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This announcement and the listing document referred herein is for informational purposes only as required by the Rules Governing the Listing of Securities on the Stock Exchange and is not an offer to sell or the solicitation of an offer to buy any securities in the United States or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Neither this announcement nor anything herein (including the listing document) forms the basis for any contract or commitment whatsoever. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the Company and management, as well as financial statements. No public offer of securities is to be made by the Company in the United States.

For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.

CSSC Capital 2015 Limited

(incorporated in the British Virgin Islands with limited liability)

(as Issuer)

US\$500,000,000 2.10% GUARANTEED BONDS DUE 2026

(the “Bonds”, Stock Code: 40778)

unconditionally and irrevocably guaranteed by

CSSC (Hong Kong) Shipping Company Limited

中國船舶（香港）航運租賃有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3877)

(as Guarantor)

PUBLICATION OF THE OFFERING MEMORANDUM

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Please refer to the offering circular dated 21 July 2021 (the “**Offering Memorandum**”) appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Memorandum, the Bonds were intended for purchase by professional investors only (as defined in Chapter 37 of the Listing Rules) and have been listed on the Stock Exchange on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Memorandum.

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

Hong Kong, 28 July 2021

As at the date of this announcement, the Board of Directors of the Issuer comprises Mr. Bao Weidong and Mr. Hu Kai, and the Board of Directors of the Guarantor comprises Mr. Zhong Jian and Mr. Hu Kai as executive Directors, Mr. Li Wei and Mr. Zou Yuanjing as non-executive Directors, and Mr. Wang Dennis, Mdm. Shing Mo Han Yvonne and Mr. Li Hongji as independent non-executive Directors.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular (the “**offering circular**”) attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that the access to the offering circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES (THE “SECURITIES”) (AS DESCRIBED IN THE OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have represented to the Joint Lead Managers (as defined in the attached offering circular) that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The following offering circular is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

The communication of the attached document and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the securities described in the attached document are only available to, and any investment or investment activity to which the attached document relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached document or any of its contents.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Prohibition of sales to EEA retail investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of sales to UK retail investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

The offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither we, the Joint Lead Managers nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the offering circular distributed to you in electronic format or any difference between the offering circular distributed to you in electronic format and the hard copy version.

Restrictions: The offering circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Securities.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of us or the Joint Lead Managers to subscribe or purchase any of the Securities, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of us in such jurisdiction. Any Securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities.

You are reminded that you have accessed the offering circular on the basis that you are a person into whose possession the offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

Actions that you may not take: If you receive the offering circular by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offering. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional’s advice.

CSSC CAPITAL 2015 LIMITED
 (incorporated with limited liability under the laws of the British Virgin Islands)
U.S.\$500,000,000 2.10 per cent. Guaranteed Bonds due 2026

unconditionally and irrevocably guaranteed by

CSSC (HONG KONG) SHIPPING COMPANY LIMITED
中國船舶(香港)航運租賃有限公司
 (incorporated in Hong Kong with limited liability)
Issue Price: 99.670 per cent.

The 2.10 per cent. guaranteed bonds due 2026 will be issued in the aggregate principal amount of U.S.\$500,000,000 (the “Bonds”) by CSSC Capital 2015 Limited (the “Issuer”). The Bonds will be unconditionally and irrevocably guaranteed (the “Guarantee”) by CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃有限公司) (the “Guarantor” or the “Company”). The Issuer is a direct wholly-owned subsidiary of the Guarantor.

The Bonds will bear interest on their outstanding principal amount from and including 27 July 2021 at the rate of 2.10 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 27 January and 27 July each year, commencing on 27 January 2022. Unless previously redeemed or purchased and cancelled, the Bonds will mature at their principal amount on 27 July 2026.

The Bonds will constitute direct, unsubordinated, unconditional obligations (subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds, and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions of the Bonds at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee (as the case may be) shall be made free without set-off or counterclaim, and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 27 July 2026. The Bonds will be subject to redemption, in whole but not in part, at their principal amount, together with any interest accrued to but excluding the date fixed for redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands or Hong Kong. See Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions. Furthermore, at any time following the occurrence of a Change of Control (as defined in the Terms and Conditions), each holder of the Bonds will have the right, at such holder’s option, to require the Issuer to redeem all but not some only, of such holder’s Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. of their principal amount, together with any interest accrued to but excluding such Put Settlement Date. See Condition 6(c) (*Redemption for Change of Control*) of the Terms and Conditions.

The Guarantee of the Bonds will be contained in the trust deed for (the “Trust Deed”), which will be entered into between the Issuer, the Guarantor and Bank of Communications Trustee Limited as trustee of the Bondholders (in that capacity, the “Trustee”) on or around 27 July 2021 (the “Issue Date”). The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions at all times rank *pari passu* with all its other present and future unsecured and unsubordinated obligations.

Investing in the Bonds involves certain risks. See “Risk Factors” beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered only outside the United States in reliance on Regulation S under the Securities Act.

For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this offering circular, see “Subscription and Sale.”

The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Application will be made to The Stock Exchange of Hong Kong Limited (the “SEHK”) for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“Professional Investors”) only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this offering circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this offering circular to Professional Investors only have been reproduced in this offering circular. Listing of the Bonds on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group (as defined herein) or the quality of disclosure in this offering circular. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document includes particulars given in compliance with the Rules Governing the Listing of Bonds on the SEHK for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds are being issued as “Green Bonds” under our Green Bond Framework. See “Bonds Being Issued as Green Bonds” beginning on page 59.

The Bonds are expected to be rated “A-” by S&P Global Ratings with a stable outlook and “A” by Fitch Inc. with a stable outlook. Such ratings of the Bonds do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time. Such ratings should be evaluated independently of any other rating of the other securities of the Issuer or the Company.

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “NDRC Notice”) promulgated by the National Development and Reform Commission (the “NDRC”) of the PRC on 14 September 2015 which came into effect on the same day, we have registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 9 June 2021 evidencing such registration. Pursuant to the NDRC Notice, the Issuer will file or cause to be filed the requisite information and documents relating to the issue of the Bonds with the NDRC within the prescribed period after the Issue Date.

The Bonds will initially be represented by interests in a global certificate (the “Global Certificate”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 27 July 2021 with, a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as provided in the Global Certificate and described herein, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

**Bank of China
(Hong Kong)**

CCB International

CLSA

DBS Bank Ltd.

Joint Lead Managers and Joint Bookrunners

**ABC International
Crédit Agricole CIB**

**Bank of Communications
Haitong International**

**CMB International
Shanghai Pudong Development Bank
Hong Kong Branch**

**CNCB Capital
SPDB International**

The date of this offering circular is 21 July 2021

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IMPORTANT NOTICE

This offering circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

This offering circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee described in this offering circular. The distribution of this offering circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular comes are required by the Issuer, the Guarantor and Bank of China (Hong Kong) Limited, CCB International Capital Limited, CLSA Limited, DBS Bank Ltd., ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, CMB International Capital Limited, CNCB (Hong Kong) Capital Limited, Crédit Agricole Corporate and Investment Bank, Haitong International Securities Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch and SPDB International Capital Limited (together, the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the giving of the Guarantee or the possession or distribution of this offering circular or any offering or publicity material relating to the Bonds in any jurisdiction where such action is prohibited by law would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this offering circular, see “Subscription and Sale.” This offering circular does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this offering circular.

No person has been or is authorized in connection with the issue, offer or sale of the Bonds to give any information or to make any representation concerning the Issuer, the Guarantor, the Bonds or the Guarantee of the Bonds, other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (each as defined in the Terms and Conditions of the Bonds) or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives. Neither the delivery of this offering circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or the Group, or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This offering circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This offering circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. Investors must not use this offering circular for any other purpose, make copies of any part of this offering circular or give a copy of it to any other person, or disclose any information in this offering circular to any other person. The information contained in this offering circular has been provided by the Issuer and the Guarantor. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Bonds offered by this offering circular is prohibited. Each offeree of the Bonds, by accepting delivery of this offering circular, agrees to the foregoing.

This offering circular is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

The communication of this offering circular and any other document or materials relating to the issue of the securities described herein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (“**FSMA**”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, the securities described in this offering circular are only available to, and any investment or investment activity to which this offering circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering circular or any of its contents.

Prohibition of sales to EEA retail investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of sales to UK retail investors – The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “**FSMA**”) and any rules or regulations made under the FSMA to implement Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives as to the accuracy, completeness or sufficiency of the information contained in this offering circular or any other information supplied in connection with the Bonds or the Guarantee of the Bonds and nothing contained in this offering circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, advisers and representatives have not independently verified any of the information contained in this offering circular and can give no assurance that this information is accurate, truthful or complete. Each person receiving this offering circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives in connection with its investigation of the accuracy of such information or its investment

decision, and each such person must rely on its own examination of the Issuer and the Guarantor and the merits and risks involved in investing in the Bonds. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives accepts any responsibility for the contents of this offering circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, advisers and representatives accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives undertakes to review the financial condition or affairs of the Issuer or the Guarantor for so long as the Bonds remain outstanding or to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives.

This offering circular should not be considered as a recommendation by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives that any recipient of this offering circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this offering circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group (as defined herein).

Investors are advised to read and understand the contents of this offering circular before investing. If in doubt, investors should consult his or her adviser.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING COORDINATOR (THE “**STABILISING COORDINATOR**”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING COORDINATOR) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT ANY STABILISING COORDINATOR (OR PERSONS ACTING ON BEHALF OF ANY STABILISING COORDINATOR) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

Listing of the Bonds on the SEHK is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering of the Bonds, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, advisers and representatives

are not making any representation to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this offering circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this offering circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers and representatives in connection with its investigation of the accuracy of such information or its investment decision.

The Issuer and the Guarantor, having made all reasonable inquiries, confirm that: (i) this offering circular contains all information with respect to the Issuer, the Guarantor, their subsidiaries and affiliates referred to in this offering circular and the Bonds and the Guarantee that is material in the context of the issue, offering, sale and distribution of the Bonds (including all information which is required by applicable laws and which, according to the particular nature of the Issuer, the Guarantor, the Bonds and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor and the Group and the rights attaching to the Bonds); (ii) the statements contained in this offering circular relating to the Issuer, the Guarantor and their subsidiaries and affiliates referred herein are true and accurate, do not include an untrue statement of material fact and do not omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, misleading; (iii) the opinions and intentions expressed in this offering circular with regard to the Issuer, the Guarantor and their subsidiaries and affiliates are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other material facts in relation to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds, make this offering circular misleading; and (v) the Issuer and the Guarantor have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. They accept responsibility accordingly.

The contents of this offering circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this offering circular, investors should obtain independent professional advice.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we”, “us”, “our”, the “**Company**”, the “**Guarantor**”, the “**Group**”, “**CSSC**” and words of similar import, we are referring to CSSC (Hong Kong) Shipping Company Limited itself, or to CSSC (Hong Kong) Shipping Company Limited and its consolidated subsidiaries, as the context requires. In this offering circular, references to the “**board**” or “**board of directors**” refer to the board of directors of the Company. When we use the term the “**Issuer**”, we are referring to CSSC Capital 2015 Limited, a company with limited liability incorporated in the British Virgin Islands (the “**BVI**”).

Market data and certain information and statistics in this offering circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe such information to be reliable, it has not been independently verified by us, the Joint Lead Managers, the Trustee or the Agents or our or their respective affiliates, directors, officers, employees, agents, advisers or representatives, and neither we, the Joint Lead Managers, the Trustee or the Agents nor our or their respective affiliates, directors, officers, employees, agents, advisers or representatives make any representation as to the accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds and the Guarantee, including the merits and risks involved. Where information has been sourced from a third party, the Issuer and the Company confirm that this information has been accurately reproduced and that as far as the Issuer and the Company are aware and are able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

We record and publish our financial information in Hong Kong dollars. Unless otherwise stated in this offering circular, all translations from Hong Kong dollars into U.S. dollars were made at the rate of HK\$7.7534 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York on 31 December 2020. All such translations in this offering circular are provided solely for your convenience and no representation is made that the Hong Kong dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars, or *vice versa*, at any particular rate or at all. For further information relating to the exchange rate, see “Exchange Rate Information”.

In this offering circular, all references to “**USD**”, “**US\$**”, “**U.S.\$**”, “**US dollars**” and “**U.S. dollars**” are to United States dollars, the official currency of the United States of America (the “**United States**” or the “**U.S.**”); all references to “**HK\$**”, “**Hong Kong dollars**” and “**H.K. dollars**” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**” or “**HK**”); and all references to “**RMB**” or “**Renminbi**” are to Renminbi, the official currency of the People’s Republic of China (“**China**” or the “**PRC**”).

References to the “**PRC**” and “**China**,” for the purposes of this offering circular, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China (“**Macau**”) or Taiwan; all references to “**PRC government**” or “**State**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

“**2025 Bonds**” means our 2.50 per cent. guaranteed bonds due 2025 issued on 13 February 2020 in the aggregate amount of U.S.\$400,000,000.

“**2030 Bonds**” means our 3.00 per cent. guaranteed bonds due 2030 issued on 13 February 2020 in the aggregate amount of U.S.\$400,000,000.

“**CSSC Group**” means China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司).

“**Director(s)**” means the director(s) of the Company.

“**Greater China**” means the PRC, Hong Kong, Macau and Taiwan, for the purpose of this offering circular.

“**Ministry of Finance**” means the Ministry of Finance of the PRC (中華人民共和國財政部).

“**PBOC**” means the People’s Bank of China (中國人民銀行), the central bank of the PRC.

“**SAFE**” means State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government agency responsible for matters relating to foreign exchange administration.

“**SASAC**” means State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), “**SAT**” means State Administration of Taxation of the PRC (國家稅務總局).

“**State Council**” means State Council of the PRC (中華人民共和國國務院).

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Financial Data

Unless the context otherwise requires, references to “2019” and “2020” in this offering circular are to our financial years ended 31 December 2019 and 2020, respectively. Our consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows data as of and for the years ended 31 December 2019 and 2020 have been extracted from the consolidated financial statements as of and for the year ended 31 December 2019 and 2020 audited by the Company’s predecessor auditor and Grant Thornton Hong Kong Limited, respectively, and are included elsewhere in this offering circular. For the avoidance of doubts, the Issuer was established on 21 January 2015 as a special purpose vehicle and has not issued any financial statements.

In this offering circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

This offering circular includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering circular, including, without limitation, those regarding our future financial position and results of operations, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “anticipate,” “seek,” “should,” “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- the industries in which we operate;
- industry risks;
- our financial condition;
- the achievement of our expansion plans;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- availability and costs of bank loans and other forms of financing;
- the regulatory environment in general;
- capital market developments; and
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC government affecting the markets where we operate.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this offering circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this offering circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering circular might not occur.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms and definitions used in this offering circular. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.

CAGR	compound annual growth rate
DWT	deadweight tonnage, which is a measure of a vessel's weight carrying capacity
FLNG	floating liquefied natural gas, which refers to water-based liquefied natural gas operations constructed on a ship or a barge to enable the development of offshore natural gas resources
FSRU	floating storage re-gasification unit, which is a ship-to-shore terminal and interface for gas output that is equipped with a re-gasification plant on board and may either be purpose-built or a rebuild of a conventional LNG carrier that is fitted with a re-gasification plant
GDP	gross domestic product
LIBOR	London Inter-bank Offered Rate
LNG	liquefied natural gas, which is a type of natural gas converted into liquid form through application of pressure and cooling for ease and efficiency of transportation
LPG	liquefied petroleum gas, which is a type of inflammable gas produced during natural gas processing an oil refining, which may be stored as liquid under pressure
Shale gas	a form of natural gas formed underground in shale rocks
ship(s) or vessel(s)	ship(s) and/or offshore equipment
SPV	Special Purpose Vehicle
TEU	twenty-foot equivalent unit, which is a standard of measurement used in container transport for describing the capacity of container vessels

OVERVIEW OF THE ISSUE

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire offering circular, including the section entitled “Risk Factors” and our consolidated financial information and related notes thereto, before making an investment decision.

OVERVIEW

Established in 2012, we are the first shipyard-affiliated leasing company in Greater China and one of the world’s leading ship leasing companies. As a leading market player in the global ship leasing industry, we offer customised ship leasing solutions that suit our customers’ different needs. In terms of the amount of leased vessels and lease contracts in 2020, we were ranked sixth in the Chinese ship leasing industry with a market share of 7.36% and were ranked fifth in terms of the total assets.

Our core business is the provision of leasing services which include finance lease and operating lease. Leveraging our strong expertise in the marine industry, our leasing services primarily focus on ship leasing. In addition, we provide shipbroking and loan services to our customers. We have a diversified, modern and young vessel fleet. As of 31 December 2020, we owned a total of 136 vessels (including joint ventures and associates), including 90 vessels chartered for operation and 46 vessels under construction. The average age of our vessels is approximately 3.5 years. As of 31 December 2020, in terms of contract amount, bulk carriers, container vessels, tankers, marine clean energy equipment and special tonnage carriers accounted for 19%, 11%, 14%, 34%, and 22% of our vessel portfolio (including joint ventures and associates), respectively. Leveraging our unique insights into the marine industry, we carefully allocate, adjust and optimise the proportion of various types of vessels based on industry conditions and our customers’ needs.

We have a comprehensive and effective risk management system that covers various types of risks involved in our business operations. We have implemented risk management procedures at every major stage of our business operations. We set specific requirements for each type of shipping project financing business and evaluate the quality of primary project repayment source to eliminate potential risks in our business operations. We have also established an emergent response mechanism and periodically conduct default analysis, financial analysis and due diligence for ongoing projects to monitor risk indicators and keep the operational management process dynamic. In addition, the adopting of ECL Impairment Measures under the IFRS9 allows us to further effectively evaluate the quality of our assets portfolio.

Over the years, we have been benefitting from our close relationship with CSSC Group. We believe that such shareholder background has distinguished us from our competitors and enhanced our competitiveness in the global ship leasing industry.

In 2019 and 2020, our total revenue amounted to HK\$2,294.4 million and HK\$1,861.6 million (U.S.\$240.1 million), respectively. For the same periods, our profit was HK\$892.4 million and HK\$1,113.8 million (U.S.\$143.7 million), respectively.

OUR STRENGTHS

We believe that our historical success and future prospects are directly related to a combination of our strengths, including the following:

- We are one of the world's leading ship leasing companies and enjoy wide recognition;
- As a shipyard-affiliated leasing company, we have a unique competitive edge;
- We have strong expertise and extensive experience in the marine industry, which allow us to capture business opportunities in the marine industry;
- Our comprehensive risk management system has allowed us to achieve stability in asset quality;
- Our continuous optimisation of asset portfolio has allowed us to diversify our risk exposure and enjoy performance stability;
- We have an experienced, committed and professional management team; and
- We benefit from various industry development opportunities as well as regional and national policies.

OUR STRATEGIES

To solidify our position as a leading company in vessel and marine equipment leasing, we plan to implement the following strategies:

- To continue to focus on ship leasing and develop professional and high-value businesses;
- To cope with changes in the global energy landscape and comprehensively deploy the new energy industry chain;
- To expand our financing channels and stabilise our finance costs; and
- To continue to develop our non-ship leasing business.

RECENT DEVELOPMENTS

The Restructuring of Our Controlling Shareholder

On 1 July 2021, we were informed by the CSSC group, that as part of an intra-group restructuring, China State Shipbuilding Corporation Limited (中國船舶集團有限公司) (“China Shipbuilding Group”) proposes to acquire the entire equity interest in CSSC Group (the “Proposed Restructuring”). Upon completion of the Proposed Restructuring, China Shipbuilding Group will be indirectly interested in approximately 75% of our total issued share capital. China Shipbuilding Group had applied for, and the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong has granted, a waiver pursuant to Note 6(a) to Rule 26.1 of the Codes on Takeovers and Mergers and Share Buy-backs from strict compliance with the obligation to make a general offer for all the shares of the Company that would otherwise be triggered by the Proposed Restructuring by China Shipbuilding Group. As at the date of this Offering Circular, there is no concrete timetable for the completion the Proposed Restructuring.

The Sale and Leaseback of Vessels

Subsequent to 31 December 2020, certain of our wholly-owned subsidiaries have entered into memorandum of agreements and bareboat charters in connection with the sale and lease back of vessels with respective charterers.

- On 28 January 2021, Fortune Chem1 Shipping Limited (“Fortune Chem 1”), Fortune Chem2 Shipping Limited (“Fortune Chem 2”), Fortune Chem3 Shipping Limited (“Fortune Chem 3”), Fortune Chem4 Shipping Limited (“Fortune Chem 4”) and Fortune Chem5 Shipping Limited (“Fortune Chem 5”), our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with Navig8 15, Navig8 17, Navig8 18, Navig8 28 and Navig8 29 (the “Navig Charterers”), companies directly and wholly owned by Navig8 A-ships and ultimately owned by Navig 8 Chemical Tankers Inc. pursuant to which Fortune Chem 1, Fortune Chem 2, Fortune Chem 3, Fortune Chem 4 and Fortune Chem 5 have agreed to (i) purchase the vessels from the Navig Charterers; and (ii) lease back the vessels to the Navig Charterers at a total estimated charterhire to be payable by the Navig Charterers of approximately US\$145,663,000 (including the estimated lease interest of approximately US\$33,148,000).
- On 29 January 2021, Fortune Xintian Shipping Pte. Ltd. (“Fortune Xintian”) and Fortune Xinhang Shipping Pte. Ltd (“Fortune Xinhang”), our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with Orient Glory and Orient Wealthy (the “Orient Charterers”), pursuant to which Fortune Xintian and Fortune Xinhang have agreed to (i) purchase the vessels from the Orient Charterers; and (ii) lease back the vessels to the Orient Charterers at a total estimated charterhire to be payable by the Orient Charterers of approximately US\$65,700,000 (including estimated lease interest of approximately US\$13,848,000).
- On 27 April 2021, Fortune Kun Shipping Limited (“Fortune Kun”) and Fortune Zhen Shipping Limited (“Fortune Zhen”), our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with STI Grace and STI Jermyn (the “STI Charterers”), pursuant to which Fortune Kun and Fortune Zhen have agreed to (i) purchase the vessels from the STI Charterers; and (ii) lease back the vessels to the STI Charterers at a total estimated charterhire to be payable by the STI Charterers of approximately US\$68,431,000 (including estimated lease interest of approximately US\$10,170,000).
- On 20 May 2021, Fortune Haumea Holding Company Limited (“Fortune Haumea”) and Fortune Poseidon Holding Company Limited (“Fortune Poseidon”), our wholly-owned SPVs, have entered into a memorandum of agreement with Red Box Energy Logistics in relation to certain disposal of vessels by Fortune Haumea and Fortune Poseidon. On the same date, Fortune MC Hercules Shipping Limited (“Fortune MC Hercules”) and Fortune MC Titan Shipping Limited (“Fortune MC Titan”) our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with Red Box Energy Logistics (the “Red Charterer”) pursuant to which Fortune MC Hercules and Fortune MC Titan have agreed to (a) purchase the Vessels from the Red Charterer; and (b) lease back the vessels to the Red Charterer at a total estimated charterhire to be payable by the Red Charterer of approximately US\$150,332,000 (including estimated lease interest of approximately US\$19,991,000).

