. Backed by the reputation and resources of COSCO SHIPPING Group, COSCO SHIPPING International remain committed to providing professional services and believe that our robust financial strength will enable us to overcome macroeconomic changes and thrive.

COSCO SHIPPING International is well-equipped in terms of competitive advantages, strategy deployment, capital allocation, and other key aspects. The Company will adopt an optimistic yet prudent approach, adhere to the concept of leading technology and innovation development. It will promote the direction of developing digital intelligent operations, as well as green new energy for vessels, while supporting the shipping industry to establish a high-quality, low-carbon, and intelligent operation system within the shipping industry.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all shareholders and stakeholders of COSCO SHIPPING International for their supports and trusts in the Company. I would also express my gratitude to the highly committed and diligent group of colleagues, including my fellow directors, the management team, and all employees for their contributions to the Company's success and long-term development.

Zhu Changyu
Chairman of the Board and Managing Director

26 March 2024

Management Discussion and Analysis

OVERALL ANALYSIS OF RESULTS

In 2023, profit attributable to equity holders of the Company was HK$593,673,000 (2022: HK$347,062,000), representing an increase of 71% year-on-year, while the basic and diluted earnings per share were 40.33 HK cents (2022: 22.74 HK cents), representing an increase of 77% year-on-year. It was mainly due to significant increase in interest income and the share of profit of a joint venture, Jotun COSCO.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue was HK$3,341,729,000 (2022: HK$3,962,539,000), decreased by 16% year-on-year. Revenue from the core business of shipping services was HK$2,777,649,000 (2022: HK$2,936,971,000), decreased by 5% year-on-year, and accounted for 83% (2022: 74%) of the Group's revenue, mainly due to decrease in revenue from the coatings segment resulting from decrease in demand and sales volume of container coatings. Revenue from the general trading segment was HK$564,080,000 (2022: HK$1,025,568,000), decreased by 45% year-on-year, and accounted for 17% (2022: 26%) of the Group's revenue.

Gross Profit and Gross Profit Margin

During the year, the Group's gross profit was HK$663,634,000 (2022: HK$660,612,000), slightly increased year-on-year, mainly due to an increase in gross profit margin of the coatings segment and an increase in revenue from the insurance brokerage segment. Gross profit margin was 20% (2022: 17%), increased by 3 percentage points year-on-year. The overall increase in gross profit margin was mainly due to a significant increase in gross profit margin of the coatings segment resulting from the decrease in materials costs.

Management Fee Income

During the year, management fee income arising from the provision of management services by the Company in relation to the day-to-day business operations and management of COSCO SHIPPING (Hong Kong) and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.) was HK$82,954,000 (2022: HK$56,837,000), increased by 46% year-on-year, mainly due to an increase in administrative and general expenses related to COSCO SHIPPING (Hong Kong) and its subsidiaries mentioned above.

Other Income and (Losses) — Net

During the year, other income and (losses) — net losses was HK$6,346,000 (2022: net losses of HK$17,272,000), mainly attributed from the provision for impairment of trade receivables, and the exchange gains partially offset the impact.

Selling, Administrative and General Expenses

During the year, selling, administrative and general expenses was HK$594,371,000 (2022: HK$497,346,000), increased by 20% year-on-year, mainly due to an increase in selling expenses, employee benefit expenses and research and development expenses.

SHIPPING SERVICES INDUSTRIAL CLUSTER

Intelligent Shipping Services

Supply of Marine Equipment and Spare Parts

Production and Sale of Coatings

Ship Trading Agency Services

Insurance Brokerage Services

CORE BUSINESS NETWORK

		Ship Trading Agency Services	Insurance Brokerage Services	Supply of Marine Equipment and Spare Parts	Production and Sale of Coatings	Intelligent Shipping Services
1	Beijing	●		●		
2	Tianjin				●	
3	Dalian				●	
4	Qingdao				●	
5	Shanghai			●	●	●
6	Guangzhou				●	
7	Shenzhen		●			
8	Hong Kong		●	●	●	
9	Zhuhai				●	
10	Jiangsu				●	
11	Singapore			●		
12	Japan			●		
13	Germany			●		
14	the United States			●		

Operating Profit

The Group's operating profit was HK$145,871,000 (2022: HK$202,831,000), decreased by 28% year-on-year.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, was HK$266,716,000 (2022: HK$98,366,000), increased by 171% year-on-year, mainly due to an increase in interest rates of deposits.

Finance Costs

Finance costs, which mainly represented interest expenses on lease liabilities and other finance charges, was HK$1,832,000 (2022: HK$2,015,000), decreased by 9% year-on-year.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was HK$237,582,000 (2022: HK$117,529,000), increased by 102% year-on-year. This item primarily represented the share of profits of Jotun COSCO of HK$232,255,000 (2022: HK$106,720,000) and of Nasurfar Changshu of HK$2,617,000 (2022: HK$8,036,000), which were included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates was HK$14,426,000 (2022: HK$8,647,000). This item primarily represented the share of profit of Zhejiang Four Brothers Rope of HK$7,946,000 (2022: HK$3,424,000), which was included in the general trading segment.

Income Tax Expenses

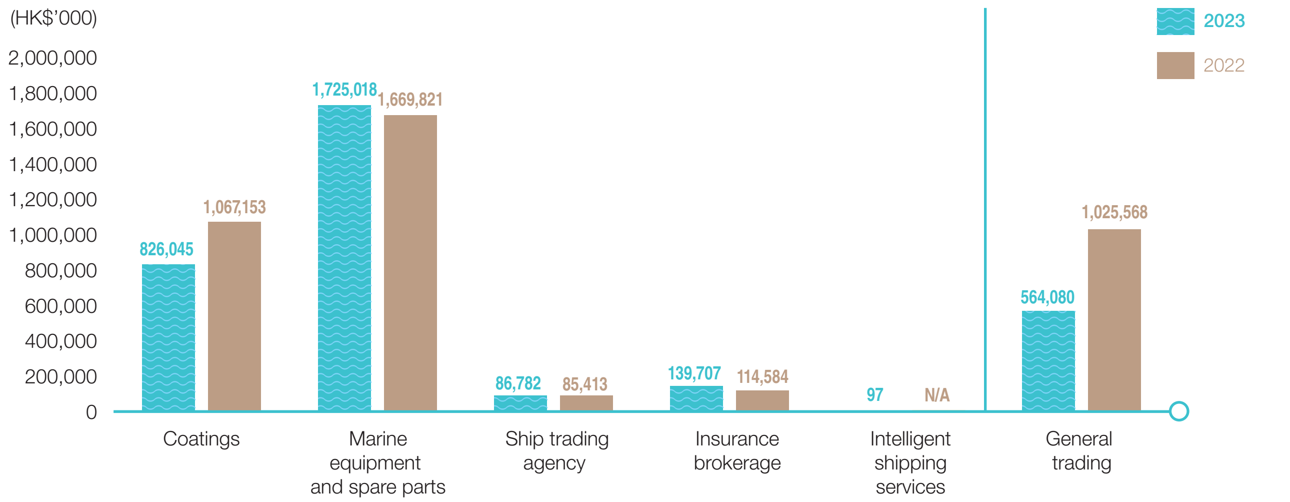
During the year, the Group's income tax expenses was HK$54,157,000 (2022: HK$58,461,000), decreased by 7% year-on-year. The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, decreased from 19% in 2022 to 13%, mainly due to increase in interest income from bank deposits, which is not subject to income tax.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company was HK$593,673,000 (2022: HK$347,062,000), increased by 71% year-on-year.

FINANCIAL RESULTS

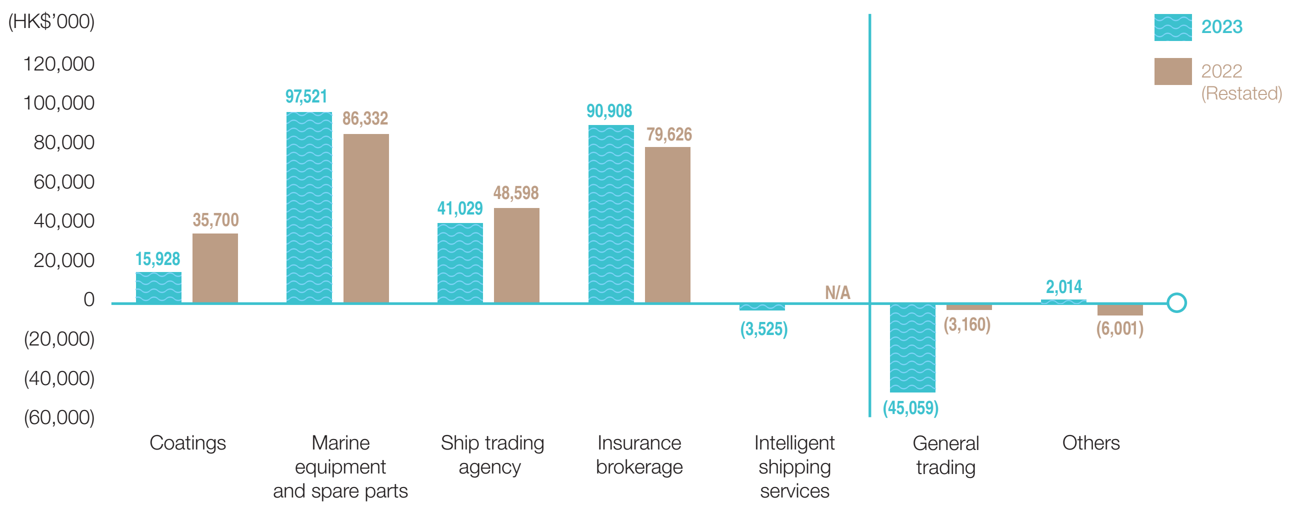
SEGMENT REVENUE*



* external customers only

Revenue from the core shipping services businesses decreased by 5% to HK$2,777,649,000 (2022: HK$2,936,971,000) and accounted for 83% (2022: 74%) of the Group's revenue. The decrease in revenue was mainly due to decrease in revenues from the coatings segment and general trading segment.

SEGMENT OPERATING PROFIT/(LOSS)



Segment operating profit from shipping services decreased by 3% to HK$241,861,000 (2022 (restated): HK$250,256,000). It was mainly due to year-on-year decrease in segment operating profits from coatings and ship trading agency.

FINANCIAL RESULTS (Continued)

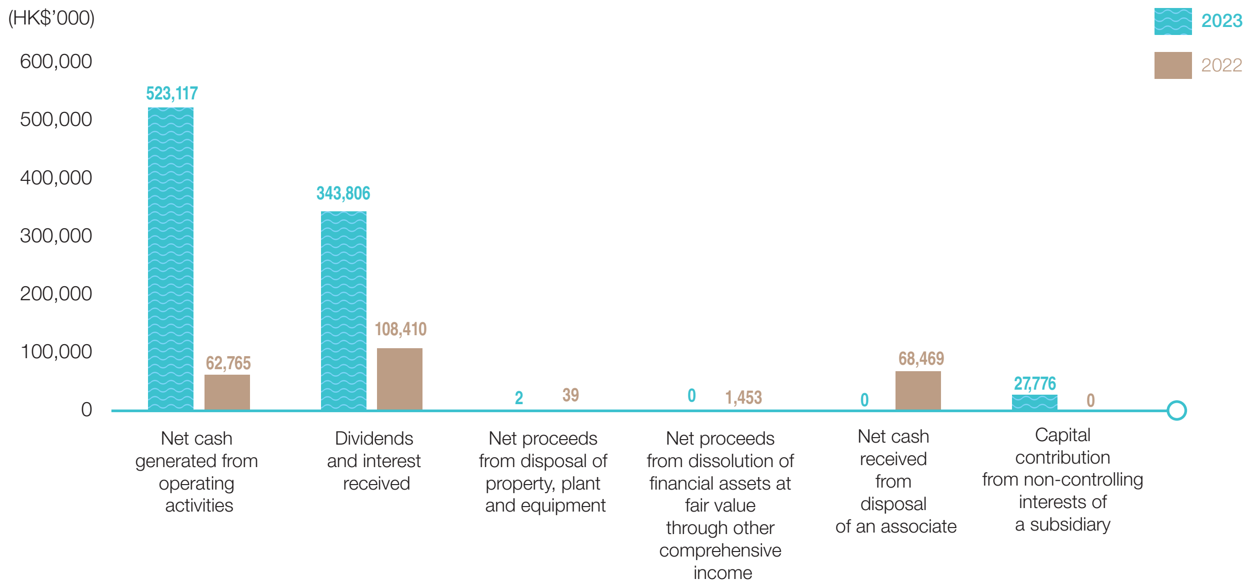
For the year ended 31 December	**2023 HK$'000**	(Restated) 2022 HK$'000	Change HK$'000	%	Remark
Shipping services	**241,861**	250,256	(8,395)	(3)	It was mainly attributable to decrease in segment operating profits from coatings and ship trading agency year-on-year.
General trading	**(45,059)**	(3,160)	(41,899)	1,326	It was mainly attributable to the increase in provision for impairment of trade receivables year-on-year.
Others	**2,014**	(6,001)	8,015	134	
Corporate net exchange gains	**12,404**	6,469	5,935	92	
Corporate expenses, net of income	**(64,723)**	(44,132)	(20,591)	47	
Elimination of segment income from corporate headquarters	**(626)**	(601)	(25)	4	
Operating profit	**145,871**	202,831	(56,960)	(28)	
Finance income-net	**264,884**	96,351	168,533	175	It was mainly attributable to increase in interest rates of deposits year-on-year.
Share of profits of joint ventures	**237,582**	117,529	120,053	102	It was mainly attributable to higher sales volume and the improvement in gross profit margin of Jotun COSCO year-on-year.
Share of profits of associates	**14,426**	8,647	5,779	67	It was mainly attributable to increase in the Group's share of profit from Zhejiang Four Brothers Rope year-on-year.
Profit before income tax	**662,763**	425,358	237,405	56	
Income tax expenses	**(54,157)**	(58,461)	4,304	(7)	
Profit for the year	**608,606**	366,897	241,709	66	

FINANCIAL RESULTS (Continued)

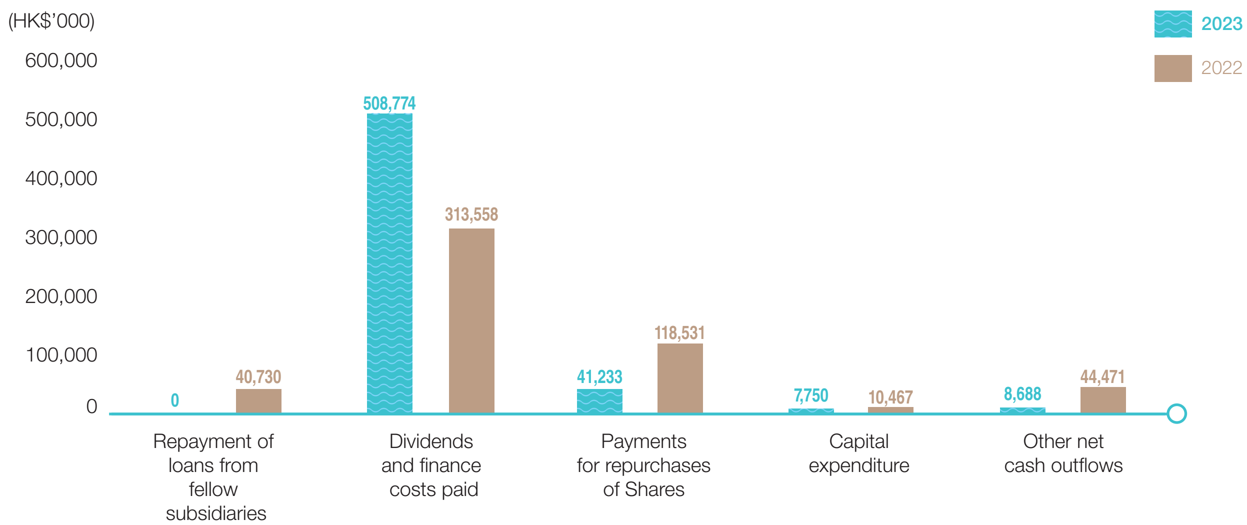
As at 31 December	**2023 HK$'000**	2022 HK$'000	Change HK$'000	%	Remark
Intangible assets	**106,843**	108,721	(1,878)	(2)	
Property, plant and equipment, right-of-use assets and investment properties	**402,451**	416,958	(14,507)	(3)	
Investments in joint ventures	**668,448**	527,896	140,552	27	
Investments in associates	**159,961**	154,716	5,245	3	
Other non-current assets	**98,049**	94,380	3,669	4	
Inventories	**298,333**	304,765	(6,432)	(2)	
Trade receivables — net	**551,671**	694,242	(142,571)	(21)	
Other receivables	**654,300**	995,456	(341,156)	(34)	
Cash (including restricted bank deposits and current deposits and cash and cash equivalents)	**6,261,376**	5,933,120	328,256	6	(A), (B)
Other current assets	**3,797**	4,239	(442)	(10)	
Total assets	**9,205,229**	9,234,493	(29,264)	0	
Deferred income tax liabilities	**64,035**	67,336	(3,301)	(5)	
Trade payables, other payables and contract liabilities	**918,228**	1,008,620	(90,392)	(9)	
Current income tax liabilities	**17,956**	21,046	(3,090)	(15)	
Lease liabilities	**17,611**	15,911	1,700	11	
Non-controlling interests	**347,944**	318,993	28,951	9	
Total liabilities and non-controlling interests	**1,365,774**	1,431,906	(66,132)	(5)	
Net assets attributable to equity holders	**7,839,455**	7,802,587	36,868	0	

(A) MAJOR SOURCES AND USE OF CASH

CASH INFLOWS



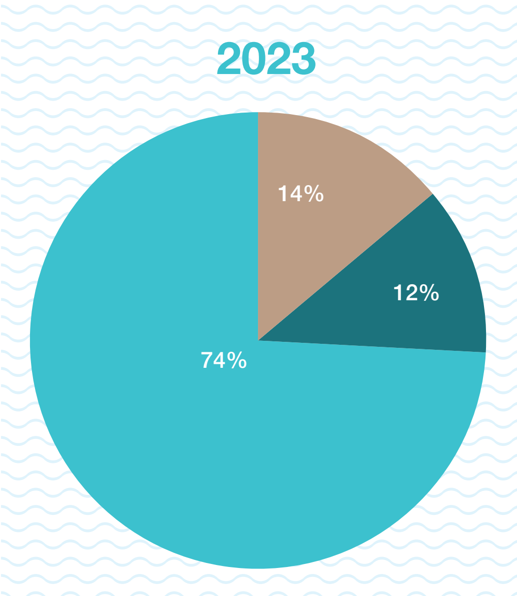
CASH OUTFLOWS

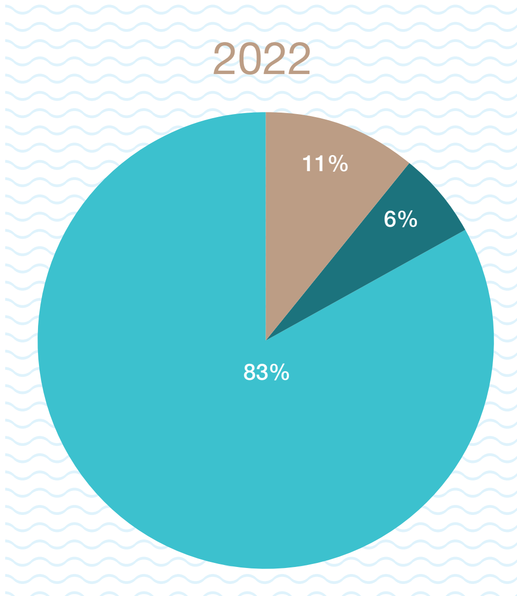


Cash (including restricted bank deposits and current deposits and cash and cash equivalents) increased by HK$328,256,000 in aggregate during the year. Sources of cash principally included net cash generated from operating activities of HK$523,117,000, dividends and interest received of HK$343,806,000, net proceeds from disposal of property, plant and equipment of HK$2,000 and capital contribution from non-controlling interests of a subsidiary of HK$27,776,000. Use of cash principally included dividends and finance costs paid of HK$508,774,000, payments for repurchases of Shares HK$41,233,000, capital expenditure of HK$7,750,000 and other net cash outflows of HK$8,688,000.

(B) ANALYSIS OF CASH

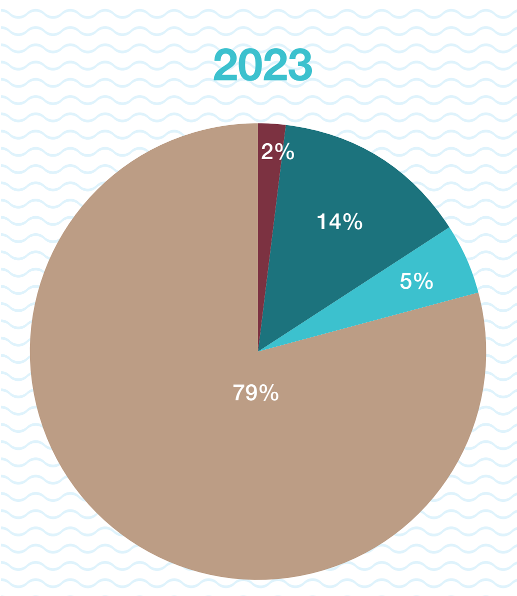
CLASSIFIED BY NATURE

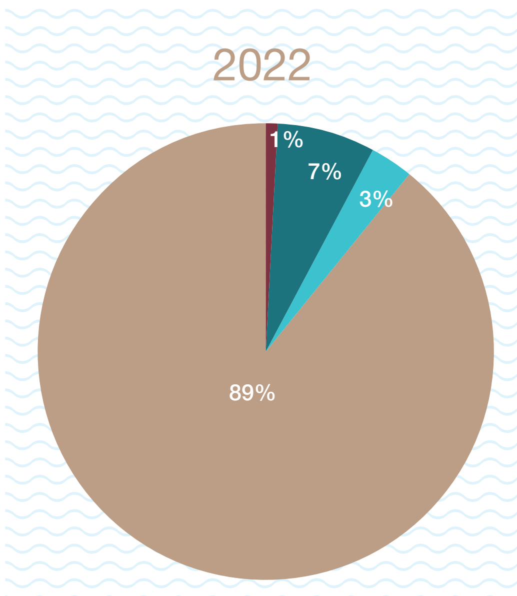




Deposits in a fellow subsidiary
Short-term bank deposits
Cash at bank and in hand

CLASSIFIED BY CURRENCY





Renminbi
Hong Kong dollars
United States dollars
Others

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's main sources of liquidity comprises cash, bank balances and non-committed unutilised banking facilities. The liquidity is primarily for financing of general working capital requirements, dividend payments and future capital expenditure. As at 31 December 2023, deposits and cash and cash equivalents held by the Group accounted for 81% (2022: 75%) of the Group's total current assets.

As at 31 December 2023, the Group's total assets slightly decreased to HK$9,205,229,000 (2022: HK$9,234,493,000). Total liabilities decreased by 9% to HK$1,017,830,000 (2022: HK$1,112,913,000). The Group remained cautious about potential credit risks that surrounded the shipping services industry. All business units focused on internal management, receivables management, working capital management and costs control.

Net asset value attributable to shareholders was HK$7,839,455,000 (2022: HK$7,802,587,000). Net asset value per share, calculated based on the 1,465,971,429 shares outstanding at the end of the year (2022: 1,481,693,429 shares), was HK$5.35 (2022: HK$5.27), which increased slightly as compared to the end of 2022.

As at 31 December 2023, the Group's total short-term borrowings was nil (2022: nil). The Group's total cash on hand (representing total restricted bank deposits and current deposits and cash and cash equivalents) increased by 6% to HK$6,261,376,000 (2022: HK$5,933,120,000) and non-committed unutilised standby banking facilities decreased by 28% to HK$548,887,000 (2022: HK$767,627,000) respectively. The gearing ratio, which represented total borrowings over total assets, was nil (2022: nil).

Debt Analysis

As at 31 December 2023, the Group's total borrowings was nil (2022: nil).

The Group had restricted bank deposits of HK$5,517,000 (2022: HK$5,597,000), representing deposits placed to meet the statutory requirement of its insurance brokerage business in the PRC.

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

TREASURY POLICY

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

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

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

The Group maintained a healthy cash position. As at 31 December 2023, the Group had net cash, which represented total restricted bank deposits, current deposits and cash and cash equivalents, less short-term borrowings, of HK$6,261,376,000 (2022: HK$5,933,120,000). To enhance the Group's finance income and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mixture of stable and conservative financial products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions in Hong Kong, the PRC, Singapore, Japan, Germany and the United States. During the year, the Group strengthened its funds management and had actively negotiated with banks to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved a 4.37% rate of return on the Group's cash for the year (2022: 1.62%), representing an increase of 275 basis points year-on-year. The Group had no financial instruments for interest rate hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, sales to the largest customer and aggregate sales to the five largest customers accounted for 9% and 29% respectively (2022: 11% and 27% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 11% and 24% respectively (2022: 9% and 18% respectively) of the total cost of sales of the Group.

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

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

EMPLOYEES

As at 31 December 2023, excluding joint ventures and associates, the Group had 860 (2022: 851) employees, of which 195 (2022: 179) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK$446,150,000 (2022: HK$405,348,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

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

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

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

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

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

REVIEW OF BUSINESS OPERATIONS

Despite the year of 2023 marking the beginning of the post-pandemic era, the stability of global economic growth faced challenges brought on by a turbulent state of international affairs, persistent geopolitical tensions, wide-ranging wars, conflicts and climate hazards as seen in many countries, as well as high inflation, high interest rates and a slow destocking process. Trade barriers and geoeconomic and political fragmentation have worsened the fragmentation of global trade and supply chains, leading to a decline in global trade levels. According to the "World Economic Outlook" released by the International Monetary Fund in January 2024, the global economy in 2023 attained year-on-year growth of 3.1%, while global trade only achieved year-on-year growth of 0.4%, both below historical averages.

Confronted by various macro factors, China's foreign trade performance suffered but demonstrated remarkable resilience. According to the latest information from the World Trade Organization, China's international market share in terms of exports is expected to remain at a relatively high level of around 14% for 2023.

Trade barriers, geopolitical uncertainty and climate issues greatly weighed on the shipping industry. Incidents such as the Black Sea blockade, the Red Sea crisis and the Panama Canal drought caused congestion and delays in cargo transport, while pushing up the freight rates the shipping companies consequently had to endure greater operating costs. Nevertheless, the shipping industry managed to achieve relatively stable development. According to studies from Clarksons, in 2023, the global seaborne trade saw a year-on-year increase of 3% to 12.4 billion tonnes. In terms of specific freight type, liquefied gas carriers, tankers, offshore installations and car carriers segments delivered strong performance, in contrast to relatively sluggish dry bulk and container seaborne trade.

In respect of shipbuilding, according to the 2023 船舶工業經濟運行分析 (Analysis of Economic Operation of the Shipbuilding Industry in 2023) published by China Association of the National Shipbuilding Industry, in 2023, the national shipbuilding completions amounted to 42.32 million DWT, representing year-on-year growth of 11.8%; new orders amounted to 71.2 million DWT, representing year-on-year growth of 56.4%; and orders on hand as at the end of December 2023 amounted to 139.39 million DWT, representing year-on-year growth of 32.0%. In particular, export vessels accounted for 81.6%, 93.4% and 93.4% of the national shipbuilding completions, new orders and orders on hand respectively. China's position as a major shipbuilding country was further entrenched, with its market share being the largest in the world for 14 consecutive years.

China has become a major maritime nation with important influence in the world and is now leading the development of global shipping industry with green transition and digital empowerment. On seizing the trend of green and smart shipping development, COSCO SHIPPING International and 中遠海運科技股份有限公司 (COSCO SHIPPING Technology Co., Ltd.*) ("COSCO SHIPPING Technology") jointly established COSCO SHIPPING Green Digital Intelligence in February 2023, with the aim of providing green, low-carbon and digital intelligent solutions for the maritime transport life-cycle to improve efficiency in the shipping industry. Further than that, in December 2023, COSCO SHIPPING International also entered into a cooperation agreement regarding the establishment of a joint venture, Shanghai JOYFuel Green Energy with 吉林電力股份有限公司 (Jilin Electric Power Co., Ltd.*) ("Jilin Electric Power") and 上港集團能源(上海)有限公司 (Shanggang Group Energy (Shanghai) Co., Ltd.*) ("Shanggang Energy") in order to advance the development of renewable fuels such as green methanol, expedite the deployment of renewable marine fuels, and drive the shift towards green energy in the shipping industry.

1. Core Business — Shipping Services

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

During the year, revenue from the Group's shipping services was HK$2,777,649,000 (2022: HK$2,936,971,000), representing a year-on-year decrease of 5%, which was mainly due to the decline in revenue from production and sale of coatings. Profit before income tax from shipping services was HK$500,338,000 (2022 (restated): HK$375,665,000), representing a year-on-year increase of 33%, which included the considerable growth recorded in the insurance brokerage services, supply of marine equipment and spare parts and production and sale of coatings businesses.

* *for identification purposes only*

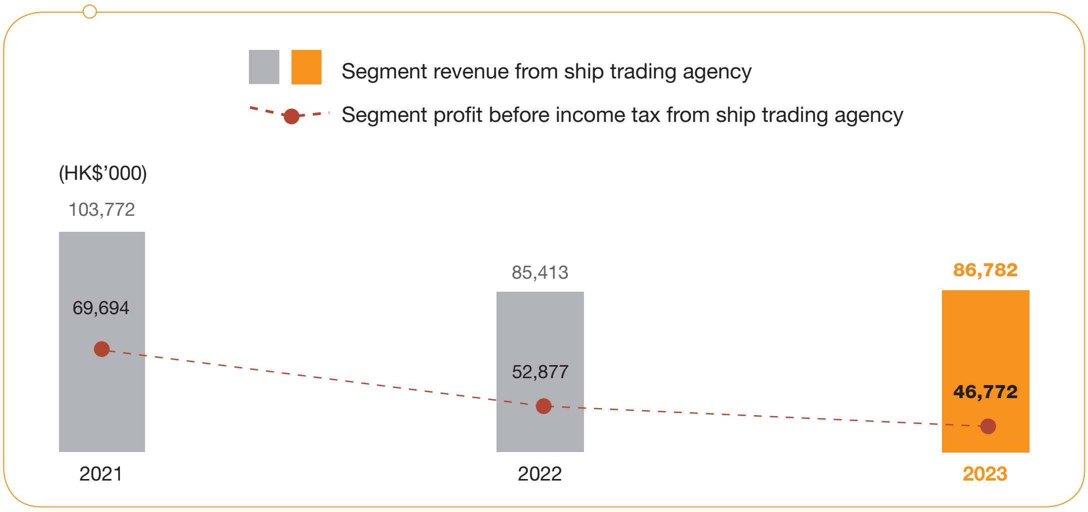
Ship Trading Agency Services

1.1 Ship Trading Agency Services

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

During the year, revenue from the ship trading agency segment of the Group increased by 2% to HK$86,782,000 (2022: HK$85,413,000) year-on-year. Segment profit before income tax was HK$46,772,000 (2022: HK$52,877,000), representing a year-on-year decrease of 12%. These were mainly attributable to the year-on-year increase in operating costs.

During the year, the Group's aggregate number of new build vessels delivery was 16 (2022: 18), aggregating 792,200 DWT (2022: 855,400 DWT). A total number of 57 (2022: 40) new build vessels have been ordered, aggregating 4,207,750 DWT (2022: 2,094,776 DWT). In addition, the sale and purchase of a total of 17 (2022: 23) second-hand vessels were recorded, aggregating 1,928,030 DWT (2022: 1,145,103 DWT).


Segment revenue from ship trading agency
Segment profit before income tax from ship trading agency
(HK$'000)
103,772
69,694
2021
85,413
52,877
2022
86,782
46,772
2023


ΠΕΙΡΑΙΑΣ III
COSCO SHIPPING

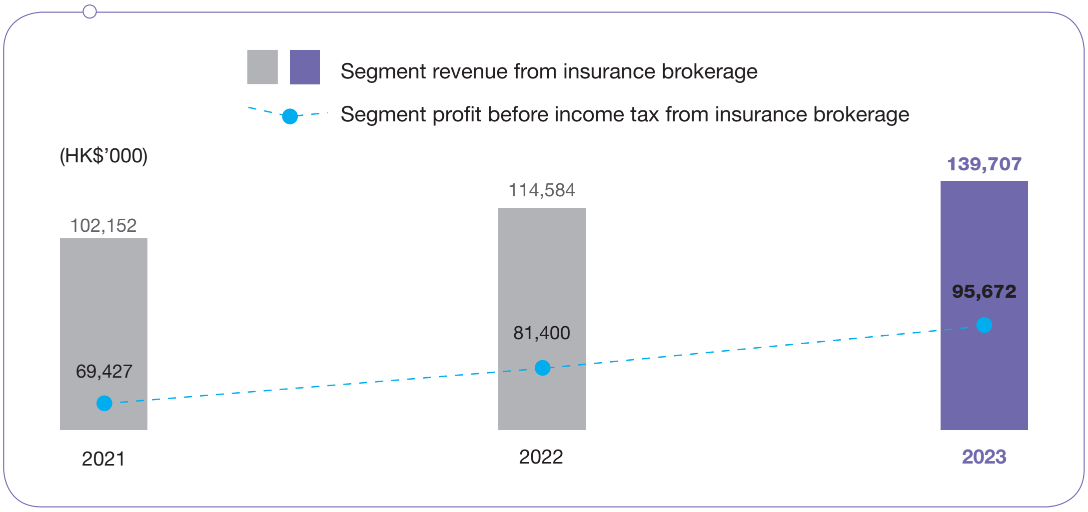

COSCO

Insurance Brokerage Services

1.2 Insurance Brokerage Services

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

During the year, revenue from insurance brokerage segment of the Group was HK$139,707,000 (2022: HK$114,584,000), representing a year-on-year increase of 22%. Segment profit before income tax was HK$95,672,000 (2022: HK$81,400,000), representing a year-on-year increase of 18%, which was mainly attributable to the continual business expansion by virtue of further expansion of new business and customers, and the significant increases in the premium rates for hull insurance, protection and indemnity insurance and war risks insurance rates.

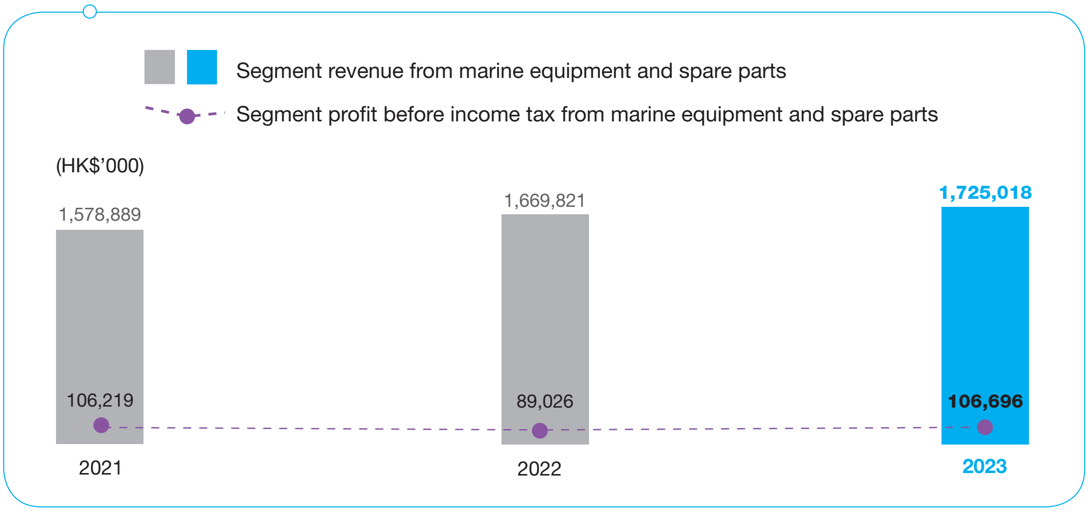

Segment revenue from insurance brokerage
Segment profit before income tax from insurance brokerage
(HK$'000)
102,152
69,427
2021
114,584
81,400
2022
139,707
95,672
2023

Supply of Marine Equipment and Spare Parts

1.3 Supply of Marine Equipment and Spare Parts

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

During the year, revenue from marine equipment and spare parts segment of the Group was HK$1,725,018,000 (2022: HK$1,669,821,000), representing a year-on-year increase of 3%, which was mainly due to the persistent exploration of new customers that continued the growth momentum of the business volume in recent years. Segment profit before income tax increased by 20% year-on-year to HK$106,696,000 (2022: HK$89,026,000), which was mainly attributable to an increase of interest income and a decrease of net exchange losses.

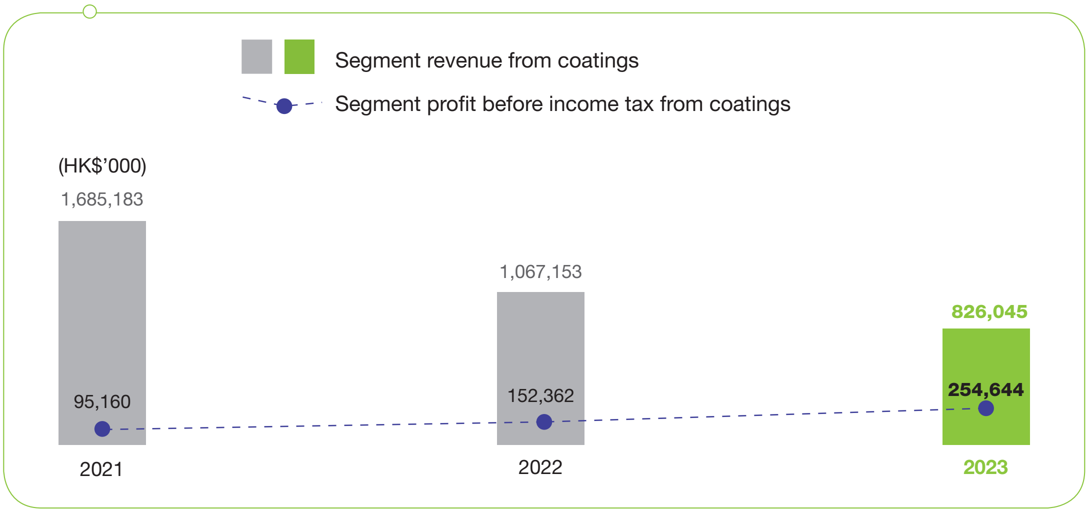

Segment revenue from marine equipment and spare parts
Segment profit before income tax from marine equipment and spare parts
(HK$'000)
1,578,889
1,669,821
1,725,018
106,219
89,026
106,696
2021
2022
2023


CHINA SHIPPING
COSCO
GUO
YUAN

Production and Sale of Coatings

1.4 Production and Sale of Coatings

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



During the year, revenue from coatings segment of the Group was HK$826,045,000 (2022: HK$1,067,153,000), representing a year-on-year decrease of 23%. Segment profit before income tax was HK$254,644,000 (2022: HK$152,362,000), representing a year-on-year increase of 67%, which was mainly attributable to the significant increase in share of profit of Jotun COSCO.

For container coatings, during the year, the sales volume of container coatings decreased by 41% to 11,750 tonnes (2022: 19,788 tonnes) year-on-year. The sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 19,119 tonnes (2022: 15,949 tonnes), representing a year-on-year increase of 20%.

For marine coatings, the sales volume of Jotun COSCO's coatings for new build vessels amounted to 75,030,000 litres (2022: 61,353,000 litres), representing a year-on-year increase of 22%. Sales volume of coatings for repair and maintenance was 34,247,000 litres (2022: 30,628,000 litres), representing a year-on-year increase of 12%. The sales volume of Jotun COSCO's marine coatings amounted to 109,277,000 litres (equivalent to approximately 147,524 tonnes) (2022: 91,981,000 litres (equivalent to approximately 124,174 tonnes)), increased by 19% year-on-year. During the year, the Group's share of profit from Jotun COSCO was HK$232,255,000 (2022: HK$106,720,000), representing a significant year-on-year increase of 118%, which was mainly attributable to the considerable growth recorded in both sales volume and gross profit margin.