Grant of Share Options

On 30 April 2021, we granted share options under the share option scheme adopted on 30 April 2021 to certain directors and employees which, subject to the acceptance of the those Directors and employees, entitle them to subscribe for up to an aggregate of 143,540,000 new shares of HK\$1.32 each in the share capital of the Company.

The Coronavirus Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The COVID-19 pandemic has adversely affected the livelihood of many people in and the economy of the PRC. The pandemic has had negative impacts on the global economy and various sectors in China. Operation of the global industrial chain, supply chain and value chain were once disrupted, leading to the first negative growth after the financial crisis in the world’s seaborne trade in 2020.

As a result of the pandemic, the market breadth of bulk carrier market, crude oil vessel market and refined oil tanker market fluctuated in 2020. Given the uncertainties as to the development of the

outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See “Risk Factors – Risks Relating to the Industry – Our results of operations may be affected by social and political instability as well as the occurrence of epidemics and natural disasters.”

THE ISSUER

The Issuer is a company incorporated in the British Virgin Islands with limited liability on 21 January 2015. Its registered office is located at PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is a direct wholly-owned subsidiary of the Company.

THE COMPANY

We were incorporated in Hong Kong with limited liability on 25 June 2012. Our shares have been listed on the SEHK since 17 June 2019. The registered office and principle place of business of the Company is located at Room 1801, 18th Floor, Worldwide House, No. 19 Des Voeux Road Central, Central, Hong Kong. Our website is www.csscshipping.net. Information contained on our website does not constitute part of this offering circular.

SUMMARY OF THE OFFERING

The following is a brief summary of the offering and is qualified in its entirety by the remainder of this offering circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Summary of Provisions Relating to the Bonds in Global Form” shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see “Terms and Conditions of the Bonds” in this offering circular.

Issuer	CSSC Capital 2015 Limited.
Guarantor	CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)船運租賃有限公司).
Bonds	U.S.\$500,000,000 2.10 per cent. Guaranteed Bonds due 2026.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Trust Deed for the Bonds.
Issue Price	99.670 per cent. of the principal amount of the Bonds.
Form and Denomination	The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 27 July 2021 at the rate of 2.10 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$10.50 per Calculation Amount (as defined in the Terms and Conditions) on 27 January and 27 July in each year, commencing on 27 January 2022.
Issue Date	27 July 2021
Maturity Date	27 July 2026
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional obligations, and (subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.

Status of the Guarantee	The obligations of the Guarantor under the Guarantee will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions) unsecured obligations of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions, at all times rank at least equally with all Guarantor’s other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) (<i>Negative Pledge</i>) of the Terms and Conditions of the Bonds.
Use of Proceeds	The net proceeds from the issue of the Bonds will be used to develop the Group’s leasing business, including to finance or refinance expenditure on eligible green and blue projects to generate positive environmental benefits, refinance the Group’s existing indebtedness and for general corporate purposes. See “Use of Proceeds”.
Green Bonds	The Bonds are being issued as “Green Bonds” under our Green Bond Framework. See “Bonds Being Issued as Green Bonds.”
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee (as the case may be) shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law.

If the Issuer or the Guarantor is required to make any set-off or counterclaim, or any deduction or withholding by or within the British Virgin Islands or Hong Kong, then the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of the Bonds of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or under the Guarantee, as the case may be) in certain limited circumstances as more particularly set out in the Terms and Conditions. See Condition 8 (*Taxation*) of the Terms and Conditions.

**Redemption for
Taxation Reasons.....**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the Bondholders of the Bonds in accordance with Condition 16 (*Notices*) of the Terms and Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to but excluding the date fixed for redemption), if the Issuer or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that:

- (i) the Issuer (or, if the Guarantee were called upon, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 July 2021; and
- (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. See Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.

**Redemption for
Change of Control.....**

At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with any interest accrued to but excluding such Put Settlement Date. See Condition 6(c) (*Redemption for Change of Control*) of the Terms and Conditions.

Make Whole Redemption.....

The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days' notice to the Bondholders of the Bonds in accordance with Condition 16 (*Notices*) of the Terms and Conditions and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable (subject to the proviso contained in Condition 6(d) (*Make Whole Redemption*) of the Terms and Conditions), at a redemption price equal to their Make Whole Redemption Price. See Condition 6(d) (*Make Whole Redemption*) of the Terms and Conditions.

Clean-up Call	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 45 days' notice to the Bondholders of (which notice shall be irrevocable), at their principal amount, together with any interest accrued to but excluding the date fixed for redemption, if immediately before giving such notice, at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 15 (<i>Further Issues</i>) of the Terms and Conditions) has already been previously redeemed, or repurchased and cancelled.
Events of Default	Upon the occurrence of certain events as described in Condition 9 (<i>Events of Default</i>) of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.
Cross-default	The Bonds will contain a cross-default provision as further described in Condition 9(c) (<i>Cross-Default</i>) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.
Governing Law and Jurisdiction ..	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	Bank of Communications Trustee Limited.
Principal Paying Agent	Bank of Communications Co., Ltd. Hong Kong Branch.
Registrar and Transfer Agent	Bank of Communications Co., Ltd. Hong Kong Branch.
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only as described in this offering circular. The SEHK takes no responsibility for the correctness of any statements made on opinions or reports contained in this offering circular. Admission of the Bonds to the official list of the SEHK is not to be taken as an indication of the merits of the Bonds or us.

Further Issues The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for complying with the requirements set out in the Terms and Conditions in relation to the NDRC Post-Issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 (*Further Issues*) of the Terms and Conditions.

Security Codes	<u>ISIN</u>	<u>Common Code</u>
	XS2358216211	235821621
LEI	549300K934XNVEY4JJ41	

SUMMARY FINANCIAL INFORMATION

The summary consolidated financial information as of and for the years ended 31 December 2019 and 2020 set forth in the tables below (except for the U.S.\$ data) has been derived from our consolidated financial statements for the years ended 31 December 2019 and 2020. Our audited consolidated financial statements as of and for the year ended 31 December 2020 (except for the U.S. \$ data) have been audited by Grant Thornton Hong Kong Limited and our audited consolidated financial statements as of and for the year ended 31 December 2019 have been audited by the Company's predecessor auditor. The financial information included in the offering circular has been prepared in accordance with HKFRSs, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this offering circular. Historical results are not necessarily indicative of results that may be achieved in any future period.

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December		
	2019	2020	
	HK\$'000	HK\$'000	U.S.\$'000
			(Unaudited)
Revenue	2,294,397	1,861,565	240,097
Other income.....	104,381	113,118	14,589
Other (losses)/gains, net.....	(139,252)	114,849	14,813
Expenses			
Finance costs and bank charges	(839,733)	(578,536)	(74,617)
(Provision for)/reversal of impairment of loan receivables, net.....	(86,881)	23,657	3,051
Depreciation.....	(238,300)	(272,869)	(35,193)
Vessel operating costs	(111,296)	(112,601)	(14,523)
Employee benefits expenses	(62,818)	(48,959)	(6,315)
Other operating expenses	(72,850)	(74,440)	(9,601)
Total expenses	(1,411,878)	(1,063,748)	(137,198)
Profit from operations.....	847,648	1,025,784	132,301
Share of results of joint ventures	53,547	112,699	14,535
Share of results of associates.....	3,021	(10,315)	(1,330)
Profit before income tax	904,216	1,128,168	145,506
Income tax expenses	(11,837)	(14,362)	(1,852)
Profit for the year	892,379	1,113,806	143,654
Profit attributable to			
Equity holders of the Company	883,089	1,108,518	142,972
Non-controlling interest	9,290	5,288	682
	892,379	1,113,806	143,654

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2019	2020	
	HK\$'000	HK\$'000	U.S.\$'000
			(Unaudited)
Profit for the year	892,379	1,113,806	143,654
Other comprehensive (expenses)/income including reclassification adjustments for the year			
Items that will be reclassified subsequently to profit or loss:			
– Exchange differences on translation of investments in subsidiaries, associates and joint ventures	(37,369)	7,379	952
– Fair value change of financial assets at fair value through other comprehensive income (debt instruments)	17,528	3,488	450
– Release upon settlement of debt instruments at fair value through other comprehensive income	(3,384)	–	–
– Fair value change of derivative financial instruments (cash flow hedges)	(67,055)	(111,027)	(14,320)
– Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	–	8,214	1,059
Items that will not be reclassified subsequently to profit or loss:			
– Fair value change of financial assets at fair value through other comprehensive income (equity instruments)	53,584	10,718	1,382
Total other comprehensive expense for the year	(36,696)	(81,228)	(10,477)
Total comprehensive income for the year	855,683	1,032,578	133,177
Total comprehensive income for the year attributable to:			
Equity holders of the Company	846,398	1,027,469	132,519
Non-controlling interests	9,285	5,109	658
Total comprehensive income for the year	855,683	1,032,578	133,177

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December		
	2019	2020	
	HK\$'000	HK\$'000	U.S.\$'000
			(Unaudited)
Property, plant and equipment	8,915,910	10,035,106	1,294,285
Right-of-use assets.....	23,685	32,964	4,252
Interests in joint ventures.....	211,304	483,480	62,357
Interests in associates	35,618	49,784	6,421
Loan receivables.....	15,044,802	15,061,334	1,942,546
Derivative financial assets.....	3,881	10,306	1,329
Prepayments, deposits and other receivables.....	164,695	394,569	50,890
Financial assets at fair value through profit or loss.....	39,460	904,671	116,680
Financial assets at fair value through other comprehensive income.....	777,224	726,258	93,670
Amounts due from associates	23,968	25,320	3,265
Amounts due from fellow subsidiaries	220	3,024	390
Amounts due from joint ventures.....	4,776	26,871	3,466
Structured bank deposits	335,653	467,443	60,289
Time deposits with maturity over three months.....	171,395	129,244	16,669
Cash and cash equivalents.....	1,895,182	2,180,280	281,203
Asset held for sales	48,639	–	–
Total assets	27,696,412	30,530,654	3,937,712
Income tax payables	22,138	32,386	4,177
Borrowings	18,397,969	20,515,990	2,646,064
Derivative financial liabilities.....	105,966	263,958	34,044
Amounts due to fellow subsidiaries	20,179	17,490	2,256
Amount due to a joint venture.....	96,118	71,732	9,252
Amount due to a non-controlling interest	87,922	87,497	11,285
Other payables and accruals	493,222	517,017	66,682
Lease liabilities	23,654	33,647	4,340
Total liabilities	19,247,168	21,539,717	2,778,100
Net assets	8,449,244	8,990,937	1,159,612
Share capital	6,614,466	6,614,466	853,105
Reserves	1,796,292	2,332,876	300,884
Non-controlling interests	38,486	43,595	5,623
Total equity.....	8,449,244	8,990,937	1,159,612

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this offering circular before investing in the Bonds. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds and the Guarantee, and you could lose all or part of your investment.

Risks Relating to our Business

Any significant deterioration in the quality of our loan receivables may materially and adversely affect our results of operations.

We are principally engaged in the provision of leasing and loan services, and our business growth is largely dependent on our ability to effectively manage and maintain the quality of our loan receivables. As of 31 December 2020, we made provision for impairment loss on loan receivables of HK\$503.6 million (U.S.\$65.0 million), which comprised 12-month expected credit loss of HK\$40.2 million (U.S.\$5.2 million) for assets under stage 1 and lifetime expected credit loss of HK\$192.1 million (U.S.\$24.8 million) and HK\$271.5 million (U.S.\$35.0 million) for assets under stage 2 and stage 3, respectively.

The quality of our loan receivables may deteriorate due to a number of reasons, such as global or regional economic slowdown, downturn, recession or instability, the occurrence of global financial or credit crisis and other factors beyond our control. Furthermore, any adverse changes in our customers' operations, financial condition, liquidity and cash flow may affect their ability to fulfil their payment obligations to us, thus resulting in an increase in our non-performing assets. These adverse changes may be due to factors such as unfavourable developments in the industries and markets in which our customers operate or are engaged, fluctuations in interest rates, foreign exchange rates and finance costs as well as an increase in operating costs. Any significant deterioration in the quality of our loan receivables may materially and adversely affect our business, results of operations, financial condition and prospects.

The value of our leased assets, and the other collateral or guarantees, may not be sufficient to compensate our loss.

As part of our risk management, we obtain ownership of the leased assets as security and/or require our customers to provide other collateral and guarantees (such as ship mortgage). In the event of a material breach by our customers, we are entitled to recover and dispose of the leased assets and/or enforce our security rights.

There is no assurance that the value of our leased assets, or the other collateral or guarantees, will be sufficient to compensate the loss that we may suffer OT incur as a result of our customers' default. The value of our leased assets or the other collateral or guarantees may significantly decline due to factors such as damage, wear and tear, age, excess market supply and reduced market demand. Any material deterioration in the business performance, financial condition and/or creditworthiness of our customers may also reduce the amount that we could recover. We cannot assure you that we will be able to obtain additional security from our customers in the event that the value of the leased assets, or the other collateral OT guarantees, is insufficient to compensate our loss. Any decline in the value of our leased assets, or the other collateral or guarantees, or any failure to obtain additional security from our customers, may cause us to make additional allowance for or write off our non-performing assets, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects.

Furthermore, given that we have no prior experience in enforcing our security rights against the collateral or guarantees, there is no assurance that we will be able to successfully enforce our security rights, or liquidate or otherwise realise the value of our leased assets upon our customers' default, in particular in circumstances where our security interests are subordinated to the rights of other third parties. The procedures for liquidating or otherwise realising the value of the collateral or guarantees may also be protracted. Any failure in realising the value of our leased assets, or the other collateral or guarantees, in a timely manner or at all may have a material adverse impact on our business, results of operations, financial condition and prospects.

Fluctuations in interest rates may have an adverse impact on our business.

Our finance lease income is generally priced on a floating rate basis and with reference to LIBOR. Our finance lease income decreased from HK\$658.8 million in 2019 to HK\$432.3 million (U.S.\$55.7 million) in 2020. Our interest income from loan borrowings is also subject to fluctuations in interest rates. In addition, our interest income from loan borrowings decreased from HK\$681.1 million in 2019 to HK\$355.7 million (U.S.\$45.9 million) in 2020. Such decrease was primarily due to the significant decrease in LIBOR as part of our finance lease income and interest income from loan borrowings are priced and charged on a floating rate basis with reference to LIBOR. Fluctuations in interest rates are subject to a number of factors beyond our control, such as economic environment and monetary policies. Any decrease in interest rates may reduce the amount of finance lease income and interest income from loan borrowings that we receive from our customers.

In addition, any changes in interest rates may have an impact on our borrowing and debt financing costs. In 2019 and 2020, our finance costs and bank charges amounted to HK\$839.7 million and HK\$578.5 million (U.S.\$74.6 million), respectively. If interest rates follow a rising trend in the future, our finance costs will increase accordingly.

While our finance lease income and interest income from loan borrowings as well as our borrowing and debt financing costs may be positively affected by the fluctuations in interest rates, any volatility in interest rates may have an adverse impact on our business, results of operations, financial condition and prospects.

The regulation and reform of “benchmark” rates of interest and indices may adversely affect the value of bonds linked to or referencing such “benchmarks”.

Interest rates and indices which are deemed to be or used as “benchmarks”, such as the LIBOR, are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any bonds linked to or referencing such a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any bonds linked to or referencing a benchmark.

Any payment default on the part of our customers may have an adverse impact on our results of operations.

Credit risk is one of our major risks. We cannot assure you that all our customers will be creditworthy or that they will fulfil their payment obligations. Any adverse changes in our customers' operations, financial condition, liquidity and cash flow due to factors such as unfavourable industry or market developments as well as fluctuations in interest rates, foreign exchange rates and finance costs may affect their ability to fulfil their payment obligations to us in a timely manner. During the year ended 31 December 2019 and 2020, our (provision for)/reversal of impairment loss on loan receivables was HK\$(86.9) million and HK\$23.7 million (U.S.\$3.1 million). If our customers fail to make payment to us on time or if they default in their payments, our liquidity, cash flow, business, results of operations, financial condition and prospects may be adversely affected.

Furthermore, our credit risk assessment may be limited by the comprehensiveness, quality and reliability of the credit information available at the material time. If we fail to accurately identify all credit risks associated with our customers, our business, results of operations, financial condition and prospects may be adversely affected.

Our five largest customers accounted for more than 60% of our total revenue in 2019 and 2020.

Our customers generally include ship operators, shipbuilders and trading companies. In 2019 and 2020, our five largest customers accounted for 63.1% and 60.0% of our total revenue, respectively. See “Business – Our Customers” in this offering circular for further details.

Any deterioration in the operating conditions or financial performance of our major customers may result in a delay and/or default in their payments to us. If any of our major customers fails to make timely payment to us or if they default in their payment obligations to us, our liquidity, cash flow, business, results of operations, financial condition and prospects may be adversely affected.

The value, lease rates and utilisation rates of our leased assets may significantly decline.

Our leased assets primarily include vessels. In addition to the factors relating to or affecting the entire marine industry, the value, lease rates and utilisation rates of our leased assets may decline due to a variety of factors, including but not limited to (i) the history and documented records of maintenance and operation; (ii) the age of the leased assets; (iii) the introduction or availability of more advanced marine technology; (iv) the regulatory regime in relation to the sale, purchase and/or re-leasing of leased assets; and (v) the market value of comparable assets. Any significant decline in the market value of our leased assets will impact their lease rates and utilisation rates, reduce the proceeds that we may receive from their sale as well as increase pressure on our attempts to sell or lease them.

Our lessees may not properly maintain or sufficiently insure our leased assets.

Under our leasing arrangements, our lessees are generally responsible for the maintenance and insurance of the leased assets during the lease term. There is no assurance that our lessees will, upon expiry of the lease term, return to us the leased assets in satisfactory condition. If our lessees fail to perform their maintenance obligations under the lease agreements or otherwise properly maintain the leased assets, we may have to incur substantial costs to restore these assets to an acceptable condition. The market value of such assets may also decrease due to their unsatisfactory condition, and we may not be able to re-lease or sell them on favourable terms. Any of the aforesaid circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

Furthermore, although our lessees are generally required under the lease agreements to obtain specified levels of insurance for and insure against losses resulting from the operation of the leased assets, there is no assurance that they will maintain adequate insurance coverage throughout the lease term or that they will pay the insurance premium in a timely manner. Inadequate insurance coverage or the failure to make timely premium payment will reduce the insurance proceeds that we may receive when we suffer a loss as a result of any damage to or our lessees’ operation of the leased assets.

Our assets have finite economic useful lives and their value will depreciate over time.

Our assets primarily include vessels. Vessels are long-life assets and are subject to the risk of becoming obsolete, particularly if unanticipated events occur and shorten their economic useful lives. These events include but are not limited to (i) introduction of newer or more advanced models; (ii) changes in market demand or preferences; and (iii) changes in the regulatory framework or industry standards over marine safety and technical standards. If our existing vessels and those on order become obsolete, their selling price or lease rates may significantly decline, and our depreciation expenses or impairment charges may increase.

The value of our vessels depreciates and their demand decreases as they age. They also typically generate lower revenue and cash flow. If we are unable to replace our older vessels with newer models in a timely manner, our asset portfolio may become relatively less attractive and our competitiveness may weaken. Furthermore, if we sell any of our assets at a price lower than its depreciated book value, we may recognise a loss on such sale, which may materially and adversely affect our results of operations for the period in which such loss is recognised. Any of the aforesaid circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

We are exposed to foreign exchange risks.

During the course of our business, we are mainly exposed to foreign currency risks as a result of fluctuations in the exchange rate of Euro dollar, Swiss Franc, Singapore dollar and RMB. In 2020, our net foreign exchange gain amounted to HK\$42.6 million, (U.S.\$5.5 million). In the event of a significant change in the exchange rate of Euro dollar, Singapore dollar and RMB, we may record substantial foreign exchange loss, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Our derivative financial instruments may materially and adversely affect our financial condition.

In 2019 and 2020, we purchased a number of derivative financial instruments to manage the fluctuations in exchange rates and interest rates. During the same period, we had net loss recorded in the other comprehensive income due to changes in the fair value of derivative financial instruments which qualified for hedging purposes of HK\$67.1 million and HK\$111.0 million (U.S.\$14.3 million), respectively.

Derivative financial instruments are initially recognised at fair value on the date on which they are entered into, and are subsequently re-measured at fair value. Any gain or loss arising from changes in the fair value of our derivative financial instruments that do not qualified for hedging purpose is directly recognised in our consolidated income statements. While we purchase derivative financial instruments for risk management and not speculative purposes, we will incur gain or loss as a result of changes in the fair value of derivative financial instruments. Such treatment of gain or loss may therefore cause volatility in our period-to-period earnings, and may have a material adverse impact on our business, results of operations, financial condition and prospects. Furthermore, our financial performance may be affected by the fair value of financial assets at fair value through profit or loss as well as valuation uncertainty due to the use of unobservable inputs.

Our business operations require substantial capital resources and we may not be able to obtain adequate financing for our business in the future.

Since we are principally engaged in the provision of leasing and loan services, which are capital intensive in nature, we require substantial working capital for our daily operations. In 2019 and 2020, we mainly utilised cash generated from our borrowings to maintain our cash flow and finance our capital expenditure. As of 31 December 2019 and 2020, our total bank borrowings amounted to HK\$18,398.0 million and HK\$14,279.5 million (U.S.\$1,841.7 million), respectively.

In order to cope with our business growth, we expect that we will incur additional indebtedness in the future. Our ability to raise additional capital will depend on, among others, our business performance, market conditions and overall economic climate, and may be restricted by the restrictive covenants to which we may be subject under certain financial instruments. There is no assurance that we will be able to obtain bank borrowings and other external financing or resources on commercially acceptable terms or in a timely manner in the future. If we are unable to obtain the necessary financing or if we fail to obtain such financing on favourable terms due to factors beyond our control, we may be forced to curtail our expansion plans, and our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our indebtedness may have a negative impact on our liquidity.

As of 31 December 2019 and 2020, our total bank borrowings amounted to HK\$18,398.0 million and HK\$14,279.5 million (U.S.\$1,841.7 million), respectively. As of 31 December 2020, our guaranteed bonds amounted to HK\$6,236.5 million (US\$804.4 million).

Our level of indebtedness may (i) require us to allocate a higher portion of our cash flow from operations for the repayment of bank borrowings (including interest thereon), which may reduce the availability of our cash flow from operations to fund our working capital and capital expenditure and for other general corporate purposes; (ii) increase our vulnerability to adverse economic, industry and market conditions; (iii) limit our ability to pursue additional debt financing; (iv) reduce our flexibility in planning for or responding to changes in our business or the industry in which we operate; and (v) potentially restrict us from pursuing business opportunities. Furthermore, some of our creditors are entitled to, under certain financing agreements, require us to repay our debts early if any of the prepayment events occurs or arises. If we are required to repay our debts early, our liquidity, cash flow, business, results of operations, financial condition and prospects may be materially and adversely affected.