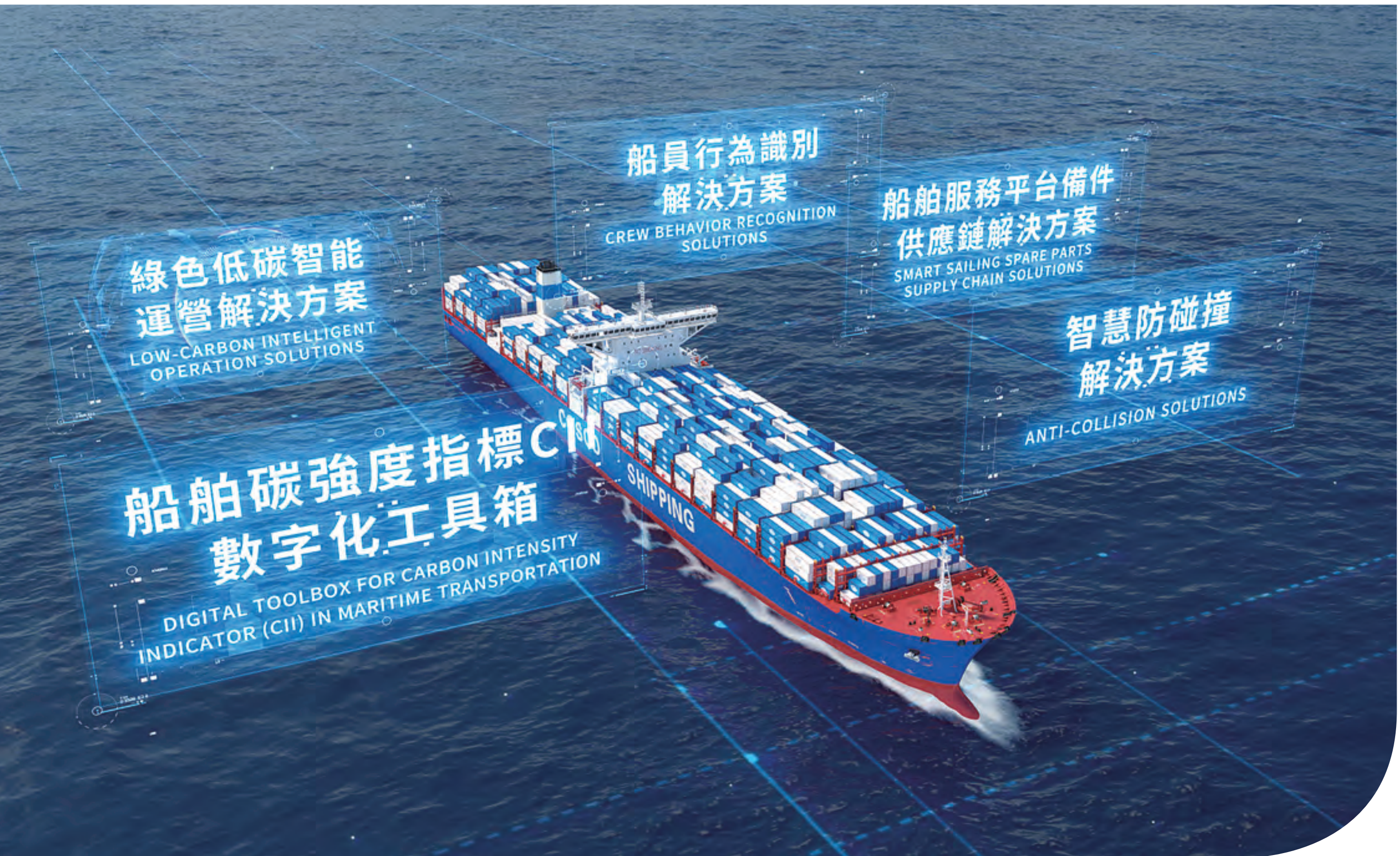
During the year, the Group's share of profit from Nasurfar Changshu was HK$2,617,000 (2022: HK$8,036,000), representing a year-on-year decrease of 67%, which was mainly attributable to the increase in depreciation expenses for newly expanded plants.

1.5 Trading and Supply of Marine Fuel and Related Products

New Renown Limited, a wholly-owned subsidiary of the Company, completed the disposal of its entire 18% equity interest in Double Rich Limited ("Double Rich") to 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.*) on 29 December 2022. As a result, marine fuel and other products segment was no longer regularly reviewed by the Group's chief operating decision-maker in deciding how to allocate resources and in assessing performance, and the management considered that the segment was no longer presented as a reportable segment in 2023.

In 2022, the Group had recorded no revenue from the marine fuel and other products segment, and segment loss before income tax was HK$8,647,000, which mainly consisted of provision for impairment of assets held for sale of HK$8,275,000. During the year, the Group recorded no revenue from Sinfeng, and profit before income tax of Sinfeng was included in the "Others" segment.

* *for identification purposes only*



Intelligent Shipping Services

1.6 Intelligent Shipping Services

In February 2023, the Company entered into an investment and cooperation agreement with COSCO SHIPPING Technology in relation to formation of a joint venture, COSCO SHIPPING Green Digital Intelligence. During the year, revenue of COSCO SHIPPING Green Digital Intelligence was HK$97,000 (2022: N/A) and the loss before income tax was HK$3,446,000 (2022: N/A). The loss was mainly due to the expenses incurred by COSCO SHIPPING Green Digital Intelligence during the start-up period.

2. General Trading

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

During the year, revenue from general trading segment of the Group was HK$564,080,000 (2022: HK$1,025,568,000), representing a year-on-year decrease of 45%, which was mainly due to a decrease of 41% in sales volume of asphalt to 113,036 tonnes (2022: 190,717 tonnes) year-on-year since the Group intended to gradually reduce its asphalt business. Segment loss before income tax was HK$30,940,000 (2022: segment profit before income tax HK$4,576,000), which was mainly due to the increase in provision for impairment of trade receivables.

During the year, the Group's share of profit from Zhejiang Four Brothers Rope was HK$7,946,000 (2022: HK$3,424,000), representing a year-on-year increase of 132%.

EVENT AFTER THE BALANCE SHEET DATE

The Company entered into a share transfer agreement with COSCO SHIPPING Development HK on 10 November 2023, pursuant to which the Company had agreed to purchase and COSCO SHIPPING Development HK had agreed to sell the entire issued share capital of Helen Insurance Brokers at a consideration of HK$270,980,600 (the "Acquisition"), details of which were disclosed in the announcement of the Company dated 10 November 2023 and the circular of the Company dated 6 December 2023 respectively. The Acquisition was approved at the special general meeting of the Company on 28 December 2023 and completed in January 2024. After the completion of the Acquisition, Helen Insurance Brokers has become a wholly-owned subsidiary of the Company. This is a milestone for the Group to further expand and consolidate its market share and competitive advantages in the insurance brokerage business. The Acquisition will optimise the allocation of insurance brokerage resources and service processes, reduce costs and increase efficiency, thereby enhancing the Group's overall profitability and shareholders' return.

The Company entered into a cooperation agreement with Jilin Electric Power and Shanggang Energy on 29 December 2023 in relation to the formation of Shanghai JOYFuel Green Energy. Shanghai JOYFuel Green Energy will be an investment platform specialising in renewable fuels including green methanol. Pursuant to the terms of the cooperation agreement, the registered capital of Shanghai JOYFuel Green Energy shall be RMB1,000 million, of which Jilin Electric Power, the Company and Shanggang Energy shall contribute RMB550 million, RMB350 million and RMB100 million respectively, accounting for 55%, 35% and 10% of the registered capital respectively. Subsequently, Shanghai JOYFuel Green Energy was established in February 2024. Accordingly, Shanghai JOYFuel Green Energy shall be owned as to 55% by Jilin Electric Power, 35% by the Company and 10% by Shanggang Energy upon its establishment, details of which were disclosed in the announcement of the Company dated 29 December 2023.

Prospects

Looking ahead in 2024, various factors such as geopolitical tension, differing monetary policies and economic performances, restricted credit conditions, sluggish global trade and investment, and weakening consumption in developed countries will introduce multiple uncertainties to the stability of economic development. The International Monetary Fund expected that global economic growth will remain at 3.1% in 2024, below the historical average of 3.8%. Nonetheless, the easing of global inflation and the rapid recovery of China's economy will support steady global economic development. With China's emphasis on promoting a green economy and establishing a comprehensive economic framework that advocates for green, low-carbon, and circular development, in addition to the proactive fiscal and financial measures implemented by the central government to enhance consumer confidence and stimulate investment demand, China is set to adopt a low-carbon and green direction, to achieve sustainable development path of high quality, significant social benefits, harmony, mutual progress, prosperity, and cultural enrichment.

For the shipping sector, given the fragile state of the global economy, elevating geopolitical risks, declining stability in the supply chain, and the low growth rate in fleet supply, the structural market trends are expected to endure. Clarksons predicts that the markets for most major ship types, with the exception of certain segments, will remain influenced by market intricacies and uncertainties.

In addition, the global shipping industry is facing challenges from decarbonisation. It is a must to shift towards a sustainable future, to achieve decarbonisation and embrace digitalisation. Regulatory pressure on decarbonisation is increasing, among those the IMO implemented more stringent targets in July of 2023. The shipping industry is required to achieve a 20% reduction in carbon emissions by 2030 and reaching net-zero emissions by around 2050. Additionally, since 1 January 2024, the shipping industry has been officially integrated into the EU ETS. Under these circumstances, building upon progress of 2023, COSCO SHIPPING International is committed to promoting its green and intelligent shipping services vigorously in 2024. The proactive development of intelligent operational solutions and new energy industry chains for vessels is expected to offer green, low-carbon, digital intelligent solutions throughout the shipping industry's entire life-cycle. This initiative aims to contribute to the high-quality, sustainable, and robust development of international shipping with China's wisdom.

When examining each sector, the Group's shipping services business is poised to maintain steady progress. In the realm of ship trading agency services, amidst the pressure of decarbonisation and the shift towards green shipping practices, it is anticipated that shipping enterprises will persist in constructing new environmentally-friendly vessels and new energy will become the "standard" for new build vessels, thereby driving an ongoing increase in new vessel orders. Regarding insurance brokerage services, following the approval of the acquisition of Helen Insurance Brokers at the special general meeting of the Company on 28 December 2023, the contribution from Helen Insurance Brokers will be factored into the operations of 2024. Along with the synergies brought by its integration with our existing insurance business, the competitiveness and profitability of the Group's insurance brokerage services will enhance steadily. For the supply of marine equipment and spare parts, digital construction and green and environmental-friendly spare parts business will continue to be the business growth drivers. As for coatings, the marine coatings sector will continue to benefit from the demand for new vessels, but profit margins will be determined by fluctuations in raw material prices. In the realm of general trading, the Group is actively facilitating business transformation and consolidating resources to concentrate on enhancing the strategic development of its core business.

Profile of Directors and Senior Management

DIRECTORS

Mr. Zhu Changyu

(Chairman and Managing Director)

aged 51, has been Executive Director, Chairman of the Board and the Managing Director of the Company since April 2023 and is also the chairman of Corporate Governance Committee, Strategic Development Committee and Risk Management Committee, and member of Remuneration Committee and Nomination Committee of the Company. Mr. Zhu leads overall operational and strategic development of the Company. He is also a director and the president of COSCO SHIPPING (Hong Kong) Co., Limited (direct controlling shareholder) and vice-chairman and non-executive director of Piraeus Port Authority S.A. (listed in Athens), a fellow subsidiary of the Company. He had been the head and division chief (handling division duty) of Planning Division, the deputy manager of Marketing Division of China Shipping Group International Trade Co., Ltd., the manager of Procurement Division and assistant to general manager of Shenzhen China Shipping Haisheng Asphalt Co., Ltd., the manager of Comprehensive Trade Division of China Shipping Group International Trade Co., Ltd., the manager of Development and Research Division, the manager of Investment Management Division and assistant to general manager of China Shipping Group Investment Co., Ltd., the deputy supervisor of Research Office, the senior manager of Secretarial Office of Executive Division, the deputy general manager of Strategic Development Division of 中國海運(集團)總公司 (China Shipping (Group) Company), the deputy supervisor of Integration Management Office, the general manager of Strategy & Corporate Management Division and the supervisor of Deepening Reform Office of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited). He has extensive experience in strategic planning, capital operation, corporate governance, integration and reorganization. He graduated from Shanghai Maritime College, major in Transportation Management Engineering and obtained a Master's degree. He is a senior economist.

Mr. Chen Dong

aged 49, has been the Non-executive Director since January 2018 and is member of Risk Management Committee of the Company. He is also general manager of Finance and Accounting Division of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited), director of COSCO SHIPPING (Hong Kong) Co., Limited (direct controlling shareholder) and non-executive director of COSCO SHIPPING Ports Limited (listed in Hong Kong) and China Merchants Bank Co., Ltd. (listed in Shanghai and Hong Kong), and director of COSCO SHIPPING Specialized Carriers Co., Ltd. (listed in Shanghai) and COSCO SHIPPING Bulk Co., Ltd.. Mr. Chen was the deputy head of Risk Control Section under the Planning and Finance Department, the deputy head of the Finance Section under Planning and Finance Department and senior manager of the Finance and Taxation Management Office, the assistant to the general manager of the Finance Department and the deputy general manager of the Finance Department of 中國海運(集團)總公司 (China Shipping (Group) Company). He was the non-executive director of COSCO SHIPPING Development Co., Ltd. (listed in Shanghai and Hong Kong) and non-executive director of COSCO SHIPPING Holdings Co., Ltd. (listed in Shanghai and Hong Kong). Mr. Chen has over 20 years of working experience in shipping enterprises and has extensive experience in risks control, taxation management and finance. Mr. Chen obtained a Master's degree in Economics from Shanghai University of Finance and Economics and is a senior accountant.

Ms. Meng Xin

aged 52, has been the Executive Director since November 2022 and is chairman of Environmental, Social and Governance Committee, member of Strategic Development Committee and Risk Management Committee, the chief accountant and director of various subsidiaries of the Company. She is also the chief accountant, general counsel and chief compliance officer of COSCO SHIPPING (Hong Kong) Co., Limited (direct controlling shareholder). Ms. Meng had been the deputy head and head of Second Section under Finance Division, the head of Development Section under Market Development Division of China Ocean Shipping Agency head office, the head of Investment and Development Section under Cooperation and Development Division, the deputy general manager of Cooperation and Development Division, the deputy general manager of Corporate Planning Division, the deputy general manager and general manager of Finance Division of COSCO Logistics Co., Ltd., the general manager of Finance and Accounting Division of COSCO SHIPPING Logistics Co., Ltd., assistant to the president and the general manager of Finance and Accounting Division of COSCO SHIPPING (Hong Kong) Co., Limited, assistant to the managing director and the general manager of Finance and Accounting Division of the Company and a chairperson of the supervisory committee of Qilu Expressway Company Limited (listed in Hong Kong). Ms. Meng has extensive experience in financial management, investment management and capital operation. Ms. Meng graduated from Central University of Finance and Economics majoring in accounting and is a senior accountant.

Mr. Tsui Yiu Wa, Alec

aged 74, has been the Independent Non-executive Director of the Company since February 2004 and is chairman of Nomination Committee, member of Audit Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Tsui is director of Industrial and Commercial Bank of China (Asia) Limited and also independent non-executive director of a number of listed companies in Hong Kong, namely, Pacific Online Limited, Hua Medicine and Brii Biosciences Limited. He is also independent director of ATA Creativity Global (listed on NASDAQ) and independent non-executive director of Melco Resorts & Entertainment Limited (listed on NASDAQ), both are overseas listed companies. Mr. Tsui graduated from the University of Tennessee, the United States and was awarded a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering and had completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University, the United States. He was the chairman of Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000 and the adviser and council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. Mr. Tsui was the chairman and director of WAG Worldsec Corporate Finance Limited from 2006 to 2016, and previously served as the independent non-executive director of DTXS Silk Road Investment Holdings Company Limited (listed in Hong Kong) until his retirement in May 2020 and Melco Resorts and Entertainment (Philippines) Corporation (listed in the Republic of Philippines in December 2012 and delisted in June 2019) until his resignation in November 2020.

Mr. Jiang, Simon X.

aged 70, has been the Independent Non-executive Director of the Company since April 2007 and is chairman of Remuneration Committee, member of Audit Committee, Nomination Committee and Corporate Governance Committee of the Company. He is an independent non-executive director of PetroChina Company Limited (listed in Hong Kong, Shanghai and New York) and chairman of Cyber City International Limited. Mr. Jiang is also a director of China Foundation for Disabled Persons and a senior associate at the Judge Business School of Cambridge University of England. Mr. Jiang received his Bachelor's degree from Beijing Foreign Studies University, Master's degree from Australian National University and Doctorate's degree in Economics from Cambridge University of England. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, a trustee of Cambridge China Development Trust and a member of the 11th and 12th Sessions of the National Committee of the Chinese People's Political Consultative Conference and a member of the United Nations Investments Committee. He has extensive experience in fund management.

Mr. Kwong Che Keung, Gordon

aged 74, has been the Independent Non-executive Director of the Company since July 2020 and is chairman of Audit Committee, member of Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Kwong is also independent non-executive director of a number of listed companies in Hong Kong, namely, Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, FSE Lifestyle Services Limited, Henderson Investment Limited and Henderson Land Development Company Limited. He is also an independent non-executive director of Piraeus Port Authority S.A. (listed in Athens), a fellow subsidiary of the Company. Mr. Kwong was the managing director of the Company from 1998 to 2001. He was an independent non-executive director of Global Digital Creations Holdings Limited until his retirement in May 2020, an independent non-executive director of China Power International Development Limited until his retirement in June 2021 and an independent non-executive director of NWS Holdings Limited until his retirement in November 2022. Mr. Kwong graduated from The University of Hong Kong with a Bachelor's degree in social sciences in 1972 and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants respectively. Mr. Kwong was a partner of an international big four accounting firm from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong Limited from 1992 to 1997, during which he had also acted as the convener of both the listing committee and the compliance committee of The Stock Exchange of Hong Kong Limited. He has over 40 years of experience in accounting and auditing.

The Directors' interests in shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as at 31 December 2023 which were required to be notified the Company and the Stock Exchange, are disclosed in the section headed "Directors' Interests in Securities" of the Directors' Report.

Mr. Zhu Changyu is director and president of COSCO SHIPPING (Hong Kong). Mr. Chen Dong is general manager of Finance and Accounting Division of COSCO SHIPPING and director of COSCO SHIPPING (Hong Kong). Ms. Meng Xin is the chief accountant, general counsel and chief compliance officer of COSCO SHIPPING (Hong Kong). COSCO SHIPPING (Hong Kong) is the substantial shareholder of the Company and the wholly-owned subsidiary of COSCO SHIPPING. COSCO SHIPPING (Hong Kong) has and COSCO SHIPPING is deemed to have an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO respectively, details of which are disclosed in the section headed "Substantial Shareholders" of the Directors' Report.

Save as disclosed in the Directors' respective biographical details under "Profile of Directors and Senior Management" and other part in this annual report, the Directors (a) have not held any directorships in other listed public companies whether in Hong Kong or overseas in the past three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company as at 31 March 2024.

Each of the Directors referred to under "Profile of Directors and Senior Management" has entered into a letter of appointment with the Company, details of which are disclosed under section headed "Directors' Service Contracts" of the Directors' Report.

The Directors referred to under "Profile of Directors and Senior Management" (except Mr. Chen Dong and Ms. Meng Xin) received the Directors' emoluments for the year 2023 which were determined with reference to the prevailing market conditions, director's experience, qualifications and responsibilities involved in the Company. The details of the emoluments of the Directors for the year ended 31 December 2023 on a named basis are disclosed in note 25 to the financial statements.

SENIOR MANAGEMENT

Mr. Chen Hui

aged 51, has been the Deputy General Manager of the Company since June 2022. He is also vice president of COSCO SHIPPING (Hong Kong) Co., Limited (direct controlling shareholder). Mr. Chen had been the deputy section chief, deputy section chief (presiding), section chief of Planning Section under Container Management Division, section chief of Planning and Scheduling Section and general manager assistant of Container Management Division of China Shipping Container Lines Company Limited, the deputy manager of America Container Management Center of China Shipping (North America) Holdings Co., Ltd., the deputy general manager and general manager of Container Management Center of China Shipping Container Lines Company Limited, the general manager and executive deputy general manager of China Shipping (South America) Holdings Co., Ltd., the executive deputy general manager of COSCO Shipping (South America) Co., Ltd.. Mr. Chen has extensive experience in the operation and management of container shipping, international shipping and corporate management. Mr. Chen graduated from Shanghai Maritime College, major in Container Transportation Management.

Mr. Ma Xianghui

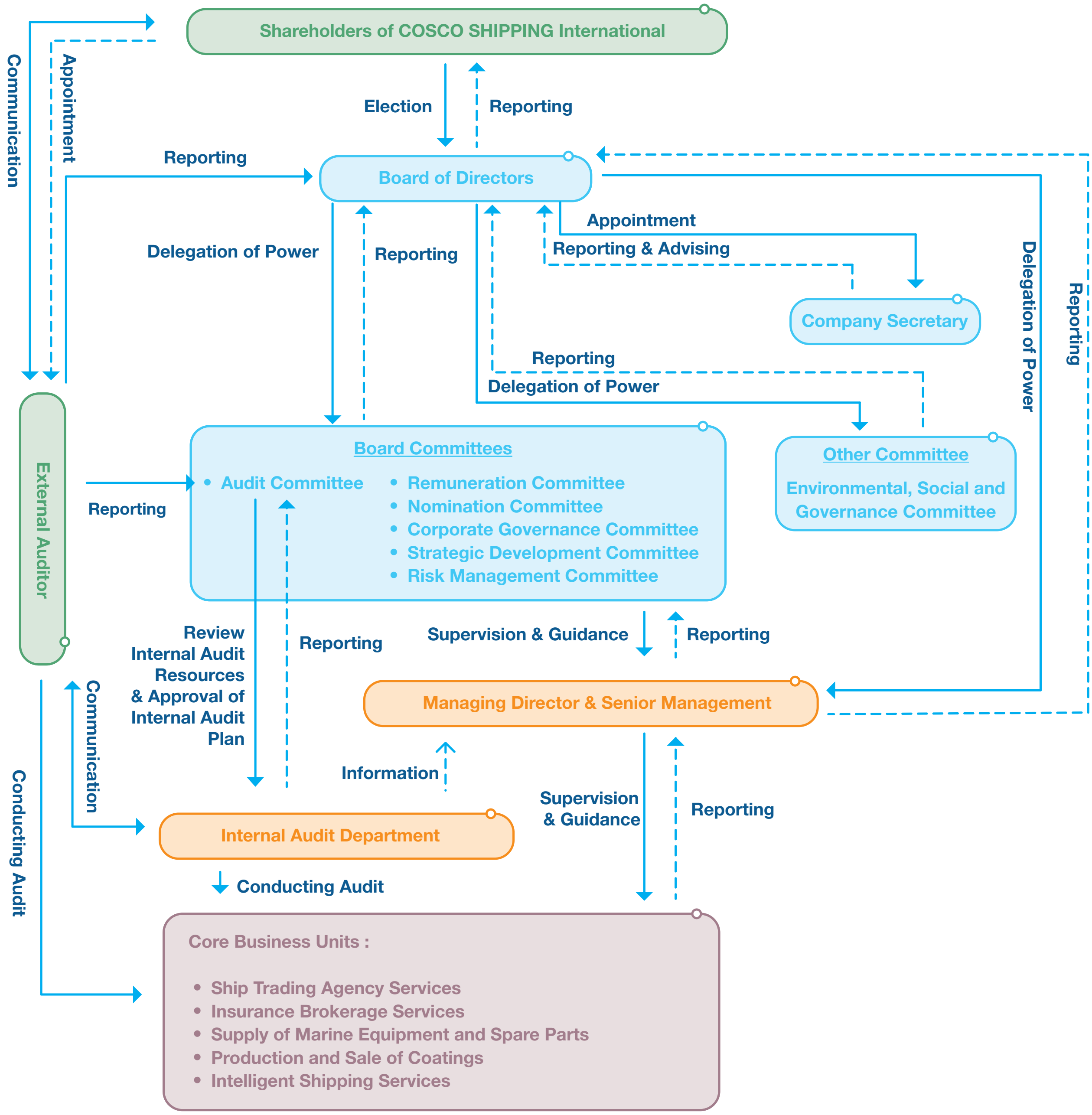
aged 49, has been the Deputy General Manager of the Company since March 2023. Mr. Ma is also the vice president of COSCO SHIPPING (Hong Kong) Co., Limited (direct controlling shareholder). Mr. Ma had been the fund management manager of the Finance Division of 中國遠洋控股股份有限公司 (China COSCO Holdings Company Limited), the general manager of Finance Division of COSCO International Holdings Limited (former name of the Company), the business manager of Strategy Implementation Management Office of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company)/China COSCO Holdings Company Limited, the deputy general manager of Capital Management & Operation Division of China COSCO Shipping Corporation Limited. Mr. Ma has extensive experience in capital operation, strategic planning and finance. Mr. Ma graduated from 中國金融學院 (China School of Banking and Finance), major in investment economics and management and obtained a Master degree in Economics from University of International Business and Economics. He is a fellowship member of Association of Chartered Certified Accountants (FCCA) and a senior accountant.

Ms. Chiu Shui Suet

aged 57, has been the Company Secretary of the Company since October 2005. She is also the secretary of six Board Committees of the Company and the company secretary of various subsidiaries of the Company. Ms. Chiu is in charge of corporate governance, legal, risk management, company secretarial, investor relations and related matters of the Company. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton and completed her Postgraduate Certificate in Laws at the City University of Hong Kong. Ms. Chiu was admitted as a solicitor in Hong Kong. Besides being a member of the Law Society of Hong Kong, she is also a fellow of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute, holding Chartered Secretary and Chartered Governance Professional dual designations. Prior to joining the Company, Ms. Chiu had worked for various entities including accounting firms, legal firm and listed companies. She is well conversant with business law and company law and has extensive experience and solid knowledge in dealing with the company secretarial, corporate governance and legal matters for private and listed companies.

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

The Board is committed to attaining and maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a good framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standard of accountability, protect the interests of the Company and its Shareholders and enhance Shareholders' value.



During the year ended 31 December 2023, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") set out in Part 2 of the Appendix C1 of the Listing Rules, except that (A) Mr. Chen Dong, the Non-executive Director, who was unable to attend the annual general meeting of the Company held on 31 May 2023 (the "2023 AGM") and the special general meeting of the Company held on 28 December 2023 (the "2023 SGM") due to other business engagement; and (B) the roles of Chairman and Managing Director are currently performed by the same individual, Mr. Zhu Changyu and were formerly performed by the same individual, Mr. Zhu Jianhui (ex-Director), which deviate from the Code Provisions C.1.6 and C.2.1 of the CG Code respectively. Regarding the deviation from the Code Provision C.1.6 of the CG Code, although Mr. Chen Dong was unable to attend the 2023 AGM and the 2023 SGM, there were sufficient Directors, including Executive Directors and Independent Non-executive Directors, present to enable the Board to develop a balanced understanding of views of the Company's Shareholders. Regarding the deviation from Code Provision C.2.1 of the CG Code, although the roles of the Chairman and the Managing Director are performed by the same individual, the Board believes that the roles of Chairman of the Board and Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he acts for the benefit and in the best interests of the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategic and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management of the Company, there is no other matter deviated from the CG Code. In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in light of best practices.

The corporate governance framework is underpinned by a wide range of corporate guidelines, policies and procedures which reflects the Company's desire to integrate its corporate culture and core values into its operations. Directors and employees are expected to follow these corporate governance policies and guidelines of the Company (as listed below) thoroughly and completely in order to support the Board to attain the high standards of corporate governance in compliance with the code provisions of the CG Code.

— Corporate Governance Statement of Policy

— Code of Conduct Regarding Securities Transactions of Directors and Employees

— Whistleblowing Policy

— Information Management Method

— Director Appointment Policy

— Terms of Reference for Each of Board Committees

— Board Diversity Policy

— Shareholders Communication Policy

These guidelines, policies and procedures are reviewed by the Board from time to time and updated in line with the revised applicable rules and regulations as well as the current market practices. All these are available on the Company's website.

The Company also maintains an employee management measures providing guidance to employees on matters such as ethical standards, business conduct, employees conduct and reporting any misconduct within the Group. The employee management measures ensure all employees of the Group strictly comply with the policies therein. Through the establishment of performance charter for the management and appropriate appraisal mechanisms, the Company has been able to align with the interests of the management and all the employees with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all employees, the Company has identified, formulated and implemented a corporate culture that is considered appropriate for its unique circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Group. In addition to complying with applicable statutory requirements, the Company will continually review and enhance its corporate governance practices in light of local and international best practices.

THE BOARD

The Board currently comprises six Directors, namely, Mr. Zhu Changyu (Chairman and Managing Director) and Ms. Meng Xin as Executive Directors; Mr. Chen Dong as Non-executive Director; and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon as Independent Non-executive Directors, whose biographical details are set out in the "Profile of Directors and Senior Management" of this annual report and also available on the Company's website. An updated list of the Directors by category identifying their roles and functions is available on the websites of the Stock Exchange and the Company.

Executive Directors are mainly responsible for the day-to-day operation and management of the Company. Non-executive Directors (including Independent Non-executive Directors) are well aware of their functions and have been actively performing their functions including but not limited to bringing an independent judgment at the Board meetings, taking the lead where potential conflicts of interests arise and scrutinising the Company's performance. Non-executive Director(s) and Independent Non-executive Directors have from time to time contributed to the Board with their constructive and valuable advice on the development of the Company's strategy, in particular the internal controls of the Company. Besides, Independent Non-executive Directors serve as member of Board Committee(s), details of which are set out in the sub-section of "Board Committees" under the section headed "The Board" of this report. Annual written confirmation from each of Independent Non-executive Directors confirming his independence in accordance with Rule 3.13 of the Listing Rules was received by the Company. The Company has assessed their independence and considers that all the Independent Non-executive Directors are independent after taking into account the independence criteria in accordance with the requirements of the Listing Rules set out in the confirmation letters, the non-involvement of Independent Non-executive Directors in the day-to-day operation and management of the Group and the absence of any relationship which would interfere with the exercise of their independent judgment.

During the year, the Chairman had a meeting with the Independent Non-executive Directors without the presence of other Directors. The Board regarded such meeting as an opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed. In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense. Directors and Officers Liability Insurance cover was arranged and subject to annual review. The overall management of the Company's business is vested in the Board.

The Board is collectively responsible and accountable to the Company's shareholders and stakeholders for the long-term success of the Group. The Board plays a leading role, with ultimate responsibilities, in defining the Company's purpose, values and strategy, and promoting the desired culture across the Group and overseeing its conduct and affairs for promoting the long-term success of the Group, as well as ensuring leadership within a framework of effective controls. The Board is responsible for overseeing all major matters of the Company which include formulating and approving the Company's operational strategies, management policies, internal control and risk management systems, reviewing the Company's policies and practices on corporate governance, setting the objectives and targets with a view to enhance the Shareholders' value for the management, monitoring performance of the management and providing guidance to the management. The Directors have to make decisions objectively in the interests of the Company and its Shareholders.

The Board delegates to the Managing Director and the senior management of the Company the day-to-day management, administration and operation of the Company and implementation of strategy, which include evaluating businesses and operational performance, ensuring effective implementation of the Board's decisions, ensuring adequate funding and monitoring performance of the management of the Group.

The segregation of duties and responsibilities between the Board and the management is clearly defined in the internal guidelines of the Company. The senior management of the Company is being closely monitored by the Board through the Managing Director and is accountable for the performance of the Company as measured against the business targets and management directions set by the Board. The Managing Director and the management of relevant subsidiaries and divisions of the Company closely communicated to review and discuss on operational and financial matters in order to enhance and strengthen internal communications and cooperation within the Group. The delegated functions and work tasks were periodically reviewed.

Remuneration of Directors

The Company's Human Resources Division assists Remuneration Committee to discharge its duties by providing relevant remuneration data and market conditions information for Remuneration Committee's consideration. The remuneration of Directors and the senior management of the Company is determined with reference to their expertise and experience in the industry, the Company's performance and profitability as well as remuneration benchmarks from other listed companies and the prevailing market conditions. The remuneration packages, promotions, specific adjustments in remuneration of the Executive Directors and the senior management are determined by the Remuneration Committee. The director's emoluments of the Non-executive Directors (including Independent Non-executive Directors) are recommended by the Remuneration Committee to the Board and determined by the Board. Each interested director should avoid his/her conflicts of interest in matters relating to his/her own remuneration by abstaining from voting on the relevant resolutions. Emoluments paid to Directors and the senior management of the Company by band for the year are disclosed in notes 24 to 25 to the financial statements of this annual report.

Nomination, Appointment and Re-election of Directors

The Company adopted the Director Appointment Policy (available on the Company's website) which provides mechanism and standards for the appointment of high calibre directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee is responsible for identifying and nominating suitable candidates for the Board's consideration. Pursuant to the bye-laws of the Company, any Director appointed to fill vacancy shall hold office until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting, and every Director is subject to retirement by rotation at least once every three years and shall be eligible for re-election at such annual general meeting of the Company. Any further re-appointment of an Independent Non-executive Director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the Shareholders. In addition, Nomination Committee recommended the proposal of Directors' re-election in the 2023 annual general meeting of the Company. Mr. Chen Dong, being the Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Each of the above letters of appointment is subject to termination by either party giving one month's prior notice in writing or such other shorter notice period as may be agreed by both parties. In addition to the Independent Non-executive Directors and the Non-executive Director, all Executive Directors were appointed for a specific term and letters of appointment setting out the key terms and conditions of appointment were entered into between the Company and each of the Directors, details of which are set out in the "Directors' Report" of this annual report.

Save as disclosed above, the Board had all the times during the year complied with the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise and Audit Committee comprised three Independent Non-executive Directors.

Board Diversity

The Company strives to maintain a diverse Board, recognizing the benefits of having a Board made up of individuals with a diverse mix of gender, social and ethnic backgrounds, knowledge, personal attribute, skills and experience. In 2023, the Board, through the Nomination Committee, conducted a review of the Board Diversity Policy to ensure that the Company continued to drive diversity to provide suggestions in perspective which the Board considers to enhance its dynamics in line with the latest corporate governance practice. The Board Diversity Policy is available on the website of the Company, which sets out the approach to achieve diversity on the Board. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationship between Board members.

The Board comprised one female Director out of six Directors, representing approximately 16.67% of the Board. The Company will continue to explore ways to establish a sustained momentum for nominating and selecting candidates to diversify the composition of the Board based on a variety of factors, including but not limited to gender, the skills and experience acquired.

Diversity is taken into account in its broadest sense when consider succession planning at the Board. A skill matrix, which is a key tool to be used by the Nomination Committee to inform the Board the succession planning discussions. The Nomination Committee will consider the potential successors to the Board with regard to the Board Diversity Policy and the targets and expectations set up for achieving a diverse board.

In striving to maintain gender diversity across all workforce levels (including senior management) (excluding joint ventures and associates), the Company will maintain equal employment opportunity policies which ensure all candidates are treated in a fair and transparent manner and to be assessed based on their qualifications and experience with regardless of their gender. As at 31 December 2023, women represented 28.48% of the workforce of the Group and 30.61% of the Senior Management of the Company, 47.54% of the workforce in the headquarters and 25.34% of the workforce in the Company's subsidiaries. The Company considers that the gender diversity across overall workforce (including Senior Management of the Company) stands at a reasonable level as the shipping services industry is widely recognised to be a male-dominated profession. The Company will continue to review the gender diversity from time to time and take necessary steps to promote diversity in alignment with the industry, culture and best market practice. For details of the hiring practices of the Company, please refer to the section headed "EMPLOYEE EMPOWERMENT" of the Environmental, Social and Governance Report.

The Board currently consists of six members who have well-recognised experience in areas such as accounting, corporate finance, corporate management, strategic planning, information technology and human resources management. Their insightful advice, diverse skills and extensive business experience are major contributions to the future development of the Company, and offer check and balance to the Board.

Induction and Continuous Professional Development

Every newly appointed director will receive a comprehensive information package containing an introduction to the operations and businesses of the Group, guidelines on directors' duties, outlines on disclosure of interest in securities, policies on dealings in the Company's securities, guidelines on disclosure of inside information and disclosure obligations of a listed company under the Listing Rules, etc.. The Company Secretary updates Directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties. Mr. Zhu Changyu, Mr. Chen Dong, Ms. Meng Xin, Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon (being the current Directors) and Mr. Zhu Jianhui (being the ex-Director) have participated in the continuous professional development by way of attending workshops and/or seminars and/or reading materials and/or making visits to management of the Company and/or its subsidiaries, to develop and refresh their knowledge and skills.

Directors' Responsibilities for Financial Reporting and Disclosures

Management of the Company was required to provide detailed report(s) and explanation to enable the Board to make an informed assessment of the financial and other information put forward for its approval.

Management of the Company provided all members of the Board with monthly reports, including but not limited to the updated and understandable information of the Company's business operating performance, work done in investor relations and details of share price to enable each Director to discharge his duties and make informed decisions.

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company aimed to present a clear and balanced assessment of its financial position and prospects. The Board must ensure that the financial statements of the Group prepared can give a true and fair view of the financial status of the Group. Audited financial statements are published in accordance with the disclosure requirements under the Listing Rules. The reporting responsibilities of the Directors and the external auditor are further set out in the "Independent Auditor's Report" of this annual report. For other financial disclosures required under the Listing Rules are disclosed pursuant to statutory requirements. The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with the Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the "Directors' Report" of this annual report.

Mr. Zhu Changyu was appointed as an Executive Director in 2023. In respect of his appointment, he confirmed his understanding of the obligation as a director of the Company and obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 11 May 2023.

Securities Transactions of Directors and Relevant Employees

The Company has adopted a Code of Conduct regarding Securities Transactions of Directors and Employees (the "Securities Code") (available on the Company's website) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 to the Listing Rules. In order to ensure Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company had made specific enquiry to all Directors regarding any non-compliance with the Model Code and the Securities Code during the year of 2023 and all Directors confirmed that they had complied with the required standards as set out in the Model Code and the Securities Code during the year.

Board Meetings

The Board met regularly and held four regular meetings in 2023. Notice of meeting was given to the Directors at least 14 days prior to each regular Board meeting. The Directors were invited to include any matters which they thought appropriate in the agenda. Agenda and board papers with adequate information were sent to all Directors at least 3 days before the meeting in order to ensure that they had sufficient time to review the board papers and prepare for the meeting. At each regular Board meeting, the Directors were properly briefed on the Company's current situation and issues arising at such meeting. Executive Director(s) and/or chairman of Board Committee(s) and/or the senior management of the Company reported to the Board on various aspects, including the business performance, financial performance, corporate governance, risk management and internal control as appropriate, etc.. Queries raised by the Directors were responded promptly by the senior management of the Company. Directors were encouraged to make an active contribution to the Board's affairs and express their views and concerns. Sufficient time was allowed for the Directors to discuss matters which they were concerned. For Director who was unable to attend the regular Board meeting, he/she was properly briefed the matters to be discussed in advance and his/her view expressed prior to the meeting was reported to the Board.

Minutes of the Board meetings and the Board Committee meetings were recorded in sufficient details regarding the matters discussed and the decisions reached. Draft minutes were sent to the Directors and Board Committee members respectively for their review and comment within a reasonable time (generally within 7 days) after each meeting. Final version of minutes of respective meetings had been sent to the Directors or relevant Board Committee members.

Directors play active role in the Company's meetings through contribution of their opinions and active participation in discussion. The attendance record of each of the Directors for the Board meetings, the Board Committees meetings and the general meeting(s) held during the year is listed as follows:

	Annual General Meeting	Special General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	Strategic Development Committee Meeting	Risk Management Committee Meeting
Executive Directors									
Mr. Zhu Changyu[(1)]	1/1	1/1	3/3	N/A	2/2	1/1	1/1	2/2	1/1
Ms. Meng Xin	1/1	1/1	4/4	N/A	N/A	N/A	N/A	4/4	1/1
Non-executive Director									
Mr. Chen Dong	0/1	0/1	2/4	N/A	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors									
Mr. Tsui Yiu Wa, Alec	1/1	1/1	4/4	3/3	3/3	2/2	2/2	N/A	N/A
Mr. Jiang, Simon X.	1/1	1/1	4/4	3/3	3/3	2/2	2/2	N/A	N/A
Mr. Kwong Che Keung, Gordon	1/1	1/1	4/4	3/3	3/3	2/2	2/2	N/A	N/A
Ex-Director									
Mr. Zhu Jianhui[(2)]	N/A	N/A	1/1	N/A	1/1	1/1	1/1	2/2	N/A

Notes:

(1) Mr. Zhu Changyu was appointed as Executive Director on 17 April 2023.
(2) Mr. Zhu Jianhui resigned as Executive Director on 17 April 2023.

Board Committees

The Board delegates its power and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expert. The Board currently has six Board Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee, Strategic Development Committee and Risk Management Committee with respective terms of reference which clearly defined its authorities and duties. The terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the websites of the Stock Exchange and the Company respectively and the terms of reference of Corporate Governance Committee, Strategic Development Committee and Risk Management Committee are available on the website of the Company. The chairmen of the Board Committees report regularly to the Board of their works, findings and recommendations. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties, and may have access to external professional advice, if necessary, at the Company's expense.

(a) Audit Committee

Members	Three Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X..
Major responsibilities	— reviewing the accounting policies and supervising the Company's financial reporting process; — monitoring the performance of both the internal and external auditors; — monitoring the effectiveness of the financial reporting, risk management and internal control systems; — ensuring compliance with applicable statutory accounting and reporting requirements; — reviewing the financial information of the Company; and — acting as the key representative body responsible for overseeing the relationship between the Company and the external auditor, including the relationships involving the provision of non-audit services.
Major work performed during the year 2023	— reviewing and making recommendations for the Board's approval on 2022 annual results announcement, the audited consolidated financial statements for the year ended 31 December 2022, 2023 interim results announcement, interim report 2023 and the unaudited condensed consolidated financial information for the six months ended 30 June 2023; — reviewing the report of external auditor; — reviewing the continuing connected transactions of the Group for the year ended 31 December 2022 and for the six months ended 30 June 2023 respectively; — reviewing the effectiveness of the risk management and internal control systems by taking into account of the yearly evaluation of the risk management and internal control system across the business units of the Group by categorizing risks, identifying likely control weakness(es) and taking the appropriate measures to reduce the risks and weakness(es) for the year ended 31 December 2022; — reviewing the compliance of code of conduct self-evaluation report of the Group for the year ended 31 December 2022; — making recommendations to the Board and subject to the Shareholders' approval at the 2023 annual general meeting, the re-appointment of PricewaterhouseCoopers as the external auditor of the Company; — reviewing the internal audit work and approving the internal audit planning for the year 2024 and external audit plan for the year ended 31 December 2023; and — reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit, financial reporting function and ESG performance and reporting, and their training programmes and budget.

During the year, the Audit Committee met three times with major work performed mentioned above. Attendance of each of the committee member is set out under the section headed "Board Meetings" of this report.

The Company has the latest Whistleblowing Policy uploaded on its corporate website to strengthen protection for whistleblowers and extend the scope of whistleblowers to those who deal with the Company. Pursuant to the Whistleblowing Policy, employees of the Group and those who deal with the Company have been provided channel(s) and guidelines to report any misconduct, malpractice or impropriety concerns within the Group in confidence and anonymity. The policy includes the establishment of an electronic reporting mailbox and a hotline. All reportings would be treated as confidential and in a sensitive manner. The Board delegated the authority to the chairman of the Audit Committee or the Audit & Supervision Division to review the complaint and decide how the investigation should proceed. During the year, no complaint from the employees of the Group and those who deal with the Company was received.

(b) Remuneration Committee

Members	Three Independent Non-executive Directors, namely, Mr. Jiang, Simon X. (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Kwong Che Keung, Gordon; and an Executive Director, namely, Mr. Zhu Changyu.
Major responsibilities	— making recommendations to the Board on the policy for the remuneration of the Directors and senior management of the Company; — ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice; — determining the remuneration packages of individual Executive Directors and senior management of the Company with delegated responsibility by the Board; and — making recommendations to the Board on the remuneration of Non-executive Directors.
Major work performed during the year 2023	— reviewing and making recommendations to the Board on the Directors' fees of Independent Non-executive Directors for the year 2023; — reviewing the remuneration report of the Group including determining the salary package for senior management of the Company; — reviewing and approving the terms set out in the letter of appointment of the newly appointed Directors; and — determining the director's emolument of Mr. Zhu Changyu, the newly appointed Executive Director with reference to his management position in the Company, responsibilities and the remuneration policy of the Company.

During the year, the Remuneration Committee met three times with major work performed mentioned above. Attendance of each of the committee member is set out under the section headed "Board Meetings" of this report.

(c) Nomination Committee

Members	Three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec (committee chairman), Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon; and an Executive Director, namely, Mr. Zhu Changyu.
Major responsibilities	— reviewing the structure, size and composition of the Board; — making recommendations to the Board on the appointment and succession planning for the Directors; — assessing the independence of Independent Non-executive Directors; — monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Non-executive Directors; and — monitoring and reviewing the effectiveness and implementation of the Board Diversity Policy.
Major work performed during the year 2023	— conducting a review of the Board diversity, assessing the independence of Independent Non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the annual general meeting of 2024; and — recommending the nomination of Mr. Zhu Changyu as Executive Director by reviewing his experience, expertise, knowledge and skills against the needs of the Company.

During the year, the Nomination Committee met twice with major work performed mentioned above. Attendance of each of the committee member is set out under the section headed "Board Meetings" of this report.

(d) Corporate Governance Committee

Members	An Executive Director, namely, Mr. Zhu Changyu (committee chairman); and three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon.
Major responsibilities	— formulating and reviewing the Company's policies and practices on corporate governance; — reviewing and monitoring the training and continuous professional development of Directors and/or senior management of the Company; and — reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the annual report.
Major work performed during the year 2023	— reviewing the continuous professional development of Directors, the Company's compliance status of the CG Code for the year ended 31 December 2022 and the disclosure of the corporate governance report in the annual report of 2022; and — reviewing the Company's compliance status of the CG Code for the six months ended 30 June 2023.

During the year, the Corporate Governance Committee met twice with major work performed mentioned above. Attendance of each of the committee member is set out under the section headed "Board Meetings" of this report.

(e) Strategic Development Committee

Members	Two Executive Directors, namely, Mr. Zhu Changyu (committee chairman) and Ms. Meng Xin.
Major responsibilities	— reviewing the annual strategic development plan of the Company and monitoring the implementation of strategies; — reviewing the major investment projects and financing proposals; — reviewing the major capital deployment and project on operation of assets; — reviewing the strategic direction of the Company's business and operational management; and — reviewing and evaluating the project evaluation system(s).
Major work performed during the year 2023	— reviewing and discussing the report on the implementation of strategic development plan for the year 2022 and the strategic development plan for 2023; — recommending the formation of a new joint venture, COSCO SHIPPING Green Digital Intelligence for the approval of the Board; — recommending the acquisition of the entire issued share capital of Helen Insurance Brokers for the approval of the Board; and — recommending the formation of a new joint venture, Shanghai JOYFuel Green Energy for the approval of the Board.

During the year, the Strategic Development Committee met four times with major work performed mentioned above. Attendance of each of the committee member is set out under the section headed "Board Meetings" of this report.

(f) Risk Management Committee

Members	Two Executive Directors, namely, Mr. Zhu Changyu (committee chairman) and Ms. Meng Xin; and a Non-executive Director, namely, Mr. Chen Dong.
Major responsibilities	— monitoring the risk management framework to identify and deal with risks faced by the Group (including operational, regulatory and financial risks etc.); — reviewing and assessing the Group's risk management framework; and — monitoring the implementation of risk control.
Major work performed during the year 2023	— reviewing the risk management assessment report of 2023 in relation to the analysis on risks identified (including ESG risks, in particular, the climate issues), improvement of internal control and risk management system and the risk management plan for 2024 covering major operational risk factors together with their prevention measures.

During the year, the Risk Management Committee met once with major work performed mentioned above. Attendance of each of the committee member is set out under the section headed "Board Meetings" of this report.

Other Committee

In addition to the above-mentioned board committees, the Company also set up an Environmental, Social and Governance Committee (the "ESG Committee") with terms of reference which clearly defined its authority and duties. The Board has delegated its ESG function to the ESG Committee. The terms of reference of ESG Committee is available on the website of the Company.

Members		The Committee is comprised of not less than four members, including Ms. Meng Xin, an Executive Director, Mr. Chen Hui, a deputy general manager, and a representative of each of Operation Management Division, Executive Division, Strategy Development Division, Human Resources Division and Public Relations Division.
Major responsibilities	—	assisting to identify, evaluate and manage the risks, opportunities and major issues in relation to ESG aspects;
	—	monitoring the implementation and effectiveness of ESG policies and practices of the Company; and
	—	organising the preparation of the ESG report annually together with reporting and making recommendations to the Board.
Major work performed during the year 2023	—	reviewing the ESG report of the Company for the year ended 31 December 2022.

During the year, the ESG Committee met once with major work performed mentioned above. All committee members attended the aforesaid committee meeting.

BOARD INDEPENDENCE

The Company recognizes that the Board independence is essential to good corporate governance. The Group has in place effective mechanisms that underpin a strong independent Board and that independent view and input are conveyed to the Board.

The Company has the appropriate mechanisms in place to ensure independent views and input are available. The Independent Non-executive Directors are appointed based on the Director Appointment Policy and Board Diversity Policy of the Company with reference to Rule 3.13 of Listing Rules and their merits and the potential contribution brought to the Company to ensure each of them has the character, integrity, independence and experience to fulfill the role.

The number of Independent Non-executive Directors meets the independence requirements of the Listing Rules with at least one of them has appropriate professional qualifications or accounting or related financial management expertise to ensure unbiased decisions are made in the best interest of the Company. The independence, the suitability, and the sufficiency of time commitment of each of the Independent Non-executive Director, is assessed and monitored by the Nomination Committee on an annual basis. The Directors (including Independent Non-executive Directors) will be provided with sufficient resources including access of Senior Management, independent professional advice in order to discharge their duties. In addition, independent view would be provided by the Independent Non-executive Directors while handling connected transactions or continuing connected transactions after taking into account the advice of the independent financial adviser (as the case may be).

INTERNAL CONTROL AND RISK MANAGEMENT

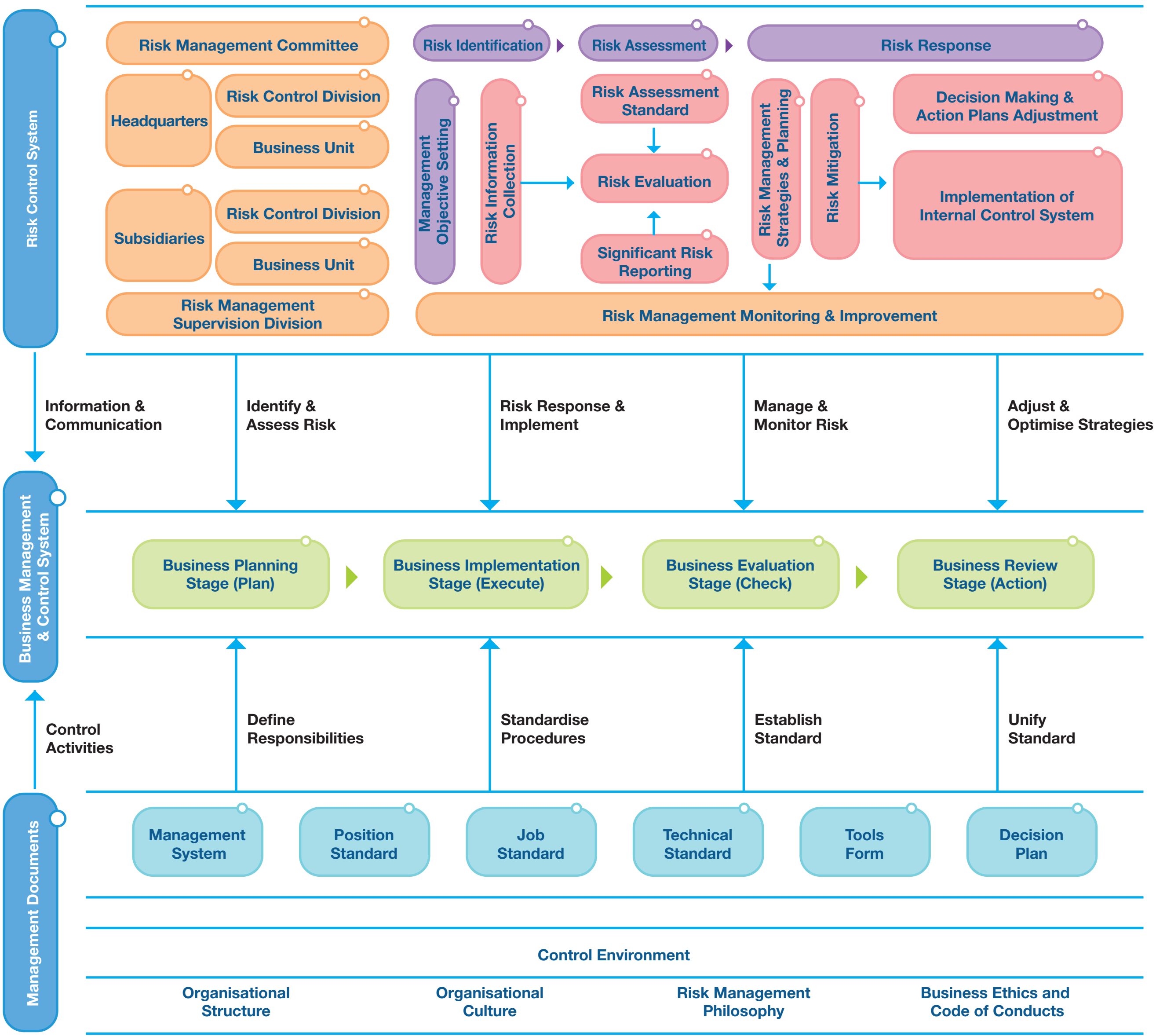
Responsibility

The Board has overall responsibility for ensuring an effective system of risk management and internal control being maintained for reviewing its effectiveness so as to safeguard the Company's assets and the Shareholders' interests. The Board always regards risk management as an important task and believes that effective corporate risk management is an essential element of good corporate governance. The Risk Management Committee and Audit Committee have been established under the Board, which are responsible for monitoring and reviewing the risk management and internal control systems of the Group.

Framework and Approach

The Group had adopted the risk management framework formulated by the Committee of Sponsoring Organizations of the Treadway Commission in the United States as recommended by the Hong Kong Institute of Certified Public Accountants. The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the eight elements of this risk management framework: control environment, objective setting, risk identification, risk assessment, risk response, control activities, information and communication, and also monitoring and improvement.

Risk Management Framework of the Group



Control Environment

The Group believes that risk management is the responsibility of everyone within the Group. It aims to develop risk awareness and control responsibility as our culture and the foundation of our internal controls system. The internal controls system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations. The Group also believes that corporate governance is often associated with business ethics. In order to ensure the Company's reputation be enhanced by the honest, loyal and ethical behaviours of staff, the Group has formulated a formal Staff Code and Whistleblowing Policy. Furthermore, the Group has from time to time arranged staff of different levels, ranging from senior management to front-line staff, to participate in a series of business ethics seminars conducted by the Company or COSCO SHIPPING Group in order to enhance the staff's recognition and commitment to the Staff Code. Management has also conducted annual self-check to see whether the rules and guidelines specified in the Staff Code have been properly adhered to, and the respective written declarations have been docketed and reported to the Audit Committee.

Control Activities

The control activities of each of the core business unit of the Group are built on regular top-level reviews, segregation of duties and physical controls. Currently, the key features of the internal controls system include:

— the design of an organizational structure with defined lines of responsibility and delegation of authority;

— the setup and adherence of authorization and approval limits of the Company and each business unit;

— the establishment of policies and procedures to support deployment of management's directives;

— the systems and procedures to identify and mitigate risks on an ongoing basis; and

— the application of Enterprise Resource Planning (ERP) systems and other relevant information technology (such as customers compliance risk management system) in business processes to strengthen internal controls and promote internal efficiency.

In addition, the Information Management Method regulates the information management of the Company and ensures inside information being properly disseminated and timely disclosed. With respect to procedures and internal control measures for the handling and dissemination of inside information, the Company informs all Directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Securities and Futures Commission and the Stock Exchange, and has developed procedures and mechanisms to evaluate whether disclosure of the inside information is required.

Risk Management Process

The Group seeks to have risk management features embedded in the day-to-day operations. The Group conducts a risk assessment on the existing or potential risks every year that may impact the achievement of business objectives over the course of business operation. The assessment includes possibility, frequency and impact of the identified risks. The risks identified were regularly communicated and reported to the Risk Management Committee and the Board. The Group determines the action plans and management targets. The management of each business unit of the Group is responsible for managing its respective day-to-day operating risks, and implementing measures to mitigate such risks.

The Board delegates the Risk Management Committee to monitor the implementation of risk management, and continuously reviews the action plans and internal controls on regular basis.

Major Operational Risk Factors and Measures

The annual risk assessment is performed by means of survey, questionnaire and interview that are conducted by core divisions and business units. The questionnaire includes the assessment of three aspects regarding possibility, frequency, and impact of specific risks on the Company's risk register. According to the Company's risk assessment forecast result, the identified top five risks for the year of 2024 are economic fluctuation risk, selling price fluctuation risk, raw material price fluctuation risk, exchange rate risk and competitor risk.

For economic fluctuation risk, as a result of the significant changes in the domestic and international political, economic and social environment, coupled with the high degree of dependence of the Group's business on the macro-economy, the increase in uncertainties regarding its future business development and strategy implementation may adversely affect the Group's performance and financial position. The Company and its subsidiaries take a more cautious wait and see approach on the policies and markets, and adhere to its strategy of steady development and sustainable operation. In order to actively respond to the impact of the macroeconomic environment on the business of the shipping service industry, the Group adjusts its business activities in a timely manner, develops contingency plans in advance, minimizes losses and avoids disputes, and improves the timeliness of risk response.

For selling price fluctuation risk, market uncertainty triggers price fluctuation with slowdown in demand growth. Major competitors may reduce their prices for promotional purposes, thereby causing malicious price competition in the industry, and affecting the overall profitability. Each business unit timely recognizes the market competition environment and the business activities of competitors or potential competitors, reviews and analyses its own products and its operating strategies, fights for more high-margin product sales orders, actively maintains quality customers, and reduces management costs, thus laying a good foundation for sustainable and healthy development and coping with the selling price fluctuation risk.

For raw material price fluctuation risk, an increase in the price of raw materials will result in an increase in production costs and an increase in the difficulty of cost sharing in the supply chain, which will affect each business unit's overall profitability. The business departments track and prompt the important information in the raw material market in a timely manner, and the subsidiaries pay high attention to the activities of key industries and their upstream industries, assess raw material price trends, and make procurement and distribution plans for raw materials at risk in advance, to strive for stable supply, and strictly control the procurement progress and inventory exposure scale.

For exchange rate risk, since the beginning of the pandemic, the pressure on RMB depreciation has undoubtedly increased due to interest rates raised by the US Federal Reserve and the slowdown of domestic economic growth. The Group needs to pay close attention to the important impact of exchange rate fluctuations on production and operations, especially in terms of particular aspects, such as import and export costs, account receivable collection and capital turnover. The subsidiaries should strengthen the control and assessment of exchange rate risks, and take corresponding risk management measures in a timely manner to cope with the adverse impact of exchange rate fluctuations, such as adopting flexible pricing strategies to reduce exchange rate risk exposure.

For competitor risk, lack of understanding of competitors or the use of new market strategies or tactics by competitors could place the business units at a disadvantage in the competitive market. The management pays close attention to industry dynamics and uses a flexible communication mechanism to keep abreast of the current market competition environment and the business dynamics of existing or potential competitors. All subsidiaries continue to improve service quality and production safety levels in order to attract customers with better value-added services and improve product competitiveness.

Internal Audit and Control Effectiveness

The Company has an internal audit function. It performs regular reviews of the Company's internal controls based on the annual audit plan approved by the Audit Committee.

The annual audit plan is prepared by using a risk-based approach to determine the priorities of the internal audit activities. The Audit Committee has the final authority to approve the annual audit plan. Special reviews may also be performed on areas of concern identified by the Audit Committee or the management from time to time. The Audit Committee assesses the effectiveness of the internal control system by reviewing the work of Audit & Supervision Division and its findings. A follow up review will be performed by Audit & Supervision Division approximately three to six months after the date of the audit response to determine if the audit recommendations have been implemented. Follow up works will continue until all recommendations have been appropriately addressed.

The management of the business units is responsible for ensuring the agreed-upon action plans be implemented within an appropriate timeframe. The management must also confirm annually the effectiveness of the risk management and internal control system and that business units under their control have taken or are in the process of taking the appropriate actions to deal with all significant recommendations made by Audit & Supervision Division.

During the year, Audit & Supervision Division had performed reviews on all major aspects of the Group's operations in Hong Kong, the Mainland China and overseas according to the approved internal audit plan. The work of Audit & Supervision Division covered all major financial, operational and compliance controls. Findings and recommendations on internal control deficiencies were well communicated with the management such that action plans were developed by the management to address the issues identified. Post-audit reviews were scheduled to ensure the action plans were executed as designed. Key findings of each internal control review assignment were reported to and reviewed by the Audit Committee.

The Audit Committee reviews the internal audit work conducted by the Audit & Supervision Division which includes the review of effectiveness of the Group's risk management and internal control systems covering all material controls, including financial, operational and compliance controls every year. During the year, such exercise has been conducted. The Audit Committee considered that the risk management and internal control systems of the Group were effective and adequate and its opinion was endorsed by the Board. In addition, the chairman of Audit Committee would report to the Board on any key findings at least twice a year. However, the system aims to manage but not eliminate the risks relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute assurance against material misstatement or loss. During the year, no significant areas of concern which might affect the Shareholders were identified.

EXTERNAL AUDITOR

During the year, the remuneration paid or payable to the Company's external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group were approximately HK$3,187,000 and HK$1,683,000 respectively. These amounts excluded remuneration paid or payable to other external auditors of subsidiaries of the Company which were included in Auditor's remuneration disclosed in note 23 to the financial statements.

The above non-audit services included professional advisory on taxation, professional services in relation to the Company's interim results and continuing connected transactions, etc..

COMPANY SECRETARY

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that the relevant policy and procedures are followed. The Company Secretary assists the Chairman to prepare the agenda of the regular Board meetings. Board members can access to the services of the Company Secretary, who is responsible for advising the Board on governance matters and assisting the induction and professional development of Directors by providing a tailored induction package and updating Directors on the latest developments and changes to the Listing Rules and the applicable regulatory requirements.

During the year, the Company Secretary has complied with the relevant training requirements under Rule 3.29 of the Listing Rules.

Shareholders' Rights

Procedures for Shareholders to convene a special general meeting ("SGM")

In accordance with the Company's bye-laws and the Companies Act 1981 of Bermuda ("Companies Act"), the Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can deposit a written request at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (the "Registered Office of the Company") and 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Principal Office of the Company") to require a SGM to be convened by the Board for the transaction of any business specified in such requisition and the Board shall proceed to convene such meeting within 21 days after the deposit of such requisition. Such written requisition must state the purposes of the general meeting, signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders may also direct questions or requests for information through the Company's website or by contacting the representatives of Public Relations Division that would convey to the Board.

Procedures for Shareholders to make proposals at general meeting

In accordance with the Companies Act, Shareholders holding (a) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or (b) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at the annual general meeting or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. Such written request/statement must be signed by the Shareholder(s) concerned and deposited at the Registered Office of the Company and the Principal Office of the Company not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board (a) to include the resolution in the agenda for the annual general meeting; or (b) to circulate the statement for the general meeting, provided that the Shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholder(s) concerned in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid or the Shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the annual general meeting; or the statement will not be circulated for the general meeting.

Procedures for a Shareholder to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website.

CONSTITUTIONAL DOCUMENTS

There was no change to the memorandum of association and bye-laws of the Company during the year ended 31 December 2023.

INFORMATION DISCLOSURE

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster regular and contribute two-way communications amongst the Company, its shareholders and potential investors, Public Relations Division is designated to respond to enquiries from the Shareholders and the public. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and strengthen the communications with both the public and the Shareholders.

COMMUNICATION WITH SHAREHOLDERS

In order to ensure the Shareholders are provided with comprehensive, equal and timely access to the balanced and understandable information about the Company, the Shareholders Communication Policy (available on the Company's website) was adopted and the Board is responsible to review the policy on a regular basis in order to ensure its implementation and effectiveness.

The Board is committed to providing clear and detailed information on the Group to Shareholder(s) through the publication of notices, announcements, circular, interim and annual reports on the Stock Exchange's website at www.hkexnews.hk and the Company's website at hk.coscoshipping.com.

The Board believes that the general meetings provide an opportunity for communication between the Shareholders and the Board members. During the year, shareholders were given at least 21 days' notice of the 2023 AGM and at least 14 days' notice of the 2023 SGM. The Chairman and the chairmen of relevant committees attended the 2023 AGM and the 2023 SGM. The representative from PricewaterhouseCoopers, the external auditor of the Company attended the 2023 AGM to answer questions if necessary about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. The representatives of the independent financial adviser and the legal adviser attended the 2023 SGM to answer questions if necessary about the connected transaction implicated by the acquisition of entire issued share capital of Helen Insurance Brokers. Q&A sessions had been provided to the Shareholders to raise their concern at the 2023 AGM and the 2023 SGM respectively. The chairman of each of the 2023 AGM and the 2023 SGM explained the detailed procedures for conducting a poll at such meetings. At the 2023 AGM, separate resolution for each substantially separate issue was proposed in order to avoid bundling resolutions. The poll voting results of the 2023 AGM and the 2023 SGM were published on the websites of the Stock Exchange and the Company on the same day after the respectively meeting.

With the above arrangements, the Shareholder Communication Policy are considered to have been effectively implemented during the year. In addition to the above, the Company has in place other effective measures provided in the bye-laws of the Company to support the Board to act fairly between the members of the Company, details of which is set out in the section headed "Shareholders' Rights" of this report.

By order of the Board

CHIU Shui Suet
Company Secretary

26 March 2024

Investor Relations

INVESTOR RELATIONS STRATEGY

The investor relations strategy of COSCO SHIPPING International is to maintain effective bilateral communication between the Company and the investment community. On the one hand, we maintain good communications and active interaction with shareholders, investors and analysts through timely, complete, accurate and genuine disclosure of the Company's valuable information so that they could understand the strategic positioning, operating conditions, results performance and development prospects of the Company, therefore, to reinforce investors' confidence in the Company; on the other hand, we facilitate the delivery of the criticisms and expectations from regulatory authorities, shareholders and capital market to the Board and the management team of the Company in a timely manner, for the sake of improving the corporate governance structure and operational efficiency, and ultimately maximise shareholders' return and corporate value.

The Company attaches great importance to prompt communication with all participants in the capital market. We communicate timely and comprehensively with wide-ranging investors through diversified communication channels. Besides answering enquiries and concerns from investors promptly as a daily routine, the Company proactively initiates regular activities, including roadshows, press conference, investor conference, meetings with fund managers, media gathering, etc..

COMPREHENSIVE INVESTOR RELATIONS MAINTENANCE

In 2023, the global financial market presented divergent performance. With a relatively depressed investment sentiment, the Mainland China and Hong Kong stock markets experienced a relatively large decline during the year. Hang Seng Index dropped by nearly 14% for the whole year, which was the first time of dropping for four consecutive years in the history of the Hong Kong stock market.

Facing the challenges of the macro environment, COSCO SHIPPING International firmly adheres to the corporate culture of valuing shareholders' return by rewarding shareholders through share repurchases and increased dividends in 2023, and received positive feedback from the market. Rose to challenges in 2023, the share price of COSCO SHIPPING International increased by 21% to HK$3.04 per share from HK$2.52 per share at the end of last year.

In 2023, the Company repurchased a total of 15,722,000 Shares.

Adhering to excellent corporate governance and investor communications strategies, the Company is committed to responding promptly to investors' enquiries, to ensure investors' full understanding of the Company's operations and strategic direction, and actively promote our corporate culture which places emphasis on shareholders' return, as well as the investment value and prospects of COSCO SHIPPING International to the potential investors.

The Company performs regular analysis of shareholders' structure, measuring the shareholding distribution between institutional and retail shareholders as well as their investment orientations and origins and closely monitoring the changes of their equity interests, in order to identify the Company's position in the capital market and facilitate daily maintenance of investor relations management. According to the Bloomberg Terminal, as at the end of 2023, the top 10 institutional shareholders' shareholding in COSCO SHIPPING International accounted for 2.72% (as at the end of 2022: 2.33%) of the total issued share capital of the Company. These institutional shareholders are based in Hong Kong, the United States, Singapore, Malaysia and Europe, all of which focus on long-term value investing and are large investment institutions with high reputation in the industry.

DIVERSIFIED, REAL-TIME AND TRANSPARENT COMMUNICATION CHANNELS

COSCO SHIPPING International is committed to maintaining high standards of corporate governance and transparency through applying high standards of disclosure all along and releasing corporate information timely and accurately. Among which, the annual report is one of important channels for shareholders and investors to understand the development of the Company. By upholding the principles of easy-to-read, complement the corporate culture and simplicity, the Company endeavours in preparing its annual report, which allows investors to understand our corporate structure, business scopes, key figures and highlights of the year. As time progresses, the Company adheres to a diversified and real-time communications culture to allow the capital market to have immediate access to the latest updates of the Company through comprehensive channels, including the Company's website, WeChat, corporate periodicals, etc..

KEY CONCERNS BY SHAREHOLDERS AND INVESTORS IN 2023

- Core business — The performance of the segments of shipping services
- The impacts on and opportunities arisen from green and smart shipping trends to the Company's development
- The planning of the Company's share repurchase
- The utilisation plan of the large sum of idle cash on hand and potential investment direction
- The possibility of payment of special dividend

SHARE PRICE PERFORMANCE

On the last trading day of 2023, the closing price of COSCO SHIPPING International was HK$3.04 (2022: HK$2.52) per share while the number of issued and outstanding ordinary share was 1,465,971,429 shares (2022: 1,481,693,429 shares). The market capitalisation of the Company was HK$4,456,553,000 (2022: HK$3,733,867,000). The daily average trading volume and daily average trading turnover were 953,000 shares (2022: 783,000 shares) and HK$2,819,000 (2022: HK$1,848,000), respectively.

DIVIDEND POLICY

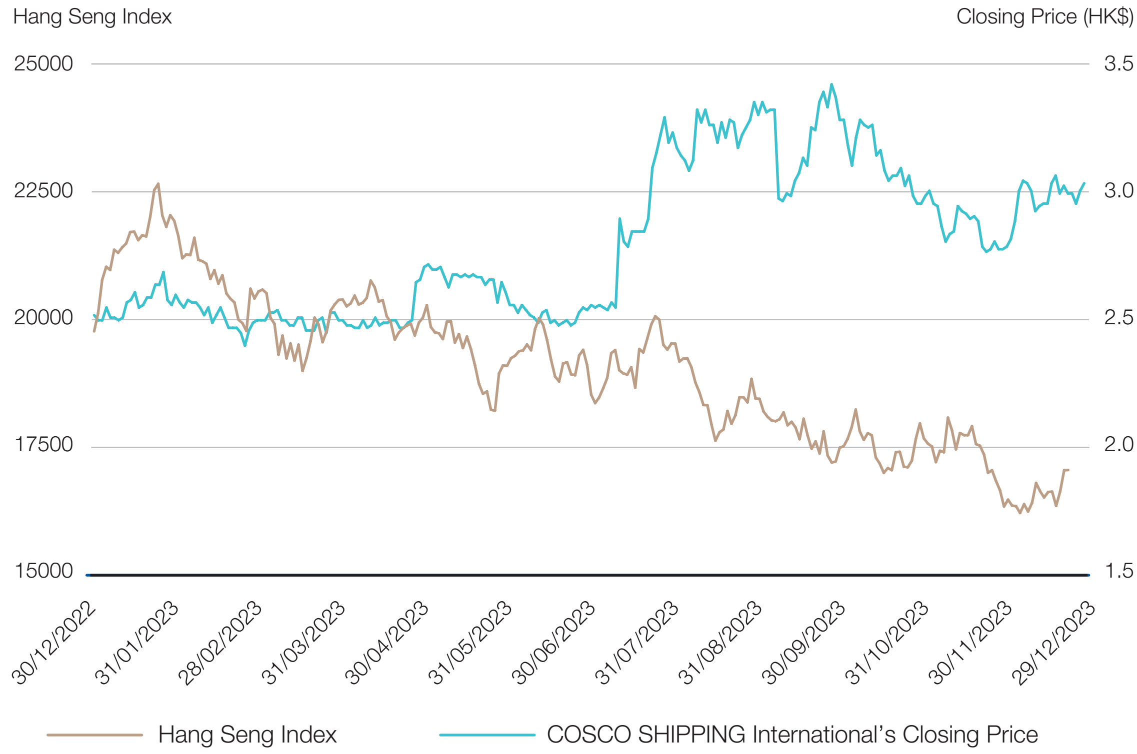
COSCO SHIPPING International's annual dividend payout ratio will not be less than 50% prior to obtaining practical progress in substantial investment projects in the future. If the Company publishes major transaction announcement in relation to investment project, the annual dividend payout ratio of the Company will maintain at not less than 25% subject to the results, availability of distributable reserves and cash flow position of the Company at that time.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

The basic and diluted earnings per share of the Company for 2023 were 40.33 HK cents (2022: 22.74 HK cents). The Board proposed the 2023 final dividend of 17.5 HK cents (2022: 11.5 HK cents) per share. Together with the interim dividend of 22.5 HK cents (2022: 11.0 HK cents) per share paid, annual dividends per share for 2023 were 40.0 HK cents (2022: 22.5 HK cents).

The annual dividend payout ratio of 2023 was 99% (2022: 99%).

COSCO SHIPPING INTERNATIONAL'S SHARE PRICE PERFORMANCE VS HANG SENG INDEX IN 2023



A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended and as at 31 December	2019	2020	2021	2022	2023
Total number of shares issued (million)	1,533	1,533	1,533	1,482	**1,466**
Market capitalisation[Note 1] (HK$ hundred million)	31.4	36.3	36.5	37.3	**44.6**
Basic earnings per share (HK cents)	21.57	22.08	18.81	22.74	**40.33**
Price/earnings ratio[Note 1] (times)	9.5	10.7	12.7	11.1	**7.5**
Dividends per share (HK cents)	16.5	22.0	19.0	22.5	**40.0**
Dividend payout ratio[Note 2] (%)	76	99.6	101	99	**99**
Net assets value per share (HK$)	5.17	5.29	5.26	5.27	**5.35**
Return on total assets (%)	3.6	3.5	2.9	3.7	**6.4**
Return on shareholders' equity (%)	4.2	4.2	3.6	4.4	**7.6**
Cash-to-shareholders' equity ratio (%)	80	80	77	76	**80**
Current ratio (times)	7.5	6.0	6.5	7.6	**8.3**
Quick ratio (times)	7.2	5.7	6.2	7.3	**8.0**
Interest coverage (times)	97.6	83.0	48.6	212.1	**362.8**

Notes:

1 As at the last trading day per year

2 Excluding special dividend

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This report highlights the environmental, social and governance ("ESG") performance of COSCO SHIPPING International (the "Company") and its subsidiaries (collectively, the "Group"), as well as the joint venture, Jotun COSCO with the aim to address the expectations of its stakeholders.

a. Reporting Period and Boundary

This report covers the period from 1 January to 31 December 2023. It encompasses the sustainability performance and measures of our major business segments, including ship trading agency, insurance brokerage, supply of marine equipment and spare parts and production and sale of coatings, etc.. The report generally reflects the Group's ESG-related strategies, policies, objectives, management approach and initiatives, unless stated otherwise. The key performance indicators ("KPIs"), which encompass all subsidiaries of the Group, are presented in aggregate figures. Although the environmental and social data of our joint venture, Jotun COSCO, are not consolidated, this report also includes information on its relevant ESG activities. Overall, the reporting boundary remains consistent with the previous year.

b. Reporting Standards and Principles

The preparation of this report aligned with the Environmental, Social and Governance Reporting Guide (the "ESG Guide") outlined in Appendix C2 of the Main Board Listing Rules issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). To ensure the content and information presented in this report, we followed the principles set forth in the ESG Guide. These principles include:

Materiality	Quantitative	Balance	Consistency
To uphold the ongoing relevance and materiality of identified ESG issues to our business operations and stakeholders, we undertake stakeholder engagement and materiality reviews.	To evaluate the advancement of our ESG initiatives and targets, we consistently gather and monitor quantitative metrics.	To provide an impartial overview of our sustainability performance, this report showcases both our achievements and areas that require further improvement.	To ensure meaningful comparisons of ESG performance using consistent methodologies, this report provides remarks in the event of any changes in methodology or scope of data compilation.

Being a responsible corporate citizen, we are dedicated to continuously enhancing our sustainable operating environment and practices. Our objective is to maximise long-term shareholder's return while making positive contributions to the communities in which we operate.

2. PHILOSOPHY AND POLICIES OF CORPORATE ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

2.1 Sustainability Vision

Sustainability is deeply ingrained in our business concept and daily operations. Despite the challenges our sector encountered, we recognise the expectations of our stakeholders, including regulators, regarding sustainability performance. Consequently, we are actively striving to align our strategy and operations with our sustainability vision, aiming to seize the opportunities presented by the sustainability transition.

Since the COSCO Kansai Companies accounted for more than 90% of the Group's energy consumption, we have set specific sustainability-related goals for the COSCO Kansai Companies and sought to achieve these goals by 2030, relative to 2020 baseline:

- Reduce greenhouse gas emission (scope 1 and scope 2) by 10%.
- Reduce Volatile Organic Compounds ("VOCs") and Benzene emission by 5%.
- Reduce energy usage by 10%.

Dedicated to the stated targets, the COSCO Kansai Companies have made steady progress by increasing the usage of water-based coatings in production to more than 50% over the past 3 years. This initiative aims to effectively reduce overall VOCs emissions. To align with the aforementioned sustainability goals, the Group will consistently track and monitor its energy consumption and relevant emissions, while also seeking ways to improve overall cost and production efficiency.

2.2 Environmental, Social and Governance Structure

The Group well-informed about the rising expectations with respect to the current ESG Guide issued by the Stock Exchange, which puts a significant emphasis on the participation of the Board of Directors in the governance of ESG issues. We maintain a steadfast commitment to the Group's environmental and social objectives, with clearly defined roles for the Board and the governance structure within the Group. This robust foundation sets us on a path towards long-term success in sustainable development.

2.3 Statement of the Board

Recognising the significance of effectively implementing sustainability practices and integrating ESG factors into critical business decisions, the Board holds ultimate accountability for the ESG strategy and reporting, while also providing oversight for the management approach and strategy surrounding various ESG issues. To assist the Board in monitoring the Group's ESG-related strategies, policies and development plans, an environmental, social and governance committee (the "ESG Committee") has been established. The ESG Committee comprises an Executive Director, a Deputy General Manager and a representative from each of Operation Management Division, Executive Division, Strategy Development Division, Human Resources Division and Public Relations Division.

The ESG Committee convenes at least once annually or as necessary to identify and address ESG-related opportunities, topics and risks. It is also responsible for formulating the Group's ESG vision, strategies and targets to guide the Group's ESG direction and evaluate its performance. In response to increasingly stringent regulatory requirements, the ESG Committee oversees the preparation of ESG reports and ensures compliance with relevant laws and regulations. Annually, the ESG Committee provides the Board with updates on its work, progress and/or recommendations concerning ESG-related matters.

2.4 Environmental, Social and Governance Management Approach

In support of sustainable development for the Group, several ESG factors are considered when formulating our various strategies. Given the diverse nature of our business operations, our policies are customised to align with the specific business models of our subsidiaries and independent ESG risk assessments are conducted for each of them individually. As the business environment rapidly evolves, we continuously improve our policies by reassessing our management approach and staying updated on the latest market trends, industry development and regulatory requirements to ensure their relevance and applicability.

Aligned with the management measures of the Environmental Management System Certification from International Organisation for Standardisation ("ISO"), the Group's subsidiaries have established their own environmental policies to address the growing public concern for environmental protection and tightening ecological requirements. Alongside obtaining accreditations from reputable bodies, we remain committed to minimising the environmental impacts of our operations. To reduce VOCs emissions, we continue to invest in and modernise our equipments. Recognising the regional contingency plan in Qingdao, Jotun COSCO has developed 一廠一策 (One Plant One Policy), which outlines emergency procedures for combating air pollution.

With a societal perspective in mind, we are dedicated to upholding the highest standards of occupational health and safety ("OHS") and product quality throughout our operations. Our commitment is reflected in our accreditations for Quality Management System Certification (ISO 9001), Environmental and Energy Management System Certification (ISO 14001) and Occupational Health and Safety Management Systems (ISO 45001:2018), all of which we have successfully maintained.

In order to foster sustainable growth, the Group focuses on enhancing internal coordination across its extensive network of subsidiaries. While the Group maintains its strategic involvement in shaping the overall sustainability and development plan, subsidiaries are obligated to submit their annual quantitative performance data, as well as key aspects of their management approach, practices and initiatives, to the headquarters for review. The progress of strategy implementation and other ESG-related matters are closely monitored and reported to ensure operational efficiency.