Our provision for impairment loss on loan receivables may not be adequate to cover our credit loss.

We make reversal of and provision for impairment loss on loan receivables in accordance with HKFRSs. For the year ended 31 December 2019 and 2020, we had provision for impairment loss on loan receivables of HK\$86.9 million and reversal of impairment loss on loan receivables of HK\$23.7 million (U.S.\$3.1 million), respectively.

The amount of our provision for impairment loss on loan receivables is determined based on our internal provisioning policies and guidelines, taking into account considerations such as the operating and financial condition of our customers, our customers' creditworthiness, the nature and characteristics of the industry in which our customers operate, general economic and market conditions as well as the value of the underlying collateral and guarantees. In addition, our asset quality classification system and asset impairment loss provision policies may be different from those adopted by other leasing corporations or financial institutions. As the assessment of future credit risks involves significant judgement and estimation, we may underestimate such risks and our provision for impairment loss on loan receivables may not be adequate to cover our actual credit loss. If we are required to make additional provision for impairment loss on loan receivables, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our short operating history may make the evaluation of our business and prospects difficult.

Our Group was established in 2012. Because of our relatively limited operating history, our past performance may not be indicative of our future performance, and there is no assurance that we will be able to maintain or achieve the same business growth in the future. In addition, because of (i) our relatively short operating history; (ii) the fact that our leasing projects are generally long-term projects ranging from five to 15 years, we have limited track record of completed projects, which may prevent you from having sufficient basis to fully assess our capabilities in managing, among others, the entire project cycle and our cash flow. We also have no prior experience in enforcing our security rights over the collateral or guarantees or foreclosing the leased assets. As a result, there may not be an adequate basis upon which our future results of operations and prospects could be evaluated. You should evaluate our business and prospects in light of the risks, uncertainties and challenges that we will face as a relatively young leasing service provider.

Our cash flow position may deteriorate because of potential mismatch in the time between cash inflows and cash outflows.

Our ability to repay our bank borrowings and to fund our vessel acquisitions depends to a certain extent on the level of our lease income and operating cash flow. According to Frost & Sullivan, as an industry norm, companies engaging in the provision of leasing services typically generate cash inflows to service the cash outflows for the repayment of bank borrowings and the purchase of vessels, and may have a mismatch in the time between cash inflows and cash outflows. There is no assurance that our business will generate steady and sufficient cash inflows to service the cash outflows for the repayment of bank borrowings and the purchase of vessels. There is also no assurance that our customers will make lease payment to us promptly. In circumstances of a mismatch in the time between cash inflows and cash outflows, we may not have sufficient cash flows and financial resources to repay our bank borrowings or fund our purchase of vessels, which may hinder our business development and the implementation of our future plans. We may also need to obtain additional bank borrowings to meet our payment obligations. Any significant cash flow mismatch may materially and adversely affect our business, results of operations, financial condition and prospects.

For the years ended 31 December 2019 and 2020, we recorded net cash generated from operating activities of HK\$3,548.5 million and HK\$654.2 million (U.S.\$84.4 million), respectively. There is no assurance that we will not record negative operating cash flow in the future. If we record negative operating cash flow in the future, the working capital for our operations may be constrained, which may materially and adversely affect our business, results of operations, financial condition and prospects.

We generated a portion of our net profit from non-recurring profit items in 2020.

In 2020, our share of results of joint ventures amounted to HK\$112.7 million (U.S.\$14.5 million). We cannot assure that such non-recurring gains will recur in the future. If such non-recurring gains do not recur in the future, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Failure to retain the services of our key personnel may materially and adversely affect our business and results of operations.

Our success to date has largely been attributable to the contributions of our management team and key personnel. We rely on their substantial experience and specialised expertise in the leasing and/or marine industry to, among others, effectively manage our asset portfolio, continuously monitor our risk exposure as well as formulate and implement our business strategies. If we lose our key management personnel without a suitable and timely replacement or if we lose them to our competitors, our competitiveness, business, results of operations, financial condition and prospects may be materially and adversely affected.

In addition, our future growth and ability to implement our business strategies will depend on, among others, the successful recruitment and retention of experienced employees. We cannot assure you that we will be able to hire or retain such employees, and the failure to do so may materially and adversely affect our business, results of operations, financial condition and prospects.

There is no assurance that our risk management and internal control systems will effectively reduce our risk exposure and ensure compliance.

In order to monitor our risk exposure and ensure overall compliance, we have established certain risk management and internal control policies and procedures. However, there is no assurance that our risk management and internal control systems, policies and procedures are adequate or effective in mitigating our risk exposure and protecting us against unidentified, unforeseeable or unanticipated risks. There is also no assurance that the implementation of our risk management and internal control systems, policies and procedures will not involve human errors or mistakes. In particular, the assessment of our risk exposure may depend on our management's evaluation of market information and industry conditions, which may not be accurate, complete, up-to-date or properly analysed.

Any potential deficiency in our risk management and internal control systems or any failure in properly implementing the relevant policies and procedures may prevent us from effectively mitigating our risk exposure and promptly detecting instances of non-compliance, which may materially and adversely affect our business, results of operation, financial condition and prospects.

Our insurance coverage may not be sufficient to cover all risks involved in our business operations.

We have taken out insurance policies to cover certain risks generally associated with our business operations. There is no assurance that our current insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance coverage, we will have to bear all or a certain portion of such losses, damages or liabilities. In such circumstances, our business, results of operations, financial condition and prospects may be materially and adversely affected.

In addition, there is no assurance that our Insurance premium will not increase or that we will not be required by law to obtain additional insurance coverage in the future. Any increase in insurance costs may materially and adversely affect our business, results of operations, financial condition and prospects.

Any disruption, malfunction or breakdown of our information technology infrastructure systems may interrupt our business operations.

Our business operations depend on the satisfactory performance, stability and reliability of our information technology infrastructure and related proprietary software. However, our information technology infrastructure and related proprietary software may experience disruption, malfunction, breakdown or other performance issues due to reasons such as (i) increasing pressure on our servers and network capacities as a result of growing customer base and expanding operations; (ii) undetected programming errors, bugs, flaws, corrupted data or other defects; (iii) hacking or other attacks on our network infrastructure and system programmes; and (iv) floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses or similar events. Any disruption, malfunction, breakdown or other performance issues of our information technology infrastructure and related proprietary software may significantly disrupt our business operations and reduce our work efficiency, which may materially and adversely affect our business, results of operations, financial condition and prospects.

There is no assurance that CSSC Group will continue to support us, and any changes in its control over us may have a material adverse effect on our business.

As the sole leasing company under CSSC Group, we have been enjoying strong support from CSSC Group. See “Overview of the Issue – Our Strengths” and “Overview of the Issue – Our Strategies” in this offering circular for details.

Although, CSSC Group will not provide any guarantee or any form of credit enhancement for this offering and it has no obligation to and will not assist the Issuer or us to repay the Bonds, if CSSC Group ceases to support us or if its control over us changes, our business, results of operations, financial condition and prospects may be materially and adversely affected. In particular, some of our financing agreements require CSSC Group to remain as our controlling shareholder. In the event that CSSC Group ceases to be our controlling shareholder, our credit rating may decline and our finance costs may increase. Such a change of control may also trigger our prepayment obligations under some of our financing agreements, which may have a material adverse impact on our liquidity and cash flow.

Our controlling shareholders are able to exercise significant influence over us.

CSSC International and CSSC Group are our controlling shareholders and are interested in approximately 75% of our Company’s issued share capital as of the date of this offering circular. Subject to our Articles of Association and the applicable laws and regulations, our controlling shareholders will continue to have the ability to exercise significant influence on our business and operations by, among others, controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions (including mergers and acquisitions), approving our annual budgets and taking other actions that require shareholders’ approval.

In addition, the China Shipbuilding Group proposed to acquire the entire equity interest in CSSC Group, as part of an intra-group restructuring. Upon completion of the Proposed Restructuring, China Shipbuilding Group will be indirectly interested in approximately 75% of our total issued share capital. However, as there is no detailed plan with respect to the restructuring, uncertainty exists in relation to the integration of business operations. The restructuring is a complex, time-consuming and costly process that, without proper planning and implementation, may significantly disrupt their respective business operations. If the two companies are not successful in integrating their operations in a timely manner, or at all, or may not realize the anticipated benefits or synergies of the restructuring, our business operation may also be adversely affected.

We may be adversely affected as a result of our provision of services that are connected to certain countries or persons that are, or become subject to, sanctions administered by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the European Union, the United Nations and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries.

In the first half of 2019, we entered into sale-and-leaseback transactions in respect of two vessels with a customer based in Hong Kong (the “**HK Customer**”). The HK Customer then chartered the vessels to the sub-charterer incorporated in France (the “**Sub-charterer**”) for the purpose of delivering certain products for a construction project in Russia. Russia, as well as certain industry sectors and other persons located in Russia, is subject to various sanctions programmes administered by, among others, the United States and the European Union. The construction project in Russia is owned by a joint venture (the “**Russian Joint Venture**”). In 2019 and 2020, one of the joint venture parties (the “**Russian Joint Venture Partner**”) was subject to targeted sanctions. However, our customer in the transactions relating to these two vessels was the HK Customer, and except for this sub-chartering arrangement by the HK Customer, we are not aware of any other back-to-back transactions, payments or arrangements of any kind, in USD or otherwise, among the Russian Joint Venture Partner, the Russian Joint Venture, the Sub-charterer and the HK Customer. As of the date of this offering circular, the above sale-and-leaseback transactions have been terminated.

We will not use the proceeds from this offering, as well as any other funds raised through the SEHK, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions or on the SDN List. Further, we will not use the proceeds from this offering to pay any damages for terminating or transferring any contract that violates International Sanctions. While we have implemented internal control measures to minimise our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Furthermore, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of United States, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

We may not be able to detect or prevent breach of law, fraud or other misconduct committed by our employees or third parties.

Breach of law, fraud or other misconduct by our employees (such as unauthorized business transactions and bribery) or by third parties is difficult to detect or prevent, and may subject us to substantial liabilities, financial loss and administrative penalties. It may also subject us to sanctions imposed by government authorities, which may damage our reputation as well as impair our ability to attract prospective customers, obtain financing on favourable terms and conduct our business activities. If we fail to detect or prevent any such instances in a timely manner or at all, our reputation, business, results of operations, financial condition and prospects may be materially and adversely affected.

Legal disputes or proceedings may expose us to liabilities, divert our management’s attention and adversely impact our reputation.

During the ordinary course of our business operations, we may be involved in legal disputes or proceedings relating to, among other things, contractual disputes and employees’ claims. Such legal disputes or proceedings may subject us to substantial liabilities and may have a material and adverse effect on our reputation, business operations, financial condition and prospects.

If we become involved in material or protracted legal proceedings or other legal disputes in the future, we may need to incur substantial legal costs and our management may need to devote significant

time and attention to handle such proceedings and disputes, which may divert their attention from our business operations. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may materially and adversely affect our business, results of operations, financial condition and prospects.

We may not be able to adequately protect our intellectual property rights and may be exposed to third-party claims of infringement or misappropriation of intellectual property rights.

Our intellectual property rights comprise our domain name. See “Description of the Group – Intellectual Property” for more details. We cannot assure you that the steps we have taken to protect and safeguard our intellectual property rights are adequate, or that our intellectual property rights will not be infringed by any third party in the future. Any unauthorised use of our intellectual property rights may have an adverse effect on our business, results of operations, financial condition and prospects. We may resort to legal proceedings in order to protect and enforce our intellectual property rights, and the legal fees and expenses involved in such proceedings can be substantial. Furthermore, the diversion of resources and our management’s effort and attention in addressing such intellectual property claims may significantly affect our operations and hinder our business development.

The success of our business also depends on our ability to operate without infringing on third-party intellectual property rights. We may be subject to litigation involving claims of violation of third parties’ intellectual property rights. The defence of intellectual property lawsuits and related legal and administrative proceedings can be costly and time consuming. An adverse judgement in any such proceedings may result in substantial liabilities, which may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

Our historical financial and operating results may not be indicative of our future performance.

For the years ended 31 December 2019 and 2020, our revenue amounted to HK\$2,294.4 million and HK\$1,861.6 million (U.S.\$240.1 million), respectively, and our net profit amounted to HK\$892.4 million and HK\$1,113.8 million (U.S.\$143.7 million), respectively.

However, the trend of our historical financial information is a mere analysis of our past performance and does not have any positive implication on and may not necessarily reflect our future financial performance. There is no assurance that our short-term operating results are indication of our long-term prospects. There is also no assurance that our revenue and net profit will continue to achieve a similar level of growth rate in the future.

There is no assurance that our business strategies and future plans will be successfully implemented.

The successful implementation of our business strategies and future plans may be hindered by risks set out in this section and is subject to numerous factors, including but not limited to our ability to (i) retain our major customers and broaden our customer base; (ii) manage the quality of our leased assets; (iii) monitor and reduce our risk exposure; and (iv) raise additional funds to support our business expansion. There is no assurance that we will be able to successfully implement our business strategies or future plans. Even if our business strategies or future plans are implemented, there is no assurance that they will increase our market share or enhance our market position.

In addition, the continued expansion of our business may place significant strain on our managerial, operational and financial resources. We may not be able to successfully manage the growth of our business despite the adoption of various measures, such as recruiting additional staff members to oversee our operations and increasing our working capital to support our business. There is no assurance that we will achieve the intended growth of our business or that our business will be profitable.

Risks Relating to the Industry

The marine industry is highly cyclical, which may have a material impact on our business.

The marine industry is highly cyclical. As we are a leasing service provider primarily focusing on ship leasing, our business may be materially and adversely affected by the marine cycle. The state of the marine cycle may be affected by a number of factors, such as global and regional economic and political conditions, developments in international trade, demand for and supply of marine services, number and types of vessels available globally, delivery of new buildings and retirement of older units, introduction of new marine technologies, changes in seaborne transportation and energy patterns, changes in the regulatory regimes governing the marine industry as well as vessels, fluctuations in foreign exchange and interest rates, ship financing costs, fuel prices, as well as extreme weather conditions. We cannot predict the impact that changes in the marine cycle may have on our business. Any adverse changes in the marine cycle may significantly reduce the demand for leasing services, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Our business may be affected by the macro-economic environment in Hong Kong and elsewhere in the world.

Our business performance is largely affected by the macro-economic environment and market conditions in Hong Kong and elsewhere in the world. Any adverse changes in the macro-economic environment and market conditions, such as economic slowdown, downturn or recession, the occurrence of global financial or credit crisis, negative market outlook as well as fluctuations in interest rates, foreign exchange rates and finance costs, may reduce the demand for leasing services, increase our customers' risk of default, restrict our access to financial resources as well as increase our finance cost. Any of the aforesaid circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On 31 January 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. During the period from that date to 31 December 2020, certain transitional arrangements were in effect. On 24 December, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "TCA"). Legislation to implement the TCA in the UK came into effect beginning on 31 December 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. The actual or potential consequences of Brexit, and the associated uncertainty, has and may continue to contribute to instability in global financial markets. In addition, China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On 15 January 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "**Phase I Agreement**"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement,

it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the industries in which we operate remains uncertain. Additionally, the U.S. government is now undergoing an administration change and it remains uncertain what the new administration's trade policy with China will be going forward. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

Changes in international policies with regard to China may adversely impact our business and operating results.

Since 2018, the U.S. government has made statements and taken certain actions that may lead to changes to U.S. and international policies, including imposing tariffs affecting a variety of products manufactured in China or threatening to sanction certain companies with connections with China. It is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. There is also a concern that the imposition of additional tariffs by the United States could result in the adoption of tariffs by other countries as well. Any unfavourable government policies on international trade, such as capital controls or tariffs, may affect the demand for our business, impact the competitive position of our market position or prevent us from being able to operate business in certain countries. If any of these new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition, results of operations.

In addition, the U.S. Department of Defense released a list of certain Chinese companies (including the Company's controlling shareholder and a fellow subsidiary of the Company's controlling shareholder) under the National Defense Authorization Act for Fiscal Year 1999 on 28 August 2020, claiming that the companies are Communist Chinese military companies. The list was based on the U.S. government's intelligence, and determined that the companies therein are controlled by the Chinese military. As of the date of the offering circular, the Company's payment and collection of funds is conducted as usual.

The global leasing industry is increasingly competitive.

The global leasing industry is becoming more competitive. The global ship leasing industry is relatively fragmented. As of the end of 2018, there were approximately 400 ship leasing companies across the globe. Due to the nature of our business, we compete with Hong Kong, PRC and overseas leasing companies, whether state-owned, bank-affiliated or independent. These competitors may have a longer operating history, be larger in terms of business scale and enjoy more financial, operational and management resources than we do. They may also be able to tolerate a higher level of risk exposure, obtain financing at a lower cost, offer more favourable lease terms to customers and establish stronger relationship with customers. If we fail to withstand the intense competition in the industry or compete effectively with our competitors, our market position may weaken, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Any changes in the leasing regulatory regime in Hong Kong and the PRC may have a material and adverse impact on our business operations.

The provision of leasing services in the PRC is subject to certain laws and regulations. See "PRC Regulations" in this offering circular for further details. The government authorities in the PRC underwent a series of regulatory body reforms in 2018, pursuant to which the responsibilities of formulating the rules in relation to the operations of and supervision over leasing companies will be transferred from the Ministry of Commerce of the PRC to the China Banking and Insurance Regulatory Commission. There is no assurance that the governments of Hong Kong and the PRC will not tighten their control over the leasing industry or impose additional or stricter laws, rules, regulations, policies or administrative measures in relation to the provision of leasing services in the future. Any changes in the regulatory framework may render it more restrictive for us to conduct our business. There is also no assurance that we will be able to adapt to such changes in a timely manner. In addition, compliance with such new Laws, rules, regulations, policies or administrative measures may significantly increase our operating costs, which may lower our profitability and have a material adverse impact on our business, results of operations, financial condition and prospects.

Our results of operations may be affected by social and political instability as well as the occurrence of epidemics and natural disasters.

Any social or political unrest, wars, acts of terrorism and other instability in Hong Kong, the PRC or other parts of the world may disrupt our business operations and have a material adverse impact on our business performance. In addition, our business may be affected by major natural disasters, such as typhoon, floods, windstorms and earthquakes, or widespread outbreaks of infectious diseases in Hong Kong, the PRC or any other parts of the world. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to national and local economies. Outbreaks of Severe Acute Respiratory Syndrome (SARS), influenza A (H1N1), avian flu (H5N1), Ebola virus or Middle East Respiratory Syndrome (MERS) and other epidemics, such as the ongoing COVID-19, in Hong Kong, the PRC or any other parts of the world may cause disruption of regional or national economic activities, which may affect or interrupt our business activities in the affected areas.

In addition, past occurrences of epidemics, depending on their scale, have caused damage to the global economy. Also, the extent to which the COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain the COVID-19 or treat its impact, among others. However, such contagious disease, or any such outbreak, or threatened outbreak of any severe contagious diseases in future, if not contained, may result in material influence of the our related business, which in turn may adversely affect our financial condition and results of operations.

Similarly, war, terrorist activity, threat of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, would affect economic development. In turn, there could be a material adverse effect on our business, financial condition and results of operations.

Risks Relating to PRC Government Regulations and Policies

Changes in the economic, political and social conditions of China may adversely affect our business.

Our business and results of operations are subject to the political, economic and social policies and conditions of the PRC. The Chinese economy differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate control of foreign exchange and allocation of resources.

Our ability to conduct and expand our business operations in the PRC depends on a number of factors that are beyond our control, including macro-economic and other market conditions as well as credit availability from lending institutions. In order to control inflation and promote economic growth, the PRC Government has introduced certain macro-economic policies, such as imposing commercial bank lending guidelines, which have the effect of restricting lending to certain industries. Some of these macro-economic policies and lending policies may limit our ability to obtain financing, thus reducing our ability to implement our business strategies. There is no assurance that the PRC Government will not introduce more restrictive or onerous policies in the future. Any changes in the political, economic and social policies and conditions of the PRC may bring uncertainty to our operations and may materially and adversely affect our business, results of operations, financial condition and prospects.

Although the PRC Government has implemented measures emphasising the utilisation of market forces in the development of the Chinese economy, it still exercises significant control over economic growth through resource allocation, controlling the convertibility of Renminbi into foreign currencies, implementing monetary policies and providing preferential treatment to certain industries or companies. The Chinese government also continues to play a significant role in regulating industries by imposing industrial policies. There is no assurance that the economic, political or legal systems of China will not develop in a way that is detrimental to our operations. For example, the policies that we enjoy under the China (Shanghai) Pilot Free Trade Zone regarding our two-way cross-border RMB fund pool business may be interpreted in a more restrictive manner, and the higher level authorities, such as the PBOC, may impose more stringent requirements in relation to two-way cross-border RMB fund pool business, which

may adversely affect our business in the PRC. Our business, results of operations, financial condition and prospects may also be materially and adversely affected by the political or social conditions in China, changes in laws, regulations, policies or administrative measures or the interpretation thereof, measures to control inflation or deflation, changes in the rate or method of taxation, and the imposition of additional restrictions on currency conversion and remittances abroad.

While the PRC Government has undergone various economic reforms in the last few decades, many of such reforms are of an experimental nature and are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms may not be entirely clear. Such refinement, adjustment or modification may impact our business operations in ways that we cannot predict, and any uncertainty in the scope, application and interpretation of the relevant laws and regulations may materially and adversely affect our business, results of operations, financial condition and prospects.

Governmental control of currency conversion may limit our ability to utilise our cash effectively, which may adversely affect the value of your investment.

The PRC Government has imposed controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currencies out of China. Any shortage in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or make other distributions to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currencies and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. More restrictions and extensive vetting processes have been put in place by the SAFE to regulate cross-border transactions under the capital account, such as the Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知). The PRC Government may also at its discretion restrict access to foreign currencies for current account transactions in the future. The restrictions on foreign exchange transactions under capital accounts could also affect the ability of our PRC subsidiaries to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Fluctuations in the exchange rate and value of Renminbi may have a material adverse effect on our results of operations and financial condition.

The value of Renminbi against the U.S. dollar, the Hong Kong dollar and other currencies fluctuates, and is subject to changes resulting from the monetary policies of the PRC Government, domestic and international economic and political developments as well as supply and demand in the monetary market. Since July 2005, the PRC Government has adopted a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and with reference to a basket of currencies. In May 2007, the PBOC enlarged the floating band for the trading price of Renminbi against the U.S. dollar on the interbank spot exchange market to 0.5% around the central parity rate. In April 2012, the PBOC enlarged the floating band for the trading price of Renminbi against the U.S. dollar on the interbank spot exchange market to 1% around the central parity rate. In March 2014, the PBOC further enlarged the floating band for the trading price of Renminbi against the U.S. dollar on the interbank spot exchange market to 2% around the central parity rate. There remains significant international pressure on the PRC Government to adopt more flexible currency policies. In the event of material fluctuations in the exchange rates of the Hong Kong dollar and the U.S. dollar against Renminbi, our ability to pay dividends in foreign currencies may be materially and adversely affected.