3. DETERMINING MATERIALITY

3.1 Stakeholder Engagement

Stakeholder feedbacks are crucial for our future achievements. We value the perspectives of stakeholder groups those might have affected by our operations, as well as external organisations with expertise in areas we consider important. We engage with them through various platforms and regularly gather their feedback and ideas. These viewpoints play a vital role in our continuous evaluation and the development of corporate strategies and plans for sustainable growth.

The following is a summary of the communication channels that correspond to the specified stakeholders in our day-to-day activities:

Stakeholder groups	Communication channels	Communication purposes	Communication frequency
Government authorities	• Questionnaires • Meetings • Site visits • Information submission	• Compliant operation • Governance on the environmental management • Social aids • Tax compliance	• Irregular
Shareholders and investors	• Roadshows • Company visits • Investment Summits • Telephone conferences, emails, WeChat, etc.	• Communicate and report the Company's latest developments and future directions	• Semi-annual/annual • Real-time communication such as meetings, calls and emails
Employees of the Group	• Training and educational activities • Employee satisfaction survey • Annual staff meeting • Work meetings	• Reduce employee turnover • Enhance occupational safety and health awareness	• Annual • Weekly meetings as well as monthly, quarterly, semi-annual and annual work summary reportings
Business partners, customers and suppliers	• Company visits • Telephone conferences, emails and other electronic means • Social media • Inspection and evaluation	• Maintain stable and efficient supply chain management	• Semi-annual/annual • Irregular meetings
Local communities and Non-Government Organisations ("NGOs")	• Community projects • Collaborative projects	• Create social benefits	• Irregular

3.2 Materiality Assessment

Upon reviewing the ESG material issues using insights from external professional consultancy, we have determined that the ESG materiality assessment results remain consistent with those of the previous year. The 27 material topics, which cover environmental, social, community and corporate governance aspects, effectively capture our ESG considerations in managing our company. These topics were thoughtfully taken into account during the preparation and compilation of this Report, and they are presented in a concise manner within the following materiality matrix.

2023 Materiality Matrix of ESG Topics of COSCO SHIPPING International

1 Business compliance
2 Environment compliance
3 Occupational health and safety
4 Product and technology innovation
5 Anti-corruption
6 Supply chain management
7 Sustainable procurement policy
8 Customer service
9 Waste management
10 Environmental and ecological protection
11 Operational efficiency of company assets
12 Continuity and security of service
13 Response to climate change
14 Low carbon operation
15 Economic performance
16 Water resources management
17 Business ethics
18 Serving local economy
19 Differentiation of product and service
20 Equal rights of employees
21 Employee benefits
22 Employment welfare
23 Customer privacy protection
24 Labour standards
25 Energy efficiency and energy saving
26 Staff development and training
27 Community communication and participation

4. ENVIRONMENTAL PROTECTION

The Group integrates environmental sustainability into its operations with the objective of mitigating the negative environmental impacts resulting from our activities. To promote a more environmentally friendly and healthier shipping industry, we consistently exceed the legal requirements and actively participate in reducing carbon emissions, optimising resource utilisation and safeguarding biodiversity. Additionally, alongside the introduction of goods that incorporate more environmentally friendly features and considerations, we continuously explore and adopt cutting-edge technology. We also strive to cultivate a greener workplace and enhance our employees' understanding of sustainability and resource conservation through a diverse range of training initiatives.

The Group strictly adheres to all pertinent environmental laws and regulations, encompassing a wide range of requirements, such as:

- Environmental Protection Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution;
- Water Pollution Prevention and Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Promotion of Clean Production;
- Law of the People's Republic of China on Environmental Impact Assessment;
- Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste;
- Law of the People's Republic of China on the Prevention and Control of Pollution by Environmental Noise Pollution;
- Environmental Protection Tax Law of the People's Republic of China; and
- Other local rules and standards concerning the prevention and control of environmental pollutions by discarded dangerous chemicals, standards of air pollutants and integrated wastewater discharge standards in its all operating locations.

To ensure the adherence of our subsidiaries to operational standards and foster continuous performance improvement, the Group has formulated a set of policies aligned with ISO 14001 requirements. We have implemented a comprehensive environmental management system to accomplish our internal environmental goals. Both COSCO Kansai Companies and Jotun COSCO have successfully maintained their ISO 14001 environmental management system certifications in 2023. Additionally, the Group has established a robust internal risk control system and management framework to effectively manage all risks at operational levels. This system adopts a top-down approach to identify all environmental hazards associated with our daily activities.

In our pursuit of continuous improvement, the Group undertakes regular third-party audits of our operations to identify areas for enhancement in various environmental aspects, such as wastewater management, exhaust gas management and noise control. COSCO Kansai Companies, as specified in their operating permits, have implemented additional measures to comply with more stringent pollution discharge limits.

In 2023, there were no cases of non-compliance related to our operating practices.

4.1 Environmental-conscious Operations

4.1.1 Air Emission Reduction

The Group's coating production division is the primary source of air emissions, specifically VOCs in the form of benzene, toluene, xylene and particulate matter. As national and municipal emission regulations become more stringent, we are actively exploring various initiatives, such as product development, material selection, production methods and efficiency enhancements, to strengthen our control and monitoring of VOCs emissions. A notable achievement in reducing VOCs emissions has been our successful transition from solvent-based to water-based coatings.

In addition to transitioning to different coatings, COSCO Kansai Companies have implemented various exhaust gas after-treatment facilities to establish a more comprehensive emission control mechanism. For instance, they installed a bag-type dust collector and an integrated exhaust gas treatment unit with a spray filter, primary and medium filters, zeolite channel and catalytic oxidation. These facilities effectively captured VOCs and particles emitted during production exhaust. Furthermore, COSCO Kansai Companies maintained a VOCs level below the criteria specified in 工業企業揮發性有機物排放控制標準 (Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises) by implementing forklift induction automatic access control systems and activated carbon absorbers. In 2023, the regenerative thermal oxidizers ("RTO") project for waste gas treatment at Jinshan Laboratory was completed. This advanced system enabled real-time monitoring of exhaust gas emissions following incineration, further enhancing control over the emissions of these gases. As a result, the implementation effectively improved the laboratory's capability to decompose VOCs.

COSCO Kansai Companies embraced 合理化建議獎勵實施辦法 (Implementation Award Measures for Reasonable Recommendations) initiative and took advice from their employees to further reduce greenhouse gases ("GHG") emission. By adjusting the operating time of its chiller system and water machine system based on the cooling water temperature, COSCO Kansai Companies achieved greater electricity savings and improved energy efficiency. We will continue to encourage our employees to contribute innovative ideas to help the Group decrease its energy consumption.

Our plants undergo regular inspections in accordance with the guidelines set by the People's Republic of China Government. In 2023, the Ministry of Ecology and Environment of the People's Republic of China conducted inspections on all plants of COSCO Kansai Companies to assess their compliance with VOCs emission standards, and they successfully passed the inspection.

4.1.2 Waste Management

Due to the specific characteristics of the coating industry, the Group recognises the importance of effective waste management in its production processes and strives for ongoing improvement. COSCO Kansai Companies have developed a comprehensive hazardous waste management plan by providing plants with precise and sufficient guidelines on the proper handling, disposal and recycling of hazardous waste. Additionally, the introduction of recyclable packaging drums has been implemented to reduce waste generated from packaging materials.

COSCO Kansai Companies and Jotun COSCO have implemented innovative production methods to actively recycle and reuse resources and waste, including residuals from exhaust gas treatment, wastes from production workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging. This approach is aimed at minimising our carbon footprint. In 2021, the Production Department of COSCO Kansai Companies introduced emulsion recycling, which involved the development of an extrusion device capable of extracting uncontaminated residue emulsions from liner bags. These extracted emulsions were recycled and repackaged for internal use, effectively reducing paint-related hazardous waste. Jotun COSCO has established various policies and guidelines such as 危險廢物標籤使用及包裝標準 (Hazardous Waste Label Use and Packaging Standards), 危險化學品倉庫儲存通則 (General Guidelines for Warehouse Storage of Hazardous Chemicals) and JCMC-P09-S02 RTO宕機應急作業指導 (JCMC-P09-S02 RTO Downtime Emergency Operation Guidance). These measures help prevent employees from having unnecessary exposure to hazardous substances by facilitating the detection and improving the treatment of hazardous waste.

To avoid mishandling and unintended exposure, COSCO Kansai Companies has set up a specific on-site warehouse designed with anti-seepage and corrosion prevention measures for storing hazardous waste. Qualified third parties are engaged to handle the disposal of hazardous waste. Meanwhile, non-hazardous waste is managed on a monthly basis and stored in a separate warehouse. Our Safety Management Department closely oversees the entire waste management procedure to ensure compliance with applicable laws and regulations.

Furthermore, COSCO Kansai Companies have implemented measures to control the generation of hazardous waste at its source and improved treatment methods. The production department has adopted consistent cleaning methods for similar products to enable recycling. In 2023, we successfully recovered a total of 77 tonnes of solvents. However, this year's consumption of waste rags increased by 1.2% compared to last year. Furthermore, we recycled a total 4,587 numbers of 200L raw material barrels for finished product packaging, including emulsion-lining bags, sample cans from the Quality Control Department and uncontaminated barrel lids treated as ordinary industrial wastewater containers. Hazardous waste generation in 2023 increased by 12.2 tonnes from last year, and total production increased by nearly 8,500 tonnes, generating an appropriate increase in hazardous waste.

During the reporting period, Jotun COSCO conducted a training session focused on environmental protection and waste disposal. The purpose of this session was to enhance employees' understanding of the Group's goals of reduction of waste and familiarise them with the existing waste management procedures.

4.1.3 Wastewater Management

Water scarcity is a pressing issue in numerous countries worldwide, and it is the responsibility of all to safeguard this valuable resource. While our usage and discharge of fresh water and wastewater in the coating production process are not significant, we are dedicated to responsibly managing our freshwater consumption and wastewater discharge.

We conduct quarterly analysis of our wastewater to ensure that the quality of the discharged wastewater aligns with the criteria outlined in the relevant standards, such as 污水綜合排放標準 (Integrated Wastewater Discharge Standard). In addition to effectively managing our wastewater before discharging it into the environment, we engaged qualified service agencies to assist with our wastewater treatment.

4.1.4 Resources Optimisation

The Group is dedicated to promoting sustainable practices in our production facilities by striving for efficient utilisation of various resources. Within the coating production industry, there is an increasing adoption of energy-saving technologies. COSCO Kansai Companies have developed 能源資源節約控制程序 (Energy Resource Conservation Control Procedure) to provide employees with precise guidelines on achieving efficient utilisation of production-related resources, including water, electricity and stream. In 2023, COSCO Kansai Jinshan Plant launched the project of "Digitalisation of Production Scheduling". The project's objective is to develop a production scheduling system that aligns with the company's existing information and technology platform. This system will be designed to improve production scheduling, enhance market response and increase production efficiency. The project will be implemented over a period of 3 to 5 years, taking into account the company's specific production management needs. By leveraging information technology, automation and standardised management practices, the system aims to achieve efficient production scheduling and enable quicker market responses, ultimately improving overall production efficiency. Apart from that, COSCO Kansai held regular meetings, established plans and standards and strived for breakthroughs and innovations to drive digital transformation to new heights. Alternatively, Jotun COSCO has eliminated diesel-powered forklifts and gasoline lawn mowers. It has also installed motion sensors for lighting systems in the employee washrooms and air compressors that recycle residual heat for operational use, all aim at reducing overall energy consumption. Similarly, Jotun COSCO embraced machinery driven by renewable energy sources like solar and wind power. This progressive approach aims to phase out conventional electrical machinery powered by fossil fuels. Employees are encouraged to maximise resource utilisation, while a reward and responsibility structure is in place to promote collaborative efforts.

In our non-production sector, we are committed to cultivating an environmentally friendly office and work environment through various resource-saving initiatives. To minimise unnecessary electricity consumption, COSCO Kansai Companies have implemented regulations to control air conditioners and maintain an optimal indoor temperature. Regular checks are conducted to turn off any unused electrical appliances. We actively promote eco-friendly commuting by encouraging employees to use public transportation and consider the environmental impact when planning international business trips. Whenever possible, we encourage the use of digital communication technology as a substitute for business travel. To identify potential areas for energy reduction, we kept full records of fuel usage in our vehicles and other energy sources. Educational posters are prominently displayed in our offices to raise employees' awareness and promote responsible consumption practices.

4.2 Biodiversity and Marine Environment Conservation

Being a prominent global shipping service provider, the Group has a strong commitment to preserving the marine environment and biodiversity using various strategies, as this is where our company creates value for our clients.

Our products strictly comply with all applicable laws and regulations, including the Performance Standard for Protective Coatings ("PSPC") set forth by the International Maritime Organisation ("IMO"), the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the "AFS Convention") and the International Convention for the Prevention of Pollution from Ships ("MARPOL"). Since the implementation of GB 30981 Limit of Harmful Substances of Industrial Protective Coatings in 2020, it has been our primary priority. We conducted seminars to educate our R&D teams about the restrictions and thoroughly reviewed the formulation of our products to ensure full compliance with the prescribed standards.

The SeaQuantum, developed by Jotun COSCO, has gained recognition as one of the leading green silyl-based antifouling coating globally. By using the most advanced silyl technology, which consists of a silyl acrylate methacrylate polymer that hydrolyses when exposed to seawater, the marine biodiversity is well protected. In 2023, Jotun COSCO continued to promote fuel-saving acrylic silane antifouling coatings to customers. Jotun COSCO also introduced SeaQuest Endura, an organosilicon self-polishing antifouling coating with low fouling inhibitor content, aimed to have zero impact on the marine environment.

To demonstrate our commitment to protecting biodiversity, both COSCO Kansai Companies and Jotun COSCO signed 土壤污染防治責任書 (Responsibility for Prevention and Control of Soil Pollution) and engaged a third-party consultant to develop corporate land use survey plans and carry out ground-water quality testing. Besides, Jotun COSCO also undertook assessments related to 中遠佐敦土壤自行監測方案 (JCMC Soil Self-Testing Scheme) to monitor any potential risks of soil contamination.

4.3 Green Products and Service Innovations

Being a prominent player in the market, we are committed to providing our clients with environmentally friendly solutions that will foster sustainable development in the shipping industry.

Through the utilisation of advanced technology, Jotun COSCO launched Hull Performance Solutions ("HPS"), which is supported by sophisticated big data analysis, real-time ship hull monitoring system and high-tech antifouling coating technology to maximise hull performance. Since 2011, over 2,300 vessels have adopted this solution, resulting in a reduction of more than 80 million tonnes of CO_2. Jotun COSCO introduced Hull Skating Solutions ("HSS") in 2020, which combines cutting-edge antifouling coating technology, big data applications and underwater cleaning robotics to achieve significant energy savings and reduce carbon footprint. This year, building on this success, Jotun COSCO has continued to promote the adoption of HPS, while also launching a new big data-driven solution called HullKeeper. HullKeeper is a unique program and progressive solution that plays a key role in optimising hull performance through hull condition monitoring, independent of paintwork. As a result, ship operators can take full control of their operations through HullKeeper's proactive hull condition monitoring, fouling risk alerts, inspections and consultancy services, helping them to identify potential fouling issues early before they start to slow down the ship, thus helping ship owners and operators to save fuel, reduce greenhouse gas emissions and minimise the transfer of invasive species and protect biodiversity.

In our insurance brokerage services segment, we also offer environmental liability insurance and professional consultation services to support our clients in their ongoing efforts to enhance environmental performance. Furthermore, we arranged seminars hosted by the Protection and Indemnity Club and attorneys for ship owners to understand the development of international policies and industry best practices.

Drawing on its continuous efforts in R&D and innovation, as well as its commitment to green shipping and sustainable development, the MSC IRINA, equipped with Jotun COSCO's HPS program, embarked on its trial voyage following an 11-month painting construction. The ship's hull was safeguarded by Jotun COSCO's SeaQuantum X200 fouling protection and self-polishing antifouling, which played a crucial role in delivering exceptional antifouling performance, reducing surface roughness and minimising fuel consumption. SeaQuantum X200 has been developed on the most advanced silyl methacrylate technology, which in combination with a high quality, broad spectrum biocide package, provides the most reliable long-term fouling performance, keeping the hull clean during a 30-day idle period, thus promoting decarbonisation, protecting biodiversity and reducing fuel consumption.

4.4 Climate-related Risk Adaption

The threats of climate change is imminent, and we continue to evaluate its effects on our operations and enhance our internal capacity to effectively respond to the escalating climate-related risks, particularly in the face of extreme weather events such as frequent typhoons, seasonal storms and abnormal precipitations. The Group has considered the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and IFRS S2 Climate-related Disclosures, and has identified the following climate-related risks that are pertinent to our operations:

Types of Climate Risk	Specific risk	Description of the risk
Physical risk (Acute)	Extreme weather conditions (e.g. typhoons, flooding)	The rising frequency of extreme weather events has the potential to cause damage to the assets and facilities of our production plants, thereby jeopardising the safety of our employees.
Physical risk (Chronic)	Sustained high temperatures	Prolonged high temperatures lead to increased electricity consumption, which can have a detrimental effect on the health of employees and subsequently reduce productivity at production plants.
Transition risk	Regulatory compliance risk	Considering the more stringent environmental regulations and the impact of carbon taxes on businesses, it is crucial for the Group to have a comprehensive understanding of these matters to ensure compliance with laws and regulations.
Transition risk	Reputation risk	The actions or perceptions of customers regarding the Group's role in the transition to a low-carbon economy have the potential to impact its reputation. Therefore, it is essential for the Group's business model to be in line with the principles of a low-carbon economy, as any misalignment may lead to negative customer perceptions.

To address the identified climate-related risks, COSCO Kansai Companies and Jotun COSCO have implemented a series of emergency management plans and a contingency plan for natural disasters. By conducting annual emergency exercises, our objective is to raise awareness among employees at our production facilities and promote effective internal communication in the event of various natural catastrophes. For example, our Tianjin plant has formulated a flood prevention and severe cold weather reaction plan, while our Zhuhai plant has devised plans for responding to storm, flood and heatstroke. Moreover, COSCO Kansai Companies have also established emergency response teams to ensure effective execution of strategies and continuous monitoring of climate conditions.

Regarding transition risks, the Group remains updated on the most recent regulatory developments in terms of our production standards and other relevant laws and regulations to ensure compliance and prevent any violations. To support a greener production environment and adhere to applicable regulations, COSCO Kansai Companies and Jotun COSCO are actively striving towards achieving low-emission production.

5. ENSURING OUR HEALTH AND SAFETY

The Group places the utmost priority on the health and safety of its employees. We have developed a set of safety production and supervision management rules founded upon two core principles, namely 一崗雙責、齊抓共管、失職追責 (Share Responsibilities in One Post, Joint Management and Accountability for Delinquency) and 管行業必須管安全、管業務必須管安全、管生產經營必須管安全 (Safety as an Essential Component in Managing the Industry, Business and Production and Operation). We foster a culture of accountability among both employees and departments. All employees bear the responsibility of promoting a safe workplace culture, while all departments are accountable for safeguarding employee health and product safety. The Group's headquarters and the heads of corresponding divisions will further oversee the safety matters in production.

We adhere to all relevant safety laws and regulations in Mainland China and Hong Kong, which includes but not limited to:

- Production Safety Law of the People's Republic of China;
- Fire Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases;
- Safety Specifications of Special Work in Hazardous Chemicals Enterprises of the People's Republic of China;
- General Rules for the Hazardous Chemicals Warehouse Storage of the People's Republic of China; and
- Occupational Safety and Health Ordinance (Hong Kong).

During the reporting period, we did not violate any relevant occupational health and safety laws and regulations.

5.1 Safety Committee

安全第一、預防為主、綜合治理 (Safety First, Precaution as Crucial and Consolidated Governance) has been our guiding principle in promoting occupational health and safety in the workplace. To achieve this goal, we established a Safety Committee in 2006. Led by the Group's director who holds accountability, the committee also comprises general managers from multiple divisions, such as human resources, finance & accounting and audit & supervision who serve as members overseeing production safety matters.

The Safety Committee is entrusted with the following responsibilities:

1. Oversee the safety-related issues, formulate overall production safety plan and provide safety production guidance for the Group;

2. Review and determine the Group-level annual production safety goals, make recommendations on major production safety measures and resolve major production safety issues; and

3. Oversee and advise the Group on key progress in executing the safety production plan.

5.2 Production Safety Management

The Group recognises that a comprehensive production safety management system is crucial for achieving sustainable economic success. We continuously evaluate our OHS performance and maintain the long-term safety objective of achieving "zero casualties." Every year, we review and update our internal OHS objectives. We assess our internal OHS targets annually and make necessary adjustments when required. In 2022, the Group's headquarter completed the revision of 生產安全事故隱患排查治理管理規定(並用) (Regulations on the Management of Potential Hazards in Production Safety Accidents (Combined Use)) and established 安全生產風險管理規定(並用) (Regulations on the Management of Safety Production Risks (Combined Use)), to ensure effective management of potential safety hazards and implementation of risk management and control measures. We reached our 2023 targets with zero significant fires, traffic accidents, equipment accidents and work-related deaths, as well as an annual work-related injury rate of below 5%. Furthermore, we continued to improve the safety system this year and on the other hand completed the formulation of 節能減排管理規定 (Energy Saving and Emission Reduction Management Regulations) and revised the Company's 綜合應急預案 (Comprehensive Emergency Response Plan) to ensure that our energy saving and emission reduction management and emergency management work is really effective in place.

COSCO Kansai Companies and Jotun COSCO, which primarily engage in production activities, face significant responsibilities in terms of safety risks. To ensure effective implementation of safety policies and standards, COSCO Kansai Companies have developed an "Occupational Health and Safety Management Procedure" that clearly defines the responsibilities for safety production across different divisions. This procedure also provides detailed guidance on implementing appropriate occupational health and safety practices for various business activities. Regular OHS risk identification is conducted by COSCO Kansai Companies with the objective of early detection and control of OHS risks, thereby further reducing such risks. Additionally, local government authorities and designated third parties frequently visit and conduct safety inspections at our production facilities. Following the inspections, the government authority provides recommendations and specifies necessary actions, requiring the facilities to rectify any hazardous areas.

To ensure compliance with international standards, COSCO Kansai Companies and Jotun COSCO have obtained certification for their production facilities in accordance with the latest ISO 45001:2018 standards. Additionally, we have developed an OHS manual aimed at preventing and managing avoidable workplace incidents. The management team conducts thorough assessments and evaluations of potential OHS risks prior to implementing preventive measures as outlined in the OHS manual. We have also compiled an OHS risk control guide, which provides detailed instructions on safeguarding employees from various hazards, such as chemicals, dust, noise, high temperatures, unsanitary conditions and physical exertion.

Employees at production plants are at an increased risk of being exposed to chemicals and hazardous substances. To mitigate any adverse health effects on our employees, we adopt the "STOP" principle, which stands for "Substitution", "Training and Precautionary Measures", "Operation and Engineering Control" and "Protection of Individuals". This principle is implemented alongside the provision of appropriate personal protective equipment.

- Substitute powder with alternative materials encompass fewer hazardous compounds or present minimal physical contact risks, such as liquids or pastes.

- Provide employees with training to enhance their awareness of the risks in using hazardous substances.
- Perform regular assessment on the exposure level of chemical substance.
- Offer risk-related health assessments to employees working in high-risk functions.

- Provide personal protective equipment (“PPE”) to employees with high-risk exposure.
- Require employees to follow all PPE protection regulations and requirements at all time.

- In accordance with the properties of the stored substance, adequate ventilation facilities and specified technical requirements are implemented in place.

5.2.1 Production Safety at Production Plants

The Group places additional emphasis on the safety of employees at production plants. The “Chemical Safety Technical Standard” established by Jotun COSCO offered detailed information on the hazards of chemical and records the potential risks of chemicals used in our industrial activities to both the environment and individuals. To ensure the proper handling of hazardous chemicals and toxic substances, employees received explicit instructions on the production operations in accordance with norms, such as minimising exposure to xylene and ethylbenzene. Moreover, we insisted that our plants implemented comprehensive control measures that oversaw high-degree engineering control and personal protection. Additionally, we formulated emergency response plans to address a range of incidents, encompassing first aid for chemical contact, fire protection, chemical leakage and waste management. To guarantee the appropriate paint transportation requirements, we established operational specifications in alignment with international standards, such as the International Maritime Dangerous Goods Code (IMDG Code) of the United Nations, International Air Transport Association (IATA) and International Maritime Organisation (IMO).

Meanwhile, COSCO Kansai Companies formed an internal safety investigation team to conduct quarterly safety inspections. It included professionals from associated domains such as electrical, mechanical and operational. The team informed the relevant management departments upon identifying any safety risks and ensured that appropriate follow-up measures were taken to address the issues. To enhance production safety, our senior management additionally supervised regular safety inspections at the locations. COSCO Kansai Companies' plants conducted over 516 OHS inspections during the year. By addressing all 727 identified hazardous areas throughout the year, COSCO Kansai Companies achieved a 100% rectification rate.

The concentration of VOCs in our production region captured our attention and input for continuous improvement. External specialists were also recruited to investigate the production processes at Jotun COSCO. The level of VOCs was one of the graded criteria and was meticulously measured. We diligently considered the advice provided by the experts to further enhance the quality of the working environment. We cleaned the outdated organic exhaust ducts in the production workshop, leading to a substantial enhancement in the workshop's VOCs discharge efficiency and a reduction in occupancy levels.

In contrast, COSCO Kansai Companies procured a substantial fleet of explosion-proof trucks with better protective features. As these trucks operate without igniting, the risks of explosions or fires within our plants are completely eradicated. Meanwhile, we required that all employees possessed pertinent certificates or underwent training prior to operating any machinery, including but not limited to the certificates for truck operation, electricians and electric welders.

During the year, Jotun COSCO persistently arranged "Safety Day" at its Qingdao plant which focused on the theme of "Everyone Talks about Safety, Everyone Knows Emergency Response" of the National Workplace Safety Month. Apart from giving fire safety training to the staff and sharing accident cases, and also carried out an emergency drill on chemical fire and explosion accident in the production workshop caused by static electricity, in which the Chief Emergency Response Officer, Chief Field Officer, Volunteer Fire Brigade and Leakage Disposal Team were in charge of their respective roles in an organised manner. The leaders of the Ministry of Emergency Management, Fire Brigade and Ministry of Ecology and Environment of the PRC gave affirmation and pointed out any further improvements. In addition to the emergency drill, a diverse array of captivating activities, including safety knowledge game competitions and team-building activities were conducted. These programs facilitated a comprehensive comprehension of safety for our employees, fostering an enjoyable and engaging learning environment.

Emergency Drill Briefing

Emergency Drill

Safety Knowledge Game Competition

Safety Knowledge Quiz

5.2.2 Safety Management Self-Assessment System

Implemented by the Group in 2012, the Safety Management Self-Assessment System ("SMSA") enabled its coating business companies to evaluate the effectiveness of safety measures. The SMSA was established in accordance with the national safety technical standards for the coating industry, including the "Production Safety Law of the People's Republic of China", the "Regulation on the Safety Management of Hazardous Chemicals", "General Norms for Safety Standardisation of Hazardous Chemical Enterprises", "Guidelines for Work Safety Standardisation of Coating Enterprises" and "The Safety Technical Specification of Coating Manufacturer".

The SMSA primarily facilitates the monitoring of the 10 crucial aspects of safety management, encompassing governance structure, risk and environmental factors control, laws and regulations and management policy, training and education, production facilities, operation safety, product safety and hazard notification, OHS hazards, accident and emergency response, as well as inspection and self-assessment. Employing the Likelihood Exposure Consequences method, the Group conducts semi-annual SMSA inspections. If any potential hazards are identified during the inspection, the relevant departments have to develop corresponding corrective measures or remedial actions within the designated timeframe.

During the SMSA assessment, the following rating scale is applied:

SMSA Score	Below 90	90 – 105	106 – 135	135 – 150
Rating	**Disqualified**	**Qualified**	**Good**	**Excellent**

The results of the SMSA Assessment for production facilities in various COSCO Kansai Companies from previous years are summarised in the table below:

	Tianjin Plant		**Shanghai Plant**		**Zhuhai Plant**	
Year	**First half of the year**	**Second half of the year**	**First half of the year**	**Second half of the year**	**First half of the year**	**Second half of the year**
2023	137	138	140	141	140	140
Average value for the assessment from 2012 to 2023	137	137	138	138	138	138

5.2.3 Occupational Health and Safety at workplace

As a responsible employer, the Group endeavours to offer a safe working environment and cultivate a safety culture. Our objective is to protect the health of employees and increase their awareness of the significance of adhering to safety operating standards. Alongside obtaining ISO45001 certification in 2023, we have implemented numerous measures to ensure the safety and health of our employees.

As prevention is superior to cure, the Group provides employees with a wide range of comprehensive training sessions and exercises (e.g. fire drills) to mitigate workplace injuries and accidents, as well as enhance employee safety awareness. These training sessions cover various topics, including fire safety, use of firefighting equipment, occupational hygiene, medical emergencies, safety laws and regulations, sharing of accident cases, hazardous chemical safety, special equipment safety, heatstroke prevention, working at heights safety and more. Furthermore, before commencing their duties, new employees are furnished with written documents that outline the OHS issues requiring their further attention.

Prevention of heat stroke tabletop exercise

In addition to providing essential medical care, we conduct annual physical examinations for all employees. Employees engaged in roles with higher OHS risks undergo specific medical assessments, aiming to detect occupational diseases and potential injuries at an early stage. In the event of abnormal examination results, the relevant departments arrange follow-up examinations for a more detailed evaluation of the specific concerns. Prior to their initial workday, new employees and transferred employees are required to undergo health screenings. Furthermore, employees who are leaving their jobs also undergo post-employment medical examinations.

5.3 Non-Production Safety Management

The health and safety risks to our employees are relatively lower in our non-production sectors, including ship trading agency services, insurance brokerage services and the supply of maritime equipment and spare parts. We implemented several safety measures to further mitigate occupational health and safety risks within our office environments across our non-production operations, which aligned with our deeply ingrained philosophy of "Safety First".

Throughout the year, employees in non-production sectors actively take part in "Safety Month" to enhance their awareness of safety measures in the event of an accident. Beside the fire safety training, we have established a dedicated team responsible for conducting safety inspections at our offices and properties, ensuring appropriate precautions are implemented.

To enhance employee awareness of fire safety, we conduct various business sectors arrange educational events and lectures, along with conducting inspections to assess the fire risks within the workplace. Furthermore, we ensure that the fire-fighting equipment in the office area and the escape routes are well-maintained.

5.4 Reporting and Investigation Mechanism

To address safety-related incidents, the Group established a reporting and investigation mechanism. We implemented an accountability system and defined the responsibilities of the personnel in charge. In the event of any safety accidents, the respective employees are required to promptly report to the head of their respective departments, inform the Safety Committee Office within 60 minutes of the incident and submit a comprehensive accident report. The Safety Committee Office conducts a thorough investigation of the incident and presents its findings to the Group's Safety Committee. Based on the severity of the occurrence, the Group dispatches a dedicated investigative team for internal inquiries and, if necessary, invites internal and external experts to conduct in-depth investigations into the underlying causes and losses of the incidents. These experts also assist in identifying those accountable and provide valuable advice for risk reduction.

According to our accountability system, the relevant employees involved in safety incidents may be subject to admonitory interviews or warnings, depending on the gravity of the situation. Any concealment of information, a delayed or omitted reporting, or failure to show an immediate and substained improvement may result in disciplinary action against the employee(s) involved.

In 2023, the Group did not receive any significant instances of non-compliance with relevant laws, regulations and standards. Furthermore, there were zero work-related fatalities (2022: Nil), nor any significant production safety accidents.

6. EMPLOYEE EMPOWERMENT

The most valuable resource of the Group is its human capital, playing a pivotal role in our long-term business achievements. Consequently, we formulate people-oriented strategies that are consistent with four management principles: managing by regulations, establishing an open and fair system, meritocracy and highlighting the coexistence of rights and responsibilities.

To attract and retain talented individuals, we offer a comprehensive and competitive compensation and benefits package, along with exceptional growth prospects. Our renowned evaluation and acknowledgment system forms the foundation for these opportunities. We are dedicated to nurturing tomorrow's leaders and fostering a culture of continuous learning.

During the year, we maintained a steadfast commitment to quality, professionalism and integrity throughout our operations. The Group strictly adheres to relevant labour laws and regulations, including but not limited to the following:

- Employment (Amendment) Ordinance 2022 (Hong Kong);
- Employees' Compensation Ordinance (Hong Kong);
- Labour Law of the People's Republic of China;
- Labour Contract Law of the People's Republic of China; and
- Law of the People's Republic of China on the Protection of Disabled Persons.

Regarding our recruitment procedures, there was no instances of non-compliance throughout the year 2023.

6.1 Inclusive and Supportive Workplace

Irrespective of an individual's gender, age, family status, race, religion, nationality, sexual orientation, or disability, we are committed to establishing an inclusive and supportive work environment, where every employee is treated with fairness and respect. Our compensation packages are highly competitive, comprising a base salary, performance-based bonuses and mandatory provident funds. Additionally, we offer a comprehensive range of benefits, including paid annual leave, paid sick leave, medical insurance, healthcare benefits, opportunities for further education and subsidies for training programs. Depending on individual requirements, we also provide additional leave options, such as paid wedding leave and employee paternity leave.

Through the implementation of standardised recruitment practices and comprehensive employment-related regulations, such as the "Administrative Measures on Recruitment and Employment" and the "Administrative Measures on Labour Contract", we strictly prohibit the utilisation of child labour and forced labour within our organisation. To ensure compliance with legislation and policies, we conduct regular updates and verification of our employees' personal information.

To foster a more harmonious and inclusive work environment for our female employees, COSCO SHIPPING Insurance Union (the "Union") organised a Women's Day event for female employees in both the Shenzhen and Shanghai offices, under the theme "Empowered Women, Dynamic Collaboration, Excellence in Shenzhen and Shanghai, Pursuit of Perfection". The Union presented each female employee with fresh flowers and also organised a creative handicraft activity — making Turkish-style lanterns. All female employees expressed their delight in experiencing the joy of handicrafts amidst their hectic work lives and proudly showcased their unique creations. Additionally, on 8 March 2023, the Union organised a hiking activity for all female employees to commemorate International Women's Day.

Creative Handicraft Workshops on Women's Day

Apart from supporting the female employees, we valued employees' well-being as one of our key objectives. COSCO Kansai Companies organised collective birthday celebrations for employees whose birthdays fell in each month, aim to make employees feel the company's care and value, enhancing their sense of belonging and happiness. Nevertheless, a staff centre was established in the collective dormitory area during the year, equipped with a fitness room, reading room, chess room, as well as billiards and table tennis rooms, providing leisure activities for employees after work, facilitating interactions and friendships among employees while alleviating work-related stress.

Jotun COSCO held three Inclusive Recruitment training sessions in Shanghai, Guangzhou and Qingdao respectively in 2023. These sessions were attended by all supervisors and managers, with a total of 54 participants. The trainings focused on identifying and minimising discrimination in the recruitment process, creating job advertisements to expand the candidate pool and implementing inclusive recruitment in the interview and screening process. The Inclusive Recruitment trainings helped the recruitment team identify and reduce biases, adopt more open and inclusive approaches to attract diverse talent, thereby aiding the company in establishing a diverse and inclusive work environment.

Inclusive Recruitment Training

6.2 Employee Training and Development

Ensuring that employees receive the necessary training and knowledge is always crucial for the sustainable growth of the Group. In order to enhance the competencies of our workforce and equip them with pertinent skills and professional knowledge, we implement a comprehensive set of guidelines known as 專業人才庫建設管理辦法 (Management Methods for Setting up of Professional Talent Pool). Under the supervision of the Human Resources Division, a specialised team administers and oversees a structured leadership development program. We regularly assess the talent pool across different industries and business sectors. In order to foster the growth of exceptional individuals, we institute an incentive system that includes bonuses and opportunities for professional development, such as training courses, academic conferences and exchange programs.

We establish a comprehensive training and development system encompassing four distinct categories to address the individual learning needs of our employees, thereby fostering a culture of continuous improvement and enhancing their capabilities:

- **Induction trainings:** All new employees undergo comprehensive induction training to familiarise themselves with the Group's corporate strategic plans, policies and logistical regulations. This equips them with a thorough understanding of our OHS standards, standard operating procedures and our expectations regarding workplace conduct. By facilitating their integration into our organisation, we aim to ensure a seamless transition;

- **Regular assessments:** The Human Resources Division and other relevant departments regularly assess our business requirements to identify crucial training components. When necessary, we engage experts and professionals to conduct training sessions and deliver informative presentations, ensuring that our staff remains up-to-date and well-equipped in their respective roles;

- **Regular trainings:** To ensure that our general employees stay well-informed regarding market trends and regulatory updates, we conduct regular training sessions. These sessions are designed to keep them up-to-date with relevant industry and regulatory information; and

- **External training programmes:** We promote and incentivise employee engagement in external training programs, encompassing certifications, diplomas, degree courses, lectures, seminars and conferences, through the provision of training subsidies.

To acknowledge and motivate individuals who demonstrate outstanding performance, we conduct regular performance evaluations to assess their contributions and deliver timely feedback. To streamline and simplify the evaluation process, we had implemented an enhanced online performance assessment system. This system includes anonymous profiles to collect and incorporate feedback from other team members at various stages of the evaluation, ensuring a comprehensive review of participating personnel.

Additionally, COSCO Kansai Companies organised various training programs to facilitate continuous learning and development among employees. These programs aimed to provide employees with the latest knowledge and skills. The training offerings included the Compliance Operation Management Training Course, the Shanghai Intellectual Property Workers Training Course and the Powder Coating Formulation Design Training Course. Our objective is to foster a culture of lifelong learning and encourage employees to make the most of these training opportunities to fully expand their knowledge.

6.3 Employee Well-being

6.3.1 Employee Communication

The Group recognises the importance of fostering open communication channels with our employees to cultivate mutual trust and respect. To facilitate this, we actively seek and gather feedback and ideas from our staff through various communication channels. We encourage and provide incentives for employees to submit suggestions to management through 合理化建議獎勵實施辦法 (Implementation Award Measures for Reasonable Recommendations). To ensure the Group receives tangible benefits, our recommendation team is entrusted with the task of assessing and scrutinising suggestions before granting financial incentives for exceptional employee recommendations. By incorporating employee observations and fostering open communication, the program aims to cultivate a dynamic and transparent culture that promotes internal growth within the Group.

To facilitate employees communication, the Group had established a dedicated human resources mailbox on the intranet homepage. This platform served as a regular forum for employees to voice their concerns and issues. The Human Resources Division plays a crucial role in collecting and forwarding incoming mail to the relevant departments, ensuring the necessary follow-up actions are taken for the well-being of all employees.

6.3.2 Employee Work-Life Balance

The Group is committed to promoting work-life balance in workplace and improving the overall health and well-being of its employees. In line with this objective, we provide team building and recreational activities, such as sports and hobby workshops, to support their welfares. Our aim is to boost employee morale, foster team cohesion and ultimately enhance the productivity and a sense of belonging in the workplace.

To foster employee connections and promote a sense of community, we established an employee association. This association played a vital role in facilitating connections by organising a dedicated volunteer team and coordinating a wide range of volunteer activities.

In 2023, aligning with themes of talent development, and the pursuit of physical and mental health among employees, we launched a series of activities that were beneficial to enhancing both corporate cohesion as well as employees' personal development. We held a singing contest for the Hong Kong affiliates of COSCO SHIPPING to celebrate the anniversary of Hong Kong's Return in July, demonstrating our love for our country and Hong Kong. In addition, we held a Sports Day in December for the participation of our employees and their families to strengthen their friendships and connections. Besides, we also launched the "Reading Plan for the Year" for employees, carried out a series of activities to celebrate the 26th anniversary of Hong Kong's return, gave special seminars on Hong Kong's development, organised boarding study tours for employees, and rolled out various interest classes such as lunch yoga classes, making rice dumplings for the Dragon Boat Festival and badminton classes.

COSCO Kansai Companies arranged a series of events aimed at promoting work-life balance. In 2023, an outdoor fitness walking campaign was held in Jinshan and Zhuhai respectively, allowing employees to enjoy the scenic views while engaging in physical activity. This event not only provided a fun experience to our employees but also raised awareness about their health and well-being.

Outdoor Fitness Walking Campaign held in Jinshan and Zhuhai respectively

7. BUSINESS DEVELOPMENT AND COLLABORATION

The Group recognise the significance of collaboration with business partners and the importance of delivering high-quality goods and services as key drivers of our sustainable economic growth. We are committed to establishing a responsible and ethical supply chain while prioritising client satisfaction. The Group adheres to relevant rules and standards to guide our conduct and operations, mitigating potential risks and upholding a strong commitment to business ethics. These measures are in place to uphold our integrity and ensure the long-term sustainability of our business.

7.1 Supply Chain Management

7.1.1 Sustainable Procurement

To fulfil our duty as responsible corporate citizens, we aim to establish an environmentally friendly and accountable supply chain by carefully selecting suppliers who meet our rigorous sustainability standards. We streamline the supplier selection and assessment process by implementing standardised procurement methods that consider the environmental and social impacts of our suppliers. Our supplier selection follows the guidelines outlined in the "Procurement Management Measures" and "Supplier Management Measures," which encompass criteria related to environmental protection and health and safety. In addition, we implement various sustainable procurement policies, including the "Tendering Procurement Management Measures", "Non-tendering Procurement Management Measures", "Centralised Procurement Management Measures", "Special Affiliated Enterprises Management Measures" and "Procurement, Outsourcing, and Supplier Management Supervision Measures," to facilitate the engagement and collaboration with suppliers.

To ensure careful selection of suppliers for our coating company, we establish internal procurement guidelines that complement the initial screening process based on essential accreditations such as ISO 9001, ISO 14001 and ISO 45001. Additionally, the contracts incorporate relevant clauses to ensure continued compliance. Only those suppliers who meet specific requirements are included in the Group's procurement supplier database, allowing purchasing units to engage with them. In 2023, a total of 23 suppliers were admitted according to the "Supplier Evaluation Procedure" at COSCO Kansai Companies. When onboarding new suppliers, a comprehensive assessment will be conducted, considering factors such as technical capabilities, product performance, enterprise scale and payment terms. Suppliers scoring 60 points or above will be deemed qualified and added to the Group's suppliers' master database upon appropriate management approval.

To uphold our sustainability performance and reputation throughout the supply chain, we conduct regular assessments of the selected suppliers' compliance status. The suppliers' master database is updated regularly every three years, and removing those suppliers who fail to adhere to relevant rules and regulations. In cases where safety standards are violated, we terminate contracts and cooperation relationships with the non-compliant suppliers. However, if the suppliers take appropriate measures to address and rectify the issues, we evaluate the effectiveness of their actions and their willingness to resume cooperation.

In addition to the routine selection procedures, we also implement customised management practices for suppliers whose provision of goods or services are particularly vital to our business operations. For example, we implement the "Asphalt Supplier Management System" to evaluate the sustainability performance of asphalt suppliers, including their environmental assessments and fire prevention measures.

7.1.2 Supplier Monitoring and Supervision Mechanism

Through our annual supplier monitoring mechanism, we utilise a comprehensive set of quantitative indicators to evaluate and assess suppliers' performance in various areas, including fundamental capability, cost competitiveness, delivery fulfilment, quality control, customer service, business innovation, safety and environmental protection. Based on the assessment results, we provide suppliers with preventive measures and improvement recommendations, overseeing their implementation to enhance the quality of their products and services. Suppliers found to violate safety and environmental standards or engage in bribery and other commercial misconduct face penalties and immediate termination of their contractual obligations. Furthermore, COSCO Kansai Companies employed quality assurance systems as part of the supplier screening and admission process, where environmental and social considerations play a significant role, accounting for 10% of the supplier's overall score. In addition, in relation to daily supplier management, quality certification records are updated from time to time.

As part of our supplier monitoring process, we developed a supplier rating scale that evaluated and categorised suppliers according to their assessment outcomes. This enables us to prioritise suppliers with outstanding sustainability performance.

Below is the rating scale of our supplier evaluation:

Rating	Definition
A	**Strategic Suppliers:** Outstanding suppliers that achieved good progress in sustainability that it is in line with the Group's ambition
B	**Quality Suppliers:** Good suppliers that performed well beyond the basic requirements in some of the key indicators
C	**Qualified Suppliers:** Fair suppliers that met our basic requirements of indicators
D	**Negative Suppliers:** Poor suppliers that failed to meet some of our requirements of indicators
E	**Eliminated Suppliers:** Poor quality suppliers that are eliminated and taken out from our supplier database

During the period of October to November 2023, the Supplier Purchasing Department of COSCO Kansai Companies was responsible for coordinating the Technology Centres, Production Management Departments, Quality Control Departments and Warehousing Departments to conduct the annual evaluation of suppliers. Based on the assessment results, there were 205 qualified suppliers, 102 alternative suppliers and 22 suppliers deemed unqualified. Suppliers with a comprehensive score below 60 are placed on the "Unqualified Supplier List," their SAP master data is frozen, and their names and contact details are removed from the list. Priority is given to higher-rated vendors for partnership opportunities or contract extensions. Suppliers who fail to participate in the annual inspection, fail the inspection, or discontinue working with the Group for three consecutive years will not be included in the database. Additionally, the Group actively promotes supply chain localisation to reduce delivery times, minimise transportation-related environmental impacts and stimulate local economic growth.

7.2 Product Quality and Responsibility

As a leading company in our sector, we are committed to delivering high-quality, healthy and safe goods and services to our consumers. To achieve this, we maintain rigorous oversight of technical standards and uphold product and service quality at every stage of the product life-cycle, including raw material sourcing, production, sales, marketing, recall, return and replacement processes. Our commitment to product safety and quality aligns with internal policies as well as international standards.

In line with international standards, we developed internal policies pertaining to "Health, Safety, Environment and Quality" (HSEQ), with a specific focus on our subsidiaries involved in chemical manufacturing. These policies serve as guidelines to ensure compliance with safety and environmental regulations. To uphold the quality of our coating products, we implement stringent control measures. Our quality control standards are upheld through thorough tests and inspections conducted on intermediate and finished items. Furthermore, we adhered to the technical standards established by the Ministry of Emergency Management of the People's Republic of China, which were aimed at guaranteeing the safety and environmental responsibility of our products:

- The notice of the "Implementation Plan for Reducing Lead Content in Coatings of the Container Industry" issued by China Container Industry Association;
- The "Rules for Classification and Labelling of Chemicals" under the GB30000 national standard series of the People's Republic of China;
- The "Product Quality Law of the People's Republic of China";
- The "Regulations of the People's Republic of China on Administration of Chemicals subjected to Supervision and Control";
- The "Regulations on Administration of Precursor Chemicals"; and
- The "Measures for Environmental Management of New Chemical Substances".

In addition to adhering to our internal rules and industry standards, it is crucial to foster awareness and promote the exchange of technical information regarding product responsibility among suppliers, customers and the industry. This plays a significant role in cultivating a responsible market. To gain insights into user experiences and identify areas for improvement, COSCO Kansai Companies and Jotun COSCO maintain regular communication with customers. This allows us to share comments and address technical inquiries related to our products.

In our pursuit of meeting consumer demands, we actively sought innovative approaches and leveraged the latest technology to consistently deliver creative solutions. We took additional measures to minimise ship maintenance requirements by enhancing our understanding of the specific coating needs for each new ship type, thereby reducing the risk of corrosion. Jotun COSCO utilised cutting-edge coating techniques, by staying abreast of the evolving market dynamics, we are dedicated to maintaining our prominent position in the rapidly growing market.

7.3 Customer Care

7.3.1 Customer Satisfaction

The Group recognised that customer feedback played a pivotal role in driving continuous business enhancement. We placed great importance on monitoring various aspects of the customer experience, including the quality of service provided by our sales and technical service staff, delivery processes, ordering procedures, invoicing and overall interactions with us. Through surveys, we closely monitored and evaluated these aspects to ensure a superior customer experience.

In order to effectively address consumer concerns regarding our products and services, we implement procedures for handling complaints. COSCO Kansai Companies and Jotun COSCO established the "Administrative Procedure for Customer Feedback" to ensure fair, consistent and prompt resolution of complaints. Upon receiving a complaint, designated individuals investigate the matter and take appropriate actions to prevent the recurrence of similar issues. Additionally, our "Process for Paint Return" outlines the management's approach to handling the return of ineligible items and specifies the necessary steps to rectify any problems. By actively monitoring customer satisfaction with complaint resolutions, we enhanced our feedback tracking system and improved our response to customer complaints. We conducted thorough analyses of the complaint causes and promptly addressed any product or service quality issues. Furthermore, complaint cases are utilised for publicity and educational training purposes within relevant departments.

During the reporting period, there were no unresolved service-related complaints or product recalls attributed to safety or health concerns.

We strive to cultivate and maintain robust relationships with our customers, enabling us to gain a deeper understanding of their requirements and deliver products and services that receive positive feedback. During the year 2023, we continued to implement a high-frequency customer visit plan, conducting multi-topic technical exchanges with strategic and key customers. Building upon our efforts in 2022, we further intensified our overseas visits. Apart from that, the COSCO Kansai Companies continue to utilise video conferencing systems for sharing technical knowledge and showcasing new products to customers. Additionally, we capitalise on the rapid dissemination feature of new media and conduct scheduled technical lectures through online live broadcasting platforms, presenting our products and their applications. This initiative aims to foster technical exchange among industry stakeholders. As part of our commitment to providing comprehensive insurance-based risk management advice, our insurance brokerage services staff successfully organised two online seminars for ship owners, focusing on hull insurance and protection & indemnity insurance.

As part of our commitment to providing comprehensive insurance-based risk management advice, our insurance brokerage services staff successfully organised a series of seminars for the Shipping Arrangement Association on Loss Prevention and Insurance Claims. These seminars served as a platform for extensive communication and discussions between various shipping associations and the industry. The topics covered a wide range of areas including the historical evolution of insurance claims, route design, general average, stowage issues for bulk cargo vessels and disputes related to fuel charterparty agreements. The seminars aimed to enhance understanding and knowledge within the shipping industry, fostering a proactive approach to loss prevention and effective insurance claims management.

7.3.2 Customer Privacy

The Group places great importance on safeguarding customer privacy throughout all corporate endeavours, while maintaining strict compliance with pertinent local, national and international laws and regulations, such as the "Personal Data (Privacy) Ordinance" in Hong Kong. Additionally, Jotun COSCO upholds adherence to the "European Union (EU) General Data Protection Regulation (GDPR)". Furthermore, the implementation of "Binding Corporate Rules (BCR)" ensures that employees follow the same privacy protection framework.

We have implemented a range of internal procedures to uphold the confidentiality of information and prevent the disclosure of sensitive stakeholder data, in strict accordance with international legal requirements. Our information dissemination strategy, known as the "Information Management Method", adheres to the four fundamental values of "Truth, Accuracy, Completeness and Timeliness". To safeguard trade secrets, we established the "Administrative Measures on the Protection of Trade Secrets" in compliance with the "People's Republic of China's Anti-Unfair Competition Law", the "Interim Provisions on the Protection of Trade Secrets of Central Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council and the "Administrative Measures on the Protection of Trade Secrets of China COSCO Shipping Corporation Limited." We have also implemented "Staff Management Measures" to prevent the disclosure of customer data and agreements for strategic collaborations to any third parties.

To bolster our employees' comprehension of data privacy and protection, the Group organised Cyber Security Knowledge Seminar to further enhance our employees' understanding and awareness of data privacy and protection. This seminar, comprehensively addressed various topics including phishing activities, cyber viruses and Advanced Persistent Threat (APT) attacks. It also provided our employees with essential measures to ensure password safety, network security and data protection. By fostering a heightened sense of cyber security, our employees are now better equipped to safeguard customer data and prevent any potential breaches.

No complaints regarding infringements of consumer privacy or loss of customer data were reported throughout the reporting period.

7.4 Anti-Corruption

7.4.1 Anti-Corruption Policy

The Group maintains a zero tolerance approach towards corruption and bribery in all its form. We adhere strictly to the "Criminal Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China", and the "Bidding Law of the People's Republic of China." Recognising the importance of business ethics and anti-corruption measures, we integrate components pertaining to business ethics and a code of conduct into the Group's risk management framework, which were diligently monitor.

The Group established the "Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International" (the "Code") to ensure that employees acknowledged and adhered to the aforementioned principles, thereby upholding high standards of integrity and morality. The Code offered guidance on appropriate conduct in various situations that employees might encounter. Specifically, it prohibits employees from exploiting their positions of authority for bribery or personal gain, capitalising on business opportunities presented by the Group, misusing company assets, or engaging in any activities that could compromise the Group's interests. Additionally, employees are expected to foster enduring and trustworthy relationships with clients, contractors and suppliers. Individuals found in breach of the Code can face disciplinary measures, including termination of employment. The Group is obligated to report any suspected regulatory or legal violations to the relevant authorities and cooperate with ongoing investigations.

7.4.2 Whistleblowing Policy

The Group implemented a Whistleblowing Policy to outline the precise reporting channels for directors, management, employees and those who deal with the Company to anonymously raise concerns regarding any suspected acts of corruption. This initiative aimed to promote integrity, foster transparency and uphold accountability. The Whistleblowing Policy safeguards confidentiality by ensuring that the identity of employees making accusations remains undisclosed and inaccessible without proper authorisation. The Board bears the responsibility of ensuring the effective implementation and enforcement of this policy, thereby upholding a rigorous standard of corporate justice. Any attempts to impede an investigation are regarded as severe violations of disciplinary rules.

7.4.3 Anti-Corruption Supervision

The Group unequivocally prohibits all forms of corruption, including but not limited to the acceptance of benefits and rebates from suppliers, colluding with them to perpetrate fraud and manipulating sales figures. Under the tenet 誰主管誰負責 (Whoever Takes Charge Should Be Responsible), employees and the relevant managers in such situations are held accountable. If any benefit-transferring behaviour is discovered, a comprehensive investigation is conducted, encompassing not only the individuals responsible but also the entire business unit. Our business assessment guidelines closely monitor and evaluate restrictive indicators on management transactions, risk and internal control, as well as other requirements pertaining to employee ethics and anti-corruption, in accordance with the "Measures for Managing Performance Examination of Companies under Direct Management."

Committed departments and multiple business units diligently enforced anti-corruption regulations, exerting significant efforts to eradicate unethical business conduct. Oversight of relevant matters at the Group level is entrusted to the Audit & Supervision Division of the Company's headquarters. The Audit & Supervision Division also administers special affiliated enterprises in accordance with the "Measures for Managing Special Affiliated Enterprises" through various means, including periodic or ad hoc special examinations, efficiency monitoring and audits. The implementation of anti-corruption programs falls within the purview of representatives from each business unit. While the Audit & Supervision Division oversees inspections and assessments regarding program implementation, individual departments are responsible for guiding their respective suppliers to adhere to the Group's procurement and supply chain management policies. Furthermore, it is the duty of subsidiaries to promptly inform the Audit & Supervision Division of any employee violations of company policies.

To enhance employees' comprehension of ethical business practices, our objective is to conduct an annual employee self-evaluation survey across departments and subsidiaries. This survey encompasses a range of topics outlined in the Code, such as integrity and equity, declaration and disclosure of interests, conflicts of interest, safeguarding confidential information and company assets, as well as interactions with clients, suppliers and contractors. During the reporting period, over 852 individuals participated in the self-evaluation survey.

Throughout the reporting period, the Group adheres to all relevant standards, laws and regulations. The Group did not encounter any legal proceedings related to involvement in corrupt practices.

7.4.4 Anti-Corruption Training

Anti-Corruption Training stands as the paramount preventive measure to enhance employees' comprehension of anti-corruption practices.

Anti-bribery and Integrity Training

Our employees of COSCO SHIPPING International received anti-bribery and integrity training delivered by the Hong Kong Independent Commission Against Corruption (ICAC) in October 2023. A total of 72 employees, including top management, participated in this training. In March 2023, Jotun COSCO organised an online anti-corruption policy training, a total of 371 employees actively took part in this training seminar. Through engaging lectures and educational videos, our primary objective is to enhance employees' comprehension of workplace bribery and foster ethical standards. Furthermore, Jotun COSCO delivered a presentation on the company's anti-corruption policy at the distributor conference. With practical scenarios and comprehensive materials, employees gain a profound understanding of the significance of corporate probity, business ethics, integrity and the "Prevention of Bribery Ordinance". They are committed to upholding the utmost ethical standards in their respective roles.

Anti-Corruption Seminar for COSCO Kansai Companies

In September 2023, COSCO Kansai Companies organised all employees to diligently study the spirit of the document titled "Notice on Maintaining Integrity during the Mid-Autumn Festival and National Day Holidays in 2023" and requested strict adherence to its guidelines, helped improve employees' awareness of integrity, strengthened their understanding of professional ethics and behavioral standards, and enabled them to better address potential integrity risks and challenges.

Additionally, COSCO Kansai Companies encouraged employees to watch several videos related to integrity, which can enhance their adherence to professional ethics and legal regulations. For instance, employees were arranged to watch the documentary "Eternally Blowing the Bugle," while the members of inspection team would watch some anti-corruption short videos. Furthermore, an online survey for integrity-building was conducted, enhancing the awareness of employees regarding the importance of upholding ethical standards within the party.

COSCO Kansai Companies also organised specific seminars about anti-corruption for employees, with the lectures delivered by the secretary of the Discipline Inspection Commission. There were 100 participants in attendance. Additionally, educational lectures on discipline and law were conducted, with a total of 385 participants.

8. COMMUNITY INVESTMENT

We are committed to providing and making investments in the development and enhancement of the communities in which we operated. The Group's Donation Policy was developed in 2014 to cater to the interests and local demands of each community. This policy delineates our approach to collaborating with regional NGOs and charitable organisations, as well as the management of our philanthropic endeavours. It encompasses specific provisions regarding annual charity donation budgets and meticulous criteria for determining the extent and methodology of community investments or donation initiatives.

We established volunteer teams and enlisted enthusiastic staff members who were dedicated to supporting local charities, joining us in extending compassion and assistance to the underprivileged. To encourage their active participation and express gratitude for their unwavering support and enthusiasm, we granted volunteers who had contributed more than 2 hours but less than 4 hours on a volunteers day a half-day off, and those who had contributed 4 hours or more a full day's paid leave, respectively.

8.1 Contribution to Community

The team's slogan, "Our Passion to Serve", emphasise the Group's dedication to community investment through active involvement in various volunteer initiatives. To optimise the Group's allocation of time and resources towards the community, we conduct regular evaluations of our community investment plans. Our community contributions primarily focus on five core areas: charitable donations, environmental conservation, education, support for the underprivileged and community assistance.

8.1.1 Charitable Donation

During the reporting period, the Company made direct donations to the following specific organisations with the aim of benefiting the local community:

Charitable Organisations	Donation Amount (HK$)
Sowers Action	$252,800
The Neighbourhood Advice-Action Council	$23,000
Hong Kong Committee for UNICEF ("UNICEF")	$50,000
World Wide Fund For Nature Hong Kong ("WWF")	$50,000
Total donations	**$375,800**

8.1.2 Environmental Conservation

As a provider of shipping services, we acknowledged that our primary environmental responsibilities lay in the sea and beyond. We recognise the increasing societal concerns regarding environmental issues, particularly marine pollution. Therefore, we are dedicated to mitigating the adverse impacts stemming from human activities.

Through contributing of HK$50,000 this year, we continued our support for the commendable initiatives of WWF and upgraded to Silver membership. The Company remains committed to collaborating with WWF and endorsing its environmental conservation programs as a participant in the Corporate Membership Programme, striving towards a more sustainable Hong Kong.

Apart from the donations, we also arranged exchange events to advocate for the significance of environmental protection and conservation. Jotun COSCO organised an "Energy Conservation Week" campaign in July, where various activities were held to enhance participants' willingness and ability to adopt energy-saving measures in both their work and daily lives. The activities included: created a conservation atmosphere with posters and information boards, highlighted the origins of the "Energy Conservation Week", low-carbon living, and China's dual-probe strategy. Additionally, the company conducted an online knowledge competition with 117 participants to enhance employees' understanding and awareness of energy conservation. Recognising outstanding performance through rewards incentivised active participation in energy-saving activities and strengthened their willingness and ability to adopt energy-efficient measures in both work and daily life. Green commuting was encouraged, resulting in 180 participants opting for eco-friendly modes of transport. The "Clean Plate Campaign" was promoted to minimise waste and energy consumption during waste disposal. These initiatives sparked employees' interest and engagement in sustainable development topics, encouraging their active participation in the Company's sustainability efforts, driving tangible actions and transformations. As a shipping services corporation, we strive to enhance public awareness regarding environmental conservation and waste reduction.

8.1.3 Education

The youth is the backbone of our future society, and the Group firmly believes in ensuring equal educational opportunities for all. By nurturing individuals and fostering the talents of tomorrow, we persistently investing in the education and development of the youth, recognising its paramount importance in empowering future generations.

During the year, Jotun COSCO continuously donated a total of RMB180,000 to the "Jotun COSCO Chunlei Class" at a junior secondary school, aiming to provide underprivileged students with access to quality education. Additionally, to extend love and care to the Chunlei Class students, our dedicated employees and their children composed heartfelt postcards, expressing their well-wishes. Some of our employees contributed sporting equipment to inspire students towards a more balanced and healthier lifestyle beyond the confines of the classroom. Furthermore, a group of employees visited the Chunlei Class, motivating the students to strive diligently in their studies and make valuable contributions to society in the future. These compassionate and supportive resources are designed to enrich the lives of Chunlei Class students, fostering an environment conducive to their future accomplishments.

8.1.4 Assistance to the Elderlies, Underprivileged Children and Grassroots Families

We hold great importance to the uniqueness of each individual and acknowledged the diverse challenges they face in their daily lives. In line with this, we are remaining steadfast in our commitment to fostering enhanced social inclusion and community integration. Through close collaboration with local NGOs and effective resource mobilisation, we are striving to address a wide array of community requirements.

During the year, the Group collaborated with the Neighbourhood Advice-Action Council to orchestrate a series of community events:

Care to Elderlies

- The notable events included 傳承愛"深"端午探訪 (Dragon Boat Festivals Visitation) and 傳承愛"深"中秋探訪 (Mid-Autumn Visitation) organised by The Neighborhood Advice-Action Council where our volunteers visited elderly individuals living alone or with partners in Shek Kip Mei Estate in Sham Shui Po. They engaged in conversations, offered festival foods (rice dumplings/mooncakes) gift bags and expressed care towards the elderlies. Some of the elderlies shared their health conditions and life stories with our volunteers, expressing gratitude for the attention from the younger generation. The events successfully distributed gifts to 63 and 77 elderlies respectively, allowing them to experience the festival atmosphere of the Mid-Autumn Festival and highlighting our commitment to social responsibility.

- In collaboration with the Neighbourhood Advice-Action Council, we co-organised the "Wetland Journey" event to encourage outdoor engagement for elderlies. A dedicated team of volunteers led an excursion tailored for the elderlies, encompassing experiences such as visiting Hong Kong Wetland Park and Lau Fau Shan Seafood Street to enjoy the pleasures of nature together. This initiative provided an opportunity for the elderlies to engage in physical activity while relishing the magnificent vistas of Hong Kong.

- In June and September 2023, we extended additional financial assistance to the Neighbourhood Advice-Action Council by part of distributing materials to the elderly community during the Dragon Boat Festival and the Mid-Autumn Festival respectively. Through these subsidies, our intention is to ensure that the elderlies can partake in these significant festivals with their loved ones, experiencing joy and warmth together.

Support to Underprivileged Children and Grassroots Families

- In addition to our dedication to the well-being of the elderlies in the community, we made a charitable donation of HK$50,000 to UNICEF in 2023, aimed at advancing the rights and welfare of children. Our contribution will support UNICEF's endeavours in enhancing children's access to clean water, ensuring a high-standard education, protecting them from exploitation, violence and preventable diseases. Recognising that children will be the cornerstone of our future society, it is imperative that they received equitable care and opportunities. Moving forward, we remained committed to making further contributions in safeguarding underprivileged children.

- In October 2023, the Volunteer team participated in the "Get Closer to Nature" activity organised by Sowers Action, which is an outdoor activity mainly for the children from grassroots families, allowing them to get closer to nature while challenging themselves and improving their communication skills and ability. The event finished with happiness of the children.

9. AWARDS AND RECOGNITIONS

The Group's unwavering commitment to sustainability persisted as a paramount priority, yielding considerable financial accomplishments. The reception of acknowledgments and accolades from diverse market-related entities fills us with delight and contentment.

Honoured with the 15 Years Plus Caring Company Logo

The Group has been given the "15 Years Plus Caring Company Logo" at the Hong Kong Social Service Expo 2023 organised by the Hong Kong Council of Social Service (HKCSS). This recognition commends and recognises the Company's continuous contributions and commitments in caring for employees, the environment and society over the past 15 years.

Honoured as a Good MPF Employer 2022–2023

COSCO SHIPPING International was awarded as "Good MPF Employer" by Mandatory Provident Fund Schemes Authority for its outstanding performance in MPF Administration and employee retirement protection, and presented with "e-Contribution Award" and "MPF Support Award" in recognition of the good use of electronic system to manage the MPF.

Outstanding Human Resource Management Award for 2023

In the pursuit of promoting and advancing human resource management, Jotun COSCO is bestowed with the esteemed "Outstanding Human Resource Management Award" by 51Job, a prominent human resource service company in China. This accolade reaffirms our dedication to human resource management. Moving forward, Jotun COSCO remained steadfast in fostering a culture of diversity and inclusivity, nurturing talent, actively fulfilling our social responsibility, fortifying our employer brand and bolstering the growth and development of our employees. Such endeavours would yield a mutually beneficial outcome for both the company and its workforce.

2023 China's Best ESG Employer Awards — Innovation and Development Award

Jotun COSCO's commitment to advancing ESG practices and strengthening the employee value proposition based on enhanced employee experience and engagement has been recognised with the 2023 China's Best ESG Employer Awards — Innovation and Development Award, presented by AON, the world's leading professional services organisation. This honour reaffirmed our efforts to drive our own sustainable and high-quality growth.

PERFORMANCE DATA SUMMARY — ENVIRONMENTAL

	Unit	2023	2022	2021
GHG Emission				
Scope 1				
Total emissions Note 1, 2	Metric tonnes	**412**	470	600
Petrol		**76**	70	74
Diesel Note 2		**101**	117	172
Natural gas Note 2, 7		**235**	283	354
Scope 2				
Total emissions	Metric tonnes	**3,479**	3,970	5,423
Electricity Note 1, 3		**3,479**	3,970	5,423
Scope 3				
Total emissions Note 4, 5	Metric tonnes	**824**	202	374
Business travel Note 4, 5		**759**	105	225
Paper consumption Note 6		**65**	97	149
Total GHG emissions				
Scope 1, 2 and 3	Metric tonnes	**4,715**	4,642	6,397
GHG emissions per m^2 of floor area (Scope 1, 2 and 3)	Metric tonnes/m^2	**0.10**	0.10	0.14
GHG emissions per employee (Scope 1, 2 and 3)	Metric tonnes/employee	**5.48**	5.52	7.55
Air Emission Note 8	Metric tonnes			
VOCs and Benzene		**2.37**	4.14	3.98
Toluene		**0.20**	0.25	0.44
Xylene		**0.19**	0.33	0.49
Particulate matter		**0.17**	0.20	0.14
Other exhaust gas emission		**0**	0.36	0.48
Energy Consumption				
Indirect energy consumption				
Electricity consumption Note 9	kWh	**4,372,681**	4,897,969	6,647,174
Electricity consumption intensity per m^2 of floor area Note 3	kWh/m^2	**95.46**	106.92	145.11
Electricity consumption intensity per employee	kWh/employee	**5,084.51**	5,803.28	7,847.90
Direct energy consumption				
Diesel Note 1	Litre	**38,185**	44,342	66,545
Petrol	Litre	**28,608**	25,752	27,082
Natural gas Note 7	Cubic meter	**108,719**	131,091	163,606
Water Consumption Note 10				
Total water consumption	Metric tonnes	**31,713**	33,971	41,806
Water consumption intensity	Metric tonnes/m^2	**0.87**	0.93	1.14
Waste Management Note 11	Metric tonnes			
Solid wastes (hazardous)		**1,016**	1,063	1,464
Solid wastes (non-hazardous)		**229.7**	212.2	261.4
Wastewater	Metric tonnes			
Wastewater		**15,769**	16,626	21,520
Packaging Materials	Metric tonnes			
Coating package materials Note 1		**3,691**	4,205	6,902

Notes:

1 Since the production volume of COSCO Kansai Companies reduced in the financial year 2023, so the relevant emission and consumption amount has decreased considerably as compared to the financial year 2022.

2 The drop in Scope 1 emission due to the decrease in natural gas and diesel consumption resulting from the decrease consumption and production volume of COSCO Kansai Companies reduced in the financial year 2023. The emission factors and the Global Warming Potential ("GWP") of Scope 1 GHG emissions applied as provided within "Appendix 2: Reporting Guidance on Environmental KPIs" of the Stock Exchange.

3 The carbon intensity of electricity generation emissions applied as provided within Hong Kong Electric Sustainability Report 2022.

4 The substantial increase in Scope 3 emissions due to the drastic increase arose from more emissions by 中遠海運國際貿易有限公司 (COSCO SHIPPING International Trading Company Limited*) and Yuantong Marine Service Co. Limited and its subsidiaries, due to the resumption of normal business after the epidemic, the frequency of business travel was significantly increased.

5 The emission of Scope 3 GHG emissions contributed by business travel is calculated by Carbon Emissions Calculator provided by International Civil Aviation Organisation.

6 The emissions factor of paper consumption in Scope 3 GHG emissions applied as provided within "Appendix 2: Reporting Guidance on Environmental KPIs" of the Stock Exchange.

7 The GHG emissions contributed by natural gas was reduced significantly in the financial year 2023 due to maintenance of RTO equipment in COSCO Kansai Companies.

8 The decrease in air emissions is mainly due to the reduction of air emission of the COSCO Kansai Zhuhai plant.

9 The overall drop in energy consumption is mainly due to the decrease in electricity consumption in COSCO Kansai Companies.

10 The members of the Group had their water supply controlled by their respective property management offices who did not provide sub-meters for the units that they occupied. Thus the data relating to water consumption and intensity in 2023 only covers COSCO Kansai Companies.

11 The fluctuation of waste management is mainly due to the decrease of hazardous solid wastes of COSCO Kansai Companies and there is a noticeable increase in recyclables at COSCO Kansai Zhuihai plant.

* *for identification purposes only*

PERFORMANCE DATA SUMMARY — SOCIAL

	Unit	2023	2022	2021
Total Workforce				
Employee	number	**860**	851	847
Employee by Employment Type	number			
Full-time (Permanent)		**859**	850	827
Contract or short-term employment		**1**	1	20
Employee by Gender	number			
Male		**615**	629	636
Female		**245**	222	211
Employee by Region	number			
Hong Kong		**195**	179	176
Mainland China		**638**	642	639
Overseas		**27**	30	32
Employee by Age Group	number			
Below or equal to 30		**62**	55	51
31 to 50		**585**	606	597
Over 50		**213**	190	199
Overall Turnover Rate of Employee	%			
Turnover rate		**4**	4	9
Turnover Rate by Gender	%			
Male		**4**	5	8
Female		**5**	4	10
Turnover Rate by Region	%			
Hong Kong		**12**	3	15
Mainland China		**2**	5	7
Overseas		**0**	7	6
Turnover Rate by Age Group	%			
Below or equal to 30		**6**	7	31
31 to 50		**4**	4	8
Over 50		**4**	4	5
Employee Development and Training	hours			
Total training hours received		**75,063**	86,342	11,449
Percentage of workforce trained by Gender	%			
Male		**91**	96	82
Female		**99**	94	86

PERFORMANCE DATA SUMMARY — SOCIAL (Continued)

	Unit	2023	2022	2021
Percentage of workforce trained by Employment Category[Note a]	%			
Senior Management		**73**	89	75
Middle-level Management		**94**	93	91
General Employee		**100**	99	81
Average training hours by Gender	hours			
Male		**98**	107	15
Female		**68**	81	19
Average training hours by Employment Category	hours			
Senior Management		**92**	144	23
Middle-level Management		**101**	127	19
General Employee		**87**	91	15
Supply Chain Management	number			
Total number of suppliers		**1,589**	1,613	1,606
Number of Suppliers by Geographical Region	number			
Mainland China		**841**	823	797
Hong Kong		**232**	247	243
Other Countries		**516**	543	566
Employee Health and Safety				
Work-related fatalities (person)	number	**Nil**	Nil	Nil
Work injury cases (case)	number	**Nil**	Nil	1
Lost day(s) due to work injury	day	**Nil**	Nil	84

Note:

a Employee training rate by category (in percentage) = number of employees trained in the relevant category/total workforce of the category at the end of the reporting period x 100%

	Unit	2023	2022	2021
Community Investment				
Corporate charitable donations & sponsorships	HK$	**375,800**	265,000	263,000
Volunteer Participation				
Participants	number	**320**	28	121
Service hours	hours	**1,304**	168	712
Beneficiaries				
Number of beneficiaries	number	**747**	124	251

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KPI B2.1	No. and rate of work-related fatalities occurred in each of the previous three years	Performance Data Summary — Social	103
KPI B2.2	Lost days due to work injury	Performance Data Summary — Social	103
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented & monitored	Ensuring our Health and Safety	80-86
Aspect B3: Development and Training			
General disclosure	Disclosure statement	Employee Training and Development	88
KPI B3.1	The percentage of employees trained by gender & employee category	Performance Data Summary — Social	102, 103
KPI B3.2	The average training hours completed per employee by gender & employee category	Performance Data Summary — Social	102, 103
Aspect B4: Labour Standards			
General disclosure	Disclosure statement	Employee Empowerment	86
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Inclusive and Supportive Workplace	86
KPI B4.2	Description of steps taken to eliminate such practices when discovered	Inclusive and Supportive Workplace	86
Aspect B5: Supply Chain Management			
General disclosure	Disclosure statement	Business Development and Collaboration	90
KPI B5.1	No. of suppliers by geographical region	Performance Data Summary — Social	103
KPI B5.2	Description of practices relating to supplier engagement & no. of suppliers where the practices are being implemented and monitored	Supply Chain Management	90, 91
KPI B5.3	Description of practices used to identify environmental & social risks along the supply chain, and how they are implemented and monitored	Sustainable Procurement	90
KPI B5.4	Description of practices in promoting, implementing & monitoring environmentally preferable products & services when selecting suppliers	Supplier Monitoring and Supervision Mechanism	91

B. Social (continued)		Section/Statement	Page number
Aspect B6: Product Responsibility			
General disclosure	Disclosure statement	Product Quality and Responsibility	92
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Customer Satisfaction	93
KPI B6.2	No. of products and service related complaints received & how they are dealt with	Customer Satisfaction	93
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Not applicable — not considered as material topics to the Group's business	N/A
KPI B6.4	Description of quality assurance process & recall procedures	Customer Satisfaction	93
KPI B6.5	Description of consumer data protection & privacy policies, & how to implement & monitor	Customer Privacy	94
Aspect B7: Anti-corruption			
General disclosure	Disclosure statement	Anti-Corruption Policy	94
KPI B7.1	No. of concluded legal cases regarding corrupt practices & outcomes	Anti-Corruption Supervision	95
KPI B7.2	Description of preventive measures & whistle —blowing procedures, & how to implement & monitor	Whistleblowing Policy	95
KPI B7.3	Description of anti-corruption training provided to directors and staff	Anti-Corruption Training	95, 96
Aspect B8: Community Investment			
General disclosure	Disclosure statement	Community Investment	96
KPI B8.1	Focus areas of contribution	Contribution to Community	97-99
KPI B8.2	Resources contributed to the focus area	Contribution to Community	97-99

Directors' Report

The board of directors of the Company (the "Director(s)" or the "Board") presents this Directors' Report (the "Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include shipping services and general trading. The activities of the principal subsidiaries are set out in note 36 to the financial statements. An analysis of the revenue and segment information of the Group for the year is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement on page 134 of this annual report. The Board has recommended the payment of a final dividend of 17.5 HK cents (2022: 11.5 HK cents) per share for the year ended 31 December 2023. Subject to the approval of the shareholders of the Company (the "Shareholders") in the annual general meeting to be held on 31 May 2024, approximately HK$256,545,000 will be paid on 28 June 2024 to the Shareholders whose names appear on the register of members of the Company on 14 June 2024. The proposed final dividend together with the interim dividend of 22.5 HK cents per share, total dividends per share for the year 2023 are 40.0 HK cents (2022: 22.5 HK cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of shipping services and general trading. The shipping services business, the core business of the Group which includes ship trading agency services, insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings and intelligent shipping services. The Group is committed to promoting green operation and actively implementing energy saving, emission reduction and recycling by implementing practices such as turning off all non-essential lights. In addition, the Group's coating business reflects the significant environmental impacts among other businesses and therefore the coating manufacturing subsidiaries of the Company in Mainland China strictly comply with the relevant laws and regulations in the People's Republic of China (the "PRC"). Being people-oriented, the Group ensures that all staff is reasonably remunerated and maintains a good relationship with its customers and suppliers. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance of Hong Kong (Cap.622), including a fair review of the Group's business, a description of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2023, an indication of possible future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Prospects", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Five-Year Financial Summary" of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2023 calculated under Companies Act of Bermuda amounted to HK$6,514,654,000 (2022: HK$6,514,389,000).

BORROWINGS

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 21 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 19 and note 35 to the financial statements respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 18 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "SHARE OPTION INCENTIVE SCHEME" on pages 120 to 124 and any outstanding share options granted thereunder, no equity-linked agreements which may result the Company issuing share was entered into or existed during the year.

DONATIONS

Donations made by the Group during the year amounted to approximately HK$375,800 (2022: HK$265,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 207 to 208.

DIRECTORS

The Directors during the year and up to the date of the Report were:

Executive Directors

Mr. Zhu Changyu *(Chairman and Managing Director)* (appointed on 17 April 2023)
Ms. Meng Xin
Mr. Zhu Jianhui (resigned on 17 April 2023)

Non-executive Director

Mr. Chen Dong

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Kwong Che Keung, Gordon

In accordance with bye-law 99 of the Company's bye-laws, every Director shall be subject to retirement by rotation at least once every three years and a retiring Director shall be eligible for re-election at such annual general meeting of the Company. Pursuant to bye-law 99 of the Company's bye-laws, Mr. Chen Dong and Mr. Jiang, Simon X. shall retire from office at the forthcoming annual general meeting of the Company and be eligible for re-election.

Mr. Zhu Jianhui resigned as Executive Director on 17 April 2023 due to retirement and confirmed that there was no disagreement with the Board needed to be brought to the attention of the Shareholders.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhu Changyu, being the Executive Director, has entered into a letter of appointment with the Company on 17 April 2023 for a term commencing from 17 April 2023 to the conclusion of the 2025 annual general meeting. Ms. Meng Xin, being the Executive Director, has entered into a letter of appointment with the Company on 24 November 2022 for a term commencing from 24 November 2022 to the conclusion of the 2024 annual general meeting. Mr. Chen Dong, being the Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Mr. Zhu Jianhui, being the ex-Executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company.

Each of the above letters of appointment is subject to termination by either party giving one month's prior notice in writing or such other shorter notice period as may be agreed by both parties.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any members of the Group which is not determinable within one year by respective member of the Group without the payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, Directors for the time being shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices pursuant to the Company's bye-laws. In addition, the Company has maintained appropriate directors and officers liability insurance coverage for the directors of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section headed "Directors' Interests in Securities", at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of the Report, the following Directors were considered to have interests in businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out below:

Name of Directors	Name of the entities which were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entities
Mr. Zhu Changyu	Company controlled by 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) ("COSCO SHIPPING")	Shipping services	director
Mr. Chen Dong	Companies controlled by COSCO SHIPPING	Shipping services	director
Ex-Director			
Mr. Zhu Jianhui	Company controlled by COSCO SHIPPING	Shipping services	director

As the Board is independent from the board of directors of the aforesaid companies, and none of the above Directors controls the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these companies.

* *for identification purposes only*

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions and/or continuing connected transactions of the Group are required to be disclosed in this annual report:

A. Continuing Connected Transactions

1. (a) A master supply agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) Co. Limited, the immediate holding company of the Company, being the connected person of the Company ("COSCO SHIPPING (Hong Kong)") on 18 October 2022 in relation to (1) provision of marine and general insurance brokerage services and other services by the relevant member(s) of the Group to the relevant member(s) of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), the ultimate holding company of the Company ("COSCO SHIPPING") and its subsidiaries and associates (other than the Group), being connected persons of the Company ("COSCO SHIPPING Group"); and (2) provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of the Group to the relevant member(s) of COSCO SHIPPING Group, including without limitation: (a) the provision of ship agency services in relation to shipbuilding, ship trading, chartering businesses and the sale and purchase of marine equipment and other related services; (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) radio communication, satellite communication, navigation equipment and other materials, and (iii) construction materials and facilities, chemicals and information management systems; and (c) the sale of coatings (collectively the "Supply Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "Master Supply Agreement"). The amount of service fees payable by COSCO SHIPPING Group under the Master Supply Agreement would be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to the relevant fixed percentages at which the provision of comparable services to independent third party customers will be charged). The prices offered to COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively. For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider the certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare (for services fees) the fixed percentages of the value of the subject matter and (for prices for sale of materials and products) the selling price, in each case, offered to different customers (including COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service and a similar type of materials or products (based on similar amount and similar specifications) (as the case may be) respectively. The aggregate amount of the Supply Continuing Connected Transactions for each of the financial years ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Supply Caps").