Fluctuations in the exchange rate of Renminbi against the Hong Kong dollar and the U.S. dollar will affect the relative purchasing power in Renminbi with the proceeds from this offering. Such fluctuations may also cause us to incur foreign exchange losses and affect the relative value of any dividends distributed by our PRC subsidiaries. In addition, appreciation or depreciation in the value of Renminbi relative to the Hong Kong dollar or the U.S. dollar may affect our financial results in Hong Kong dollars without giving effect to any underlying change in our business or results of operations.

PRC regulations in relation to direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the proceeds from this offering to make additional capital contributions or loans to our PRC subsidiaries.

As an offshore holding company of our PRC subsidiaries, we may make additional capital contributions or loans to our PRC subsidiaries. Any capital contribution or loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, the total annual new foreign debt balance of our PRC subsidiaries shall not exceed the balance of 10 times of their respective net assets after deducting the total risk assets at the end of the previous year, and such loans must be registered with the SAFE, the PBOC or their local branches. Apart from the abovementioned registration procedures, any medium or long term loan to be provided by us to our PRC subsidiaries must be recorded by and registered with the National Development and Reform Committee. In addition, according to the relevant PRC regulations on foreign-invested enterprises, our capital contributions to our PRC subsidiaries must be filed with the Ministry of Commerce or its local counterpart and registered with other government authorities in China.

There is no assurance that the PRC Government will not impose more stringent requirements in relation to direct investment and loans by offshore holding companies to PRC entities. If the PRC Government imposes more stringent requirements in relation to direct investment and loans by offshore holding companies to PRC entities, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations with the net proceeds from this offering may be negatively affected, which may materially and adversely affect their ability to fund their working capital and expansion projects as well as meet their obligations and commitments.

We may rely on dividend payments from our subsidiaries in the PRC for funding.

We may rely on dividends paid by our PRC subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments or agreements governing the debt may restrict its dividend payment or other distributions. Furthermore, applicable PRC Laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their accumulated retained earnings determined in accordance with PRC accounting standards. Our PRC subsidiaries are also required to set aside a certain percentage of their after-tax profits each year to their statutory reserves in accordance with the requirements of applicable PRC laws and the provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us, whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiaries, which may restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness.

The SASAC or any other PRC governmental entity does not have any payment, guarantee or other obligations under the Bonds or the Trust Deed.

As at the date of this Offering Circular, SASAC is indirectly interested in approximately 75% of our total issued share capital. The SASAC only has limited liability in the form of its equity contribution in the Company. As such, the SASAC or any other PRC governmental entity does not have any payment or other obligations under the Bonds or the Trust Deed and will not provide guarantee of any kind for the Bonds. The Bondholders shall have no recourse to the SASAC or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer or the Company and the obligations under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer or the Company, as the case may be, as an independent legal person. This position has been reinforced by the MOF Circular and the Joint Circular.

According to the MOF Circular, (i) state-owned financial enterprises are prohibited from providing financing in any form for local governments and their departments directly or through local state-owned enterprises (“SOEs”) and public institutions and other indirect channels or increasing loans provided to local government financing platform companies (“LGFV”) in violation of regulations that include the new Budget Law of the PRC, which took effect on 29 December 2018, and Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) (“Circular 43”), except in the case of purchasing local government debt; (ii) state-owned financial enterprises shall ensure that the capital raised for financing SOEs, LGFV or public-private partnership construction projects is lawfully sourced and that the financing satisfies all required capital ratios; (iii) state-owned financial enterprises when providing agency services to local SOEs are obliged to evaluate the financial capabilities of the entity seeking to raise capital and the source of the funds such as when a local SOE issues domestic or overseas notes. As for the sources of income from debt-issuing enterprises involved in the arrangement of financial funds, state-owned financial enterprises shall carry out due diligence investigations and carefully verify that the arrangement complies with all applicable laws and regulations; and (iv) documents including offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the local SOE’s capital-raising, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credit. The Joint Circular reaffirms the restrictions in the MOF Circular that offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement of the new debt or conduct misleading publicity that implies an association with the government’s credit. These circulars do not, however, prohibit the PRC government from providing support (in various forms such as capital injection and subsidies, but excluding the injection of any kind of public assets and land reserves) to the Group during its ordinary course of business in compliance with PRC laws and regulations.

Therefore, investors should base their investment decision only on the financial condition of the Issuer, the Company and the Group and any perceived credit risk associated with an investment in the Bonds based only on the Company’s own financial information reflected in its financial statements. The SASAC and any other PRC governmental entity have no obligation to pay any amount under the Bonds. Investments in the Bonds are relying solely on the credit risk of the Issuer and the Company. In the event the Issuer and the Company do not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer or the Company and their assets, and not any other person including the SASAC or any other PRC governmental entity.

Uncertainties with respect to the PRC legal system may have an adverse effect on us.

Our business and operations in the PRC are governed by the PRC legal system. The PRC legal system is based on written statutes and their interpretation by the Supreme People’s Court of the PRC, and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC Laws and regulations involve uncertainties, and the outcome of dispute resolutions may not be consistent or predictable. In addition, PRC laws and regulations may not sufficiently cover all aspects of economic activities in the PRC and may be unclear. Even where adequate laws and regulations exist in the PRC, the enforcement of existing laws or regulations may be inconsistent or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgement by a court. Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which may not be published on a timely basis or may have a retroactive effect.

The legal protection available to us under the PRC Laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted, which may result in the diversion of our resources and our management's attention. In addition, the outcome of dispute resolutions may not be consistent or predictable, and it may be difficult to enforce judgements and arbitration awards in the PRC.

We cannot predict the future developments of the PRC legal system or the effect of such developments. The materialisation of an or any of these uncertainties may have a material adverse impact on our business, results of operations, financial condition and prospects.

It may be difficult to effect service of process in relation to disputes brought in courts outside the PRC on, or to enforce judgements obtained from non-PRC courts against, our subsidiaries in the PRC.

As the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgements made by courts of most other jurisdictions, there is no assurance that you will be able to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgements obtained from non-PRC courts against, our subsidiaries in the PRC.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Choice of Court Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a “choice of court” agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a “choice of court” agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A “choice of court” agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for resolving the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Issuer or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Arrangement**”), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for “choice of court” agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Issuer or the Issuer's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Risks Relating to the Bonds and the Guarantee of the Bonds

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The payment obligations under the Bonds and the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay the amounts due on the Bonds.

The Bonds and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries (other than the Issuer) and other downward affiliates in which the Issuer or the Guarantor owns equity interests.

The Bonds and the Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries (other than the Issuer) or other downward affiliates in which the Issuer or the Guarantor owns equity interests, whether or not secured. The Bonds will not be guaranteed by any subsidiary or affiliate of the Issuer and the Guarantor (other than the Issuer), and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries or affiliates unless these assets are transferred by dividends or distributions or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries and affiliates to pay dividends or distributions or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries (other than the Issuer) and affiliates is a separate legal entity that has no obligation to pay any amounts due under the Bonds or the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The right of the Issuer and the Guarantor to receive assets of any of the Issuer's or the Guarantor's subsidiaries (other than the Issuer) and affiliates, respectively, upon that subsidiary's or affiliate's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's or affiliate's creditors (except to the extent that the Issuer or the Guarantor is a creditor of that subsidiary or affiliate). Consequently, the Bonds and the Guarantee will be structurally subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's or the Guarantor's existing and future subsidiaries (other than the Issuer) and other downward affiliates in respect of which the Issuer or the Guarantor owns equity interests.

If the Issuer, the Guarantor or any of the subsidiaries of the Guarantor is unable to comply with the restrictions and covenants in their debt agreements, there could be a default under the terms of these agreements which could cause repayment of the Bonds to be accelerated.

If the Issuer, the Guarantor or any of the subsidiaries of the Guarantor is unable to comply with the restrictions (including restrictions on the Group's future investments) and covenants in its current or future debt obligations and other agreements, this could trigger a default under the terms of such obligations or agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer, the Guarantor or the relevant subsidiaries of the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements which the Issuer, the Guarantor or the subsidiaries of the Guarantor have entered into contain cross-acceleration or cross-default provisions. As a result, default by the Issuer, the Guarantor or the subsidiaries of the Guarantor under any of such agreements may cause the acceleration of repayment of not only such debt

but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events occur, there can be no assurance that the assets and cash flows of the Issuer, the Guarantor or the subsidiaries of the Guarantor would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer, the Guarantor or the subsidiaries of the Guarantor would be able to find alternative financing. Even if the Issuer, the Guarantor and the subsidiaries of the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer, the Guarantor or the subsidiaries of the Guarantor.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or, if the Guarantee were called upon, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions), as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds.

If the Issuer redeems the Bonds prior to their maturity date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer or the Guarantor may not be able to redeem the Bonds upon the due date for redemption thereof.

On the Maturity Date, the Bonds will be redeemed at their principal amount. Furthermore, following the occurrence of a Change of Control (as defined in the Terms and Conditions), the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Holder's Bonds at 101 per cent. of their principal amount, together in each case with any interest accrued to but excluding the Put Settlement Date (as defined in the Terms and Conditions). On the Maturity Date, or if a Change of Control were to occur and a Bondholder were to exercise their option, the Issuer or the Guarantor may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There can also be no assurance that the Issuer or the Guarantor would have sufficient liquidity at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Guarantor's or the Group's other indebtedness.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Developments in the international financial markets and world economic conditions may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. The international financial markets have experienced significant volatility in the past. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

An active trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Application will be made to the SEHK for listing of, and permission to deal in, the Bonds by way of debt issue to Professional Investors only. One or more initial investors are expected to subscribe for a material proportion of the aggregate principal amount of the Bonds. The existence of any such significant Bondholder(s) may reduce the liquidity of the Bonds in the secondary trading market. Accordingly, there can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time without notice and at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

A change in English law which governs the Bonds may adversely affect holders of the Bonds.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

Modifications and waivers may be made in respect of the Terms and Conditions and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including those Bondholders who do not attend and vote at the relevant meeting and those Bondholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Bondholders may be adverse to the interests of individual Bondholders.

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to), without the consent of Bondholders, agree to any modification of the Trust Deed, the Terms and Conditions and/or the Agency Agreement (as defined in the Terms and Conditions) (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Terms and Conditions and/or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds or the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances, including without limitation giving of notice to the Issuer pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and such in circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

The Issuer may issue additional Bonds in the future.

There is no restriction on the amount of debt securities or guarantee that the Issuer or the Guarantor may issue or guarantee that rank *pari passu* with the Bonds and the Guarantee, respectively. The issue of any such debt securities or guarantee may reduce the amount recoverable by investors in the Bonds or pursuant to the Guarantee upon the Issuer's or the Guarantor's bankruptcy, winding-up or liquidation. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Bonds will be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing Systems.

The Bonds will be represented by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the relevant Clearing System for distribution to their accountholders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer, the Trustee and the Agents and their respective affiliates, directors, officers, employees, agents, advisers and representatives have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Bondholders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such Bondholders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Bondholders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination of the Bonds may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that such Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive certificates are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The insolvency laws of the British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and Hong Kong, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or Hong Kong insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts.

The Terms and Conditions, the Trust Deed and the Agency Agreement (as defined in the Terms and Conditions) of the Bonds are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken.

Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

The Bonds may not be a suitable investment for all investors.

The Bonds may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

In addition, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it; (b) the Bonds can be used as collateral for various types of borrowing; and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this offering circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds may not be a suitable investment for all investors seeking exposure to green or blue assets.

We have developed our Green Bond Framework and intend to adopt certain obligations with respect to the issue of Green Bonds as described in "Bonds Being Issued as Green Bonds." We intend to issue Green Bonds to fund new and existing projects and businesses with environmental benefits in

alignment with the ICMA Green Bond Principles 2018. The Bonds are being issued as “Green Bonds” under our Green Bond Framework. We cannot guarantee that we will be able to comply with the obligations as set out in the Green Bond Framework. However, it will not be an event of default under the terms of the Bonds if we fail to comply with such obligations. Such failure may affect the value of the Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green or blue assets. Therefore, the Bonds may not be a suitable investment for all investors seeking exposure to green or blue assets.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than the U.S. dollar would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds and referred to in the global certificate.

The U.S.\$500,000,000 in aggregate principal amount of 2.10 per cent. guaranteed bonds due 2026 (the “**Bonds**”, which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 15 of these terms and conditions (these “**Conditions**”) and to be consolidated and forming a single series therewith) of CSSC Capital 2015 Limited (the “**Issuer**”) guaranteed by CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃有限公司) (the “**Guarantor**”) are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated 27 July 2021 (the “**Issue Date**”) made between the Issuer, the Guarantor and Bank of Communications Trustee Limited (the “**Trustee**”, which expression shall include its successor(s) and all other persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds.

The Bonds are the subject of an agency agreement dated 27 July 2021 (as amended and/or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, the Guarantor, the Trustee, Bank of Communications Co., Ltd. Hong Kong Branch as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (in such capacity, the “**Transfer Agent**”, which expression shall include any successor or additional transfer agent appointed from time to time in connection with the Bonds) and any other agents appointed thereunder. References herein to “**Paying Agents**” mean any paying agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds and includes the Principal Paying Agent, and “**Agents**” means the Principal Paying Agent, any other Paying Agents, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed.

The holders of the Bonds are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by the holders (as defined below) of the Bonds at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m., Monday to Friday, except for public holidays) at the specified office for the time being of the Principal Paying Agent (being as at the Issue Date at 7/F, Bank of China Building, 2A Des Voeux Road Central, Central, Hong Kong), following prior written request and proof of holding and identity to the satisfaction of the Principal Paying Agent.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of U.S.\$200,000 (the “**specified denomination**”) and integral multiples of U.S.\$1,000 in excess thereof.

In these Conditions, “**Bondholder**” and, in relation to a Bond, “**holder**” means the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first-named thereof).

The Bonds are represented by registered certificates (the “**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as otherwise required by law, the holder of any Bond shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). These Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See “Summary of Provisions relating to the Bonds in Global Form”.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 Transfers of Bonds and Delivery of New Certificates

- (a) **Transfer:** A holding of Bonds may, subject to Condition 2(d) and the relevant provisions of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a Bondholder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. A Bond may not be transferred unless the principal amount of such Bonds to be transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of such Bonds not being transferred are equal to or more than the specified denomination. All transfers of Bonds and entries on the Register shall be further subject to, and will be made in accordance with, the detailed regulations concerning transfers of Bonds, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the expense of the Issuer, failing whom the Guarantor) by the Registrar to any Bondholder following written request and proof of holding and identity satisfactory to the Registrar. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the relevant clearing systems.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued upon transfer of any Bonds pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such

address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

- (c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or redemption of the Bonds, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Guarantor, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity, and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion that the regulations concerning transfer of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice (as defined in Condition 6(c)) in respect of that Bond has been deposited in accordance with Condition 6(c), (iii) after that Bond has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)).

3 Status and Guarantee

- (a) **Status:** The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a), at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.
- (b) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the “**Guarantee**”) are contained in the Trust Deed. The obligations of the Guarantor under the Guarantee constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)), unsecured obligations of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a), at all times rank at least equally with all the Guarantor’s other present and future unsecured and unsubordinated obligations.

4 Covenants

(a) *Negative Pledge*

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of its Subsidiaries will, create, or have outstanding any Security Interest (save for a Permitted Security Interest), upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, in any case without at the same time or prior thereto, according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either (A) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (B) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) Reporting to NDRC

The Issuer undertakes that it will (i) within 10 Registration Business Days after the Issue Date (or with respect to any further issue pursuant to Condition 15, within 10 Registration Business Days after the issue date of such further issue) file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號)) issued by the NDRC on 14 September 2015 which came into effect on the same day (the “**NDRC Post-Issue Filing**”) and (ii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

(c) Notification of Submission of the NDRC Post-Issue Filing

The Issuer shall, within 20 Registration Business Days after submission of the NDRC Post-Issue Filing with respect to the Bonds issued on the Issue Date (and with respect to any further issue pursuant to Condition 15, within 20 Registration Business Days after submission of the NDRC Post-Issue Filing with respect to such further issue), provide the Trustee with (i) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming the completion of the NDRC Post-Issue Filing with respect to the Bonds issued on the Issue Date (or, if applicable, with respect to any further issue pursuant to Condition 15) and (ii) copies of the relevant documents evidencing due filing with the NDRC (if any) (the items specified in (i) and (ii) together, the “**Registration Documents**”).

The Issuer shall, within 10 Registration Business Days after the Registration Documents with respect to the Bonds issued on the Issue Date are delivered to the Trustee (and with respect to any further issue pursuant to Condition 15, within 10 Registration Business Days after the Registration Documents with respect to such further issue are delivered to the Trustee), give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-Issue Filing.

The Trustee may rely conclusively on the Registration Documents with respect to the Bonds issued on the Issue Date (and with respect to any further issue pursuant to Condition 15, on the Registration Documents with respect to such further issue) and shall have no obligation or duty to monitor, assist with or ensure the NDRC Post-Issue Filing is made with respect to the Bonds issued on the Issue Date (or in the case of any further issue pursuant to Condition 15, with respect to such further issue), on or before the relevant deadline set out in Condition 4(b) or to verify the accuracy, validity and/or genuineness of any documents or information in relation to or in connection with the NDRC Post-Issue Filing with respect to the Bonds issued on the Issue Date (or in the case of any further issue pursuant to Condition 15, with respect to such further issue) and/or the Registration Documents with respect to the Bonds issued on the Issue Date (or in the case of any further issue pursuant to Condition 15, with respect to such further issue) or to translate into English any Registration Document with respect to the Bonds issued on the Issue Date (or in the case of any further issue pursuant to Condition 15, with respect to such further issue) or to give notice to the Bondholders confirming the completion of the NDRC Post-Issue Filing with respect to the Bonds issued on the Issue Date (or in the case of any further issue pursuant to Condition 15, with respect to such further issue), and the Trustee shall not be liable to Bondholders or any other person for not doing so.

(d) Financial Information

- (i) So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor shall provide the Trustee with, as soon as they are available, but in any event not more than 14 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognised exchange on which the Guarantor’s common stock is at any time listed for trading, true and correct copies of the annual audited consolidated financial statements of the Guarantor, the semi-annual unaudited consolidated financial statements of the Guarantor and any other financial report (if any) in the English language filed with such exchange; *provided that* if at any time the common stocks of the Guarantor ceases to be listed for trading on a recognised stock exchange, the Guarantor shall provide to the Trustee:
 - (A) as soon as they are available and in any event within 150 days of the end of each Relevant Period, a copy of the relevant Audited Financial Reports prepared in accordance with HKFRSs (audited by a nationally or internationally recognised firm of independent accountants); and

(B) a copy of the Unaudited Financial Reports within 110 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports provided to the Trustee pursuant to paragraph (A) of this Condition 4(d)(i), and if such reports shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally or internationally recognised firm of independent accountants or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

(ii) So long as any Bond remains outstanding (as defined in the Trust Deed), each of the Issuer and the Guarantor shall provide the Trustee with a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) (A) at the same time as the annual audited consolidated financial statements of the Guarantor or the Audited Financial Reports of the Guarantor, as the case may be, are provided to the Trustee pursuant to Condition 4(d)(i) and (B) within 14 days of any written request therefor by the Trustee.

(e) Rating maintenance

So long as any Bonds remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution of Bondholders, the Issuer (and the Guarantor shall procure that the Issuer) shall use its best endeavours to maintain a rating on the Bonds by a Rating Agency.

(f) Definitions

In these Conditions:

“**Asset-Backed Securities**” means any Relevant Indebtedness:

- (i) if by the terms of such indebtedness it is expressly provided that recourse by the holders of such indebtedness is limited to the properties or assets of the Guarantor and the revenues to be generated by the operation of, or loss of or damage to, such properties or assets, for repayment of the moneys advanced and payment of interest thereon; and
- (ii) which is not guaranteed by the Guarantor or any of its Subsidiaries;

“**Audited Financial Reports**” means the annual audited consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statements of changes in owners’ equity of the Guarantor together with any statements, reports (including any directors’ and auditors’ reports, if any) and notes attached to or intended to be read with any of them;

“**Compliance Certificate**” means a certificate in English substantially in the form scheduled to the Trust Deed of each of the Issuer and the Guarantor, signed by an Authorised Signatory of the Issuer or, as the case may be, the Guarantor, that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor (as the case may be) as at a date (the “**Certification Date**”) not more than five days before the date of the certificate that:

- (i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

- (ii) the Issuer or, as the case may be, the Guarantor has complied with all its respective covenants and obligations under the Trust Deed and the Bonds or, if non-compliance had occurred, giving details of it;

“**HKFRSs**” means the Hong Kong Financial Reporting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (as in effect from time to time);

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**NDRC**” means the National Development and Reform Commission of the PRC;

“**Permitted Security Interests**” means:

- (i) any Security Interest over any assets (or related documents of title) purchased by the Guarantor or any of its Subsidiaries as security for all or part of the purchase price of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets, provided that in the case of refinancing, the principal or nominal amount of such refinancing is not greater than the amount of the original financing;
- (ii) any Security Interest over any assets (or related documents of title) purchased or acquired by the Guarantor or any of its Subsidiaries subject to such Security Interest and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets, provided that in the case of refinancing, the principal or nominal amount of such refinancing is not greater than the amount of the original financing; or
- (iii) any Security Interest created to secure Asset-Backed Securities issued by a Subsidiary of the Guarantor;

provided that the aggregate value of the relevant assets subject to the Security Interest pursuant to this provision do not exceed 10 per cent. of the total consolidated assets of the Guarantor and its Subsidiaries measured in accordance with HKFRSs based on the latest Audited Financial Reports and the Unaudited Financial Reports, as the case may be;

“**person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof (in each case whether or not being a separate legal entity);

“**Potential Event of Default**” means any event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

“**PRC**” means the People’s Republic of China, which shall, for the purpose of these Conditions only, exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“**Rating Agency**” means (i) S&P Global Ratings, a division of S&P Global Inc., and its successors (“**S&P**”); (ii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); (iii) Fitch Rating Inc., a subsidiary of Hearst Corporation, and its successors (“**Fitch**”); and (iv) if one or more of S&P, Moody’s or Fitch shall not make a rating of the Bonds publicly available, any internationally recognised securities rating agency or agencies, as the case may be, selected by the Issuer, which shall be substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be;

“**Registration Business Day**” means a day, other than a Saturday, a Sunday or a public holiday, on which commercial banks are generally open for business in Beijing, the PRC;

“**Relevant Indebtedness**” means any debt issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“**Relevant Period**” means (i) in relation to the Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor’s financial year (being 31 December of that financial year); and (ii) in relation to the Unaudited Financial Reports, each period of six months ending on the last day of the Guarantor’s first half financial year (being 30 June of that financial year);

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest;

“**Subsidiary**” means, with respect to any person, any corporation, association or other business entity which at any time has its accounts consolidated with those of that person in accordance with HKFRSs; and

“**Unaudited Financial Reports**” means the semi-annual unaudited condensed consolidated statement of financial position, condensed consolidated income statement and statement of comprehensive income, condensed consolidated changes in owner’s equity and condensed consolidated statement of cash flows of the Guarantor together with any statements, reports (including any directors’ and interim review reports, if any) and notes attached to or intended to be read with any of them, if any.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.10 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$10.50 per Calculation Amount (as defined below) on 27 January and 27 July each year (each an “**Interest Payment Date**”), commencing on 27 January 2022.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders in accordance with Condition 16 of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”. If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 27 July 2026 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.
- (b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with any interest accrued to but excluding the date fixed for redemption) if the Issuer or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called upon, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 July 2021, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Issuer (or by an Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion (without further investigation or query and without liability to the Bondholders or any other person) as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

- (c) **Redemption for Change of Control:** At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with any interest accrued to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a “**Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The “**Put Settlement Date**” shall be the fourteenth day after the expiry of such period of 30 days as referred to in the preceding paragraph of this Condition 6(c). A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice in writing to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

For the purpose of these Conditions: a “**Change of Control**” occurs when:

- (i) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
- (ii) SASAC and/or its successors together with any other person(s) directly or indirectly Controlled by SASAC or the central government of the PRC cease to directly or indirectly hold or own at least 51 per cent. of the issued share capital of the Guarantor; or
- (iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any person or persons, acting together, other than any of its Subsidiaries; except as required by SASAC or its successor or entities controlled (directly or indirectly by SASAC) or any person directly or indirectly controlled by the central government of the PRC.

“**Control**” means (i) the ownership or control of at least 51 per cent. of the voting rights of the issued share capital of the relevant person or (ii) the right to appoint and/or remove all or the majority of the members of the relevant person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing; and

“**SASAC**” means the State-owned Assets Supervision and Administration Commission of the PRC or its successor.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred or may occur and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

So long as the Bonds are represented by the Global Certificate, a right of a Bondholder to redemption of the Bonds following the occurrence of a Change of Control will be effected in accordance with the rules and procedures of the relevant clearing systems.

- (d) **Make Whole Redemption:** The Issuer may redeem the Bonds, in whole, but not in part, at any time upon giving not less than 15 nor more than 45 days’ notice to the Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable (subject to the proviso below)) (a “**Make Whole Redemption Notice**”), at a redemption price equal to their Make Whole Amount together with any interest accrued to but excluding the date fixed for redemption (collectively, the “**Make Whole Redemption Price**”); *provided* that, the Issuer shall prior to giving such Make Whole Redemption Notice, deliver to the Trustee and the Principal Paying Agent by e-mail or facsimile a Redemption and Solvency Certificate.

If the Make Whole Redemption Price is not received in full by the Principal Paying Agent in the manner provided for in the Agency Agreement on or before 10:00 a.m. (Hong Kong time) on the Payment Business Day immediately preceding such redemption date, the Issuer’s exercise of its right to redeem the Bonds under this Condition 6(d) and such Make Whole Redemption Notice shall be immediately and automatically cancelled forthwith and shall cease to have any further effect. Nothing herein shall prejudice the Issuer’s right to issue a new Make Whole Redemption Notice at any time after such cancellation.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions, including in particular but without limitation the Make Whole Redemption Price of the Bonds payable under this Condition 6(d), and may rely conclusively without liability to any Bondholder or other person on the Redemption and Solvency Certificate.

In this Condition 6(d):

- (i) **“Adjusted Treasury Rate”** means, with respect to any redemption date, (A) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H. 15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after such time period, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (B) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date;
- (ii) **“Comparable Treasury Issue”** means the United States Treasury security selected by the Independent Investment Bank as having a maturity comparable to the then remaining term of the Bonds, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date;
- (iii) **“Comparable Treasury Price”** means, with respect to any redemption date, the average of three, or such lesser number as is obtained by the Independent Investment Bank, Reference Treasury Dealer Quotations;
- (iv) **“Independent Investment Bank”** means an independent investment bank of international repute, selected and appointed by the Issuer at the cost of the Issuer, failing whom the Guarantor, (and notice whereof is given to Bondholders in accordance with Condition 16 and in writing to the Trustee and the Principal Paying Agent by the Issuer) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;
- (v) **“Make Whole Amount”** means, in respect of each Bond at the relevant date fixed for redemption, the greater of (A) the principal amount of such Bond and (B) the present value at such redemption date of (I) the principal amount of such Bond on the Maturity Date, plus (II) all required remaining scheduled interest payments due on such Bond through the Maturity Date (but excluding accrued and unpaid interest to the date fixed for redemption), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points (all as determined by the Independent Investment Bank);
- (vi) **“Make Whole Determination Business Day”** means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Hong Kong and New York City;

- (vii) **“Redemption and Solvency Certificate”** means a certificate, in substantially the form set forth in the Trust Deed and signed by an Authorised Signatory of the Issuer, stating the aggregate Make Whole Redemption Price in respect of the relevant date fixed for redemption of the Bonds and certifying that (A) a payment of the aggregate Make Whole Redemption Price will be made by or on behalf of the Issuer to the Principal Paying Agent in accordance with this Condition 6(d) and (B) the Issuer is solvent;
- (viii) **“Reference Treasury Dealer”** means each of the four nationally recognised investment banking firms selected by the Independent Investment Bank that are primary U.S. Government securities dealers; and
- (ix) **“Reference Treasury Dealer Quotations”** means, with respect to each Reference Treasury Dealer and any date fixed for redemption of the Bonds, the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third Make Whole Determination Business Day immediately preceding the issue of the Make Whole Redemption Notice.
- (e) **Clean-up Call:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 15 nor more than 45 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with any interest accrued to but excluding the date fixed for redemption, if immediately before giving such notice, at least 90 per cent. in principal amount of the Bonds originally issued (including any further Bonds issued pursuant to Condition 15) has already been previously redeemed, or repurchased and cancelled.
- (f) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any Tax Redemption Notice given by the Issuer pursuant to Condition 6(b), any Make Whole Redemption Notice given by the Issuer pursuant to Condition 6(d) and any notice given by the Issuer pursuant to Condition 6(e) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.
- Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any Tax Redemption Notice, Make Whole Redemption Notice, notice pursuant to Condition 6(e) or Put Exercise Notice and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.
- (g) **Purchase:** The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Bondholders or for the purposes of Condition 9, Condition 12(a) and Condition 13.
- (h) **Cancellation:** All Certificates representing Bonds redeemed or purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 Payments

(a) *Method of Payment:*

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the seventh business day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by wire transfer to the registered account of the relevant Bondholder. For the purposes of this Condition 7(a), a Bondholder’s “**registered account**” means the U.S. dollar denominated account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear in the Register. In this Condition 7(a)(ii), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which the Registrar is open for business in the place of its specified office.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system through which the Bonds are held, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

- (b) **Payments subject to Fiscal Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day) or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar, and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar, and the Transfer Agent act solely as agents of the Issuer and the Guarantor or, in the limited circumstances described in the Trust Deed and the Agency Agreement, the Trustee and do not assume any obligation or relationship of agency or trust for or with any Bondholder. Each of the Issuer and the Guarantor reserves the right at any

time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved by the Trustee.

Notice of any such change or any change of any specified office of an Agent shall promptly be given by the Issuer and/or the Guarantor to the Bondholders in accordance with Condition 16.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or a day on which the bank where a registered account is maintained is open for receipt of such transfers, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a)(ii) arrives in the registered account of the Bondholder after the due date for payment.
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of U.S. dollar payments in New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located and the relevant place of presentation.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee (as the case may be) shall be made without set-off or counterclaim, and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or Hong Kong or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law.

If the Issuer or the Guarantor is required to make any set-off or counterclaim, or any deduction or withholding by or within the British Virgin Islands or Hong Kong, then the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or under the Guarantee, as the case may be):

- (a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of payments made by the Issuer) or Hong Kong (in the case of payments made by the Issuer or the Guarantor) other than the mere holding of the Bond;
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented or surrendered (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts presenting or as the case may be surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days;

- (c) **Tax Declaration:** to a Bondholder (or to a third party on behalf of a Bondholder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Bondholder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

In these Conditions, “**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further presentation or, as the case may be, surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charge, assessment, withholding or other payment referred to in this Condition 8 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Bondholder or any third party to pay such tax, duty, charge, assessment, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charge, assessment, withholding or other payment imposed by or in any jurisdiction.

9 Events of Default

If any of the following events (each an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

- (a) **Non-Payment:** there has been a failure to pay (i) the principal or premium (if any) of any of the Bonds when such amount is due or (ii) any interest on any of the Bonds when due and such failure continues for a period of 15 calendar days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed (other than a non-payment event described under Condition 9(a) or where such default gives rise to a right of redemption pursuant to Condition 6(c)) and such default (i) is in the opinion of the Trustee, incapable of remedy or (ii) if in the opinion of the Trustee capable of remedy, such default is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due (as extended by any originally applicable grace periods) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised *provided that* the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events

mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S.\$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and is not discharged or stayed within 30 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or
- (f) **Insolvency:** the Issuer, the Guarantor or any Principal Subsidiary (i) is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts when due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts when they fall due, or (ii) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any Principal Subsidiary; or
- (g) **Winding-up:** an administrator is appointed, an order is made by a court of competent jurisdiction or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any Principal Subsidiary (except for the voluntary solvent winding-up of any such Principal Subsidiary), or the Issuer, the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee acting on an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or a substantial part of the assets of the Issuer, the Guarantor or any Principal Subsidiary, provided that the value of the assets subject to the seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the total assets of the Group; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Register and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (k) **Unenforceability of Guarantee:** the Guarantee becomes unenforceable or invalid or ceases to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(g) (both inclusive).

In this Condition 9, “**Principal Subsidiary**” means any Subsidiary of the Guarantor:

- (a) whose total revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total revenue, as shown by its latest audited income statement is at least 5 per cent. of the consolidated total revenue as shown by the latest published audited consolidated income statement of the Guarantor including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of total operating revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement is at least 5 per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Guarantor including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of net profit of subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited statement of financial position are at least 5 per cent. of the consolidated total assets of the Guarantor as shown by the latest published audited consolidated statement of financial position of the Guarantor including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (A) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (B) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition, provided that, in relation to paragraphs (a), (b) and (c) above of this definition:
 - (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
 - (ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total revenue, net profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Guarantor;
 - (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Guarantor; and

- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor prepared for this purpose by or on behalf of the Guarantor.

A certificate in English substantially in the form scheduled to the Trust Deed signed by any Authorised Signatory of the Guarantor, which may be (but is not required to be) accompanied with relevant audited accounts (consolidated, if appropriate) or, as the case may be, the pro forma accounts (consolidated, if appropriate), that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall be conclusive and binding on the Issuer, the Guarantor, the Trustee and the Bondholders. The Trustee shall, and shall be entitled to, rely upon any such certificate without further investigation or query and without liability to the Bondholders or any other person.

10 Prescription

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or of any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) or (b) the Registrar or the relevant Transfer Agent (as the case may be) may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders (including meetings held by way of video or audio conference call) to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed and/or the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee following request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), or at any adjourned meeting two or more persons being or representing the Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify the terms of the Guarantee or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds outstanding (as defined in the Trust Deed) or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution (if proposed as such) passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution in writing and/or Electronic Consent will be binding on all Bondholders whether or not they participated in such resolution in writing and/or Electronic Consent, as the case may be.

- (b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as otherwise prohibited in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer or the Guarantor, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, any modification, authorisation or waiver shall be notified by the Issuer or the Guarantor to the Bondholders as soon as practicable thereafter in accordance with Condition 16.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, duties, rights, powers, authorities and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed and/or the Agency Agreement and/or the Bonds, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed), and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including, without limitation, provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and/or in respect of the Bonds and/or the Guarantee or from taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling the Trustee to be paid or reimbursed for any liabilities incurred by it in priority to the claims of Bondholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer and/or the Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer or the Guarantor and any other person appointed by the Issuer or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume

that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely conclusively on any instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or passed as otherwise provided in the Trust Deed.

The Trustee shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default or a Change of Control or any event which could lead to the occurrence of any thereof has occurred, or whether a rating on the Bonds is being maintained by any Rating Agency, and shall not be liable to the Bondholders or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions, and the Trustee is not responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification as a result of seeking such directions or in the event that no such direction or clarification is given to the Trustee by the Bondholders.

The Trustee may rely conclusively without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Bondholders, and if the same was provided by the Issuer or the Guarantor, the Issuer and the Guarantor.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Guarantor and their respective Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for complying with the requirements set out in these Conditions in relation to the NDRC Post-Issue Filing) so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 15 and consolidated and forming a single series with the Bonds. Any further bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor.

However, such further bonds may only be issued if such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

16 Notices

Notices to the holders of the Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which such publication is made.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held in its entirety on behalf of Euroclear and/or Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of Bondholders as contemplated in Condition 13.

18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Trust Deed, the Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Agency Agreement and the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement and any Bonds (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the exclusive jurisdiction of such courts and irrevocably waives any objection to any Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) **Agent for Service of Process:** The Issuer has irrevocably appointed in the Trust Deed the Guarantor at Room 1802-3, 18/F Worldwide House, 19 Des Voeux Road Central, Central, Hong Kong to receive service of process in any Proceedings in Hong Kong. If for any reason the Guarantor shall cease to have an office in Hong Kong, the Issuer and the Guarantor shall forthwith appoint an agent for service of process in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions set out in this offering circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions set out in this offering circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depository on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions.

Owners of interests in the Bonds in respect of which a Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive certificates if either Euroclear or Clearstream or any other clearing system through which the Bonds are held and cleared (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Individual definitive certificates will be issued in an aggregate principal amount equal to the principal amount of a Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity and/or security as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. A person with an interest in the Bonds in respect of which a Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Bonds evidenced by such Global Certificate. The following is a summary of certain of those provisions:

Payment

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means Monday to Friday, inclusive except 25 December and 1 January.

Calculation of Interest

So long as the Bonds are evidenced by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds evidenced by such Global Certificate.

Notices

So long as the Bonds are evidenced by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds evidenced by a Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.\$1,000 in principal amount of Bonds for which the Global Certificate is issued.

Bondholder's Redemption

The Bondholder's redemption option in Condition 6(c) (*Redemption for Change of Control*) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate of the Bonds giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

Issuer's Redemption

The options of the Issuer provided for in Conditions 6(b) (*Redemption for Taxation Reasons*), 6(d) (*Make-Whole Redemption*) and 6(e) (*Clean-up Call*) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders of the Bonds within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

Transfers

Transfers of beneficial interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer or its respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the Bondholders in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

USE OF PROCEEDS

The gross proceeds from the offering of Bonds will be equivalent to approximately U.S.\$498.3 million before deducting the fees and commissions and other estimated expenses payable in connection with this offering. We intend to use the net proceeds from the Bonds to develop the Group's leasing business, including to finance or refinance expenditure on eligible green and blue projects to generate positive environmental benefits in accordance with our Green Finance Framework as described under this offering circular titled "Bonds Being Issued As Green Bonds", refinance the Group's existing indebtedness and for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. The use of proceeds of the Bonds will be in compliance with the description under this offering circular titled "Bonds Being Issued As Green Bonds".

BONDS BEING ISSUED AS GREEN BONDS

PURPOSE

Our Green Finance Framework has been developed to demonstrate how we will engage in the clean energy investment distribution and assists in achieving global sustainable development. Our Green Finance Framework is in line with the ICMA Green Bond Principles. Our Green Finance Framework is made public on our website.

ASSERTIONS FROM MANAGEMENT

For issuance of Green Bonds issued under our Green Finance Framework, we assert that it will adopt: (1) use of proceeds; (2) project evaluation and selection; (3) management of proceeds, (4) reporting, (5) project monitoring, (6) impact assessment, and (7) stakeholder engagement as set out in our Green Finance Framework.

1. Use of Proceeds

The net proceeds of Green Bonds will be used to finance or refinance expenditure on eligible green and blue projects to generate positive environmental benefits. In response to the International Maritime Organization (IMO) environmental protection requirements, we actively adopt technologies in vessels and carriers to use clean energy and enhance energy efficiency, with the objective of reducing air pollutions. By financing eligible green and blue projects, we ensure our continual contributions towards a sustainable economy. The eligibility criteria is as follows:

- a. Eligible category 1 – energy efficiency: proceeds of Green Bonds will be used to boost renewable energy, including for new installations or upgrades to reduce the energy use of ships.
- b. Eligible category 2 – pollution prevention and control: proceeds of Green Bonds will be used to increase resource efficiency, including to install equipment to minimize waste solids and/or exhaust emissions; and adopt the anti-spill technology new installations or upgrades to reduce the energy use of ships.
- c. Eligible category 3 – sustainable water and wastewater management: proceeds of Green Bonds will be used to improve soil and water and to increase resource efficiency, including to install equipment to minimize wastewater discharge.
- d. Eligible category 4 – use of low carbon/non-fossil fuel: proceeds of Green Bonds will be used to boost renewable energy, including to implement pilot projects using low-carbon fuels or low-carbon fuels; install high-efficiency engine with low fuel consumption; adopt data collection and analysis system for tracking the latest emission.
- e. Eligible category 5 – sustainable transportation: proceeds of Green Bonds will be used for green transportation, including to strictly control whether the target ship fully complies with the latest international guidelines, agreements and standards when purchasing or building new ship assets.

2. Project Evaluation and Selection

Eligible Projects will be selected by our Green Bond Council (綠色債券委員會) (the “GBC”). The GBC consists of chief accountant, deputy general manager and senior staff from the planning and capital financing department. We refer to the following principals to select and approve the Eligible Projects:

- Legal compliance – project investment should strictly abide by national laws and regulations and governance policies in the location of production and operation; by improving the high-standard corporate governance mechanism, adhere to honest operation, openness and transparency in daily management and business development, strengthen corporate social responsibility, and ensure compliance with laws and regulations.

- Plan-oriented – project investment should conform to our strategic plan and be included in our investment plan.
- Benefit-assured – project investment should be well demonstrated, and benefit indicators should meet the minimum standards set by the Company.
- Risk control – project investment should strengthen preliminary research, feasibility and risk research, and effective prevention and control measures should be formulated for known risks to ensure that risks are controllable.

3. Management of Proceeds

The proceeds from Green Bonds will be managed by the designated working group, which will track the allocation of proceeds to eligible projects within its internal financial management system. Specifically, the duties include:

- Each investment project is earmarked for special purpose, and regularly monitors the cash flow, including the latest circulation and investment, and accounts for the source of funds.
- The total expenditure of green and blue projects and their accounts are frequently updated so that the certification authority can assess the positive impact of each project on the environment.
- Unused proceeds will be dealt with in accordance with our relevant management policies.
- For any net proceeds of instruments issued under this Green Finance Framework that remain unallocated, we will hold the proceeds in low-risk investments, such as time deposits, subject to the exclusions criteria.

4. Reporting

a. Allocation reporting

We will provide information on the allocation of the net proceeds from outstanding Green Bonds on our website for the public. The allocation reporting will be provided on an annual basis until all the net proceeds have been fully allocated, and on a timely basis in the event of material development. We will include the following in allocation reporting:

- a list of eligible projects, assets or activities, and the amount of proceeds or an amount equivalent to the net proceeds allocated to each eligible project or project category;
- confirmation that the eligible projects, assets and activities continue to meet the relevant eligibility requirements;
- the geographical distribution of eligible projects, assets or activities;
- the timing of allocation and any re-allocation of proceeds or an amount equivalent to the net proceeds for each eligible project, asset and activity;
- an estimate of the share of the net proceeds used for financing and refinancing, and which eligible green projects, assets and activities have been refinanced. This may also include the expected lookback period for refinancing eligible green projects, assets and activities; and
- status and details regarding unallocated proceeds.

b. Impact reporting

We will provide information on the impact from our Eligible Projects on our website for the public. The impact reporting will be provided on an annual basis while the debt instrument remains outstanding, and on a timely basis in case of material developments. We will include the following in allocation reporting:

- provide the expected or actual outcomes or impacts of the eligible projects, assets and activities with respect to objectives of the debt instrument;
- qualitative performance indicators of the outcomes or impacts;
- quantitative performance measures of the outcomes or impacts; and
- the methods and the key underlying assumptions used in preparation of the performance indicators and metrics.

5. Project Monitoring

Our planning and capital financing department will review the eligibility of those projects every half-year. If a project is considered by the department to be no longer meeting the criteria detailed above, projects will be removed and/or substituted on a best efforts basis, to ensure the full amount of proceeds are allocated to eligible projects. Such monitoring will be done throughout the life of the green and blue debt instruments.

6. Impact Assessment

The environmental impact assessment reports will be one of the validating criteria of project financing; and approval of environmental impact assessment by local regulator was one of the requirements for project validation.

7. Stakeholder Engagement

The main stakeholders in the life cycle of a typical green and blue project include charterers, crews, equipment/ship manufacturers and suppliers, capital investors, external legal advisers, etc. We allow our stakeholders to fully participate through meetings, information and communication channels, and inquiries.

EXCHANGE RATE INFORMATION

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to U.S.\$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China (the “**Basic Law**”), which came into effect on 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to U.S.\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link within the current rate range or at all.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
	(HK per U.S.\$1.00)			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7559	7.7951	7.7498
2021				
January	7.7531	7.7533	7.7555	7.7517
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July (through 9 July 2021)	7.7676	7.7670	7.7680	7.7656

Source: Federal Reserve H.10 Statistical Release

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to 20 July 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by the PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On 18 May 2007, the PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on 16 April 2012. From 21 July 2005 to 31 December 2014, the value of the Renminbi appreciated by approximately 33% against the U.S. dollar. On 11 August 2015, the PBOC announced plans to improve the central parity rate of the RMB against the U.S. dollar by authorizing market-makers to provide parity to the China Foreign Exchange Trading Center operated by the PBOC with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC announces the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends indicated.

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
		(RMB per U.S.\$1.00)		
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4932
April	6.4749	6.5186	6.5629	6.4710
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July (through 9 July 2021)	6.4788	6.4765	6.4898	6.4679

Source: Federal Reserve H.10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalization of the Group. As of 31 December 2020 and adjusted to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering:

	As of 31 December 2020			
	Actual		As adjusted	
	(HK\$'000)	(U.S.\$'000)	(HK\$'000)	(U.S.\$'000)
			(unaudited)	
Current debt:				
Short-term borrowings ⁽¹⁾	8,408,000	1,084,427	8,408,000	1,084,427
Total current debt	8,408,000	1,084,427	8,408,000	1,084,427
Non-current debt:				
Long-term borrowings ⁽¹⁾	12,107,990	1,561,636	12,107,990	1,561,636
Bonds to be issued	–	–	3,863,907	498,350
Total non-current debt	12,107,990	1,561,636	15,971,897	2,059,986
Total equity	8,990,937	1,159,612	8,990,937	1,159,612
Total capitalization ⁽²⁾	21,098,927	2,721,248	24,962,834	3,219,598

Notes:

- (1) Include bank borrowings and guaranteed bonds.
(2) Total capitalization represents total non-current debt and total equity.