* *for identification purposes only*

(b) A financial services master agreement was entered into between the Company and 中遠海運集團財務有限責任公司 (COSCO SHIPPING Finance Co. Limited*), a subsidiary of COSCO SHIPPING, being a connected person of the Company ("COSCO SHIPPING Finance") on 18 October 2022 in relation to the provision of a range of financial services, including the deposit services, loan services (except for loans to be secured by the assets of the relevant member(s) of the Group), settlement services, remittance services, entrusted loan services (as lending agent in entrusted loan arrangements among members of the Group), acceptance bill issuance services, foreign exchange services, and other services which may be provided by COSCO SHIPPING Finance as approved by China Banking and Insurance Regulatory Commission, by COSCO SHIPPING Finance to the Group (collectively the "Financial Services Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "Financial Services Master Agreement"). The transactions contemplated under the Financial Services Master Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the terms of the transactions (including the interest receivable by the Group and the fees (including the service fees and handling charges) payable under the financial services to COSCO SHIPPING Finance) shall be at market rates or rates no less favourable than those offered by COSCO SHIPPING Finance to independent third parties or those offered to the relevant member(s) of the Group by independent third parties (as appropriate). It was agreed that the interest payable to or receivable by the Group (as appropriate) or service fees payable by the Group for the services are (a) the interest rate for the deposit services shall be no lower than: (i) the floor rate for the same category of deposit services stipulated by the People's Bank of China from time to time; (ii) the rate for the same category of deposit services offered by independent commercial banks in the PRC; and (iii) the rate for the same category and same term(s) of deposit services offered by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group; (b) the interest rate for the loan and entrusted loan services shall be no higher than: (i) the cap rate for the same category of loan services stipulated by the People's Bank of China from time to time; and (ii) the rate for the same category of loan services charged by independent commercial banks in the PRC of the same period; and (c) service fees of services other than deposits and loan services shall be determined in accordance with the following pricing principles: (i) the price to be complied with the fee standards prescribed by the People's Bank of China or China Banking and Insurance Regulatory Commission; (ii) no higher than those charged by independent commercial banks in the PRC for services of similar nature; and (iii) no higher than those charged by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group for similar services. The aggregate amount of the Financial Services Continuing Connected Transactions for each of the financial year ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Financial Services Caps").

(c) A master purchase agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 October 2022 in relation to the provision of shipping and other services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group, including without limitation: (a) the provision of agency services, technical services and ancillary services, including the collection of market information, technical advisory, promotion and marketing, coordination with suppliers and customers, purchase of raw materials and products from suppliers, the provision of assistance in collecting sale proceeds and the procurement or provision of certain after-sale services; (b) the provision of logistics, transportation services and business travel services; (c) the sale of other materials and products including construction materials and chemicals; (d) the solicitation and referral of businesses by COSCO SHIPPING Group to the Group, including recommending products manufactured by the Group to the customers and manufacturers of COSCO SHIPPING Group; and (e) the sale of shipping related materials and products (collectively the "Purchase Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "Master Purchase Agreement"). Different pricing policies will be used for different types of services to be provided by COSCO SHIPPING Group to the Group under the Master Purchase Agreement. Part of the services provided by COSCO SHIPPING Group will be charged by adopting pre-determined formulae (for example, provision of agency

* *for identification purposes only*

services, technical services and ancillary services and solicitation and referral of businesses will be charged at certain fixed percentages of the value of the subject matter with reference to market price of comparable services) and the remaining services will be charged by COSCO SHIPPING Group at fixed per unit consideration (for example, provision of logistics, transportation and business travel services will be charged at a fixed per unit price based on the quantity of the subject matter involved and the distance of the destination and location). The prices offered by COSCO SHIPPING Group for services provided to the Group and sale of other materials and products including construction materials and chemicals to the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available from independent third party suppliers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively. In particular, the relevant purchasing department of the related companies within the Group will obtain quotations from different suppliers (including COSCO SHIPPING Group and at least three independent third party suppliers) in respect of comparable services and a similar type of materials or products (based on similar amount and similar specifications) respectively for comparison. In case, the service fees charged by COSCO SHIPPING Group at fixed per unit consideration (including premium (if any)), quotations of the fixed per unit consideration (including premium (if any)) in respect of comparable services from at least three independent third party suppliers will be obtained for comparison. The quoted fixed per unit considerations (including premium (if any)) so obtained will then be used to determine the fixed per unit consideration (including premium (if any)) at which the relevant services will be charged. The aggregate amount of the Purchase Continuing Connected Transactions for each of the financial years ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Purchase Caps").

(d) A management services master agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 October 2022 in relation to the provision of administrative services including information technology and office communication network support, business management and manpower resources (including without limitation manpower resources with expertise and experience in the business carried on by the Group from time to time and management of human resources), technical support and other administrative and ancillary support (including without limitation sharing of office premises, office equipment, network and communication system, information technology, other technical support, system management, financial system and maintenance) by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group and sharing of office premises by the relevant member(s) of the Group (collectively the "Management Services Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "Management Services Master Agreement"). The management fee shall be calculated based on either (aa) the Group's prorated share of the common administrative costs which shall be determined based on the statistics of time-sharing of the workload of staff members shared by the Group and COSCO SHIPPING Group or the utilisation rate of the office support functions and network systems (depending on the type of management services which are provided) and the actual costs, expenses and disbursements incurred by COSCO SHIPPING Group in the course of its provision of the administrative services to the Group; or (bb) fixed per unit consideration. This shall take into account the historical usage of administrative services by the Group provided by COSCO SHIPPING Group in the past two to three years with reference to the statistics of time-sharing of the workload of staff members shared by the Group and the utilisation rate of the office support functions and network systems and sharing of office premises (depending on the type of management services which are provided) and the actual costs, expenses and disbursements incurred by COSCO SHIPPING Group in the course of its provision of the administrative services to the Group. The fixed per unit consideration (subject to annual adjustment by inflation rate depending on the type of management services which are provided) will then be used to determine the annual services fees to be paid by the Group. The Group will consider the fees offered to be charged by independent third parties of similar services and compare to those offered by COSCO SHIPPING Group. In particular, the relevant department of the related companies within the Group will obtain quotations from different service providers (both COSCO

SHIPPING Group and at least three independent third parties) in respect of similar services for comparison. The aggregate amount of the Management Services Continuing Connected Transaction for each of the financial year ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Management Services Caps").

(e) A master tenancy agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 October 2022 in relation to the leasing or sub-leasing of any of the properties owned by or leased to COSCO SHIPPING Group from time to time by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group (collectively the "Tenancy Continuing Connected Transactions") at any time during the period from 1 January 2023 to 31 December 2025 (the "Master Tenancy Agreement"). The rent and other fees and charges payable by the Group to COSCO SHIPPING Group will be determined based on fixed per unit consideration and the Group will consider the rental offered to be charged by independent third parties of similar properties (based on similar location and similar area) and compare to those offered by COSCO SHIPPING Group. In particular, the relevant department of the related companies within the Group will obtain quotations from different parties (including COSCO SHIPPING Group and at least three independent third parties) in respect of similar properties (based on similar location and similar area) for comparison. The aggregate amount of the Tenancy Continuing Connected Transactions for each of the financial years ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Tenancy Caps").

The Master Purchase Agreement, the Management Services Master Agreement, the Master Tenancy Agreement, the Purchase Caps, the Management Services Caps and the Tenancy Caps were exempt from shareholders' approval requirement under Chapter 14A of the Listing Rules, details of which were disclosed in the announcements of the Company dated 18 October 2022 and 8 November 2022. The Master Supply Agreement, the Financial Services Master Agreement, the Supply Caps and the Financial Services Caps were approved by the independent shareholders at the special general meeting of the Company held on 5 December 2022, details of which were disclosed in the announcements dated 18 October 2022 and 8 November 2022 and circular of the Company dated 14 November 2022 respectively.

Caps with COSCO SHIPPING Group

	Caps for the year ending 31 December 2023	Caps for the year ending 31 December 2024	Caps for the year ending 31 December 2025
Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	**HK$2,513,000,000**	HK$2,723,000,000	HK$2,950,000,000
Amount of daily cash balance(s) of all cash deposits accounts of member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services, acceptance bill issuance services, foreign exchange services, and other services which may be provided by COSCO SHIPPING Finance as approved by China Banking and Insurance Regulatory Commission) payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	**RMB716,000,000**	RMB721,000,000	RMB726,000,000
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO SHIPPING Finance for loan transactions contemplated under the Financial Services Master Agreement*	**RMB150,000,000**	RMB150,000,000	RMB150,000,000
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	**HK$63,000,000**	HK$66,000,000	HK$68,000,000
Aggregate amount payable by the Group to COSCO SHIPPING Group for transactions contemplated under the Management Services Master Agreement	**HK$14,000,000**	HK$15,000,000	HK$16,000,000
Aggregate amount payable by the Group to COSCO SHIPPING Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO SHIPPING Group) for transactions contemplated under the Master Tenancy Agreement	**HK$36,000,000**	HK$38,000,000	HK$39,000,000

* As the loan transactions under the Financial Services Master Agreement would be conducted on normal commercial terms or terms better to the Group and they would not be secured by the assets of the Group, pursuant to Rule 14A.90 of the Listing Rules, the loan transactions contemplated under the Financial Services Master Agreement are fully exempt from shareholders' approval and annual review requirements.

The amount of the Supply Continuing Connected Transactions, the Financial Services Continuing Connected Transactions, the Purchase Continuing Connected Transactions, the Management Services Continuing Connected Transactions and the Tenancy Continuing Connected Transactions (collectively called the "Continuing Connected Transactions with COSCO SHIPPING Group") for the financial year ended 31 December 2023 were as follows:

Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	HK$1,680,404,789
Amount of daily cash balance(s) of all cash deposits accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services and acceptance bill issuance services, foreign exchange services, and other services which may be provided by COSCO SHIPPING Finance as approved by China Banking and Insurance Regulatory Commission) payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	Not exceeded RMB716,000,000 with highest daily balance of RMB685,323,356
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO SHIPPING Finance for loan transactions contemplated under the Financial Services Master Agreement*	Not exceeded RMB150,000,000 with highest daily balance of Nil
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$21,915,256
Aggregate amount payable by the Group to COSCO SHIPPING Group for transactions contemplated under the Management Services Master Agreement	HK$10,326,013
Aggregate amount payable by the Group to COSCO SHIPPING Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO SHIPPING Group) for transactions contemplated under the Master Tenancy Agreement	HK$27,209,866

* As the loan transactions under the Financial Services Master Agreement were conducted on normal commercial terms or terms better to the Group and they would not be secured by the assets of the Group, pursuant to Rule 14A.90 of the Listing Rules, the loan transactions contemplated under the Financial Services Master Agreement were fully exempt from shareholders' approval and annual review requirements.

2. On 30 December 2022, a COSCO SHIPPING HK management services master agreement was entered into by the Company, COSCO SHIPPING (Hong Kong) and COSCO SHIPPING (the "COSCO SHIPPING HK Management Services Master Agreement") in relation to the provision of management services by the Company regarding the day-to-day business operations and management of COSCO SHIPPING (Hong Kong) and its subsidiaries and its associates (other than those relating to the Group and Piraeus Port Authority S.A.) ("COSCO SHIPPING (Hong Kong) Group") (collectively the "COSCO SHIPPING HK Management Services Continuing Connected Transactions") for the three financial years

ending 31 December 2025. The management fee to be received by the Company shall be negotiated at arm's length by the Company and the relevant member of COSCO SHIPPING (Hong Kong) Group and at a price determined upon the basis of the principle of "cost-plus" which is based on the costs arising recurrently in the course of entrustment (including the costs of human resources, expertise and resources) plus a mark-up rate as agreed after arm's length negotiations between the Company and the relevant members of COSCO SHIPPING (Hong Kong) Group. The costs of provision of management services will depend on the resources required to be devoted by the Company, including business management and human resources (including but not limited to human resources with the expertise and experience in the businesses conducted by the Company from time to time and human resource management), technical support and other administrative and related supporting administrative services. The apportionment of such costs between the COSCO SHIPPING (Hong Kong) Group and the Company will depend on the division(s) of the Company incurring the costs. In practice, the costs will in general be apportioned in the following manner: (a) if a certain division provides services exclusively for a member of the COSCO SHIPPING (Hong Kong) Group, all costs incurred by that division will be apportioned to that member; (b) if, based on the main responsibilities of the division and the nature of the services provided, the COSCO SHIPPING (Hong Kong) Group and the Company expect that the workload of a division will be attributable to the COSCO SHIPPING (Hong Kong) Group and the Company in a certain proportion such that they agree to apportion the costs incurred by that division between the COSCO SHIPPING (Hong Kong) Group and the Company according to such proportion, then the costs incurred by that division will be apportioned accordingly; and (c) in any other case, the costs incurred by a division will be apportioned between the COSCO SHIPPING (Hong Kong) Group and the Company according to the proportion of the respective average consolidated revenues of the COSCO SHIPPING (Hong Kong) Group and the Group (each deducting the revenue generated from the transactions between the COSCO SHIPPING (Hong Kong) Group and the Group) in the most recent five consecutive financial years before the signing of the COSCO SHIPPING HK Management Services Master Agreement in the average total consolidated revenue of COSCO SHIPPING (Hong Kong) in the same period. Based on factors such as the inflation rate most recently published by the National Bureau of Statistics of China and the changes in the remuneration level of the Company's employees and other management costs, the Company is entitled to make corresponding adjustments to the management fees regularly, such adjustments to be determined through negotiation between the COSCO SHIPPING (Hong Kong) Group and the Company. In determining the mark-up rate, the Company will, upon research, take into account the market's affordability and/or the rates generally accepted by tax authorities and/or transfer pricing rules and the scopes, types and scales of the services. The mark-up rate shall be determined after arm's length negotiation between the Company and the relevant members of the COSCO SHIPPING (Hong Kong) Group based on normal commercial terms and the rates generally accepted by tax authorities and/or transfer pricing rules. The Company will compare, among other things, the terms of the provision of similar services in the same or nearby areas by independent third parties in the ordinary course of business to ensure that the fees which the Company charges the COSCO SHIPPING (Hong Kong) Group will be calculated in accordance with the actual market circumstances (such as through conducting transfer pricing comparability analysis to calculate the arm's length range of mark-up rates using the mark-up rates adopted by independent third parties, so as to ensure that the mark-up rate adopted will be within such range). The aggregate amount of COSCO SHIPPING HK Management Services Continuing Connected Transactions for each of the financial years ending 31 December 2023, 2024 and 2025 would not exceed HK$130,000,000, HK$140,000,000 and HK$150,000,000 respectively (the "COSCO SHIPPING HK Management Services Caps"). The COSCO SHIPPING HK Management Services Master Agreement and the COSCO SHIPPING HK Management Services Caps were exempt from shareholders' approval requirement under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 30 December 2022.

The amount of the COSCO SHIPPING HK Management Services Continuing Connected Transactions for the financial year ended 31 December 2023 was HK$82,954,497.

The price and the terms of the Continuing Connected Transactions with COSCO SHIPPING Group have been determined in accordance with the pricing policies disclosed in the announcements of the Company dated 18 October 2022 and 8 November 2022 and the circulars of the Company dated 14 November 2022. The price and the terms of the COSCO SHIPPING HK Management Services Continuing Connected Transactions have been determined in accordance with the pricing policies disclosed in the announcement of the Company dated 30 December 2022. As set out in notes 33(a)(i), 33(a)(ii), 33(a)(iii), 33(a)(iv), 33(a)(v), 33(a)(vi), 33(a)(vii), 33(a)(viii), 33(b)(i), 33(b)(ii), 33(b)(iii), 33(b)(iv), 33(b)(v), 33(b)(vii) and 33(b)(viii) to the financial statements, certain related party transactions of the Group also constituted continuing connected transactions of the Group as disclosed above.

The Independent Non-executive Directors had reviewed (1) the Supply Continuing Connected Transactions; (2) the Financial Services Continuing Connected Transactions; (3) the Purchase Continuing Connected Transactions; (4) the Management Services Continuing Connected Transactions; (5) the Tenancy Continuing Connected Transactions; and (6) the COSCO SHIPPING HK Management Services Continuing Connected Transactions (collectively the "Group's Continuing Connected Transactions") and were of the opinion that the Group's Continuing Connected Transactions for the financial year ended 31 December 2023 had been entered into:

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

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purposes of Rule 14A.56 of the Listing Rules in relation to the Group's Continuing Connected Transactions, the Board engaged the auditor of the Company to report on the Group's Continuing Connected Transactions for the year ended 31 December 2023 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 (Revised) "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 of the Company has issued an unqualified letter containing the findings and conclusions in respect of the Group's Continuing Connected Transactions for the year ended 31 December 2023 in accordance with Rule 14A.56 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

B. Connected Transactions

1. Formation of Joint Venture

On 3 February 2023, the Company entered into shareholders' investment and cooperation agreement with 中遠海運科技股份有限公司 (COSCO SHIPPING Technology Co., Ltd.*) ("COSCO SHIPPING Technology"), in relation to the formation of a joint venture, which will be a shipping services enterprise providing green, low-carbon and digital intelligence solutions for the full life-cycle of shipping industry. As COSCO SHIPPING Technology is an indirect non-wholly owned subsidiary of COSCO SHIPPING, the ultimate holding company of the Company. COSCO SHIPPING Technology is, therefore, a connected person of the Company. The formation of joint venture constitutes a connected transaction of the Company under the Listing Rules, details of which were disclosed in the announcement of the Company dated 3 February 2023.

2. Acquisition of Entire Issued Share Capital of Helen Insurance Brokers Limited

On 10 November 2023, the Company entered into a share transfer agreement with COSCO SHIPPING Development (Hong Kong) Co., Limited ("COSCO SHIPPING Development HK") (the "Share Transfer Agreement"), pursuant to which the Company has agreed to purchase and COSCO SHIPPING Development HK has agreed to sell the entire issued share capital of Helen Insurance Brokers Limited ("Helen Insurance Brokers") at a consideration of HK$270,980,600 (the

* *for identification purposes only*

"Acquisition"). As COSCO SHIPPING, the ultimate holding company of the Company together with its associates are interested in approximately 45.85% equity interest in 中遠海運發展股份有限公司 (COSCO SHIPPING Development Co., Ltd.*) ("COSCO SHIPPING Development"), both COSCO SHIPPING Development and COSCO SHIPPING Development HK (a direct wholly-owned subsidiary of COSCO SHIPPING Development) are therefore associates of COSCO SHIPPING and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition was approved by the independent shareholders at the special general meeting of the Company held on 28 December 2023, details of which were disclosed in the announcement of the Company dated 10 November 2023 and the circular of the Company dated 6 December 2023. The Acquisition was completed in January 2024. Upon completion, Helen Insurance Brokers becomes a direct wholly-owned subsidiary of the Company.

RELATED PARTY TRANSACTIONS

Material related party transactions of the Group are set out in note 33 to the financial statements. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions of the Group as defined in the Listing Rules, the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules had been complied with.

SHARE OPTION INCENTIVE SCHEME

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

On 28 April 2020, the Board was of the view that all the conditions of the grant of options had been fulfilled, and determined to grant an aggregate of 23,830,000 share options to 71 eligible participants, and had handled all necessary issues regarding the grant of share options.

Subsequent to the abovementioned grant of share options, the Company had granted an aggregate of 2,460,000 share options to 8 eligible participants on 6 October 2020 and an aggregate of 1,370,000 share options to 5 eligible participants on 7 April 2021, and had handled all necessary issues regarding the grant of share options.

For details of the Share Option Scheme and each grant, please refer to the circular of the Company dated 24 March 2020 and announcements of the Company dated 28 April 2020, 6 October 2020 and 7 April 2021 respectively.

Summary of the Share Option Incentive Scheme disclosed in accordance with the Listing Rules is as follows:

1. Purposes of the Share Option Incentive Scheme

The purposes of the Share Option Incentive Scheme are, among other things,

(a) to further refine the Company's corporate governance structure, unify the interest-balancing mechanism among the Shareholders, decision-makers and executives of the Company and closely bind the remuneration income of senior management personnel and key personnel of the Company with the performance of Shareholders' value so as to make the behaviour of the Participants consistent with the strategic objectives of the Company, maximise Shareholders' value and preserve or increase the value of state-owned assets;

* *for identification purposes only*

(b) to establish and improve the long-term incentive and control system of the Company and, through linking the Company's long-term performance, strengthen the sense of mission and responsibility of the senior management and key personnel in achieving the sustainable and healthy development of the Company, and focus on and carry forward the Company's mid-to-long term strategic orientation to promote the implementation of the long-term development strategies of the Company; and

(c) to further strengthen cohesion of the Company, enhance the Company's competitive position in the labour market, and attract, retain and incentivise senior management and key personnel of the Company required for achieving the strategic targets of the Company, promote the realisation of the long-term strategic targets of the Company and serve as a driving force for the Company's long-term development.

2. Participants of the Share Option Incentive Scheme

(a) the senior management who plays a leading role in the mid-to-long term performance development of the Company;

(b) the middle management who plays an important role in improving the specific business development and internal management efficiency of the Company; and

(c) core management and key staff in business operations who have direct impact on the operating performance and sustainable development of the Company.

3. Total number of Shares available for issue under the Share Option Incentive Scheme

The total number of ordinary shares of the Company (the "Shares") which may be issued upon exercise of all share options to be granted under the Share Option Incentive Scheme approved on 9 April 2020 is 30,660,000, being approximately 2% of the issued share of the Company as at the said date.

As at the date of the Report, a total of 16,077,350 Shares representing approximately 1.0967% of the issued share of the Company may be issued upon exercise of all share options which had been granted and yet to be exercised under the Share Option Incentive Scheme.

As at the date of the Report, no further share option could be granted under the Share Option Incentive Scheme.

4. Maximum entitlement of each participant under the Share Option Incentive Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the share options under the Share Option Incentive Scheme and other share option incentive schemes of the Company (including both exercised and outstanding options) to each Participant shall not exceed 1% of the Shares in issue. The number of Share Options to be granted to each Participant shall be determined on the basis that the estimated value of the Share Options granted will not exceed 40% of his/her total annual emoluments when the Share Options are granted (inclusive of the estimated value of the Share Options granted).

The number of Share Options to be granted to each Participant may be adjusted according to the need for corporate management and the performance appraisal result of such Participant. The number of Share Options to be granted to each Participant and their exercise price are subject further to any adjustments so as to comply with the relevant regulations and rules then in force.

5. Period within which option may be exercised by the grantee under the Share Option Incentive Scheme

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

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

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

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

6. Vesting period of options granted under the Share Option Incentive Scheme

The vesting period of the share option under the Share Option Incentive Scheme shall be regarded as the period during which the share options are exercisable subsequent to the date of grant, details of which were disclosed in item 5 above.

7. Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee. To the extent that the offer is not accepted within specific period of time in the manner aforesaid, it will be deemed to have been irrevocably declined.

8. Basis of determining the exercise price of options granted

The exercise price is determined based on the principle of fair market value. The exercise price shall be the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of Share.

9. Remaining life of the Share Option Incentive Scheme

The Share Option Incentive Scheme shall be valid and effective for a period of 10 years from the date it becomes effective. The period within which the underlying Shares must be taken up under the Share Options is 6 years from the relevant date of grant.

Share Options

Details of the movements of the share options granted under the Share Option Incentive Scheme during the year are set out below:

Category	Exercise Price (HK$)	Outstanding as at 1 January 2023	Granted during the Year	Category changed during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31 December 2023	Date of grant	Approximate % of total number of issued Shares as at 31 December 2023	Exercise period	Notes
Director												
Ms. Meng Xin	2.26	470,000	–	–	–	(156,510)	–	313,490	28/4/2020	0.02%	28/04/2022–27/04/2026	1, 4, 5
Ex-Director												
Mr. Zhu Jianhui*	2.26	1,000,000	–	(1,000,000)*	–	–	–	–	28/4/2020	–	28/04/2022–27/04/2026	1, 4, 5
		1,470,000	–	(1,000,000)	–	(156,510)	–	313,490				
Continuous contract employees and others	2.26	18,480,000	–	1,000,000*	–	(6,486,840)	–	12,993,160	28/4/2020	0.88%	28/04/2022–27/04/2026	1, 4, 5
	2.184	2,280,000	–	–	–	(879,300)	–	1,400,700	6/10/2020	0.09%	06/10/2022–05/10/2026	2, 4, 5
	2.72	1,370,000	–	–	–	–	–	1,370,000	7/4/2021	0.09%	07/04/2023–06/04/2027	3, 4, 5
		23,600,000	–	–	–	(7,522,650)	–	16,077,350				

* Mr. Zhu Jianhui resigned as Executive Director, Chairman and Managing Director on 17 April 2023.

Notes:

1 The share options were granted on 28 April 2020 under the Share Option Incentive Scheme at an exercise price of HK$2.26 per share.

2 The share options were granted on 6 October 2020 under the Share Option Incentive Scheme at an exercise price of HK$2.184 per share.

3 The share options were granted on 7 April 2021 under the Share Option Incentive Scheme at an exercise price of HK$2.72 per share.

4 Pursuant to the Share Option Incentive Scheme, these share options are exercisable in batches subject to the fulfilment of the relevant conditions and each batch of such share options is exercisable within the periods stated as follows: (a) 33.3% of the share options will be exercisable commencing on the first trading day after the expiration of the 24th month period (the second anniversary) from the respective dates of grant and ending on the last trading day of the 36th month period from the respective dates of grant; (b) 33.3% of share options will be exercisable commencing on the first trading day after the expiration of the 36th month period (the third anniversary) from the respective dates of grant and ending on the last trading day of the 48th month period from the respective dates of grant; and (c) 33.4% of the share options will be exercisable commencing on the first trading day after the expiration of the 48th month period (the fourth anniversary) from the respective dates of grant and ending on the last trading day of the 72nd month period from the respective dates of grant.

5 These share options represent personal interest held by the participants as beneficial owner.

6 During the year ended 31 December 2023, no share options were exercised under the Share Option Incentive Scheme.

7 Save as disclosed above, no share options were lapsed or cancelled under the Share Option Incentive Scheme during the year ended 31 December 2023.

8 The fair values of the share options granted are estimated based on the Binomial Option Pricing Model, and such fair values and significant inputs into the model are as follows:

	Fair value of share options (HK$)	Share price at date of grant (HK$)	Exercise price (HK$)	Standard deviation of expected share price return	Expected life of share options	Expected dividend payout ratio	Risk-free interest rate
Share options granted on 28 April 2020	4,372,286	2.26	2.26	21.0%–23.2%	3–6 years	5.5%	0.38–0.41%
Share options granted on 6 October 2020	472,891	2.18	2.184	22.3%–24.2%	3–6 years	5.5%	0.19–0.28%
Share options granted on 7 April 2021	298,722	2.72	2.72	22.5%–24.6%	3–6 years	6.65%	0.34–0.89%

The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company prior to the relevant date of grant. Changes in the subjective input assumptions could materially affect the fair value estimation. The Group recognises the fair value of share options as expenses in the consolidated income statement over the vesting period. The fair value of the share options is measured at the date of grant.

9 The closing prices of the Share immediately before the dates on which the share options were granted on 28 April 2020, 6 October 2020 and 7 April 2021 were HK$2.26, HK$2.18 and HK$2.69 respectively.

10 The abovementioned lapsed share options were resulted from the expiry of exercise period.

11 Throughout the year ended 31 December 2023 (including the beginning and the end of the year), there were no further share options available for grant under the Share Option Scheme.

12 As at 1 January 2023, the total number of shares which may be issued under the Share Option Scheme was 23,600,000 Shares, representing approximately 1.60% of the weighted average number of the Shares in issue during the year ended 31 December 2023. Among them, 7,522,650 share options were lapsed due to the expiry of exercise period and 16,077,350 share options would be exercisable in the future, representing 0.51% and 1.09% of the weighted average number of the Shares in issue during the Reporting Period, respectively.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2023, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) 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 the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

1. Long positions in the underlying shares of equity derivation of the Company

Details are set out in the sub-section headed "Share Options" of "SHARE OPTION INCENTIVE SCHEME" above.

2. Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Nature of interest	Total number of ordinary shares of associated corporation held	Approximate percentage of the relevant class of total issued shares of associated corporation
Mr. Kwong Che Keung, Gordon	COSCO SHIPPING Ports Limited	Beneficial Owner	Personal	250,000	0.0075%

Save as disclosed above and in the sub-section headed "Share Options" of "SHARE OPTION INCENTIVE SCHEME", none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) 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 the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange as at 31 December 2023.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the following persons and entities, other than Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Nature of interest	Total number of ordinary shares of the Company held (Long positions)	Approximate percentage of total issued shares number of the Company
COSCO SHIPPING	Interest of controlled corporation	Corporate interest	1,051,183,486	71.70%
中國海運集團有限公司 (China Shipping Group Company Limited*) ("China Shipping")	Interest of controlled corporation	Corporate interest	1,051,183,486	71.70%
COSCO SHIPPING (Hong Kong)	Beneficial owner	Beneficial interest	1,051,183,486	71.70%

Note: COSCO SHIPPING (Hong Kong) has beneficial interest in 1,051,183,486 shares of the Company. Since COSCO SHIPPING (Hong Kong) is a wholly-owned subsidiary of China Shipping which is in turn a wholly-owned subsidiary of COSCO SHIPPING, the interests of COSCO SHIPPING (Hong Kong) are deemed to be the interests of China Shipping and in turn the interests of China Shipping are deemed to be the interests of COSCO SHIPPING under the SFO.

* *for identification purposes only*

Save as disclosed above, as at 31 December 2023, the Company has not been notified by any person or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

As at the date of the Report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the 2024 annual general meeting.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, the Company repurchased a total of 15,722,000 Shares on the Stock Exchange for an aggregate consideration of HK$41,080,040 before expenses. All the aforesaid repurchased Shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Month of Share repurchased in 2023	No. of Shares repurchased	Highest Price paid (HK$)	Lowest Price paid (HK$)	Aggregate consideration (before expenses) (HK$)
May	9,224,000	2.71	2.50	24,470,060
June	6,498,000	2.66	2.48	16,609,980
Total:	15,722,000			41,080,040

Save as disclosed above and in note 18 to the financial statements, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

CORPORATE GOVERNANCE

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

The Board believed that the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") set out in Part 2 of Appendix C1 to the Listing Rules during the year ended 31 December 2023, except that (A) Mr. Chen Dong, the Non-executive Director, who was unable to attend the annual general meeting of the Company held on 31 May 2023 ("2023 AGM") and the special general meeting of the Company held on 28 December 2023 ("2023 SGM") due to other business engagement; and (B) the roles of the Chairman and the Managing Director are currently performed by the same individual, Mr. Zhu Changyu and were formerly performed by the same individual, Mr. Zhu Jianhui (ex-Director), which deviate from the code provisions C.1.6 and C.2.1 of the CG Code respectively. Regarding the deviation from the code provision C.1.6 of the CG Code, although Mr. Chen Dong was unable to attend the 2023 AGM and the 2023 SGM, there were sufficient Directors, including Executive Directors and Independent Non-executive Directors, present to enable the Board to develop a balanced understanding of the views of the Company's Shareholders. Regarding the deviation from code provision C.2.1 of the CG Code, although the roles of the Chairman and the Managing Director are performed by the same individual, the Board believes that the roles of the Chairman of the Board and the Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as

Directors, which require, among others, that he acts for the benefit and in the best interests of the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategy and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management of the Company, there is no other matter deviated from the CG Code. In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in the light of best practices.

The audit committee of the Company (the "Audit Committee") is comprised of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of the Audit Committee include reviewing the accounting policies and the Company's financial reporting; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting, the risk management and internal control systems; ensuring compliance with applicable statutory accounting and reporting requirements. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

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

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31 December 2023, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

All references above to other sections, reports or notes to the financial statements in this annual report form part of the Report.

On behalf of the Board

Zhu Changyu
Chairman and Managing Director

26 March 2024

羅兵咸永道

To the Shareholders of COSCO SHIPPING International (Hong Kong) Co., Ltd.
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 133 to 205, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

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 2023, 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 disclosure requirements of the Hong Kong 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

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.

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.

The key audit matter identified in our audit is related to impairment assessment of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables *Refer to notes 2(j), 4(a) and 16 to the consolidated financial statements.* At 31 December 2023, the Group had gross trade receivables of HK\$606.0 million (2022: HK\$720.7 million), against which a provision for impairment of HK\$54.3 million (2022: HK\$26.5 million) was made. Provision for impairment of trade receivables reflects management's best estimate to determine the expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and ageing profile. The expected loss rates are based on the historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. This is a Key Audit Matter because of the magnitude of the trade receivables balance and the significant judgement applied in assessing the allowance for expected credit losses.	Our audit procedures in relation to the impairment assessment of trade receivables included: • Understood, evaluated and tested management's internal controls over credit control process and its basis and methodology of estimation of the amount of impairment provision required for trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Assessed the appropriateness of the expected credit loss provisioning methodology; • Tested, on a sample basis, the key data inputs including the ageing schedule of trade receivables; • Challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses with the involvement of our in-house valuation experts; • Tested, on a sample basis, the post-year end settlements of trade receivables by agreeing the receivables to the bank receipts as applicable; and • Assessed the adequacy of the disclosures related to the impairment assessment of trade receivables in the context of HKFRS disclosure requirements. Based on the procedures performed above, we considered that management's impairment assessment of trade receivables is supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 disclosure requirements of the Hong Kong 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 Audit Committee is 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 90 of the Companies Act 1981 of Bermuda, 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 scepticism 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.

- 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.

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2024

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	106,843	108,721
Property, plant and equipment	7	208,363	221,838
Right-of-use assets	8	48,155	43,815
Investment properties	9	145,933	151,305
Investments in joint ventures	10	668,448	527,896
Investments in associates	11	159,961	154,716
Financial assets at fair value through other comprehensive income	13	64,949	53,849
Deferred income tax assets	14	33,100	40,531
		1,435,752	1,302,671
Current assets			
Inventories	15	298,333	304,765
Trade and other receivables	16	1,205,971	1,689,698
Current income tax recoverable		3,797	4,239
Restricted bank deposits	17	5,517	5,597
Current deposits and cash and cash equivalents	17	6,255,859	5,927,523
		7,769,477	7,931,822
Total assets		9,205,229	9,234,493
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	146,597	148,169
Reserves	19	7,692,858	7,654,418
		7,839,455	7,802,587
Non-controlling interests		347,944	318,993
Total equity		8,187,399	8,121,580
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	15,197	6,969
Deferred income tax liabilities	14	64,035	67,336
		79,232	74,305
Current liabilities			
Trade and other payables	20	705,489	703,137
Contract liabilities	20	212,739	305,483
Current income tax liabilities		17,956	21,046
Lease liabilities	8	2,414	8,942
		938,598	1,038,608
Total liabilities		1,017,830	1,112,913
Total equity and liabilities		9,205,229	9,234,493

Zhu Changyu
Director

Meng Xin
Director

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	5	**3,341,729**	3,962,539
Cost of sales		**(2,678,095)**	(3,301,927)
Gross profit		**663,634**	660,612
Management fee income	33(a)	**82,954**	56,837
Other income and (losses) — net	22	**(6,346)**	(17,272)
Selling, administrative and general expenses	23	**(594,371)**	(497,346)
Operating profit		**145,871**	202,831
Finance income	26	**266,716**	98,366
Finance costs	26	**(1,832)**	(2,015)
Finance income — net	26	**264,884**	96,351
Share of profits of joint ventures	10	**237,582**	117,529
Share of profits of associates	11	**14,426**	8,647
Profit before income tax		**662,763**	425,358
Income tax expenses	27	**(54,157)**	(58,461)
Profit for the year		**608,606**	366,897
Profit attributable to:			
Equity holders of the Company		**593,673**	347,062
Non-controlling interests		**14,933**	19,835
		608,606	366,897
Earnings per share attributable to equity holders of the Company			
— basic and diluted, HK cents	28	**40.33**	22.74

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**608,606**	366,897
Other comprehensive (losses)/income		
Items that may be reclassified subsequently to profit or loss:		
Share of currency translation differences of joint ventures	**(9,916)**	(22,677)
Share of other reserves of an associate, net of tax	**397**	—
Currency translation differences	**(23,496)**	(179,981)
Reserves realised upon disposal of an associate	**—**	640
Items that will not be reclassified to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net	**11,100**	(7,322)
Other comprehensive losses for the year	**(21,915)**	(209,340)
Total comprehensive income for the year	**586,691**	157,557
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	**577,118**	166,692
Non-controlling interests	**9,573**	(9,135)
	586,691	157,557

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1 January 2023		148,169	608,858	7,045,560	7,802,587	318,993	8,121,580
Profit for the year		—	—	593,673	593,673	14,933	608,606
Other comprehensive (losses)/income							
Share of currency translation differences of:							
— joint ventures	19	—	(9,916)	—	(9,916)	—	(9,916)
Share of other reserves of an associate, net of tax	19	—	397	—	397	—	397
Currency differences on translation of:							
— subsidiaries	19	—	(14,083)	—	(14,083)	—	(14,083)
— joint ventures	19	—	(1,795)	—	(1,795)	—	(1,795)
— associates	19	—	(2,258)	—	(2,258)	—	(2,258)
— non-controlling interests		—	—	—	—	(5,360)	(5,360)
Fair value gains on financial assets at fair value through other comprehensive income, net	19	—	11,100	—	11,100	—	11,100
Total comprehensive (losses)/income for the year ended 31 December 2023		—	(16,555)	593,673	577,118	9,573	586,691
Transactions with owners							
Transfer between reserves	19	—	25,809	(25,809)	—	—	—
Capital contribution from non-controlling interests of a subsidiary	19	—	—	—	—	27,776	27,776
Dividends paid	19	—	—	(499,017)	(499,017)	(8,398)	(507,415)
Repurchases and cancellation of shares	19	(1,572)	(39,661)	—	(41,233)	—	(41,233)
Total transactions with owners		(1,572)	(13,852)	(524,826)	(540,250)	19,378	(520,872)
Balance at 31 December 2023		146,597	578,451	7,114,407	7,839,455	347,944	8,187,399

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2022		153,296	893,384	7,014,337	8,061,017	333,579	8,394,596
Profit for the year		—	—	347,062	347,062	19,835	366,897
Other comprehensive (losses)/income							
Share of currency translation differences of:							
— joint ventures	19	—	(22,677)	—	(22,677)	—	(22,677)
Currency differences on translation of:							
— subsidiaries	19	—	(125,801)	—	(125,801)	—	(125,801)
— joint ventures	19	—	(11,279)	—	(11,279)	—	(11,279)
— associates	19	—	(13,931)	—	(13,931)	—	(13,931)
— non-controlling interests		—	—	—	—	(28,970)	(28,970)
Fair value losses on financial assets at fair value through other comprehensive income, net	19	—	(7,322)	—	(7,322)	—	(7,322)
Realised upon disposal of an associate	19	—	601	39	640	—	640
Realised upon dissolution of financial assets at fair value through other comprehensive income	19	—	310	(310)	—	—	—
Total comprehensive (losses)/income for the year ended 31 December 2022		—	(180,099)	346,791	166,692	(9,135)	157,557
Transactions with owners							
Transfer between reserves	19	—	8,977	(8,977)	—	—	—
Dividends paid	19	—	—	(306,591)	(306,591)	(5,451)	(312,042)
Repurchases and cancellation of shares	19	(5,127)	(113,404)	—	(118,531)	—	(118,531)
Total transactions with owners		(5,127)	(104,427)	(315,568)	(425,122)	(5,451)	(430,573)
Balance at 31 December 2022		148,169	608,858	7,045,560	7,802,587	318,993	8,121,580

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	575,950	125,254
Income tax paid		(52,833)	(62,489)
Net cash from operating activities		523,117	62,765
Cash flows from investing activities			
Decrease/(increase) in cash deposits with maturity over three months		605,672	(49,831)
Interest received		248,626	47,912
Dividends received from investments		2,541	3,760
Dividends received from joint ventures	10	85,319	55,676
Dividends received from associates	11	7,320	1,062
Net proceeds from disposal of property, plant and equipment		2	39
Net proceeds from dissolution of financial assets at fair value through other comprehensive income		–	1,453
Purchases of intangible assets	6	(166)	(4,733)
Purchases of property, plant and equipment	7	(7,584)	(5,734)
Net cash received from disposal of an associate	11	–	68,469
Net cash from investing activities		941,730	118,073
Cash flows from financing activities			
Capital contribution from non-controlling interests of a subsidiary		27,776	–
Payments for repurchases of shares		(41,233)	(118,531)
Repayment of loans from fellow subsidiaries		–	(40,730)
Principal elements of lease payments		(12,907)	(8,343)
Finance costs paid		(1,359)	(1,516)
Dividends paid to the Company's equity holders	35(a)	(499,017)	(306,591)
Dividends paid to non-controlling interests		(8,398)	(5,451)
Net cash used in financing activities		(535,138)	(481,162)
Net increase/(decrease) in cash and cash equivalents		929,709	(300,324)
Cash and cash equivalents at the beginning of the year		1,016,836	1,350,751
Exchange losses on cash and cash equivalents		(8,261)	(33,591)
Cash and cash equivalents at the end of the year	17(g)	1,938,284	1,016,836

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

1 GENERAL INFORMATION

COSCO SHIPPING International (Hong Kong) Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the provision of shipping services and general trading.

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

The ultimate holding company of the Company is China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the People's Republic of China (the "PRC").

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

These consolidated financial statements have been approved for issue by the board of directors on 26 March 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of amendments to existing standards

In 2023, the Group has adopted the following amendments to existing standards issued by the HKICPA, which are relevant to its operations:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules	1 January 2023

The Group has initially applied the Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction, from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. lease liabilities. For lease liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur after the beginning of the earliest period presented.

The Group previously accounted for deferred income tax on leases that results in a similar outcome to the amendments, except that the deferred income tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred income tax asset in relation to its lease liability and a deferred income tax liability in relation to its right-of-use asset. However, there is no impact on the consolidated statement of financial position at 30 June 2022 and 31 December 2022 because the balances qualify for offset under paragraph 74 of HKAS 12. There was also no impact on the opening retained earnings at 1 January 2023, consolidated income statement and basic and diluted earnings per share for the year ended 31 December 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred income tax assets and liabilities recognised includes restatement of opening balance and movement whereas the key impact to deferred income tax liabilities is the same as deferred income tax assets in an opposite direction. The impact on the Group's deferred income tax liabilities at 1 January 2023 is as follow:

	HK$'000
Deferred income tax liabilities at 31 December 2022	(67,336)
Reclassify deferred income tax impact of right-of-use assets from deferred income tax assets	(1,093)
Deferred income tax liabilities at 1 January 2023	(68,429)

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of amendments to existing standards (Continued)

In December 2021, the Organisation for Economic Co-operation and Development published Tax Challenges Arising from the Digitalisation of the Economy — Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on Base Erosion and Profit Shifting ("Pillar Two Model Rules"). The Group is within the scope of the Pillar Two Model Rules. Since the Pillar Two Model Rules were not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

The Group is in the process of assessing its exposure to the Pillar Two Model Rules for when it comes into effect. Due to the complexities in applying the legislation, the quantitative impact is not yet reasonably estimable.

Except for the above, the adoption of these amendments to existing standards did not have any significant impact on the Group's accounting policies and had no significant impact on the results and the financial position of the Group.

(ii) Amendments to existing standards those are not yet effective

The following amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1 January 2023 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all 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 over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred and the fair value of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired and liabilities assumed is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary amounts reported by subsidiaries have been adjusted to conform with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(c) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations that each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined that they are joint ventures. Investments in joint ventures are accounted for using the equity method of accounting.

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

Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the joint venture's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the joint venture's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in joint ventures equals or exceeds its interest in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

The carrying amount of investments in joint ventures is tested for impairment in accordance with note 2(h).

In the Company's statement of financial position, investments in joint ventures are stated at cost less provision for impairment losses, if any. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

Gains or losses on dilution of equity interest in joint ventures are recognised in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

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

Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in associates equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

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

The carrying amount of investments in associates is tested for impairment in accordance with note 2(h).

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(e) Intangible assets

(i) Goodwill

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which goodwill arose and identified according to operating segment. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from three to five years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property is measured initially at cost, including related transaction cost and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with, as applicable, the guidance issued by the Hong Kong Institute of Surveyors and the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

Subsequent expenditure is included in the asset's carrying amount 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. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group depreciates the property and recognises any impairment losses that have occurred up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation of property, plant and equipment.

Any resulting decrease in the carrying amount of the property is recognised in the consolidated income statement. However, to the extent that an amount is included in property revaluation reserve for that property, the decrease is charged against that revaluation reserve.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

Any resulting increase in the carrying amount is recognised in the consolidated income statement to the extent that the increase reverses a previous impairment loss for that property. The amount recognised in the consolidated income statement does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to equity in property revaluation reserve. On subsequent disposal of the investment property, the revaluation reserve is transferred to retained earnings without going through the consolidated income statement.

(g) Property, plant and equipment

Properties comprise buildings. Property, plant and equipment is stated at historical cost less accumulated depreciation, amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 the replaced part is derecognised. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation on other assets are calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings	30 years or remaining lease terms (whichever is shorter)
Machinery	5–10 years
Equipment and motor vehicles	3–5 years
Leasehold improvement	3–5 years
Furniture and fixtures	3–5 years

No depreciation is provided for construction in progress.

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.

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

All direct and indirect costs relating to the construction of property, plant and equipment, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as costs of the asset.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(h) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Goodwill and intangible assets 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 flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of investments in subsidiaries, joint ventures or associates in the separate financial statements is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend 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.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis for asphalt and the weighted average basis for other inventories. Cost of finished goods and work in progress comprises direct materials, direct labour and an appropriate proportion of all production overhead expenditure. It excludes borrowing costs. Net realisable value is estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Financial assets

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

- those to be measured subsequently at FVOCI; and
- those to be measured at amortised cost.

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

For investments in equity instruments that are not held for trading, gains and losses is recorded in other comprehensive income since the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(j) 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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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 other 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. Impairment losses (and reversal of impairment losses) on equity 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 associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(k) Leases

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. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(k) Leases (Continued)

Right-of-use assets are measured at cost comprising the following where applicable:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as expenses in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Short-term leases and low-value assets comprise motor vehicles, office furniture and equipment.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with banks and a fellow subsidiary. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with maturity less than three months from the date of placement.

(n) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Provisions

Provisions for legal claims 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 has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. 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.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(o) Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(q) Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated income statement, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company, its subsidiaries, associates and joint ventures 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 and 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 tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is 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 substantively enacted by the reporting date and that 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on deductible temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary 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 against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(r) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and presentation currency. The directors consider that presentation of the consolidated financial statements in Hong Kong dollars will facilitate analysis of the financial information of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualified cash flow hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within "Other income and (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. For example, translation differences on non-monetary assets such as securities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

On consolidation, the results and financial position of all of the Group entities (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 statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate at the reporting date of the statement of financial position.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) Pensions and retirement benefits

The Group pays contributions to publicly or privately administered defined contribution plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are expensed as incurred. The assets of the plans are held separately from those of the Group in independently administered funds.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(ii) Share-based compensation

The Group operates certain equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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 their present value.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(t) Revenue and income recognition

(i) Sale of coatings, marine equipment and spare parts, asphalt and other products

Income from sale of coatings, marine equipment and spare parts, asphalt and other products is recognised on the transfer of control of the products, which generally coincides with the time the goods are delivered to customers according to the sales agreements and titles have passed.

Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of 30 days to 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract liabilities are recognised when payment from customers is received prior to revenue recognition.

(ii) Commission income from ship trading agency and insurance brokerage

The Group provides ship trading agency services and insurance brokerage services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Customers of some contracts concurrently receive and consume the benefits of the services.

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iii) Rental income

Rental income from investment properties is recognised on a straight-line basis over the terms of the respective leases.

(iv) Dividend income

Dividends are received from financial assets at FVOCI. Dividends are recognised in profit or loss when the right to receive payment is established.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

(t) Revenue and income recognition (Continued)

(v) Government subsidy income

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

(vi) 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 finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for 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).

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments. The executive directors that make strategic decisions have been identified as the chief operating decision-makers.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

(w) Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. During the year, the Group entered into derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the management under policies approved by the board of directors. The management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board of directors provides written policies covering specific areas, such as foreign currency risk and interest rate risk.

(i) Market risk

(1) Foreign currency risk

The Group operates in Hong Kong, the PRC and overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States ("US") dollars. Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities denominated in US dollars for (a) operations whose functional currency is Hong Kong dollars; and (b) operations whose functional currency is Renminbi.

(a) Foreign currency risk arising from operations whose functional currency is Hong Kong dollars

At 31st December 2023, if Hong Kong dollars had weakened/strengthened by 0.25% (2022: 0.25%) against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$9,839,000 (2022: HK$10,601,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables.

(b) Foreign currency risk arising from operations whose functional currency is Renminbi

At 31 December 2023, if Renminbi had weakened/strengthened by 5% (2022: 10%) against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$894,000 (2022: HK$1,833,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables.

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(2) Interest rate risk

Other than deposits and cash and cash equivalents (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets) will result in a net increase/decrease in the Group's post-tax profit by HK$30,072,000 (2022: HK$29,006,000).

(3) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as financial assets at FVOCI, which are required to be stated at their fair values (see fair value estimation below).

The Group's equity investments in equity of other entities are publicly traded. These investments have been chosen based on their long-term growth potential and are monitored regularly for performance against expectation and changes in market conditions. The table below summarises the impact of increases/decreases of the market price of the Group's equity investments by 5%:

	Increase/decrease in post-tax profit		Increase/decrease in investment revaluation reserve	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% increase/decrease in market price	**–**	–	**3,247**	2,692

(ii) Credit risk

Credit risk mainly arises from trade and other receivables, balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with acceptable credit rating, as rated by external credit agencies, and most of the Group's bank balances as at 31 December 2023 were placed with state-owned and listed banks. Management considers these balances are subject to low credit risk.

The Group's trade and other receivables are subject to the expected credit loss model.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Trade and other receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing profile. The expected loss rates are based on the historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

For all other receivables, expected credit losses are measured as either 12-month expected loss allowance or lifetime expected loss allowance, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of other receivables has occurred since initial recognition, then impairment is measured as lifetime expected loss allowance.

On that basis, the expected loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount HK$'000	Expected loss allowance HK$'000
Ageing analysis as at 31 December 2023			
Current–90 days	**0.1%**	**386,558**	**496**
91 days–180 days	**0.9%**	**86,792**	**809**
181 days–365 days	**3.5%**	**56,304**	**1,979**
Over 1 year	**66.8%**	**76,303**	**51,002**
		605,957	**54,286**
Ageing analysis as at 31 December 2022			
Current–90 days	0.4%	468,485	1,712
91 days–180 days	0.4%	130,776	470
181 days–365 days	2.1%	86,555	1,808
Over 1 year	64.4%	34,887	22,471
		720,703	26,461

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

Trade and other receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

As at 31 December 2023, the Group's provision for impairment of trade and other receivables amounted to HK$54,286,000 and HK$19,173,000 respectively (2022: HK$26,461,000 and HK$19,232,000 respectively). During the year, net provision for impairment of trade and other receivables amounted to HK$29,135,000 and HK$143,000 respectively (2022: net reversal of provision of HK$2,346,000 and net provision of HK$19,841,000 respectively).

(iii) Liquidity risk

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year HK$'000	More than 1 year HK$'000
Group		
At 31 December 2023		
Trade and other payables	**705,489**	**—**
Lease liabilities	**3,100**	**16,317**
At 31 December 2022		
Trade and other payables	703,137	—
Lease liabilities	9,335	7,289

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) 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 amounts of dividends paid to equity holders, issue or repurchase the Company's shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's total borrowings divided by total assets. The Group's strategy, which was unchanged from prior year, is to maintain a low gearing ratio. The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Total borrowings	–	–
Total assets	9,205,229	9,234,493
Gearing ratio	–	–

(c) Fair value estimation

The table below analyses financial instruments and investment properties that are carried at fair value, by valuation method. The different levels 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).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets and investment properties that are measured at fair value at 31 December 2023.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at FVOCI				
— equity securities	64,949	—	—	64,949
Investment properties				
— commercial — Hong Kong	—	—	29,700	29,700
— commercial — Overseas	—	—	35,602	35,602
— residential — Hong Kong	—	—	27,200	27,200
— residential — PRC	—	—	53,431	53,431
	64,949	—	145,933	210,882

The following table presents the Group's financial assets and investment properties that are measured at fair value at 31 December 2022.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at FVOCI				
— equity securities	53,849	—	—	53,849
Investment properties				
— commercial — Hong Kong	—	—	30,700	30,700
— commercial — Overseas	—	—	33,364	33,364
— residential — Hong Kong	—	—	31,200	31,200
— residential — PRC	—	—	56,041	56,041
	53,849	—	151,305	205,154

There were no transfers among Level 1, Level 2 and Level 3 during the year.

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments classified as financial assets at FVOCI.

3 FINANCIAL RISK MANAGEMENT (Continued)

(d) Valuation techniques used to derive Level 2 fair values

Level 2 comprises other observable inputs which are not included within Level 1 of the fair value hierarchy or market-corroborated inputs based on or supported by observable market data.

There were no Level 2 financial and non-financial assets in 2023 and 2022.

(e) Fair value measurements using significant unobservable inputs (Level 3)

At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Valuation techniques adopted is the direct comparison approach and the unobservable inputs being the price per gross floor area. The range of unobservable input at 31 December 2023 was from HK$4,171 to HK$19,740 per square foot (2022: from HK$3,771 to HK$22,006 per square foot). There is a positive correlation between the fair value price per square foot and the fair value of the investment properties.

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

(f) Valuation process

The Group's finance department manages the valuations of financial assets and financial liabilities required for financial reporting purposes, including Level 3 fair values and presents the results of valuations to the management for review and approval on a half-yearly basis. Changes in Level 2 and Level 3 fair values are analysed where appropriate and reported with reasons for the fair value movements to the management.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates, assumptions and judgements in applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for impairment of trade receivables

Provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement 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. Details are disclosed in note 3(a)(ii).

5 REVENUE AND SEGMENT INFORMATION

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

	2023 HK$'000	2022 HK$'000
Sale of coatings	**826,045**	1,067,153
Sale of marine equipment and spare parts	**1,725,018**	1,669,821
Commission income from ship trading agency	**86,782**	85,413
Commission income from insurance brokerage	**139,707**	114,584
Intelligent shipping services	**97**	—
General trading	**564,080**	1,025,568
	3,341,729	3,962,539

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

Reportable segments	Business activities
Coatings	Production and sale of coatings, and holding of investments in joint ventures, namely Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO") and Nasurfar Biomaterial Technology (Changshu) Co., Ltd. ("Nasurfar Changshu")
Marine equipment and spare parts	Trading and supply of marine equipment and spare parts, and holding of investments in joint ventures
Ship trading agency	Provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture and an associate
Insurance brokerage	Provision of insurance brokerage services
Intelligent shipping services	Providing green, low-carbon and digital intelligent solutions for the full-life cycle of the shipping industry
General trading	Trading, storage, processing and supply of asphalt and other products, and holding of investments in associates, including Zhejiang Four Brothers Rope Co., Ltd. ("Zhejiang Four Brothers Rope")

As the Group disposed its entire shareholding interest in a former associate, Double Rich Limited ("Double Rich"), on 29 December 2022, marine fuel and other products was no longer identified as a reportable segment in 2023. Prior year comparative segment information has been restated to conform with the current year presentation.

Others mainly comprise the holding of the Group's financial assets at FVOCI and the results of Sinfeng Marine Services Pte. Ltd.

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31 December 2023									
	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Intelligent shipping services HK$'000	Total HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit or loss items:										
Segment revenue	826,045	1,725,018	86,782	140,773	97	2,778,715	570,060	–	(7,046)	3,341,729
Inter-segment revenue	–	–	–	(1,066)	–	(1,066)	(5,980)	–	7,046	–
Revenue from external customers	826,045	1,725,018	86,782	139,707	97	2,777,649	564,080	–	–	3,341,729
Segment operating profit/(loss)	15,928	97,521	41,029	90,908	(3,525)	241,861	(45,059)	2,014	–	198,816
Finance income	4,177	8,236	4,708	5,047	79	22,247	1,748	2,376	(1,604)	24,767
Finance costs	(333)	(989)	(13)	(283)	–	(1,618)	(1,789)	(5)	1,604	(1,808)
Share of profits of joint ventures	234,872	1,928	782	–	–	237,582	–	–	–	237,582
Share of profits of associates	–	–	266	–	–	266	14,160	–	–	14,426
Segment profit/(loss) before income tax	254,644	106,696	46,772	95,672	(3,446)	500,338	(30,940)	4,385	–	473,783
Income tax credit/(expenses)	246	(21,044)	(10,274)	(16,603)	–	(47,675)	(7,940)	–	–	(55,615)
Segment profit/(loss) after income tax	254,890	85,652	36,498	79,069	(3,446)	452,663	(38,880)	4,385	–	418,168
Balance sheet items:										
Total segment assets	1,706,128	1,206,005	355,900	329,520	52,282	3,649,835	666,621	114,349	(547)	4,430,258
Total segment assets include:										
– Joint ventures	652,754	9,548	6,146	–	–	668,448	–	–	–	668,448
– Associates	–	–	1,760	–	–	1,760	158,201	–	–	159,961
Total segment liabilities	283,916	360,239	85,819	142,078	532	872,584	61,365	210	(547)	933,612
Other items:										
Depreciation and amortisation, net of amount capitalised	(14,205)	(5,289)	(685)	(1,631)	(3)	(21,813)	(4,530)	–	–	(26,343)
Reversal of provision/(provision) for impairment of trade receivables, net	3,958	636	–	–	–	4,594	(33,729)	–	–	(29,135)
Provision for impairment of other receivables	–	–	–	–	–	–	(143)	–	–	(143)
Provision for impairment of inventories, net	(3,537)	–	–	–	–	(3,537)	–	–	–	(3,537)
Government subsidy income	2,776	665	–	2,300	–	5,741	371	–	–	6,112
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	22,868	469	20	1,799	157	25,313	244	–	–	25,557

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31 December 2022 (Restated)								
	Shipping services					General trading	Others	Inter-segment elimination	Total
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Total HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit or loss items:									
Segment revenue	1,067,153	1,669,821	85,413	115,628	2,938,015	1,029,229	–	(4,705)	3,962,539
Inter-segment revenue	–	–	–	(1,044)	(1,044)	(3,661)	–	4,705	–
Revenue from external customers	1,067,153	1,669,821	85,413	114,584	2,936,971	1,025,568	–	–	3,962,539
Segment operating profit/(loss)	35,700	86,332	48,598	79,626	250,256	(3,160)	(6,001)	–	241,095
Finance income	2,363	1,751	3,281	1,940	9,335	1,796	612	(2,176)	9,567
Finance costs	(457)	(915)	(21)	(166)	(1,559)	(2,603)	(2)	2,176	(1,988)
Share of profits of joint ventures	114,756	1,858	915	–	117,529	–	–	–	117,529
Share of profits of associates	–	–	104	–	104	8,543	–	–	8,647
Segment profit/(loss) before income tax	152,362	89,026	52,877	81,400	375,665	4,576	(5,391)	–	374,850
Income tax (expenses)/credit	(5,402)	(16,566)	(13,748)	(15,309)	(51,025)	485	–	–	(50,540)
Segment profit/(loss) after income tax	146,960	72,460	39,129	66,091	324,640	5,061	(5,391)	–	324,310
Balance sheet items:									
Total segment assets	1,581,576	1,174,174	331,531	353,340	3,440,621	857,925	101,735	(123,881)	4,276,400
Total segment assets include:									
– Joint ventures	514,195	7,858	5,843	–	527,896	–	–	–	527,896
– Associates	–	–	1,517	–	1,517	153,199	–	–	154,716
Total segment liabilities	299,752	411,173	82,609	151,862	945,396	205,191	206	(123,881)	1,026,912
Other items:									
Depreciation and amortisation, net of amount capitalised	(16,175)	(5,646)	(510)	(628)	(22,959)	(5,625)	–	–	(28,584)
Reversal of provision/(provision) for impairment of trade receivables, net	14,290	222	–	–	14,512	(12,166)	–	–	2,346
Provision for impairment of other receivables	–	–	(116)	–	(116)	(19,725)	–	–	(19,841)
Provision for impairment of inventories, net	(1,544)	–	–	–	(1,544)	–	–	–	(1,544)
Provision for impairment of assets held for sale	–	–	–	–	–	–	(8,275)	–	(8,275)
Government subsidy income	5,630	2,087	–	704	8,421	326	–	–	8,747
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	14,404	4,944	2,172	264	21,784	836	–	–	22,620

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2023 HK$'000	(Restated) 2022 HK$'000
Profit before income tax for reportable segments	469,398	380,241
Profit/(loss) before income tax for others	4,385	(5,391)
Profit before income tax for all segments	473,783	374,850
Elimination of segment income from corporate headquarters	(626)	(601)
Corporate finance income	241,949	88,799
Corporate finance costs	(24)	(27)
Corporate net exchange gains	12,404	6,469
Corporate expenses, net of income	(64,723)	(44,132)
Profit before income tax for the Group	662,763	425,358
Income tax expenses for all segments	(55,615)	(50,540)
Corporate income tax credit/(expenses)	1,458	(7,921)
Profit after income tax for the Group	608,606	366,897

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

	2023 HK$'000	(Restated) 2022 HK$'000
Total assets for reportable segments	4,316,456	4,298,546
Total assets for others	114,349	101,735
Elimination of inter-segment receivables	(547)	(123,881)
Total assets for all segments	4,430,258	4,276,400
Corporate assets (mainly deposits and cash and cash equivalents)	5,012,267	5,217,375
Elimination of receivables between corporate headquarters and segments	(237,296)	(259,282)
Total assets for the Group	9,205,229	9,234,493

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2023 HK$'000	(Restated) 2022 HK$'000
Total liabilities for reportable segments	**933,949**	1,150,587
Total liabilities for others	**210**	206
Elimination of inter-segment payables	**(547)**	(123,881)
Total liabilities for all segments	**933,612**	1,026,912
Corporate liabilities	**321,514**	345,283
Elimination of payables between corporate headquarters and segments	**(237,296)**	(259,282)
Total liabilities for the Group	**1,017,830**	1,112,913

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong (principally in the PRC) are HK$1,146,831,000 (2022: HK$1,147,473,000) and HK$2,194,898,000 (2022: HK$2,815,066,000) respectively.

The total of non-current assets, other than financial assets at FVOCI and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$738,665,000 (2022: HK$611,705,000) and HK$599,038,000 (2022: HK$596,586,000) respectively.

6 INTANGIBLE ASSETS

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
Cost:			
At 1 January 2022	107,279	20,832	128,111
Currency translation differences	(1,395)	(1,321)	(2,716)
Additions	—	4,733	4,733
At 31 December 2022	105,884	24,244	130,128
Currency translation differences	67	(224)	(157)
Additions	—	166	166
At 31 December 2023	105,951	24,186	130,137
Accumulated amortisation and impairment:			
At 1 January 2022	5,984	14,463	20,447
Currency translation differences	—	(784)	(784)
Amortisation (note 23)	—	1,744	1,744
At 31 December 2022	5,984	15,423	21,407
Currency translation differences	—	(141)	(141)
Amortisation (note 23)	—	2,028	2,028
At 31 December 2023	5,984	17,310	23,294
Net book amount:			
At 31 December 2023	99,967	6,876	106,843
At 31 December 2022	99,900	8,821	108,721

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units under shipping services business segment as follows:

	2023 HK$'000	2022 HK$'000
Agency service in respect of shipbuilding, ship trading and bareboat charter business	46,983	47,148
Provision of insurance brokerage services	35,046	35,046
Trading of marine equipment and spare parts	17,938	17,706
	99,967	99,900

The recoverable amounts of the above business units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and thereafter with long-term growth rate of 3% (2022: 3%). Management determined forecast profitability based on past performance and its expectation for market development. Future cash flows are discounted at 12% (2022: 12%) per annum. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. These assumptions have been used for the analysis of each cash generating unit within the operating segment. Management determined the long-term growth rate and discount rate for each business unit covering over the five-year forecast period to be key assumptions.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause any cash generating units' carrying amount to exceed its respective recoverable amount.

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:					
At 1 January 2022	309,921	172,783	19,557	38,297	540,558
Currency translation differences	(24,254)	(13,226)	(261)	(3,160)	(40,901)
Additions	—	4,015	39	1,680	5,734
Disposals	—	(3,784)	—	(1,044)	(4,828)
At 31 December 2022	285,667	159,788	19,335	35,773	500,563
Currency translation differences	(3,259)	(1,939)	3	(500)	(5,695)
Additions	—	4,217	1,621	1,746	7,584
Disposals	—	(6,792)	—	(427)	(7,219)
At 31 December 2023	282,408	155,274	20,959	36,592	495,233
Accumulated depreciation:					
At 1 January 2022	98,311	133,104	18,327	34,999	284,741
Currency translation differences	(8,175)	(10,366)	(261)	(2,947)	(21,749)
Depreciation (note 23(a))	9,266	9,305	353	1,573	20,497
Disposals	—	(3,720)	—	(1,044)	(4,764)
At 31 December 2022	99,402	128,323	18,419	32,581	278,725
Currency translation differences	(1,192)	(1,609)	11	(462)	(3,252)
Depreciation (note 23(a))	8,923	7,957	470	1,247	18,597
Disposals	—	(6,779)	—	(421)	(7,200)
At 31 December 2023	107,133	127,892	18,900	32,945	286,870
Net book amount:					
At 31 December 2023	175,275	27,382	2,059	3,647	208,363
At 31 December 2022	186,265	31,465	916	3,192	221,838

The Group's interests in properties at their net book value are analysed as follows:

	2023 HK$'000	2022 HK$'000
Leasehold properties held outside Hong Kong		
— on leases of between 10 years and 50 years	174,629	185,525
— on leases of less than 10 years	646	740
	175,275	186,265

8 LEASES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2023 HK$'000	2022 HK$'000
Right-of-use assets		
Leasehold land and buildings	20,765	15,156
Machinery, equipment and motor vehicles	144	311
Prepaid premium for land leases	27,246	28,348
	48,155	43,815
Lease liabilities		
Current	2,414	8,942
Non-current	15,197	6,969
	17,611	15,911

During the year, addition to the right-of-use assets was HK$18,296,000 (2022: HK$15,204,000).

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2023 HK$'000	2022 HK$'000
Depreciation of right-of-use assets (note 23(b))		
Leasehold land and buildings	8,632	8,543
Machinery, equipment and motor vehicles	163	157
Prepaid premium for land leases	702	735
	9,497	9,435
Interest expense (included in finance costs) (note 26)	473	534
Expenses related to short-term leases	30,538	30,088

The total cash outflow for lease liabilities for the year ended 31 December 2023 was HK$12,907,000 (2022: HK$8,343,000), which included payments of lease liabilities to fellow subsidiaries of HK$3,863,000 (2022: HK$3,863,000). The total cash outflow for short-term leases for the year ended 31 December 2023 was HK$30,538,000 (2022: HK$30,088,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various buildings, machinery, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 1 year to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

9 INVESTMENT PROPERTIES

	Completed commercial properties —Hong Kong HK$'000	Completed commercial properties —Overseas HK$'000	Completed residential properties —Hong Kong HK$'000	Completed residential properties —PRC HK$'000	Total HK$'000
At 1 January 2022	30,700	33,180	32,300	62,365	158,545
Currency translation differences	—	184	—	(5,242)	(5,058)
Fair value losses (note 22)	—	—	(1,100)	(1,082)	(2,182)
At 31 December 2022	**30,700**	**33,364**	**31,200**	**56,041**	**151,305**
Currency translation differences	**—**	**776**	**—**	**(788)**	**(12)**
Fair value (losses)/gains (note 22)	**(1,000)**	**1,462**	**(4,000)**	**(1,822)**	**(5,360)**
At 31 December 2023	**29,700**	**35,602**	**27,200**	**53,431**	**145,933**

The Group's interests in investment properties are analysed as follows:

	2023 HK$'000	2022 HK$'000
Held in Hong Kong		
— on leases of over 50 years	**56,900**	61,900
Held outside Hong Kong		
— on leases of between 10 years and 50 years	**53,431**	56,041
— on freehold land	**35,602**	33,364
	145,933	151,305

Valuation processes of the Group

The Group measures its investment properties at fair value.

The investment properties in Hong Kong were revalued by Cushman & Wakefield Limited, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31 December 2023 and 2022.

The investment properties in the PRC were revalued by Landscope Surveyor Limited and Cushman & Wakefield Limited, independent qualified valuers not related to the Group, who hold the recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2023 and 2022 respectively.

The overseas investment property was revalued by Pioneer Property Consultants LLP, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31 December 2023 and 2022.

9 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

The Group's finance department includes a team that reviews the valuations performed annually by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and the independent valuers at least annually.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation reports;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

Fair values of completed commercial and residential properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

10 INVESTMENTS IN JOINT VENTURES

	2023 HK$'000	2022 HK$'000
At 1 January	**527,896**	499,999
Currency translation differences (note 19)	**(1,795)**	(11,279)
Share of profits	**237,582**	117,529
Share of other comprehensive losses (note 19)	**(9,916)**	(22,677)
Dividends received	**(85,319)**	(55,676)
At 31 December	**668,448**	527,896

Note:

On 6 August 2018, the Company completed its acquisition of 33% of equity interest in Nasurfar Changshu, a company incorporated in the PRC, at a consideration of RMB89,830,000 (approximately HK$102,971,000). Under the share subscription agreement, the Group has an option to put back the investment to the original shareholder at the original consideration plus interest, adjusted for dividends received, if Nasurfar Changshu cannot fulfill a predetermined cumulative profit target within 5 financial years from the year of acquisition. Upon end of 5 financial years from the year of acquisition in 2022, the predetermined cumulative profit target was not fulfilled and the option became exercisable. Given the short expiry period of the option, management considers the option is of insignificant value.

Particulars of the joint ventures of the Group as at 31 December 2023 are set out in note 37 to the financial statements.

10 INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information for a material joint venture of the Group

Set out below are the summarised financial information for Jotun COSCO, a material joint venture.

Summarised statement of financial position

	2023 HK$'000	2022 HK$'000
Non-current assets	243,029	264,037
Current assets		
Cash and cash equivalents	406,076	141,887
Other current assets	1,714,802	1,847,402
Total current assets	2,120,878	1,989,289
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	(247,871)	(444,454)
Other current liabilities	(1,051,461)	(1,028,958)
Total current liabilities	(1,299,332)	(1,473,412)
Non-current liabilities		
Deferred income tax liabilities	(26,318)	(14,706)
Other non-current liabilities	(3,528)	(8,506)
Total non-current liabilities	(29,846)	(23,212)
Net assets	1,034,729	756,702

Summarised statement of comprehensive income

	2023 HK$'000	2022 HK$'000
Revenue	3,907,763	3,557,948
Depreciation and amortisation	47,465	53,642
Interest income	4,614	1,698
Interest expense	3,821	4,038
Profit before income tax	603,719	272,351
Income tax expenses	(139,209)	(58,910)
Profit for the year	464,510	213,441
Other comprehensive losses	(19,396)	(44,762)
Total comprehensive income	445,114	168,679

The information disclosed above reflects the amounts presented in the financial statements of the joint venture prepared under HKFRSs.

10 INVESTMENTS IN JOINT VENTURES (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Jotun COSCO.

	2023 HK$'000	2022 HK$'000
Opening net assets at 1 January	756,702	683,776
Profit for the year	464,510	213,441
Dividends	(167,088)	(95,753)
Other comprehensive losses		
Currency translation differences	(19,396)	(44,762)
Closing net assets at 31 December	1,034,728	756,702
Interest in joint venture (50%)	517,364	378,351
Goodwill	7,097	7,097
Carrying amount	524,461	385,448

The aggregate carrying amounts of individually insignificant joint ventures, perceived by management, are HK$143,987,000 (2022: HK$142,448,000). The aggregate amounts of the Group's share of these insignificant joint ventures' profits for the year and other comprehensive losses are HK$5,327,000 (2022: HK$10,809,000) and HK$218,000 (2022: total comprehensive income of HK$296,000) respectively.

11 INVESTMENTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
At 1 January	154,716	237,786
Currency translation differences (note 19)	(2,258)	(13,931)
Disposal of an associate	—	(76,724)
Share of profits	14,426	8,647
Share of other comprehensive income (note 19)	397	—
Dividends received	(7,320)	(1,062)
At 31 December	159,961	154,716

No summarised financial information for associates has been set out, as there were no individually significant associates, perceived by management, in 2023 and 2022.

On 28 June 2022, the Group entered into an agreement with the purchaser and agreed to sell the entire 18% equity interest of Double Rich held by the Group and the transaction was completed on 29 December 2022. This resulted in a loss of HK$620,000. For details, please refer to note 22(b).

Particulars of the associates of the Group as at 31 December 2023 are set out in note 37 to the financial statements.

12 FINANCIAL INSTRUMENTS BY CATEGORY

The Group has categorised its financial instruments as follows:

	Financial assets at amortised cost HK$'000	Financial assets at FVOCI HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
At 31 December 2023			
Financial assets at FVOCI (note 13)	—	64,949	64,949
Trade and other receivables excluding prepayments (note 16)	1,205,971	—	1,205,971
Restricted bank deposits, deposits and cash and cash equivalents (note 17)	6,261,376	—	6,261,376
Total	7,467,347	64,949	7,532,296
At 31 December 2022			
Financial assets at FVOCI (note 13)	—	53,849	53,849
Trade and other receivables excluding prepayments (note 16)	1,689,228	—	1,689,228
Restricted bank deposits, deposits and cash and cash equivalents (note 17)	5,933,120	—	5,933,120
Total	7,622,348	53,849	7,676,197

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31 December 2023	
Trade and other payables excluding non-financial liabilities (note 20)	705,489
Lease liabilities (note 8)	17,611
Total	723,100
At 31 December 2022	
Trade and other payables excluding non-financial liabilities (note 20)	703,137
Lease liabilities (note 8)	15,911
Total	719,048

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 HK$'000	2022 HK$'000
Market value of listed equity securities in Hong Kong, denominated in Hong Kong dollars	**64,949**	53,849

14 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the reporting date.

The movement on the net deferred income tax liabilities during the year is as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**(26,805)**	(20,498)
Currency translation differences	**(65)**	1,789
Transferred to current income tax liabilities	**1,291**	377
Charged to the consolidated income statement, net (note 27)	**(5,356)**	(8,473)
At 31 December	**(30,935)**	(26,805)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2023, the Group has unrecognised tax losses of HK$70,544,000 (2022: HK$141,995,000) to carry forward against future taxable profits, of which HK$11,337,000 (2022: HK$11,337,000) can be carried forward indefinitely. The remaining tax losses have an expiry date of up to 5 years.

Deferred tax assets and liabilities are offset when the deferred income taxes relate to the same fiscal authority and when there is a legally enforceable right to offset current tax assets against current tax liabilities. The following amounts, determined after appropriate offsetting within a tax jurisdiction, are shown in the consolidated statement of financial position:

	2023 HK$'000	2022 HK$'000
Deferred income tax assets	**33,100**	40,531
Deferred income tax liabilities	**(64,035)**	(67,336)
Deferred income tax liabilities, net	**(30,935)**	(26,805)

14 DEFERRED INCOME TAX (Continued)

The gross differences between book and tax accounting, before netting were as follows:

	2023 HK$'000	(Restated) 2022 HK$'000
Gross deferred income tax assets	**38,278**	41,624
Gross deferred income tax liabilities	**(69,213)**	(68,429)
	(30,935)	(26,805)

The recoverability of the deferred tax assets and liabilities was as follows:

	2023 HK$'000	(Restated) 2022 HK$'000
Gross deferred income tax assets:		
— to be recovered after more than 12 months	**24,426**	31,861
— to be recovered within 12 months	**13,852**	9,763
	38,278	41,624
Gross deferred income tax liabilities:		
— to be settled after more than 12 months	**(67,943)**	(67,447)
— to be settled within 12 months	**(1,270)**	(982)
	(69,213)	(68,429)
	(30,935)	(26,805)

14 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Accrued liabilities HK$'000	Impairment losses and others HK$'000	Tax losses HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2022 (Restated)	21,082	13,068	8,660	—	42,810
Currency translation differences	(1,633)	(1,192)	(817)	(67)	(3,709)
(Charged)/credited to the consolidated income statement	(4,740)	3,951	2,176	1,136	2,523
At 31 December 2022 (Restated)	**14,709**	**15,827**	**10,019**	**1,069**	**41,624**
Currency translation differences	**(204)**	**(186)**	**(175)**	**(35)**	**(600)**
(Charged)/credited to the consolidated income statement	**(1,018)**	**(9,886)**	**4,837**	**3,321**	**(2,746)**
At 31 December 2023	**13,487**	**5,755**	**14,681**	**4,355**	**38,278**

(b) Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Fair value gains and others HK$'000	Withholding tax HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2022 (Restated)	(1,823)	(31,745)	(29,740)	—	(63,308)
Currency translation differences	(6)	2,641	2,820	—	5,455
Transfer to current income tax liabilities	—	—	377	43	420
Credited/(charged) to the consolidated income statement	—	1,313	(11,173)	(1,136)	(10,996)
At 31 December 2022 (Restated)	**(1,829)**	**(27,791)**	**(37,716)**	**(1,093)**	**(68,429)**
Currency translation differences	**(20)**	**385**	**103**	**67**	**535**
Transfer to current income tax liabilities	**—**	**—**	**1,291**	**—**	**1,291**
Credited/(charged) to the consolidated income statement	**—**	**1,831**	**(289)**	**(4,152)**	**(2,610)**
At 31 December 2023	**(1,849)**	**(25,575)**	**(36,611)**	**(5,178)**	**(69,213)**

15 INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**47,696**	59,788
Work in progress	**1,713**	1,439
Finished goods	**248,924**	243,538
	298,333	304,765

The cost of inventories recognised as expense and included in cost of sales amounted to HK$2,678,095,000 (2022: HK$3,301,927,000).

As at 31 December 2023, inventories of HK$30,020,000(2022: HK$24,919,000) were carried at net realisable value.

16 TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables		
— third parties	**374,945**	425,638
— fellow subsidiaries (note (d))	**220,792**	235,353
— related companies (note (d))	**4,593**	59,149
— joint ventures (note (d))	**5,414**	36
— non-controlling interests (note (d))	**213**	527
	605,957	720,703
Less: provision for impairment (note (b))	**(54,286)**	(26,461)
Trade receivables — net (note (a))	**551,671**	694,242
Bills receivable		
— third parties	**156,103**	307,240
— fellow subsidiaries (note (d))	**3,230**	113,182
— related companies (note (d))	**—**	2,344
— a joint venture (note (d))	**—**	6,716
— non-controlling interests (note (d))	**662**	1,298
Prepayments	**896**	470
Deposits and other receivables		
— third parties	**463,434**	550,936
— fellow subsidiaries (note (d))	**6,754**	5,989
— related companies (note (d))	**22,319**	23
— a joint venture (note (d))	**—**	476
Amounts due from fellow subsidiaries (note (d))	**902**	6,782
	1,205,971	1,689,698

16 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) As at 31 December, the ageing analysis of trade receivables (net of provision for impairment) based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
Current–90 days	386,062	466,773
91 days–180 days	85,983	130,306
Over 180 days	79,626	97,163
	551,671	694,242

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

(b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables, and it was assessed an amount of HK$54,286,000 of the receivable balance was impaired as at 31 December 2023 (2022: HK$26,461,000).

Movements on the provision for impairment of trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	26,461	31,169
Currency translation differences	(524)	(2,246)
Provision/(reversal of provision) for impairment, net (note 22)	29,135	(2,346)
Amount written off	(786)	(116)
At 31 December	54,286	26,461

(c) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
Renminbi	605,401	1,055,195
Hong Kong dollars	73,689	87,473
United States dollars	186,616	181,601
Others	340,265	365,429
	1,205,971	1,689,698

(d) Balances with fellow subsidiaries, related companies, joint ventures and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills receivable, which are repayable according to the respective credit terms.

(e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. As at 31 December 2023 and 2022, the Group does not hold any collateral as security.