Subsequent to 31 December 2020, we have, in the ordinary course of business, entered into additional financing arrangements to finance our business development and for general corporate purposes. See the section entitled “Description of Other Material Indebtedness” for more information. Except as otherwise disclosed in this offering circular, there has been no material adverse change in our capitalization and indebtedness since 31 December 2020.

DESCRIPTION OF THE ISSUER

The Issuer, our wholly-owned subsidiary, is a limited liability company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands on 21 January 2015. The Issuer's registration number is 1859566. Its registered office is located at PO Box 173, Road Town, Tortola, British Virgin Islands and its telephone number is (852) 2238 5299. Under section (5) of the Issuer's memorandum of association, the Issuer shall have full power and authority to carry out any object not prohibited under any law for the time being in force in the British Virgin Islands. The Issuer's primary purpose is to act as one of our financing subsidiaries. The Issuer will remain our wholly-owned subsidiary as long as the bonds are outstanding and will advance the net proceeds of the bonds to us or our subsidiaries. The Issuer has no material assets.

The directors of the Issuer are Mr. Bao Weidong and Mr. Hu Kai. The business address of the Issuer's directors is 1801, 18/F, Worldwide House, 19 Des Voeux Road, Central, Hong Kong.

There are no potential conflicts of interest between the duties to the Issuer of the directors of the Issuer listed above and their private interests and/or duties.

The Issuer is authorized to issue a maximum of 50,000 shares of one class of no par value, 100 of which have been issued. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

The Issuer has not published, and does not propose to publish, any of its accounts since it is not required to do so under the laws of the British Virgin Islands. However, the Issuer is required to keep such accounts and records as its director considers necessary or desirable in order to reflect the financial position of the Issuer.

DESCRIPTION OF THE GROUP

Overview

Established in 2012, we are the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. As a leading market player in the global ship leasing industry, we offer customised ship leasing solutions that suit our customers' different needs. In terms of the amount of leased vessels and lease contracts in 2020, we were ranked sixth in the Chinese ship leasing industry with a market share of 7.36% and were ranked fifth in terms of the total assets.

Our core business is the provision of leasing services which include finance lease and operating lease. Leveraging our strong expertise in the marine industry, our leasing services primarily focus on ship leasing. In addition, we provide shipbroking and loan services to our customers. We have a diversified, modern and young vessel fleet. As of 31 December 2020, we (including joint ventures and associates) owned a total of 136 vessels, including 90 vessels chartered for operation and 46 vessels under construction. The average age of our vessels is approximately 3.5 years. As of 31 December 2020, in terms of contract amount, bulk carriers, container vessels, tankers, marine clean energy equipment and special tonnage carriers accounted for 19%, 11%, 14%, 34%, and 22% of our vessel portfolio (including joint ventures and associates), respectively. Leveraging our unique insights into the marine industry, we carefully allocate, adjust and optimise the proportion of various types of vessels based on industry conditions and our customers' needs.

We have a comprehensive and effective risk management system that covers various types of risks involved in our business operations. We have implemented risk management procedures at every major stage of our business operations. We set specific requirements for each type of shipping project financing business and evaluate the quality of primary project repayment source to eliminate potential risks in our business operations. We have also established an emergent response mechanism and periodically conduct default analysis, financial analysis and due diligence for ongoing projects to monitor risk indicators and keep the operational management process dynamic. In addition, the adopting of ECL Impairment Measures under the IFRS9 allows us to further effectively evaluate the quality of our assets portfolio.

Over the years, we have been benefitting from our close relationship with CSSC Group⁽¹⁾. We believe that such shareholder background has distinguished us from our competitors and enhanced our competitiveness in the global ship leasing industry.

In 2019 and 2020, our total revenue amounted to HK\$2,294.4 million and HK\$1,861.6 million (US\$240.1 million), respectively. For the same periods, our profit was HK\$892.4 million and HK\$1,114 million (US\$143.7 million), respectively.

Recent Developments

The Restructuring of Our Controlling Shareholder

On 1 July 2021, we were informed by the CSSC group, that as part of an intra-group restructuring, China State Shipbuilding Corporation Limited (中國船舶集團有限公司) (“**China Shipbuilding Group**”) proposes to acquire the entire equity interest in CSSC Group (the “**Proposed Restructuring**”). Upon completion of the Proposed Restructuring, China Shipbuilding Group will be indirectly interested in approximately 75% of our total issued share capital. China Shipbuilding Group had applied for, and the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong has granted, a waiver pursuant to Note 6(a) to Rule 26.1 of the Codes on Takeovers and Mergers and Share Buy-backs from strict compliance with the obligation to make a general offer for all the shares of the Company that would otherwise be triggered by the Proposed Restructuring by China Shipbuilding Group. As at the date of this Offering Circular, there is no concrete timetable for the completion the Proposed Restructuring.

Note:

- (1) CSSC Group will not provide any guarantee or any form of credit enhancement for this offering and it has no obligation to and will not assist the Issuer or the Guarantor to repay the Bonds.

The Sale and Leaseback of Vessels

Subsequent to 31 December 2020, certain of our wholly-owned subsidiaries has entered into memorandum of agreements and bareboat charters in connection with the sale and lease back of vessels with respective charterers.

- On 28 January 2021, Fortune Chem 1, Fortune Chem 2, Fortune Chem 3, Fortune Chem 4 and Fortune Chem 5, our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with the Navig Charterers, pursuant to which Fortune Chem 1, Fortune Chem 2, Fortune Chem 3, Fortune Chem 4 and Fortune Chem 5 have agreed to (i) purchase the vessels from the Navig Charterers; and (ii) lease back the vessels to the Navig Charterers at a total estimated charterhire to be payable by the Navig Charterers of approximately US\$145,663,000 (including the estimated lease interest of approximately US\$33,148,000).
- On 29 January 2021, Fortune Xintian and Fortune Xinhang, our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with the Orient Charterers, pursuant to which Fortune Xintian and Fortune Xinhang have agreed to (i) purchase the vessels from the Orient Charterers; and (ii) lease back the vessels to the Orient Charterers at a total estimated charterhire to be payable by the Orient Charterers of approximately US\$65,700,000 (including estimated lease interest of approximately US\$13,848,000).
- On 27 April 2021, Fortune Kun and Fortune Zhen, our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with the STI Charterers, pursuant to which Fortune Kun and Fortune Zhen have agreed to (i) purchase the vessels from the STI Charterers; and (ii) lease back the vessels to the STI Charterers at a total estimated charterhire to be payable by the STI Charterers of approximately US\$68,431,000 (including estimated lease interest of approximately US\$10,170,000).
- On 20 May 2021, Fortune Haumea and Fortune Poseidon, our wholly-owned SPVs, have entered into a memorandum of agreement with Red Box Energy Logistics in relation to certain disposal of vessels by Fortune Haumea and Fortune Poseidon. On the same date, Fortune MC Hercules and Fortune MC Titan our wholly-owned SPVs, have entered into a memorandum of agreement and the bareboat charters with the Red Charterer pursuant to which Fortune MC Hercules and Fortune MC Titan have agreed to (a) purchase the Vessels from the Red Charterer; and (b) lease back the vessels to the Red Charterer at a total estimated charterhire to be payable by the Red Charterer of approximately US\$150,332,000 (including estimated lease interest of approximately US\$19,991,000).

Grant of Share Options

On 30 April 2021, we granted share options under the share option scheme adopted on 30 April 2021 to certain directors and employees which, subject to their acceptance, entitle them to subscribe for up to an aggregate of 143,540,000 new shares of HK\$1.32 each in the share capital of the Company.

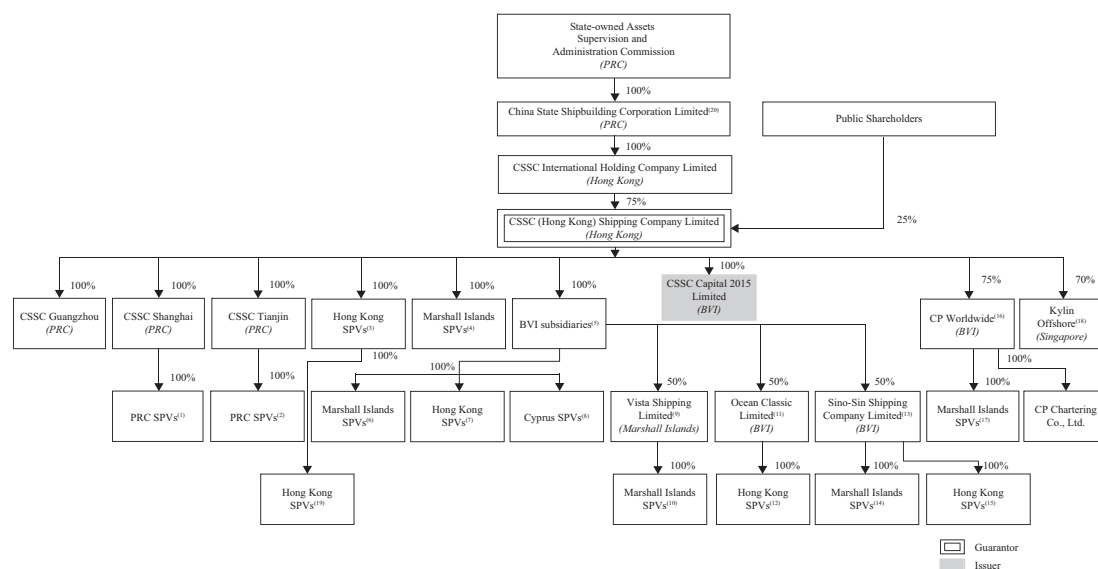
The Coronavirus Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. The COVID-19 pandemic has adversely affected the livelihood of many people in and the economy of the PRC. The pandemic has had negative impacts on the global economy and various sectors in China. Operation of the global industrial chain, supply chain and value chain were once disrupted, leading to the first negative growth after the financial crisis in the world's seaborne trade in 2020.

As a result of the pandemic, the market breadth of bulk carrier market, crude oil vessel market and refined oil tanker market fluctuated in 2020. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which we may be affected. See "Risk Factors – Risks Relating to the Industry – Our results of operations may be affected by social and political instability as well as the occurrence of epidemics and natural disasters"

Simplified Group Structure

The following chart illustrates our simplified corporate structure as of the date of this offering circular, listing our certain major subsidiaries and jointly controlled entities:



Notes:

- There are six PRC SPVs directly and wholly-owned by CSSC Shanghai, namely Shanghai Jiabojiang Ship Leasing Co., Ltd.* (上海佳駁江船舶租賃有限公司), Shanghai Jiabohe Ship Leasing Co., Ltd.* (上海佳駁河船舶租賃有限公司), Shanghai Jiabohu Ship Leasing Co., Ltd.* (上海佳駁湖船舶租賃有限公司), Shanghai Jiabohai Ship Leasing Co., Ltd.* (上海佳駁海船舶租賃有限公司), Shanghai Jiabowang Ship Leasing Co., Ltd.* (上海佳駁汪船舶租賃有限公司) and Shanghai Jiaboyang Ship Leasing Co., Ltd.* (上海佳駁洋船舶租賃有限公司).
- There are two PRC SPVs directly and wholly-owned by CSSC Tianjin, namely CSSC Ruiyun (Tianjin) Financial Leasing Co., Ltd.* (中船瑞雲(天津)融資租賃有限公司) and CSSC Jiyun (Tianjin) Financial Leasing Co., Ltd.* (中船吉雲(天津)融資租賃有限公司).
- There are 21 HK SPVs directly and wholly-owned by our Company, namely Zhongqiao Shipping Limited, New Pearl River Shipping Limited, Fortune Sealion Holding Company Limited, Fortune FSRUEM Holding Company Limited, Fortune FSRUGV Holding Company Limited, Fortune CD Heracles Shipping Limited, Fortune GLORIOUS Shipping Limited, Fortune CGAS Holding Company Limited, Fortune Escalation Holding Company Limited, Fortune Suisse Holding Company Limited, Fortune Vtanker Shipping Company Limited, Fortune July Holding Company Limited, Fortune Duration Shipping Holding Limited, Fortune Virtue Shipping Holding Limited, Fortune Oslo Holding Company Limited, Fortune MGAS Holding Co., Ltd., Fortune Nirvana Holding Co., Ltd., Fortune March Holding Co., Ltd., Fortune FUGUI Holding Co., Ltd., Fortune WINGCHUN Holding Co., Ltd. And Fortune Hana Holding Co., Ltd..
- There are four Marshall Islands SPVs directly and wholly-owned by CSSC (Hong Kong) Shipping Company Limited, namely Fortune Philippians Shipping Limited, Fortune Qingdao Shipping Limited, Fortune Shijiazhuang Shipping Limited and Fortune Guilin Shipping Limited.
- In addition to the Issuer, there are 33 BVI subsidiaries directly and wholly-owned by CSSC (Hong Kong) Shipping Company Limited, namely CSSC Capital 2015 Limited, CHA Great Worldwide Holding, CHC Holding Company Group Limited, Fortune 2014 Holding Company Limited, Putuoshan Holding Company Limited, Fortune Mars Holding Company Limited, Fortune Mercury Holding Company Limited, Fortune Jupiter Holding Company Limited, Fortune Saturn Holding Company Limited, Fortune Venus Holding Company Limited, Fortune Pluto Holding Company Limited, Fortune Neptune Holding Company Limited, Fortune Uranus Holding Company Limited, Fortune Zeus Holding Company Limited, Fortune Poseidon Holding Company Limited, Fortune Eos Holding Company Limited, Fortune Eris Holding Company Limited, Fortune Makemake Holding Company Limited, Fortune Haumea Holding Company Limited, Fortune Capricorn Holding Company Limited, Fortune Aries Holding Company Limited, Fortune Aquarius Holding Company Limited, Fortune Pisces Holding Company Limited, Fortune East Sea Holding Company Limited, Fortune Tianxia Holding Company Limited, Fortune Baltic Holding Company Limited, Fortune CD Aurora Holding Company Limited, Fortune Victoria Peak Holding Company Limited, Fortune Aspiration Investments Company Limited, Fortune JESSICA Investments Company Limited, Fortune Evolution Investments Company Limited, Fortune Cleanenergy Holding Company Limited and Fortune Glorious Cities Holding Company Limited.
- There are a total of 95 Marshall Islands SPVs directly and wholly-owned by the 33 BVI subsidiaries, namely CHA First Shipping S.A., CHA Second Shipping S.A., CHC First Shipping S.A., CHC Third Shipping S.A., CHC Second Shipping S.A., Fortune Beijing Shipping Limited, Fortune Shanghai Shipping Limited, Fortune Fuzhou Shipping Limited, Fortune Guangzhou Shipping Limited, Fortune Daocheng Shipping Limited, Zhujiajian Shipping S.A., Shenjiamen Shipping S.A., Fortune Chile Shipping Limited, Fortune Brazil Shipping Limited, CP Jinan Shipping S.A., CP Xian Shipping S.A., CP Hangzhou Shipping S.A., CP Fuzhou Shipping S.A., Fortune Lianjiang Shipping S.A., Fortune Taizhou Shipping S.A., Earl Shipping S.A., Emma Shipping S.A., Empire Shipping S.A., Epoch Shipping S.A., Essence Shipping S.A., Excellency Shipping S.A., Elmar Shipping S.A., Elsa Shipping S.A., Eudora Shipping S.A., Ernest Shipping S.A., Fortune Xun Shipping Limited, Fortune Zhen Shipping Limited, Fortune Dui Shipping Limited, Fortune Qian Shipping Limited, Fortune Kan Shipping Limited, Fortune Gen Shipping Limited, Fortune Li Shipping Limited, Fortune Kun Shipping Limited, Fortune Qinglong Shipping S.A., Fortune Baihu Shipping S.A., Fortune July Shipping Limited, Fortune May Shipping Limited, Fortune Caribbean I Shipping Limited, Fortune Caribbean II Shipping Limited, Fortune Caribbean III Shipping Limited, Fortune Caribbean IV Shipping Limited, Fortune Caribbean V Shipping Limited, Fortune Caribbean VI Shipping Limited, Fortune Arctic I Shipping Limited, Fortune Arctic II Shipping Limited, Fortune Santorini Shipping Limited, Fortune Crete Shipping Limited, Fortune Suez I Shipping Limited, Fortune Suez III Shipping Limited, Fortune Xuanyuan Shipping Limited, Fortune Hebrews Shipping Limited, Fortune

- Ephesians Shipping Limited, Fortune Matthew Shipping Limited, Fortune Lyra Shipping Limited, Fortune Leo Shipping Limited, Fortune Grus Shipping Limited, Fortune Aquila Shipping Limited, Fortune Colossians Shipping Limited, Fortune Aspiration I Shipping Limited, Fortune Aspiration II Shipping Limited, Fortune Harbin Shipping Limited, Fortune JESSICA Shipping Limited, Fortune Kowloon Shipping Limited, Fortune Central Shipping Limited, Fortune Wanchai Shipping Limited, Fortune Lantau Shipping Limited, Fortune Shenyang Shipping Limited, Fortune Tsingyi Shipping Limited, Fortune Changchun Shipping Limited, Fortune Suzhou Shipping Limited, Fortune Changsha Shipping Limited, Fortune Nanning Shipping Limited, Fortune Lanzhou Shipping Limited, Fortune Lasa Shipping Limited, Fortune Yangzhou Shipping Limited, Fortune Wuxi Shipping Limited, Fortune Zibo Shipping Limited, Fortune Zhuhai Shipping Limited, Fortune Zhejiang Shipping Limited, Fortune Xuzhou Shipping Limited, Fortune Xiamen Shipping Limited, Fortune Wuhan Shipping Limited, Fortune Weihai Shipping Limited, Fortune Nanchang Shipping Limited, Fortune Jinhua Shipping Limited, Fortune Hefei Shipping Limited, Fortune Guiyang Shipping Limited, Fortune Dongying Shipping Limited and Fortune Datong Shipping Limited.
- (7) There are (i) two HK SPVs directly and wholly-owned by Fortune 2014 Holding Company Limited, namely Fortune Quanzhou Shipping Limited and Fortune Xiamen Shipping Limited; (ii) five HK SPVs directly and wholly-owned by Fortune Venus Holding Company Limited, namely Fortune Tianhe Shipping Limited, Fortune Haizhu Shipping Limited, Fortune Liwan Shipping Limited, Fortune Nansha Shipping Limited and Fortune Ricardo Shipping Limited; (iii) four HK SPVs directly and wholly-owned by Fortune Cleanenergy Holding Company Limited, namely Fortune Great Shipping Limited, Fortune Power Shipping Limited, Fortune Pillar Shipping Limited and Fortune Magnificent Shipping Limited; and (iv) two HK SPVs directly and wholly-owned by Fortune Mercury Holding Company Limited, namely Fortune Chengdu Shipping Limited and Fortune Chongqing Shipping Limited.
 - (8) There are six Cyprus SPVs directly and wholly-owned by Fortune Baltic Holding Company Limited, namely Fortune Bec I Shipping Limited, Fortune Bec II Shipping Limited, Fortune Bec III Shipping Limited, Fortune Bec IV Shipping Limited, Fortune Bec V Shipping Limited and Fortune Bec VI Shipping Limited.
 - (9) Vista Shipping Limited is a joint venture company, and 50% and 50% directly owned by Fortune East Sea Holding Company Limited and a company incorporated in the Marshall Islands, which is an Independent Third Party, respectively.
 - (10) There are six Marshall Islands SPVs directly and wholly-owned by Vista Shipping Limited, namely Vista Shipholding I Limited, Vista Shipholding II Limited, Vista Shipholding III Limited, Vista Shipholding IV Limited, Vista Shipholding V Limited and Vista Shipholding VI Limited.
 - (11) Ocean Classic Limited is a joint venture company, and 50% and 50% directly owned by Fortune Ceres Holding Company Limited and a company incorporated in BVI, which is an Independent Third Party, respectively.
 - (12) There are four HK SPVs directly and wholly-owned by Ocean Classic Limited, namely Gas Libra Limited, Gas Scorpio Limited, Gas Gemini Limited and Gas Aquarius Limited.
 - (13) Sino-Sin Shipping Company Limited is a joint venture company, and 50% and 50% directly owned by Fortune Victoria Peak Holding Company Limited and a company incorporated in Bermuda, which is an Independent Third Party, respectively.
 - (14) There are four Marshall Islands SPVs directly and wholly-owned by Sino-Sin Shipping Company Limited, namely Harmony Shipping Company Limited, Honor Shipping Company Limited, Peace Shipping Company Limited and Valor Shipping Company Limited.
 - (15) There are four Hong Kong SPVs directly and wholly-owned by Sino-Sin Shipping Company Limited, namely Inspiration Shipping Company Limited, Genuine Shipping Company Limited, Passion Shipping Company Limited and Guardian Shipping Company Limited.
 - (16) CP Worldwide is 75% directly owned by CSSC (Hong Kong) Shipping Company Limited and 25% owned by a Liberian company, which is an Independent Third Party.
 - (17) There are six Marshall Islands SPVs directly and wholly-owned by CP Worldwide, namely CP Shanghai Shipping S.A., CP Guangzhou Shipping S.A., CP Tianjin Shipping S.A., CP Chongqing Shipping S.A., CP Nanjing Shipping S.A. and CP Shenzhen Shipping S.A.
 - (18) Kylin Offshore is 70% directly owned by our Company and 30% directly owned by a company incorporated in Singapore, which is an Independent Third Party.
 - (19) There are a total of 55 HK SPVs directly and wholly-owned by 22 HK SPVs, namely Fortune Sealion I Limited, Fortune Sealion II Limited, Fortune Sealion III Limited, Fortune Sealion IV Limited, Fortune Antwerp Company Limited, Fortune London Company Limited, Fortune CD Astraeus Shipping Limited, Fortune GENTLE Shipping Limited, Fortune CGAS Shipping I Limited, Fortune CGAS Shipping II Limited, Fortune CGAS Shipping III Limited, Fortune CGAS Shipping IV Limited, Fortune Leopard Shipping Limited, Fortune Grit Shipping Limited, Fortune Geneva Shipping Limited, Fortune Zurich Shipping Limited, Fortune Grind Shipping Limited, Fortune Silver Shipping Limited, Fortune Lily Shipping Limited, Fortune Osmanthus Shipping Limited, Fortune Civilization Carriers Limited, Fortune Freedom Carriers Limited, Fortune Integrity Carriers Limited, Fortune Equality Carriers Limited, Fortune Harmony Carriers Limited, Fortune Friendship Carriers Limited, Fortune Dedication Carriers Limited, Fortune Prosperity Carriers Limited, Fortune Chem1 Shipping Limited, Fortune Chem2 Shipping Limited, Fortune Chem3 Shipping Limited, Fortune Chem4 Shipping Limited, Fortune Chem5 Shipping Limited, Fortune MGAS I Shipping Limited, Fortune MGAS II Shipping Limited, Fortune MC Hercules Shipping Limited, Fortune MC Titan Shipping Limited, Fortune Faith I Shipping Limited, Fortune Faith II Shipping Limited, Fortune Faith III Shipping Limited, Fortune Faith IV Shipping Limited, Fortune Faith V Shipping Limited, Fortune AN Shipping Limited, Fortune CITRUS Shipping Limited, Fortune COCONUT Shipping Limited, Fortune LYCHEE Shipping Limited, Fortune PINEAPPLE Shipping Limited, Fortune PING Shipping Limited, Fortune COLLIE Shipping Limited, Fortune EEL Shipping Limited, Fortune RETRIEVER Shipping Limited, Fortune TEDDY Shipping Limited, Fortune Mudanjiang Shipping Limited, Fortune Nanjing Shipping Limited and Fortune Suqian Shipping Limited.
 - (20) CSSC Group will not provide any guarantee or any form of credit enhancement for this offering and it has no obligation to and will not assist the Issuer or the Guarantor to repay the Bonds. China Shipbuilding Group proposes to acquire the entire equity interest in CSSC Group. See “– Recent Developments – The Restructuring of our controlling shareholder” above for details.