17 RESTRICTED BANK DEPOSITS, CURRENT DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 HK$'000	2022 HK$'000
Restricted bank deposits (note (a))	5,517	5,597
Current deposits with a fellow subsidiary (note (b))	753,028	390,025
Short-term bank deposits	4,631,928	4,907,403
Cash at bank and on hand	870,903	630,095
Current deposits and cash and cash equivalents	6,255,859	5,927,523
Total deposits and cash and cash equivalents	6,261,376	5,933,120

Notes:

(a) Restricted bank deposits represent deposits placed to meet statutory requirement for insurance brokerage business in the PRC.

(b) Deposits with a fellow subsidiary, which is a financial institution in the PRC, bear interest at prevailing market rates.

(c) As at 31 December 2023, the Group has fiduciary funds of HK$105,761,000 (2022: HK$128,360,000) which represent clients' money kept for payment of insurance premiums to the underwriters and settlement of claims to the policyholders of insurance brokerage business. They are not available for general corporate purpose.

(d) The carrying amounts of total deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
Renminbi	884,780	426,454
Hong Kong dollars	321,716	181,292
United States dollars	4,939,628	5,251,485
Others	115,252	73,889
	6,261,376	5,933,120

(e) The Group's cash and cash equivalents denominated in Renminbi are mainly deposited with banks and a fellow subsidiary in the PRC. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(f) The maximum exposure to credit risk at the reporting date is the carrying amount of the balances mentioned above.

17 RESTRICTED BANK DEPOSITS, CURRENT DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

Notes: (Continued)

(g) The Group's cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2023 HK$'000	2022 HK$'000
Total deposits and cash and cash equivalents	**6,261,376**	5,933,120
Less: restricted bank deposits	**(5,517)**	(5,597)
cash deposits with maturity more than three months from date of placement	**(4,317,575)**	(4,910,687)
Cash and cash equivalents	**1,938,284**	1,016,836

18 SHARE CAPITAL

	2023 Number of Shares	**2023 HK$'000**	2022 Number of shares	2022 HK$'000
Issued and fully paid:				
At 1 January	**1,481,693,429**	**148,169**	1,532,955,429	153,296
Repurchased and cancelled (note)	**(15,722,000)**	**(1,572)**	(51,262,000)	(5,127)
31 December	**1,465,971,429**	**146,597**	1,481,693,429	148,169

Note:

During the year, the Company repurchased and cancelled 15,722,000 ordinary shares (2022: 51,262,000 ordinary shares) on market. The repurchases and cancellation were approved by shareholders at the annual general meetings, and the payments were made out of the Company's distributable profits. The shares were acquired at an average price of HK$2.613 per share (2022: HK$2.304 per share), with prices ranging from HK$2.48 to HK$2.71 (2022: HK$2.10 to HK$2.73). The total amount of HK$41,233,000 (2022: HK$118,531,000) paid to acquire the shares, including transaction costs of HK$153,000 (2022: HK$439,000), has been deducted from share capital and share premium within shareholders' equity (note 19).

18 SHARE CAPITAL (Continued)

Share options

On 9 April 2020, a share option incentive scheme (the "Share Option Incentive Scheme") was adopted at the special general meeting of the Company. The purpose of the Share Option Incentive Scheme is to, inter alia, attract, retain and incentivise senior management and key personnel of the Company, promote the realisation of the long-term strategic targets of the Company, and serve as the driving force for the long-term development of the Company.

Particulars and movements of the share options granted by the Company during the year are as follows:

			Year ended 31 December 2023 Number of share options					
Date of grant	**Exercisable year**	**Exercise price**	**Outstanding as at 1 January 2023**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2023**
28 April 2020	Note (a)	HK$2.26	19,950,000	—	—	(6,643,350)	—	13,306,650
6 October 2020	Note (b)	HK$2.184	2,280,000	—	—	(879,300)	—	1,400,700
7 April 2021	Note (c)	HK$2.72	1,370,000	—	—	—	—	1,370,000
			23,600,000	—	—	(7,522,650)	—	16,077,350

Notes:

(a) On 28 April 2020, the Company granted an aggregate of 23,830,000 share options at an exercise price of HK$2.26 per share to 71 eligible directors of the Company and employees of the Group to subscribe for a total of 23,830,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme.

(b) On 6 October 2020, the Company granted an aggregate of 2,460,000 share options at an exercise price of HK$2.184 per share to 8 eligible employees of the Group to subscribe for a total of 2,460,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme.

(c) On 7 April 2021, the Company granted an aggregate of 1,370,000 share options at an exercise price of HK$2.72 per share to 5 eligible employees of the Group to subscribe for a total of 1,370,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme.

18 SHARE CAPITAL (Continued)

Share options (Continued)

Under the Share Option Incentive Scheme, the exercises of the share options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any share option granted. After the expiration of each vesting period, the participant may exercise the share options in three batches commencing from the third, fourth and fifth year after the date of grant respectively if the conditions of exercise of the particular batch of the share options can be fulfilled.

The fair values of the share options granted are estimated based on the Binomial option pricing model, and such fair values and significant inputs in the model are as follows:

	Fair value of share options (HK$)	Share price at date of grant (HK$)	Exercise price (HK$)	Standard deviation of expected share price return	Expected life of share options	Expected dividend payout ratio	Risk-free interest rate
Share options granted on 28 April 2020	4,372,286	2.26	2.26	21.0%–23.2%	3–6 years	5.5%	0.38%–0.41%
Share options granted on 6 October 2020	472,891	2.18	2.184	22.3%–24.2%	3–6 years	5.5%	0.19%–0.28%
Share options granted on 7 April 2021	298,722	2.72	2.72	22.5%–24.6%	3–6 years	6.65%	0.34%–0.89%

Expected volatility measured at the standard deviation of expected share price is based on the historical share price movement of the Company prior to the date of the grant.

There was no employee share options benefit expenses recognised during the year (2022: Nil).

As at 31 December 2023, 16,077,350 share options of the Company were outstanding (2022: 23,600,000), of which 7,798,860 outstanding share options were vested. However, the conditions of exercise of the particular batch of the share options were not fulfilled, no outstanding share options were exercisable. The Company has no legal or constructive obligation to repurchase or settle the share options in cash.

During the year, no share options were exercised or cancelled (2022: Nil), whereas 7,522,650 share options were lapsed (2022: 1,640,000 share options were lapsed) under the Share Option Incentive Scheme.

19 RESERVES

	Share Premium HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2023	53,619	147,887	676,218	(24,721)	34,942	(279,087)	7,045,560	7,654,418
Transfer to statutory reserves (note (b))	–	25,809	–	–	–	–	(25,809)	–
Share of currency translation differences of joint ventures (note 10)	–	–	–	(9,916)	–	–	–	(9,916)
Share of statutory reserves of an associate, net of tax (note 10)	–	397	–	–	–	–	–	397
Currency differences on translation of:								
— subsidiaries	–	–	–	(14,083)	–	–	–	(14,083)
— joint ventures (note 10)	–	–	–	(1,795)	–	–	–	(1,795)
— associates (note 11)	–	–	–	(2,258)	–	–	–	(2,258)
Fair value gains on financial assets at FVOCI, net	–	–	–	–	–	11,100	–	11,100
Profit attributable to equity holders of the Company (note (a))	–	–	–	–	–	–	593,673	593,673
Dividends paid	–	–	–	–	–	–	(499,017)	(499,017)
Repurchases and cancellation of shares	(39,661)	–	–	–	–	–	–	(39,661)
Balance at 31 December 2023	13,958	174,093	676,218	(52,773)	34,942	(267,987)	7,114,407	7,692,858
Representing:								
Reserves	13,958	174,093	676,218	(52,773)	34,942	(267,987)	6,857,862	7,436,313
2023 proposed final dividend	–		–	–	–	–	256,545	256,545
	13,958	174,093	676,218	(52,773)	34,942	(267,987)	7,114,407	7,692,858

19 RESERVES (Continued)

	Share premium HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2022	167,023	138,949	676,218	148,350	34,942	(272,075)	(23)	7,014,337	7,907,721
Transfer to statutory reserves (note (b))	—	8,977	—	—	—	—	—	(8,977)	—
Share of currency translation differences of joint ventures (note 10)	—	—	—	(22,677)	—	—	—	—	(22,677)
Currency differences on translation of:									
— subsidiaries	—	—	—	(125,801)	—	—	—	—	(125,801)
— joint ventures (note 10)	—	—	—	(11,279)	—	—	—	—	(11,279)
— associates (note 11)	—	—	—	(13,931)	—	—	—	—	(13,931)
Realised upon disposal of an associate	—	(39)	—	617	—	—	23	39	640
Fair value gains on financial assets at FVOCI, net	—	—	—	—	—	(7,322)	—	—	(7,322)
Realised upon dissolution of financial assets at FVOCI	—	—	—	—	—	310	—	(310)	—
Profit attributable to equity holders of the Company (note (a))	—	—	—	—	—	—	—	347,062	347,062
Dividends paid	—	—	—	—	—	—	—	(306,591)	(306,591)
Repurchases and cancellation of shares	(113,404)	—	—	—	—	—	—	—	(113,404)
Balance at 31 December 2022	53,619	147,887	676,218	(24,721)	34,942	(279,087)	—	7,045,560	7,654,418
Representing:									
Reserves	53,619	147,887	676,218	(24,721)	34,942	(279,087)	—	6,875,165	7,484,023
2022 proposed final dividend	—	—	—	—	—	—	—	170,395	170,395
	53,619	147,887	676,218	(24,721)	34,942	(279,087)	—	7,045,560	7,654,418

Notes:

(a) Profit attributable to equity holders of the Company of HK$593,673,000 (2022: HK$347,062,000) includes net profits of HK$237,582,000 (2022: HK$117,529,000) attributable to joint ventures and net profit of HK$14,426,000 (2022: HK$8,647,000) attributable to associates.

(b) Statutory reserves represent the PRC statutory reserves of certain subsidiaries, joint ventures and associates.

(c) In 2004, part of the amount standing to the credit of the share premium account of the Company was offset against the entire accumulated losses as at 31 December 2003 of HK$1,680,335,000 and the remaining credit of the share premium account of HK$676,218,000 was transferred to contributed surplus.

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Trade payables		
— third parties	283,104	273,563
— fellow subsidiaries (note (b))	50,317	67,956
— joint ventures (note (b))	3,108	1,445
— an associate (note (b))	2	—
	336,531	342,964
Bills payable		
— third parties	21,085	37,407
Other payables		
— third parties	286,609	275,935
— fellow subsidiaries (note (b))	24,727	17,228
— a joint venture (note (b))	8,437	8,418
— non-controlling interests (note (b))	2,681	2,674
Accrued liabilities	14,818	9,741
Amounts due to immediate holding company (note (b))	9,278	8,704
Amounts due to fellow subsidiaries (note (b))	1,323	66
	705,489	703,137
Contract liabilities — sales of goods (note (d))		
— third parties	57,521	114,108
— fellow subsidiaries (note (b))	139,825	144,031
— related companies (note (b))	15,393	47,343
— a joint venture (note (b))	—	1
	212,739	305,483
	918,228	1,008,620

Notes:

(a) As at 31 December, the ageing analysis of trade payables based on invoice date is as follows:

	2023 HK$'000	2022 HK$'000
Current–90 days	267,282	270,833
91 days–180 days	16,949	43,622
Over 180 days	52,300	28,509
	336,531	342,964

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(b) Balances with immediate holding company, fellow subsidiaries, related companies, joint ventures and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills payable, which are repayable according to the respective credit terms.

(c) The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	2023 HK$'000	2022 HK$'000
Renminbi	387,443	384,469
Hong Kong dollars	102,602	105,071
United States dollars	134,156	160,024
Others	81,288	53,573
	705,489	703,137

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

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	301,430	241,940

21 SHORT-TERM BORROWINGS

There were no short-term borrowings outstanding as at 31 December 2023 and 2022. As at 31 December 2021, an unsecured loan of HK$36,692,000 from a fellow subsidiary bears interest at 2.505% per annum (repayable on 18 May 2022) and was repaid in January 2022; another unsecured loan of HK$6,115,000 from a fellow subsidiary, which is a financial institution in the PRC, was interest-bearing at 3.5% per annum (repayable on 29 September 2022) and was repaid in February 2022. Balances were denominated in Renminbi. The effective interest rates of short-term borrowings during the year ended 31 December 2022 was 2.65%. Short-term borrowings are subject to the exposure of interest rate changes at contractual repricing dates.

22 OTHER INCOME AND (LOSSES) — NET

	2023 HK$'000	2022 HK$'000
Other income/(expenses):		
— Rental income	3,717	3,708
— Direct operating expenses for generating rental income	(68)	(75)
— Dividend income from financial assets at FVOCI	2,541	3,760
Other income — net	6,190	7,393
Other gains/(losses):		
— Net losses on disposal of property, plant and equipment	(17)	(25)
— Net losses on dissolution of a subsidiary (note (a))	—	(200)
— Net losses on disposal of an associate (note (b))	—	(620)
— Fair value losses on investment properties (note 9)	(5,360)	(2,182)
— (Provision)/reversal of provision for impairment of trade receivables, net (note 16(b))	(29,135)	2,346
— Provision for impairment of other receivables	(143)	(19,841)
— Provision for impairment of inventories, net	(3,537)	(1,544)
— Provision for impairment of assets held for sale (note (b))	—	(8,275)
— Net exchange gains/(losses)	13,987	(7,217)
— Government subsidy income (note (c))	6,112	11,225
— Others	5,557	1,668
Other (losses) — net	(12,536)	(24,665)
Other income and (losses) — net	(6,346)	(17,272)

Notes:

(a) COSCO (Beijing) Marine Electronic Equipment Limited was dissolved on 11 August 2022.

(b) On 28 June 2022, the Group entered into an agreement with the purchaser and agreed to sell the entire 18% equity interest of Double Rich held by the Group with a consideration of US$8,804,200 (approximately HK$68,779,000). As a result, the investment in an associate was reclassified as assets held for sale and a provision for impairment of HK$8,275,000 was recognised. The disposal was completed on 29 December 2022, upon completion of the disposal, Double Rich ceased to be an associate of the Group, net losses on disposal of HK$620,000 was recognised.

(c) During the year ended 31 December 2022, government subsidy income included HK$4,230,000 recognised in respect of Employment Support Scheme granted by the Government of the Hong Kong Special Administrative Region. The remaining amount represented other government subsidy income.

23 SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2023 HK$'000	2022 HK$'000
Selling expenses	148,298	126,116
Depreciation of property, plant and equipment (note 23(a))	4,487	4,430
Amortisation of intangible assets (note 6)	2,028	1,744
Depreciation of right-of-use assets (note 23(b))	8,449	8,475
Expenses related to short-term leases	28,221	26,811
Employee benefit expenses included in administrative and general expenses (note 24)	325,599	267,282
Auditors' remuneration	5,379	5,332
Others	71,910	57,156
	594,371	497,346

(a) Depreciation of property, plant and equipment

	2023 HK$'000	2022 HK$'000
Charge for the year (note 7)	18,597	20,497
Charged to cost of sales	(9,849)	(12,451)
Charged to selling expenses	(1,567)	(1,701)
Capitalised in inventories	(2,694)	(1,915)
	4,487	4,430

(b) Depreciation of right-of-use assets

	2023 HK$'000	2022 HK$'000
Charge for the year (note 8)	9,497	9,435
Charged to cost of sales	(820)	(555)
Charged to selling expenses	(228)	(405)
	8,449	8,475

24 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses, which were included in cost of sales, selling, administrative and general expenses, are as follows:

	2023 HK$'000	2022 HK$'000
Wages, salaries and other short-term benefits, including directors' emoluments (note 25(a))	411,718	368,061
Retirement benefits costs — defined contribution plans (note)	33,624	35,669
Termination benefits	808	1,618
	446,150	405,348

Included in:

	2023 HK$'000	2022 HK$'000
Cost of sales	41,478	55,075
Selling expenses	79,073	82,991
Administrative and general expenses (note 23)	325,599	267,282
	446,150	405,348

Note:

There were no forfeited contributions (2022: Nil) utilised during the year and no forfeited contributions were available at the year-end to reduce future contributions (2022: Nil). There were no contributions (2022: Nil) payable to the funds at the year-end.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2022: one) director whose emoluments are reflected in the note 25(a). The emoluments of the remaining four (2022: four) individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Basic salaries, allowances and benefits-in-kind	7,270	7,888
Discretionary bonuses	—	—
Retirement benefits costs — defined contribution plan	905	827
	8,175	8,715

24 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals (Continued)

The emoluments of the individuals fell within the following bands:

Emolument band	Number of individuals 2023	2022
HK$1,500,001 — HK$2,000,000	—	2
HK$2,000,001 — HK$2,500,000	4	2

(b) Emoluments of senior management

Other than the emoluments of directors disclosed in note 25(a), the emoluments of senior management fell within the following bands:

Emolument band	Number of individuals 2023	2022
Below HK$1,000,000	2	2
HK$1,000,001 — HK$1,500,000	—	—
HK$1,500,001 — HK$2,000,000	—	—
HK$2,000,001 — HK$2,500,000	1	1

25 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Details of the emoluments of directors of the Company for the year ended 31 December 2023 are as follows. Executive directors were also key management personnel of the Company.

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Executive Director:			
Mr. Zhu Changyu (appointed on 17 April 2023)	—	1,618	1,618
Mr. Zhu Jianhui (resigned on 17 April 2023)	—	2,671	2,671
Ms. Meng Xin	—	—	—
Independent Non-executive Directors:			
Mr. Tsui Yiu Wa, Alec	320	—	320
Mr. Jiang, Simon X.	320	—	320
Mr. Kwong Che Keung, Gordon	320	—	320
	960	4,289	5,249

25 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31 December 2022 are as follows:

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Executive Director:			
Mr. Zhu Jianhui	—	5,100	5,100
Ms. Meng Xin	—	—	—
Independent Non-executive Directors:			
Mr. Tsui Yiu Wa, Alec	320	—	320
Mr. Jiang, Simon X.	320	—	320
Mr. Kwong Che Keung, Gordon	320	—	320
	960	5,100	6,060

Note:

There were no contributions to pension schemes for directors or past directors of the Company for the year (2022: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

26 FINANCE INCOME — NET

	2023 HK$'000	2022 HK$'000
Interest income from:		
— a fellow subsidiary (note 33(a))	10,042	6,777
— bank deposits	256,674	91,589
Total finance income	266,716	98,366
Interest expenses on:		
— loans from fellow subsidiaries (note 33(b))	—	(60)
— lease liabilities (note 8)	(473)	(534)
Other finance charges	(1,359)	(1,421)
Total finance costs	(1,832)	(2,015)
Finance income — net	264,884	96,351

27 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year.

The PRC enterprise income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2022: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2022: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 35% (2022: 17% to 35%) during the year.

	2023 HK$'000	2022 HK$'000
Current income tax		
— current year		
— Hong Kong profits tax	21,369	18,098
— PRC enterprise income tax	22,793	28,904
— other overseas taxation	7,475	6,420
–- (over-provision)/provision in prior years		
— Hong Kong profits tax	(538)	(38)
— PRC enterprise income tax	(2,349)	(2,937)
— other overseas taxation	51	(459)
Deferred income tax charge — net (note 14)	5,356	8,473
Income tax expenses	54,157	58,461

27 INCOME TAX EXPENSES (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates and the difference is set out below:

	2023 HK$'000	2022 HK$'000
Profit before income tax (excluding share of profits of joint ventures and associates)	410,755	299,182
Calculated at a tax rate of 16.5% (2022: 16.5%)	67,774	49,365
Effect of different tax rates in the PRC and other overseas countries	6,114	10,446
Income not subject to income tax	(43,418)	(16,646)
Expenses not deductible for tax purposes	10,946	9,768
Tax losses not recognised	5,364	—
Utilisation of previously unrecognised tax losses	—	(1,022)
Over-provision in prior years, net	(2,836)	(3,434)
Reversal of tax losses recognised	840	—
Reversal of temporary differences recognised	8,024	—
Temporary differences not recognised	9,097	—
Withholding tax		
— interest income	28	27
— dividend income	53	89
— unremitted earnings of subsidiaries, joint ventures and associates	289	11,173
Land appreciation tax on the PRC investment properties	(1,834)	(1,206)
Special tax credit	(6,284)	(99)
Income tax expenses	54,157	58,461

28 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$593,673,000 (2022: HK$347,062,000) and the weighted average number of ordinary shares outstanding during the year, adjusted for shares repurchased and cancelled during the year, of 1,472,160,717 shares (2022: 1,526,108,930 shares).

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

29 DIVIDENDS

	2023 **HK$'000**	2022 HK$'000
Interim dividend paid of HK$0.225 (2022: HK$0.11) per ordinary share	**329,844**	168,625
Final dividend proposed of HK$0.175 (2022: HK$0.115) per ordinary share	**256,545**	170,395
	586,389	339,020

At the board meeting held on 26 March 2024, the directors of the Company proposed a final dividend of HK$0.175 per ordinary share for the year ended 31 December 2023. These proposed dividends have not been recognised as a liability in the financial statements for the year ended 31 December 2023, but will be reflected as an appropriation of retained profits for the year ending 31 December 2024.

30 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2023 HK$'000	2022 HK$'000
Operating profit	145,871	202,831
Amortisation of intangible assets	2,028	1,744
Depreciation of property, plant and equipment, net of amount capitalised	15,903	18,582
Depreciation of right-of-use assets	9,497	9,435
Net losses on disposal of property, plant and equipment	17	25
Net losses on dissolution of a subsidiary	—	200
Net losses on disposal of an associate	—	620
Fair value losses on investment properties	5,360	2,182
Provision/(reversal of provision) for impairment of trade receivables, net	29,135	(2,346)
Provision for impairment of other receivables	143	19,841
Provision for impairment of inventories, net	3,537	1,544
Provision for impairment of assets held for sale	—	8,275
Dividend income	(2,541)	(3,760)
Operating profit before working capital changes	208,950	259,173
Decrease in inventories	1,311	105,761
Decrease/(increase) in trade and other receivables	456,759	(86,441)
Decrease in amount due from immediate holding company	—	4,635
Decrease/(increase) in amounts due from fellow subsidiaries	5,880	(4,816)
Decrease in trade and other payables	(5,547)	(160,099)
Decrease in contract liabilities	(92,745)	(1,028)
Increase in amounts due to immediate holding company	574	8,704
Increase/(decrease) in amounts due to fellow subsidiaries	768	(635)
Cash generated from operations	575,950	125,254

30 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) The reconciliation of liabilities arising from financing activities is as follows:

	Short-term borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2022	42,807	9,481	52,288
Currency translation differences	(2,077)	(965)	(3,042)
Repayment of loan from a fellow subsidiary	(40,730)	—	(40,730)
Principal elements of lease payments	—	(8,343)	(8,343)
Additions of lease	—	15,204	15,204
Finance cost on lease liabilities	—	534	534
At 31 December 2022	**—**	**15,911**	**15,911**
Currency translation differences	**—**	**(209)**	**(209)**
Principal elements of lease payments	**—**	**(12,907)**	**(12,907)**
Additions of lease	**—**	**14,343**	**14,343**
Finance cost on lease liabilities	**—**	**473**	**473**
At 31 December 2023	**—**	**17,611**	**17,611**

31 CAPITAL COMMITMENTS

(a) The Group had capital commitments for capital expenditure as follows:

	2023 HK$'000	2022 HK$'000
Contracted but not provided	**811**	1,668

(b) The Group's share of capital commitments of a joint venture in respect of fixed assets investment is as follows:

	2023 HK$'000	2022 HK$'000
Contracted but not provided	**6,292**	1,456

32 LEASE COMMITMENTS

(a) The aggregate future minimum lease payments under non-cancellable short-term leases in respect of land and buildings and equipment are HK$15,504,000 (2022: HK$7,754,000).

(b) The aggregate future minimum rental receivables under non-cancellable operating leases are as follows:

	2023	2022
	HK$'000	HK$'000
Within 1 year	**2,652**	1,796
Between 1 and 2 years	**764**	1,326
Between 2 and 3 years	**108**	318
	3,524	3,440

The Group's operating leases were for terms ranging from one to five years.

33 MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)"), a company incorporated in Hong Kong, which owns 71.70% of the Company's shares as at 31 December 2023. The remaining 28.30% of the Company's shares is widely held. The ultimate holding company of COSCO SHIPPING (Hong Kong) is COSCO SHIPPING.

COSCO SHIPPING itself is a state-owned enterprise established and controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING, its subsidiaries (other than the Group) and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the years 2023 and 2022, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the year:

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to holding companies, fellow subsidiaries, related companies and other related parties

	Note	2023 HK$'000	2022 HK$'000
Sale of coatings to:	(i)		
— fellow subsidiaries		**157,859**	312,427
— related companies		**4,343**	125,802
— non-controlling interests		**4,339**	4,002
— a joint venture		**3,377**	—
Sale of marine equipment and spare parts to:	(ii)		
— fellow subsidiaries		**1,325,698**	1,296,328
— related companies		**40,783**	38,459
— joint ventures		**2,510**	1,252
— an associate		**685**	—
Commission income in relation to the provision of ship trading agency services to:	(iii)		
— fellow subsidiaries		**56,639**	57,668
— a joint venture		**6,616**	17,313
Commission income in relation to the provision of insurance brokerage services to:	(iv)		
— fellow subsidiaries		**88,232**	71,284
— related companies		**1,710**	3,055
— holding companies		**705**	437
— a joint venture		**4**	4
Sale of ship supplies and other products to:	(v)		
— fellow subsidiaries		**20**	796
— a related company		**848**	26
— a holding company		**33**	—
— an associate		**289**	110
Service fee income from a fellow subsidiary in relation to the provision of green, low-carbon and digital intelligent solutions	(vi)	**51**	—
Interest income from a fellow subsidiary (note 26)	(vii)	**10,042**	6,777
Management fee income in relation to the provision of management services to:	(viii)		
— fellow subsidiaries		**22,170**	20,363
— a holding company		**60,784**	36,474

Notes:

(i) Sale of coatings to fellow subsidiaries, related companies, non-controlling interests and a joint venture was conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of marine equipment and spare parts to fellow subsidiaries, related companies, joint ventures and an associate was conducted on terms as set out in the agreements governing these transactions.

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, related companies and other related parties (Continued)

Notes: (Continued)

(iii) Certain subsidiaries of the Company acted as agent of fellow subsidiaries and a joint venture relating to (a) sale and purchase of new and second hand vessels; (b) bareboat charter businesses; and (c) sale and purchase of marine equipment for new shipbuilding projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above. The commissions were charged based on terms as set out in the agreements governing these transactions.

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, related companies, holding companies and a joint ventures was calculated on terms as set out in the agreements governing these transactions.

(v) Sale of ship supplies and other products to fellow subsidiaries, a related company, a holding company and an associate was conducted on terms as set out in the agreements governing these transactions.

(vi) Service fee income in relation to the provision of green, low-carbon and digital intelligent solutions to a fellow subsidiary was conducted on terms as set out in the agreements governing these transactions.

(vii) Interest income was received from cash deposits placed with a fellow subsidiary and was calculated at prevailing market rates.

(viii) Management fee income is derived from provision of management services to fellow subsidiaries and a holding company and was conducted on terms as set out in the agreements governing these transactions.

(b) Purchase of goods and services from fellow subsidiaries, related companies and other related parties

	Note	2023 HK$'000	2022 HK$'000
Expenses related to short-term leases to fellow subsidiaries in relation to lease contracts for land and buildings	(i)	**23,354**	23,822
Commission expenses in relation to the sale of coatings paid to fellow subsidiaries	(ii)	**1,442**	6,545
Commission expenses in relation to the sale of marine equipment paid to a related company	(iii)	**1,858**	845
Purchase of raw materials from	(iv)		
— a fellow subsidiary		**25**	—
— non-controlling interests		**659**	3,888
— a joint venture		**11,488**	10,811
Purchase of marine spare parts from a fellow subsidiary	(iv)	**12,076**	—
Transportation costs paid to fellow subsidiaries	(v)	**6,443**	—
Technology usage fee paid to non-controlling interests	(vi)	**1,513**	1,914
Service fees paid to fellow subsidiaries	(vii)	**10,397**	9,586
Interest expenses to fellow subsidiaries (note 26)	(viii)	**—**	60

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, related companies and other related parties (Continued)

Notes:

(i) During the year, the Group leased certain office premises and other properties in Hong Kong, the PRC and other overseas countries from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid to fellow subsidiaries was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) A related company was appointed as agent to provide agency services in relation to the sale of marine equipment in the PRC. Commission paid was based on a certain percentage of sales procured by the related company.

(iv) Purchase of raw materials and marine spare parts from fellow subsidiaries, non-controlling interests and a joint venture was conducted on terms as set out in the agreements governing these transactions.

(v) Transportation costs paid to fellow subsidiaries were based on terms as set out in the agreements governing these transactions.

(vi) Technology usage fee paid to non-controlling interests was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(vii) Service fees were paid to fellow subsidiaries in relation to their provision of administrative services, manpower resources, technical support and other ancillary support to the Group and sharing of office premises by the Group and were conducted on terms as set out in the agreements governing these transactions.

(viii) Interest expenses for the year ended 31 December 2022 were paid for loans from fellow subsidiaries at fixed interest rates of 2.505% and 3.5% per annum.

34 EVENT AFTER THE BALANCE SHEET DATE

On 10 November 2023, the Company entered into a share transfer agreement with COSCO SHIPPING Development (Hong Kong) Co., Limited ("COSCO SHIPPING Development HK"), pursuant to which the Company had agreed to purchase and COSCO SHIPPING Development HK had agreed to sell the entire 100% equity interest of Helen Insurance Brokers Limited at a consideration of HK$270,980,600 (the "Acquisition") subject to the fulfilment of conditions as stated in the share transfer agreement. The Acquisition was approved at the special general meeting on 28 December 2023. On 15 January 2024, the conditions as stated in the share transfer agreement were satisfied, the Acquisition was completed and Helen Insurance Brokers Limited has become a directly wholly-owned subsidiary of the Company.

On 29 December 2023, the Company entered into a cooperation agreement in relation to the formation of 上海吉遠綠色能源有限公司 (Shanghai JOYFuel Green Energy Co., Ltd.*) ("Shanghai JOYFuel Green Energy") with 吉林電力股份有限公司 (Jilin Electric Power Co., Ltd.*) ("Jilin Electric Power") and 上港集團能源(上海)有限公司 (Shanggang Group Energy (Shanghai) Co., Ltd.*) ("Shanggang Energy"). Shanghai JOYFuel Green Energy will be an investment platform specialising in renewable fuels including green methanol. Pursuant to the terms of the cooperation agreement, the registered capital of Shanghai JOYFuel Green Energy shall be RMB1,000 million, of which Jilin Electric Power, the Company and Shanggang Energy shall make a total contribution of RMB550 million, RMB350 million, and RMB100 million respectively, accounting for 55%, 35% and 10% of the registered capital respectively. Accordingly, Shanghai JOYFuel Green Energy shall be owned as to 55% by Jilin Electric Power, 35% by the Company and 10% by Shanggang Energy upon its establishment. Subsequently, Shanghai JOYFuel Green Energy was established on 5 February 2024.

* *for identification purposes only*

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	2023 HK$'000	2022 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,357**	2,953
Investments in subsidiaries		**1,143,365**	1,114,456
Investments in joint ventures		**249,248**	249,248
Investment in an associate		**2,090**	2,090
		1,397,060	1,368,747
Current assets			
Amounts due from subsidiaries		**613,132**	617,023
Other receivables		**71,511**	63,596
Current deposits and cash and cash equivalents		**4,912,978**	5,124,113
		5,597,621	5,804,732
Total assets		**6,994,681**	7,173,479
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**146,597**	148,169
Other reserves	(a)	**690,176**	729,837
Retained earnings	(a)	**5,838,436**	5,838,171
Total equity		**6,675,209**	6,716,177
LIABILITIES			
Current liabilities			
Amounts due to immediate holding company		**9,278**	8,704
Amounts due to subsidiaries		**240,602**	379,394
Other payables		**69,592**	69,204
Total liabilities		**319,472**	457,302
Total equity and liabilities		**6,994,681**	7,173,479

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2024 and was signed on its behalf.

Zhu Changyu
Director

Meng Xin
Director

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Statement of financial position of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Other reserves HK$'000	Retained earnings HK$'000
At 1 January 2022	843,241	6,041,915
Profit for the year	—	102,847
Dividends paid	—	(306,591)
Repurchases and cancellation of shares	(113,404)	—
At 31 December 2022	**729,837**	**5,838,171**
Profit for the year	**—**	**499,282**
Dividends paid	**—**	**(499,017)**
Repurchases and cancellation of shares	**(39,661)**	**—**
At 31 December 2023	**690,176**	**5,838,436**

36 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31 December 2023 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2023	2022
Beijing COSCO SHIPPING Ship Trading Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$1,300,000	Provision of agency services in ship trading business	100%	100%
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$7,000,000	Sale of coatings	63.07%	63.07%
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$5,000,000	Production and sale of coatings	63.07%	63.07%
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. #	PRC, foreign equity joint venture enterprise	US$10,000,000	Production and sale of coatings	64.71%	64.71%
COSCO Kansai Paint (Shanghai) Co., Ltd.#	PRC, foreign equity joint venture enterprise	US$25,600,000	Production and sale of coatings	63.07%	63.07%
COSCO SHIPPING (Hong Kong) Insurance Brokers Limited#	Hong Kong, limited liability company	HK$5,000,000 ordinary share capital	Provision of insurance brokerages and related services	100%	100%
Graceful Nice Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	100%	100%
Raycle Match Development Ltd.#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	100%	100%
YUAN XIANG (HONG KONG) CO., LIMITED#	Hong Kong, limited liability company	HK$500,000 ordinary share capital	Provision of agency services in ship trading business	100%	100%
Yuantong Marine Service Co. Limited#	Hong Kong, limited liability company	HK$208,352,000 ordinary share capital	Trading of marine equipment and spare parts	100%	100%
COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	RMB50,000,000	Providing green, low-carbon and digital intelligent solutions for the full-life cycle of the shipping industry	51%	–
COSCO SHIPPING International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB480,633,044.22	Trading of asphalt, ship equipment and accessories	100%	100%
Hanyuan Technical Service Center GmbH	Germany, limited liability company	EUR102,259	Trading of marine equipment and spare parts	100%	100%
Jingzhou Federal Reserve Logistics Trading Co., Ltd.	PRC, limited liability company	RMB500,000	Storage and handling of asphalt and processing of modified asphalt	100%	100%
Shenzhen COSCO Insurance Brokers Limited	PRC, Sino-foreign equity joint venture enterprise	RMB50,000,000	Provision of professional services of insurance brokerages	55%	55%
Shin Chung Lin Corporation	Japan, limited liability company	1,600 ordinary shares of JPY237,500 each	Trading of marine equipment and spare parts	100%	100%
Sinfeng Marine Services Pte. Ltd.	Singapore, limited liability company	7,000,000 ordinary shares of US$1 each	Trading of marine fuel and other related products	100%	100%
Xing Yuan (Singapore) Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of S$1 each	Trading of marine equipment and spare parts	100%	100%
Yuan Hua Technical & Supply Corporation	United States of America, limited liability company	US$400,000	Material and spare parts supply and service support for vessels	51%	51%
Yuantong Marine Trade (Shanghai) Co., Ltd.	PRC, wholly foreign-owned enterprise	US$3,200,000	Trading of marine equipment and spare parts	100%	100%

Shares held directly by the Company.

37 JOINT VENTURES AND ASSOCIATES

Particulars of joint ventures and associates of the Group as at 31 December 2023 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2023	2022
(a) Joint ventures					
Cosbulk International Trading Co. Ltd. (Tianjin)#	PRC, Sino-foreign equity joint venture enterprise	RMB1,500,000	Vessel and equipment trade consultant	49%	49%
Jotun COSCO Marine Coatings (HK) Limited#	Hong Kong/PRC, limited liability company	HK$2,400 ordinary share capital	Investment holding and sale of coatings	50%	50%
Nasurfar Biomaterial Technology (Changshu) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	RMB182,907,725	Research and development, production and sales of biochemical products	33%	33%
COSCO SHIPPING (Dalian) Electronic Technology Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB1,000,000	Provision of marine electronic engineering services	40%	40%
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$250,000	Trading of marine equipment and provision of repair and maintenance	25%	25%
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$200,000	Provision of marine electronic engineering services	25%	25%
(b) Associates					
COSCOSHIP (QINGDAO) CO., LTD.#	PRC, Sino-foreign equity joint venture enterprise	RMB3,000,000	Vessel engineering and technical support	20%	20%
COSCO SHIPPING SUPPLY (GUANGZHOU) CO., LTD.	PRC, limited liability company	RMB30,442,100	Supply and storage of related materials of cargo transportation	20%	20%
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$663,000	Manufacture, sale and provision of after-sale service of container software and related products	20%	20%
Zhejiang Four Brothers Rope Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB63,076,923	Manufacturing of synthetic ropes (for marine and fishing)	48%	48%

Shares held directly by the Company.

List of Major Properties

As at 31 December 2023

Description	Existing use	Approximate area	Lease term	% of interest attributable to the Group
Properties held for own use				
(1) Economic Zone, Gaolan Port, Zhuhai, the PRC	Industrial	Site area 67,882.00 sq.m.	From 18 April 2006 to 17 April 2056	64.71
(2) No. 2, Industry Park, Jinshan District, Shanghai, the PRC	Industrial	Site area 61,097.30 sq.m.	From 5 July 2013 to 4 July 2063	63.07
(3) No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, the PRC	Carparking	1 car parking space	From 28 June 1998 to 27 June 2068	100
(4) Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, the PRC	Residential	Gross floor area 228.29 sq.m.	From 28 June 1998 to 27 June 2068	100
Property held for investment				
(1) 19th Floor, Nan Dao Commercial Building, 359–361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7 February 1852	100
(2) 207 Henderson Road, #01-03/#03-03 Henderson Industrial Park, Singapore 159550	Commercial	Saleable area 782 sq.m.	Freehold	100

Five-Year Financial Summary

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,341,729**	3,962,539	4,533,549	3,442,894	3,265,745
Operating profit	**145,871**	202,831	277,545	132,500	84,662
Finance income — net	**264,884**	96,351	40,807	132,696	203,857
Share of profits of joint ventures	**237,582**	117,529	63,711	108,807	48,798
Share of profits/(losses) of associates	**14,426**	8,647	(40,889)	31,022	48,431
Profit before income tax	**662,763**	425,358	341,174	405,025	385,748
Income tax expenses	**(54,157)**	(58,461)	(37,568)	(57,489)	(52,440)
Profit for the year	**608,606**	366,897	303,606	347,536	333,308
Profit attributable to:					
Equity holders of the Company	**593,673**	347,062	288,341	338,523	330,607
Non-controlling interests	**14,933**	19,835	15,265	9,013	2,701
	608,606	366,897	303,606	347,536	333,308

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Intangible assets	106,843	108,721	107,664	109,044	105,617
Property, plant and equipment	208,363	221,838	255,817	279,908	281,550
Right-of-use assets	48,155	43,815	41,412	45,459	39,577
Investment properties	145,933	151,305	158,545	144,543	121,261
Investments in joint ventures	668,448	527,896	499,999	562,668	437,419
Investments in associates	159,961	154,716	237,786	167,403	147,693
Financial assets at fair value through other comprehensive income	64,949	53,849	62,621	57,590	76,551
Deferred income tax assets	33,100	40,531	42,810	37,931	43,004
	1,435,752	1,302,671	1,406,654	1,404,546	1,252,672
Current assets	7,769,477	7,931,822	8,335,570	8,534,148	8,124,274
Total assets	9,205,229	9,234,493	9,742,224	9,938,694	9,376,946
CAPITAL AND RESERVES					
Share capital	146,597	148,169	153,296	153,296	153,296
Reserves	7,692,858	7,654,418	7,907,721	7,959,747	7,773,109
Total shareholders' equity	7,839,455	7,802,587	8,061,017	8,113,043	7,926,405
Non-controlling interests	347,944	318,993	333,579	314,671	291,814
Total equity	8,187,399	8,121,580	8,394,596	8,427,714	8,218,219
LIABILITIES					
Non-current liabilities					
Lease liabilities	15,197	6,969	4,738	6,194	1,934
Deferred income tax liabilities	64,035	67,336	63,308	83,233	67,743
	79,232	74,305	68,046	89,427	69,677
Current liabilities					
Short-term borrowings	–	–	42,807	89,111	61,399
Other current liabilities	938,598	1,038,608	1,236,775	1,332,442	1,027,651
	938,598	1,038,608	1,279,582	1,421,553	1,089,050
Total liabilities	1,017,830	1,112,913	1,347,628	1,510,980	1,158,727
Total equity and liabilities	9,205,229	9,234,493	9,742,224	9,938,694	9,376,946

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