Our Strengths

We believe that our historical success and future prospects are directly related to a combination of our strengths, including the following:

We are one of the world’s leading ship leasing companies and enjoy wide recognition.

Established in 2012, we are the first shipyard-affiliated leasing company in Greater China and one of the world’s leading ship leasing companies. In terms of the amount of leased vessels and lease contracts in 2020, we were ranked sixth in the Chinese ship leasing industry with a market share of 7.36% and were ranked fifth in terms of the total assets.

In August 2018, the leading group for state-owned enterprise reform under the State Council (國務院國有企業改革領導小組) selected more than 100 subsidiaries of central enterprises and backbone state-owned enterprises, respectively, to implement the “Double Hundred Action (雙百行動)” in state-owned enterprise reform during the period from 2018 to 2020. Our Company has been included in the list of “Double-Hundred Enterprises (雙百企業)”, which we believe is a recognition of our outstanding business performance, established market presence as well as strong development potential.

As a shipyard-affiliated leasing company, we have a unique competitive edge.

As the first shipyard-affiliated leasing company in Greater China, we leverage our synergies and close business relationships with shipyards, and possess updated information on the supply and demand in the marine market and our customers’ needs, which allow us to capture business opportunities in a timely manner. As of the date of this offering circular, we maintained cooperation with 13 shipyards for the provision of ship leasing services to approximately 50 customers in 13 countries and regions. We work closely with shipyards to dig deeper into customers’ needs in order to provide professional, one-stop and customised leasing services.

As the sole leasing company under CSSC Group, we are significant to CSSC Groups for implementing their corporate strategy of “combination of industry and finance (產融結合)” and also benefit from this corporate strategy. CSSC Group is a world-class and leading state-owned shipbuilding conglomerate in the PRC, and is a Fortune Global 500 and Fortune China 500 company in 2018. CSSC Group owns a large number of shipbuilding and ship repair corporations, ship design and research institutions, marine support service providers as well as ship trading companies in the PRC, and its resources encompass the entire value chain of the marine industry.

We benefit from the stable supply of high quality shipbuilding services from CSSC Group and its subsidiaries. In 2020, CSSC Group and its subsidiaries built more than 16 types of vessels and delivered 9.1 million DWT of new buildings, representing a global market share of 10.3%. In 2020, the new orders and orders in hand of CSSC Group and its subsidiaries amounted to 7.6 million DWT and 20.2 million DWT, respectively, accounting for a global market share of 13.3% and 12.1%, respectively. Based on the abovementioned parameters, CSSC Group ranked first in China and second in the world in 2020, and its products have been exported to more than 150 countries and regions. In the past few years, we have ordered various type of vessels from CSSC Group and its subsidiaries, including ultra-large container ship, bulk carrier, polar module carrier, VLGC, heavy-lift ship, LRI product tanker and LRII product tanker. We also benefit from the technical capabilities of CSSC Group, which had seven leading research and design institutes in China’s shipbuilding industry in 2020. In addition, CSSC Group provides us with credit supports, such as credit line and guarantee, and funding of share capital.

We have strong expertise and extensive experience in the marine industry, which allow us to capture business opportunities in the marine industry.

We possess insights into the cyclical conditions of various marine market segments. We are able to grasp industry fluctuations, which allows us to capture cyclical profits. Leveraging our robust expertise and strong industrial background in the marine business, we focus on developing ship and marine equipment leasing business, and have maintained close cooperation with customers in 13 countries and regions around the world. In addition, the value of the assets we held under operating lease arrangements as of 31 December 2020 increased by an average of 10% as compared to that at the time of purchase.

Our extensive industry experience and strong industry background have enabled us to lead the industry by being the first leasing company to have established a business layout in relation to offshore clean energy. We have also expanded into the field of clean energy offshore equipment. For instance, since 2015, we have been providing leasing services for two of the world’s first polar class heavy-transport deck carriers, which are vessels for transporting module parts of a construction project to polar regions, to serve in the world’s then largest natural gas field. We have also been providing leasing services for the world’s first FLNG conversion unit since 2015. In addition, we owned and operated five very large gas carriers and provided leasing services for the first FSRU in China in 2017. Leveraging our first-mover advantage, we believe that we are well positioned to capture the development potential of emerging markets.

Our comprehensive risk management system has allowed us to achieve stability in asset quality.

As a leading ship leasing company in Greater China, we have established a comprehensive and effective risk management system, which allows us to maintain sound operations and achieve stability in

asset quality. As of 31 December 2020, we made provision for impairment loss on loan receivables of HK\$503.6 million (U.S.\$65 million), which comprised 12-month expected credit loss of HK\$39.9 million (U.S.\$5.2 million) for assets under stage 1 and lifetime expected credit loss of HK\$192.1 million (U.S.\$24.8 million) and HK\$271.5 million (U.S.\$35.0 million) for assets under stage 2 and stage 3, respectively.

Our risk management system covers various types of risks involved in our business operations. In respect of credit risk management, we assess our risk exposure at every major stage of our business operations, from due diligence, project assessment and approval, contract execution, release of funds to lease management. Our five-category asset quality classification system, which was established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions (非銀行金融機構資產風險分類指導原則) published by the CBRC, also allows us to effectively evaluate the quality of our asset portfolio. In addition, we make use of various tools to measure and monitor our liquidity risks on an on-going basis, which enable us to optimise the structure of our assets and liabilities in a timely manner.

Our continuous optimisation of asset portfolio has allowed us to diversify our risk exposure and enjoy performance stability.

As of 31 December 2020, we (including joint ventures and associates) owned a total of 136 vessels, comprising 42 bulk carriers, 32 tankers, 20 container vessels, 25 special tonnage carriers and 17 marine LNG/LPG units. The demand for bulk carriers, tankers and container vessels, being the three major vessel types, are primarily influenced by macro-economic and trade environment, whereas the demand for marine LNG/LPG units and special tonnage carriers, being vessels in the clean energy sector, are mainly influenced by the energy as well as oil and gas industries. We have a balanced vessel portfolio comprising different types of vessels, which creates a hedging effect among them and allows us to diversify our risk exposure and enjoy performance stability.

The Company's lease agreements in 2020 were of an average remaining lease term of approximately 7.3 years.

Leveraging our extensive experience in the marine industry and through the sharing of customer databases with various shipyards, we possess information on the performance of a large number of customers in multiple rounds of industry cycles, which facilitates our assessment of the performance risks of our customers. Our customers are of high quality and they include (i) a French container transport giant; (ii) the world's largest refined oil transporter, which is a listed company in the United States; (iii) one of the world's largest grain merchants and a Fortune Global 500 company; (iv) the largest bulk carrier owner and a listed company in the United States; (v) two transport giants for the oil and gas industries, which are listed companies in the United States; and (vi) the largest integrated conglomerate in Singapore.

We have an experienced, committed and professional management team.

Our success is built on the leadership of our experienced, committed and professional management team. Our management team has an average of 18 years of experience in the marine industry, and possesses solid experience and strong expertise in vessel selection and combination, leasing transactions, technical review, risk management as well as lease management. In particular, Mr. Hu Kai, our Executive Directors, has more than 25 years of experience in the marine industry, and their strong execution capabilities have allowed us to develop and pursue sustainable business strategies, seize market opportunities as well as anticipate and promptly respond to changes in market conditions. See "Directors, Supervisors and Senior Management" in this offering circular for more information on the experience and qualifications of our Directors and members of our senior management. We believe that the insight and strategic vision of our management team will continue to bring business growth and profitability, thereby solidifying our market position in the global ship leasing industry.

Furthermore, since we have employees based in important shipping hubs such as Hong Kong, Shanghai and Singapore, we are able to grasp the opportunities in the global ship leasing industry, and actively pursue and develop new business opportunities in the marine economy.

We benefit from various industry development opportunities as well as regional and national policies.

As one of the world's leading ship leasing companies, we believe that we are well positioned to seize the business opportunities brought about by the positive developments in various industries as well as favourable regional and national policies. The development opportunities that we may benefit from include:

Marine industry – The marine industry is a hub for international trading activities and is closely related to the development of global economy and local industrial level. The global economic recovery has facilitated the recovery of the marine industry from its lowest point in 2016. The global shipping trade volume is expected to increase from 11,901 million tonnes in 2018 to 14,255 million tonnes in 2022, at a CAGR of 4.6%. The increase in global shipping trade volume will provide a favourable environment for the development of the marine and leasing industries. In 2017, the global order volume for new buildings was 85.7 million DWT, representing an increase of 195.5% from 2016, which will create favourable conditions for our business development.

Clean energy industry – As the global economy continues to improve, the demand for energy is on the rise. In particular, since LNG and LPG are clean, efficient and increasingly available in application, they show growing significance in the energy sector, which is demonstrated by their increasing consumption in the global energy sector. Moreover, LNG and LPG are often extracted from areas not close to the consumption areas. All these factors contribute to the growth of the trade volume of LNG and LPG worldwide, thus stimulating the demand for sea transportation of LNG and LPG. As the sea transportation of LNG and LPG requires specific LNG and LPG vessels, the rapid development of the global LNG and LPG markets plays a significant role in facilitating the development of the marine and ship leasing industries.

Ship leasing industry – In the past few years, amidst a challenging industry environment, the ship leasing industry has been developing rapidly in China and globally as a result of flexible business models, controllable capital risks and reduced impact due to cyclicity of the marine industry. Furthermore, the rapid growth of Chinese macro-economy, economic strength as well as financial and leasing industries have provided favourable conditions for the development of the ship leasing industry. Finance lease has also gained increasing popularity as a ship leasing arrangement. The scale of the global ship leasing market increased from U.S.\$2.4 billion from 2013 to U.S.\$4.9 billion to 2018, at a CAGR of 15.3%. Despite the rapid development of the global ship leasing industry, the penetration rate (i.e. the number of vessels under leasing arrangements over the number of vessels in service) remains low. Going forward, the penetration rate is expected to increase, mainly because of the warming-up of the marine industry and maritime trade activities as well as the expansion of the overall ship leasing industry. Therefore, the global ship leasing industry will continue to prosper for a relatively long period. The global ship leasing market is expected to reach U.S.\$7.6 billion in terms of revenue in 2022, at a CAGR of 11.4% from 2019.

The various regional and national policies that we may benefit from include:

Marine economy – According to the PRC's "13th Five-Year Plan for Marine Economy Development (海洋經濟發展十三五規劃)", by 2020, China's gross marine production is expected to increase at an annual rate of 7.0% and account for 9.5% of its GDP, of which marine services are estimated to account for more than 55.0% of the gross marine production. As an important participant in China's marine economy, we will make use of our extensive experience in the vessel and offshore equipment sectors as well as the competitive advantages of our leasing business to capture new business opportunities in the marine economy.

Belt and Road Initiatives and long-term strategic cooperation between China and Africa – China's major national development strategies of the Belt and Road Initiatives and China-Africa strategic cooperation have brought business opportunities overseas. Since 2015, we have been providing leasing services for two polar class heavy-transport deck carriers, which are vessels for transporting module parts of a construction project to polar regions, to serve in the world's then largest natural gas field, and to a leading offshore LNG operator listed in the United States for a FLNG conversion unit based in Cameroon, which is the world's first FLNG conversion project.

Hong Kong government's policies that benefit the ship leasing industry – In May 2018, the Financial Services Development Council of Hong Kong published a research report entitled “Maritime Leasing Paper”, which sets out various recommendations for facilitating the development of Hong Kong’s ship financing and leasing businesses. As a ship leasing company based in Hong Kong, we believe that we will benefit from the Hong Kong government’s policies that benefit the ship leasing industry.

Our Strategies

To solidify our position as a leading company in vessel and marine equipment leasing, we plan to implement the following strategies:

To continue to focus on ship leasing and develop professional and high-value businesses

The global seaborne trading volume will experience a rebound as a result of global economic recovery, and is expected to increase from 11,901 million tonnes in 2018 to 14,255 million tonnes in 2022, at a CAGR of 4.6%. Such an increase is likely to boost the demand for marine services. Under such favourable industry developments, we intend to make use of our substantial expertise in the marine industry and our existing business relationships with upstream and downstream industry participants (e.g. shipyards, ship operators, trading companies and energy corporations) to ensure performance of lease agreements, which will provide us with long-term and stable cash flow. We also endeavour to adopt professional and flexible leasing strategies. We will continue to understand and analyse the demands of lessees from different backgrounds in terms of allocation of ships and offshore equipment, and design leasing structures that best suit their needs.

We will continue to utilise our expertise and resources as a shipyard-affiliated leasing company to optimise our asset structure. Leveraging our unique insights into the marine industry, we will continue to make use of the complementarity among the cycles of different ship types to build a vessel portfolio which brings stable income and minimises our risk exposure. In particular, we plan to focus on further developing our operating lease business, which we believe will allow us to better utilise our advantages as the first shipyard-affiliated leasing company in Greater China.

As we seek to strengthen our market position through undertaking traditional projects, we also plan to invest in high-value projects that have strong market demand and development potential as well as require a high level of technological expertise and value-added content (e.g. projects in relation to the marine resource development and application industry chain). We believe that such initiatives will enable us to provide quality and comprehensive leasing services to both domestic and overseas top-notch ship operators, shipping companies, trading companies as well as energy corporations.

To cope with changes in the global energy landscape and comprehensively deploy the new energy industry chain

With the global energy landscape undergoing profound adjustments, new energy types such as LNG and shale gas are gaining popularity. In 2018, the global LNG industry achieved a record high for the fifth consecutive year and its trading volume reached 316.5 million tonnes, representing an increase of 9.8% from 2017 to 2018. In 2017, the National Energy Administration of the PRC published the “13th Five Year Plan for Energy Development (能源發展十三五規劃)”, which further specifies the roadmap and timetable for energy development and structural adaptations. Such initiatives indicate that China is optimising its energy structure and developing towards the utilisation of clean and low-carbon energy. In addition, under the Belt and Road Initiatives, China is actively implementing the new energy “go global (走出去)” strategy, and overseas investment in the new energy sector has been rapidly increasing.

In order to implement the new energy “go global (走出去)” strategy and through integrating our business characteristics and resource advantages, we have established a clean energy industry working group to explore business opportunities in the clean energy sector. We strive to continue to establish our business layout in the clean energy sector, offshore equipment sector as well as natural gas affiliated chemical industry chain, bring our industry resources and professionalism as a shipyard-affiliated leasing company into play, as well as establish high-value and high-tech industry-leading entry barriers.

To expand our financing channels and stabilise our finance costs

Going forward, we intend to expand our financing channels, obtain more project and working capital loans and conduct financing activities according to market conditions and interest rate trends. We will obtain financing through diversified channels, including bank loans, syndicated loans and bond issuances. Over the years, we have developed a close relationship and established business cooperation in credit and settlement with various banks, including state-owned and policy-based banks as well as Chinese and foreign banks, many of which have also financed our leasing projects with long-term project loans, which effectively reduce our liquidity risks and finance costs. As of 31 December 2020, the credit lines granted to us by various financial institutions amounted to HK\$20.0 billion (U.S.\$2.6 billion), of which HK\$14.4 billion (U.S.\$1.9 billion) had been used and HK\$5.6 billion (U.S.\$0.7 billion) were unused. In addition, we have a sophisticated project financing model, quality lessees and excellent asset quality, which allow us to enjoy a stable cash flow from our leasing business. We will continue to work closely with our financing partners to expand our financing channels and stabilise our finance costs.

In order to stabilise our finance costs, we will continue to prudently manage the exchange rate and interest rate risks. In addition, we will strictly monitor our financing channels under the guidance of our Board or senior management.

To continue to develop our non-ship leasing business

The marine industry is cyclical. In order to manage the relevant risks, we intend to strengthen our capabilities in withstanding risks through diversification of leasing business as well as upstream and downstream extension of industry chain. In this connection, we plan to develop our non-ship leasing business in areas such as ship-related equipment, marine economy (including fisheries, seawater treatment and marine tourism), manufacturing equipment, medical equipment, energy and power industry, energy-saving and environmental protection industry as well as information technology industry. We intend to identify two to three target industries as core areas for the long-term development of our non-ship leasing business. For example, we plan to develop customers from agriculture, oil, energy and chemical industries and assist them to build self-operated fleets. In view of the strong market demand and development potential of the marine industry, we also consider expand our business into high-value marine economic projects, such as marine resource development, smart vessels and project relating to marine technology application.

Our History and Development

Overview

Our Group's history dates back to the year of 2012 when our Company was incorporated in Hong Kong to serve as the sole leasing company under CSSC Group, which is a leading state-owned shipbuilding conglomerate in the PRC. As the first shipyard-affiliated leasing company in Greater China, we leverage our unique insights into the marine industry and offer customised ship leasing solutions to customers.

In order to capture the business opportunities brought about by the increasing demand for ship leasing services in the PRC, CSSC Shanghai and CSSC Tianjin were established in the PRC in 2014. Kylin Offshore was also incorporated by our Company and a company incorporated in Singapore, which is an Independent Third Party, in Singapore in 2014.

Over the years, we have continued to expand our scale of operations as well as our vessel portfolio. In terms of the amount of leased vessels and lease contracts in 2021 we were ranked sixth in the Chinese ship leasing industry with a market share of 7.36% and were ranked fifth in terms of the total assets.

Key Milestones

The key milestones in the development of our business are set out below:

Year	Event
2012	<ul style="list-style-type: none">• Our Company was incorporated in Hong Kong as the sole leasing company under CSSC Group.
2013	<ul style="list-style-type: none">• We entered into an operating lease transaction for three 18,000-TEU container vessels with a leading global shipping group.• We established a joint-venture company, namely CP Worldwide, with an Independent Third Party to invest in eight 64,000-tonne bulk carriers.• We entered into a finance lease transaction for three 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.
2014	<ul style="list-style-type: none">• CSSC Shanghai and CSSC Tianjin were established in the PRC to engage in the provision of leasing services.• We entered into a finance lease transaction for seven 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.• Kylin Offshore was incorporated in Singapore to engage in the provision of leasing and shipbroking services.
2015	<ul style="list-style-type: none">• We entered into a sale-and-leaseback transaction for eight 113,000-tonne tankers with certain subsidiaries of an international shipping company engaging in the transportation of petroleum products.• We entered into a sale-and-leaseback transaction for a FLNG vessel with a subsidiary of a LNG shipping company, whose parent company is listed on the New York Stock Exchange.• We entered into an operating lease transaction for six 13,230-tonne heavy lift vessels with a subsidiary of a global corporation engaging in the transportation of heavy-lift cargoes.
2016	<ul style="list-style-type: none">• The two polar class heavy-transport deck carriers that we jointly invested in with a subsidiary of an equipment manufacturer were delivered and began to serve in the world's then largest natural gas field.• We invested in two 85,000-cubic metre gas carriers.
2017	<ul style="list-style-type: none">• We established a joint-venture company, namely Vista Shipping Limited, with an international tanker company, which is an Independent Third Party, to invest in six tankers.• We invested in four 81,600-tonne bulk carriers.• We entered into a sale-and-leaseback transaction for two 174,000-cubic metre FSRUs with certain subsidiaries of a company engaging in the operation of LNG carriers.
2018	<ul style="list-style-type: none">• We established a joint-venture company with a subsidiary of a leading Asian-based industrial supply chain and logistics solution provider to invest in eight 55,000-tonne chemical tankers.• We entered into an operating lease transaction for four 120,000-tonne bulk carriers with a subsidiary of a global agricultural trader.• Our Company was included in the list of “Double-Hundred Enterprises (雙百企業)” published by the leading group for state-owned enterprise reform under the Supervision and Administration Commission of the State Council (國務院 國有企業改革領導小組).
2019	<ul style="list-style-type: none">• Certain of our subsidiaries entered into memorandum of agreements and bareboat charters in connection with the sale and lease back of vessels with respective charterers. We entered into an operating lease transaction for six 13,230-tonne heavy lift vessels. We entered into a sale and leaseback transaction for one 140,000-cubic metre FSRU, four 95,000-tonne bulk carriers, two 1,400-TEU dual fuel container vessels.• We established CSSC Financial Leasing (Guangzhou) Company Limited (中船 融資租賃(廣州)有限公司), which will principally engage in leasing business in the PRC.• We are successfully listed on the SEHK, raising HK\$2.05 billions.• CSSC Financial Leasing (Shanghai) Company Limited, one of our wholly-owned subsidiaries, formed a joint venture, Zhendui Industrial Intelligent Technology Co., Ltd., with several other parties, which principally engage in the research and development of industrial intelligent technology for ships and marine equipment, as well as the design, manufacturing or operation of intelligent ship systems.

Year	Event
2020	<ul style="list-style-type: none"> • The first full year of our Group's listing on the Main Board of the Stock Exchange. • S&P Global Ratings and Fitch Ratings continued to assign corporate credit ratings of "A-/stable and "A"/stable, respectively, to the Group. • The Group successfully issued United States dollar ("US\$") bonds in an aggregate amount of US\$800 million with an average annual interest rate of 2.75%. • We entered into a financial leasing project for four 86,000 cubic meter dual-fuel of VLGC carrier.

Our Business

Our business principally includes the provision of (i) leasing services; (ii) shipbroking services; and (iii) loan services. Our leasing services primarily focus on ship leasing, and we offer the options of finance lease and operating lease. The following table sets out a breakdown of our revenue in 2019 and 2020 by business activity:

	Year ended 31 December					
	2019		2020			
	HK\$'000	%	HK\$'000	%	U.S.\$'000	%
Finance lease income	658,781	28.7	432,277	23.2	55,753	23.2
Operating lease income	898,211	39.1	998,165	53.6	128,739	53.6
Interest income from loan borrowings ⁽¹⁾⁽²⁾	681,073	29.7	355,660	19.1	45,872	19.1
Commission income	56,332	2.5	75,463	4.1	9,733	4.1
Total	2,294,397	100.0	1,861,565	100.0	240,097	100.0

Note:

(1) We entered into a pre-delivery loan transaction in 2015, and the transaction became a sale-and-leaseback transaction in 2018 upon the satisfaction of certain conditions. The said transaction remained as a loan transaction from an accounting perspective, and revenue arising therefrom was therefore recognised as interest income from loan borrowings.

Leasing Services

We provide tailored and flexible leasing services to our customers with the options of finance lease and operating lease. Leveraging our strong expertise in the marine industry, our leasing services primarily focus on ship leasing. As a leasing service provider primarily focusing on ship leasing, our business may be materially and adversely affected by the marine cycle. For the years ended 31 December 2019 and 2020, our lease income, comprising finance lease income and operating lease income, amounted to HK\$1,557.0 million and HK\$1,430.4 million (U.S.\$184.5 million), respectively, accounting for 67.8% and 76.8% of our total revenue, respectively.

As of 31 December 2020, we (including joint ventures and associates) owned a total of 136 vessels, and our committed vessel portfolio comprised 41 vessels, which are expected to be completed and begin to generate lease income to our Group no later than 2022. These 41 vessels were of an aggregate vessel value (i.e. shipbuilders' cost of shipbuilding) of U.S.\$213.6 million.

(i) Finance Lease

Finance lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. A lease is classified as a finance lease if the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) to the lessee.

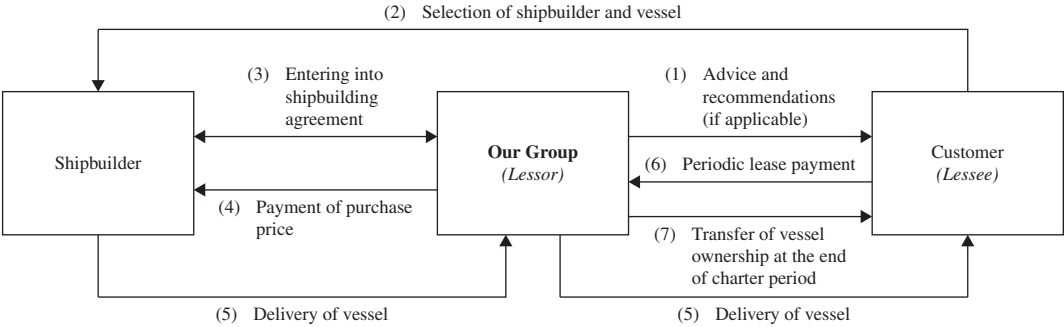
In 2019 and 2020, our finance lease income was HK\$658.8 million and HK\$432.3 million (U.S.\$55.8 million), respectively, accounting for 28.7% and 23.2% of our total revenue, respectively. Our finance lease is further categorised into direct finance lease and sale-and-leaseback. The decrease in

finance lease income was mainly due to (i) the significant decrease in LIBOR as part of our finance lease income is priced on a floating rate basis with reference to LIBOR; and (ii) the decrease in the average balance of finance lease receivables from HK\$8,152.0 million as at 31 December 2019 to HK\$6,847.8 million as at 31 December 2020 due to the continuous repayment of the principal of finance lease contracts by the charterers and the early repayment by the charterers of five contracts during 2020.

In respect of our finance lease transactions, our customers are generally not allowed to enter into any sub-chartering arrangement without obtaining our prior written consent or first informing us of such arrangement.

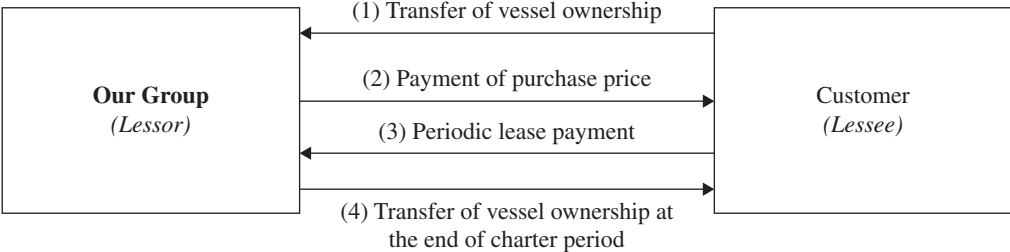
Direct finance lease

In a typical direct finance lease transaction, leveraging our strong expertise in the marine industry, we provide advice and recommendations to our customer to assist its selection of vessel. We enter into a shipbuilding agreement with the shipbuilder designated by our customer for the construction of vessel according to our customer’s specific requirements. We then lease the vessel to our customer for use in return for periodic lease payments. At the end of the charter period, our customer is obliged to purchase the leased vessel at a fixed price. The title ownership of the leased vessel remains with us until we transfer the same to our customer at the end of the charter period. The following diagram illustrates the relationship among the lessor, the lessee and the shipbuilder in a typical direct finance lease transaction:



Sale-and-leaseback

In a typical sale-and-leaseback transaction, we purchase our customer’s vessel at a negotiated price and then lease it back to our customer in return for periodic lease payments. At the end of the charter period, our customer is obliged to purchase the leased vessel. The title ownership of the leased vessel remains with us until we transfer the same to our customer at the end of the charter period. The following diagram illustrates the relationship between the lessor and the lessee in a typical sale-and-leaseback transaction:



Major terms of direct finance lease and sale-and-leaseback agreements

The direct finance lease and sale-and-leaseback agreements we enter into with our customers for ship leasing are legally binding and generally include the following major terms:

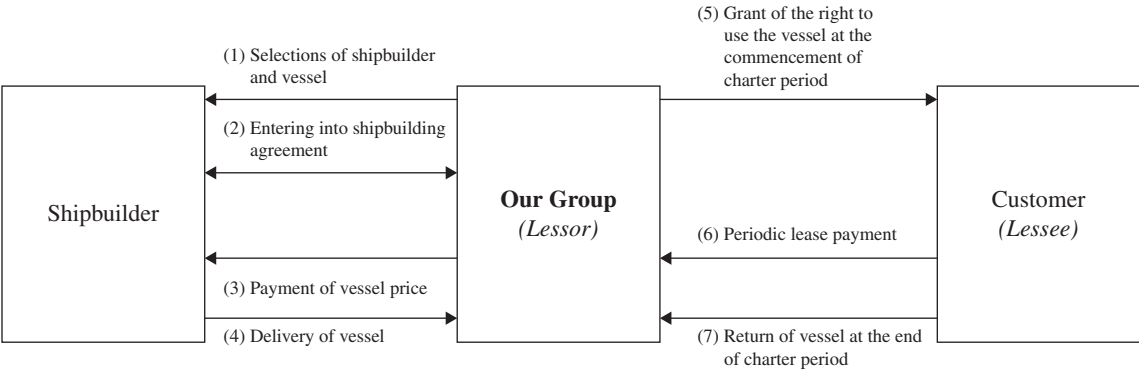
	<u>Direct finance lease agreement</u>	<u>Sale-and-leaseback agreement</u>
Vessel sale	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> The agreement will contain details in relation to the sale of the vessel by the lessee to us, including the purchase price, the payment terms as well as the delivery time and place.
Charter period	<ul style="list-style-type: none"> The agreement will specify the charter period, which generally ranges from five to 10 years. 	
Charter payment	<ul style="list-style-type: none"> The lessee will, on each payment date during the charter period, pay us for the lease and use of the vessel. The amount payable by the lessee on each payment date is generally (i) a pre-determined amount; or (ii) a pre-determined amount plus interest accrued on the outstanding principal, which is calculated with reference to the applicable interest rate (i.e. fixed rate or LIBOR plus a margin). We generally require payment to be made on a monthly or quarterly basis. 	
Vessel delivery and acceptance ..	<ul style="list-style-type: none"> Upon the delivery of the vessel in accordance with the shipbuilding agreement and the satisfaction of certain conditions, the lessee will be deemed to have accepted and taken delivery of the vessel. 	<ul style="list-style-type: none"> The ownership of the vessel will be transferred to us by the lessee on a “as is, where is and with all faults” basis. Simultaneously, the vessel will be delivered by us to the lessee on the same conditions.
Representations and warranties ..	<ul style="list-style-type: none"> We make no representation or warranty as to the seaworthiness, merchantability, condition, design, performance, capacity or fitness for use of the vessel. 	
Insurance	<ul style="list-style-type: none"> The lessee will bear all risks arising from the use, navigation, operation, possession and/or maintenance of the vessel during the charter period. The lessee shall, throughout the charter period, insure and keep the vessel insured against, among others, (i) fire and usual marine risks on hull and machinery; and (ii) war risks. 	
Lessee’s major obligations ..	<ul style="list-style-type: none"> The lessee shall, during the charter period: <ul style="list-style-type: none"> ensure the vessel is in compliance with all applicable laws, regulations, international conventions, codes and regulations; permit us to inspect or survey the vessel or instruct a duly authorised surveyor to carry out such inspection or survey in order to ascertain the condition of the vessel; notify us of any accident, arrest or event resulting in a total loss of the vessel; and inform us of any event constituting a lessee’s default under the agreement. 	
Lessee’s purchase obligations ..	<ul style="list-style-type: none"> Upon expiry of the charter period, the lessee will generally be obliged to unconditionally purchase the vessel at a fixed price. 	
Termination ...	<ul style="list-style-type: none"> Upon the occurrence of a lessee’s fault which is continuing, we may terminate the agreement. A lessee’s default includes (i) the lessee’s failure to make payment on its due date; (ii) the lessee’s failure to observe or perform any of its obligations under the agreement, and such failure is not remedied within a specified time period; and (iii) the filing of a petition or the making of an order for the winding-up or dissolution of the lessee. 	

(ii) Operating Lease

Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return for periodic lease payments. A lease is classified as an operating lease if substantially all the risks and rewards incidental to the ownership of an asset (including its residual value) remain with the lessor.

In 2019 and 2020, our operating lease income amounted to HK\$898.2 million and HK\$998.2 million (U.S.\$128.7 million), respectively, accounting for 39.1% and 53.6% of our total revenue, respectively. Such increase in operating lease income was due to the increase in our total shipping capacity in 2020 as we added 3 bulk carriers to its vessel portfolio. Our operating lease is further categorised into bareboat charter and time charter.

In a typical operating lease transaction, we enter into a shipbuilding agreement with a shipbuilder chosen by us for the construction of vessel, after taking into account our customer’s requirements on the type, specifications and capabilities of the vessel it intends to lease. With a view to optimising our operating lease business, we also enter into shipbuilding agreements at our own initiatives, after taking into account considerations such as market cycle, profitability and liquidity of particular types of vessels. We then lease the vessel to our customer for use in return for periodic lease payments. At the end of the charter period, our customer will return the leased vessel to us. The following diagram illustrates the relationship among the lessor, the lessee and the shipbuilder in a typical operating lease transaction:



In a bareboat charter, the lessee is responsible for the employment of the crew as well as the operation and management of the vessel. In a time charter, we are responsible for the payment of expenses in relation to crew employment and vessel management.

In respect of our operating lease transactions, our customers are generally required to inform us of any sub-chartering arrangements.

Major terms of operating lease agreements

The operating lease agreements we enter into with our customers for ship leasing are legally binding and generally include the following major terms:

	<u>Bareboat charter</u>	<u>Time charter</u>
Charter period	• The agreement will specify the charter period, which generally ranges from nine to 15 years for bareboat charter and approximately six months to one year for time charter.	
Charter payment	• The lessee will, on each payment date during the charter period, pay us for the lease and use of the vessel. • The amount payable by the lessee on each payment date is generally (i) a pre-determined amount; or (ii) calculated by multiplying the daily charter rate by the number of days in the relevant calculation period. • We generally require payment to be made on a semi-monthly or monthly basis.	
Vessel delivery and acceptance ..	• Upon the shipbuilder’s delivery of the vessel to us in accordance with the shipbuilding agreement and the satisfaction of certain conditions, the lessee will be deemed to have accepted and taken delivery of the vessel, whether or not it takes physical possession and/or use of the vessel.	• N/A
Representations and warranties ..	• We make no representation or warranty as to the seaworthiness, merchantability, condition, design, performance, capacity or fitness for use of the vessel.	• We will keep the vessel in an efficient state in hull, machinery and equipment during the charter period.

	Bareboat charter	Time charter
Insurance	<ul style="list-style-type: none"> The lessee will bear all risks arising from the use, navigation, operation, possession and/or maintenance of the vessel during the charter period. The lessee shall, throughout the charter period, insure and keep the vessel insured free of cost and expense to us and in the joint names of our Group and the lessee against, among others, (i) fire and usual marine risk on hull and machinery; and (ii) war risk. 	<ul style="list-style-type: none"> We will provide and pay for the insurance of the vessel.
Lessee's major obligations..	<ul style="list-style-type: none"> The lessee shall, during the charter period: <ul style="list-style-type: none"> ensure the vessel is in compliance with all applicable laws, regulations, international convention, codes and regulations; permit us to inspect or survey the vessel or instruct a duly authorised surveyor to carry out such inspection or survey in order to ascertain the condition of the vessel; notify us of any accident, arrest, detention or event resulting in a total loss of the vessel; and inform us of any event constituting a termination event under the lease. 	<ul style="list-style-type: none"> The lessee shall comply with all requirements and supply the vessel with sufficient fuel.
Termination ...	<ul style="list-style-type: none"> Upon the occurrence of a termination event, we may terminate the agreement and retake possession of the vessel. A termination event includes (i) the lessee's failure to make payment on its due date; (ii) the lessee's failure to observe or perform any of its material obligations under the agreement, and such failure is not remedied within a specified time period; and (iii) the lessee becoming bankrupt, insolvent or unable to repay its debts. Under our leasing services, we have established a monthly communication mechanism with shipbuilder, construction supervision team and charterers to closely monitor ship construction status. Through timely communication, we aim to ensure construction quality and timely delivery of vessels. We also plan to build a platform, under which cargo owners and ship owners are able to share information of shipping, cargo source and market condition. 	<ul style="list-style-type: none"> N/A

Shipbroking Services

Leveraging our extensive network and substantial experience in the marine industry, we provide shipbroking services to shipbuilders incidental to the conduct of our leasing business. Acting as an intermediary between shipbuilders and prospective purchasers, we provide a wide range of services, including identifying market opportunities for shipbuilders, recommending shipbuilders to interested purchasers, advising interested purchasers on vessel types, specifications and capabilities, providing market information to shipbuilders and interested purchasers, liaising with and serving as the channel of communication between shipbuilders and interested purchasers, negotiating the terms of shipbuilding agreements, as well as resolving issues that arise during the execution of shipbuilding agreements. If we facilitate the successful conclusion of a shipbuilding transaction, we will receive a commission from the shipbuilder. The amount of shipbroking commission generally represents 0.5% to 2.0% of the contract price of the vessel, and is normally paid to us within a specified time period (generally 30 days) after the shipbuilder's receipt of the instalment payment from the purchaser. It is an industry norm for shipbuilders to pay shipbroking commission to shipbrokers who facilitate the successful conclusion of shipbuilding transactions, and it is rare for purchasers to pay such commission.

For the years ended 31 December 2019 and 2020, our commission income was HK\$56.3 million and HK\$75.5 million (U.S.\$9.7 million) respectively, accounting for 2.5% and 4.1% of our total revenue, respectively. During the same period, CSSC Group and its associates were the only customers in respect of our shipbroking business.

Loan Services

We provide loan services in the ordinary and usual course of our business, and such loan services mainly include pre-delivery loan, secured loan and factoring services. We believe that our customers procure loan services from us instead of obtaining borrowings directly from commercial banks and financial institutions mainly because of the flexibility of our financing options, and we are not aware of any of these customers encountering any major difficulties in obtaining borrowings directly from commercial banks and financial institutions. It is not uncommon for leasing companies to provide loan services. In order to reduce the risk exposure of our loan services, we carefully select our customers based on their creditworthiness, repayment capabilities and financing needs. In 2019 and 2020, none of our loan receivables was written off.

In 2019 and 2020, our interest income from loan borrowings was HK\$681.1 million and HK\$355.7 million (U.S.\$45.9 million) respectively, accounting for 29.7% and 19.1% of our total revenue, respectively. The significant decrease in interest income from loan borrowings was mainly due to (i) the significant decrease in LIBOR as we charged customers based on a floating rate with reference to LIBOR; and (ii) the decrease in the average balance of loan borrowings from HK\$7,718.4 million as at 31 December 2019 to HK\$7,545.7 million as at 31 December 2020.

As of 31 December 2019 and 2020, the amount of receivables in respect of our loan services was HK\$7,632.6 million and HK\$7,458.8 million (U.S.\$962.0 million) respectively. In 2019 and 2020, the interest rate we charged for our loan services generally ranged from 3.6% per annum to 8.0% per annum, which is in line with the industry norm.

Pre-delivery Loan Services

In general, as part of our ship leasing services, we provide pre-delivery loan services to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. The pre-delivery loans we extend are solely to finance the purchase of vessels under our finance lease transactions, and are generally secured by corporate guarantee, the assignment of shipbuilding agreement and refund guarantee rendered by our customers. A corporate guarantee is an agreement whereby a corporate entity (i.e. the guarantor) undertakes to assume responsibilities for the repayment of a loan if the borrower defaults on its repayment or upon maturity of the loan. A refund guarantee is commonly provided in new shipbuilding transactions, whereby a bank in favour of the seller undertakes that, in the event the seller fails to perform its obligations under the shipbuilding agreement, it will refund the advance instalments paid (together with interest accrued) under the relevant shipbuilding agreement to the buyer.

The pre-delivery loan agreements we enter into with our customers are legally binding and generally include the following major terms:

- Loan facility.....** : • We will make a loan facility available to our customer, and the agreement will specify, among others, the loan amount, interest rate, drawdown period and repayment schedule.
- We generally charge our customer a fixed interest rate.
- Purpose of loan facility.....** : • The loan facility will solely be for the purpose of financing our customer’s instalment payments towards the contract price of a shipbuilding transaction.
- Security documents.....** : • We require our customer to execute certain security documents (e.g. corporate guarantee, assignment of shipbuilding agreement and refund guarantee) to secure the performance of its obligations under the agreement.
- Cancellation of loan facility....** : • The agreement will specify the events of default, which generally include (i) our customer failing to make payment on the due date; (ii) our customer failing to comply with the financial covenants; (iii) our customer suspending or ceasing to carry on all or a substantial part of its business; and (iv) any representation made in the agreement or other transaction documents being incorrect or misleading in any material respect.
- Upon the occurrence of an event of default which is continuing, we may cancel the loan facility and declare that all or part of the loan, together with accrued interest, be immediately due and payable.

Secured Loan Services

In addition, we provide secured loan services to customers to satisfy their working capital needs and/or finance their purchase of assets (such as vessels). We determine the loan amount, interest rate, maturity period and use of funds primarily based on our customers’ creditworthiness, repayment capabilities as well as financing needs. Our loans are generally secured by our customers’ vessels or assets. As part of our secured loan services, we provide entrusted loan services to customers to finance their purchase of vessels or other assets. Under the entrusted loan arrangements, we (as trustor) provide funds to qualified financial institutions (as trustee), which then lend the funds to our customers under the terms and conditions specified by us.

The secured loan agreements we enter into with our customers are legally binding and generally include the following major terms:

- Loan facility.....** : • We will make a loan facility available to our customer, and the agreement will specify, among others, the loan amount, interest rate and repayment schedule. • We generally charge our customer a fixed interest rate or an interest rate that equals to LIBOR plus a margin.
- Purpose of loan facility.....** : • The agreement will set out the specific purpose(s) of the loan facility (e.g. financing the purchase of an asset and for general capital purpose).
- Security documents.....** : • We require our customer to execute certain security documents (e.g. mortgage and assignment agreement) to secure the performance of its obligations under the agreement.
- Cancellation of loan facility....** : • The agreement will specify the events of default, which generally include (i) our customer failing to make payment on the due date; (ii) our customer suspending or ceasing to carry on all or a material pan of its business; (iii) any representation made in the agreement or other transaction documents being incorrect or misleading in any material respect; and (iv) a change of control of our customer.
- Upon the occurrence of an event of default which is continuing, we may cancel the loan facility and declare that all or part of the loan, together with accrued interest, be immediately due and payable.

In 2019, we conducted our entrusted loan business in the PRC through CSSC Shanghai, CSSC Tianjin and certain SPVs in the PRC. According to the Measures on Supervision of Financial Leasing Enterprises (融資租賃企業監督管理辦法) (the “**Measures for Financial Leasing Enterprises**”) and the Administrative Measures for Entrusted Loans Undertaken by Commercial Banks (商業銀行委託貸款管理辦法) (the “**Measures for Entrusted Loans**”), no particular licence or approval, other than business licence, is required for engaging in the provision of entrusted loan services in the PRC. As of the date of this offering circular, each of CSSC Shanghai, CSSC Tianjin and the SPVs engaging in entrusted loan business possessed the requisite business licence to engage in the provision of entrusted loan services as trustor in the PRC. According to the Measures for Financial Leasing Enterprises, a financial leasing company is prohibited from providing entrusted loans to third parties as trustee. However, it does not prohibit a financial leasing company from providing entrusted loans to third parties as trustor. In 2019, our PRC subsidiaries acted as trustor when providing entrusted loans to third parties, and such arrangements did not violate the Measures for Financial Leasing Enterprises. During the same period, certain of our PRC subsidiaries did not carry on leasing business as their principal business as required by the PRC laws and regulations in relation to financial leasing. Instead, they principally engaged in the provision of loan services through entrusted banks. Save as disclosed aforementioned, our entrusted loan business in the PRC is in compliance with the Measures for Financial Leasing Enterprises.

The Measures for Entrusted Loans, which was promulgated by the CBRC and became effective on 5 January 2018, have set out certain restrictions on the usage of entrusted loans, and require that the loans shall not be used (i) for production, operation, or investment fields and purposes prohibited by the State; (ii) for investment in, among others, bonds, futures, financial derivatives or asset management products; (iii) as registered capital or for registered capital verification; (iv) for equity capital investment or for increase in registered capital or shares (except as otherwise specified by the regulatory authorities); or (v) other purposes in violation of the regulatory provisions. After the Measures for Entrusted Loans became effective, our PRC subsidiaries have not entered into any new entrusted loan agreements. Our existing entrusted loan agreements were entered into by our PRC subsidiaries in 2015 and 2016 (i.e. prior to the effective date of the Measures for Entrusted Loans), and the usage of the funds provided for therein was for payment of shipbuilding fees and fees relating to vessel operation, or purchase of textile equipment and related equipment, which do not fall within the usage restrictions set out in the Measures for Entrusted Loans. According to the Legislation Law of the PRC (中華人民共和國立法法), laws, administrative regulations, local regulations, autonomous regulations, separate regulations and rules shall not apply retroactively, except where the regulations are specifically formulated for the purpose of better protecting the rights and interests of citizens, legal persons and other organisations. As the Measures for Entrusted Loans is silent on whether the provisions therein will apply retrospectively, we made an inquiry with the CBRC, and the CBRC confirmed on 31 October 2018 that the Measures for Entrusted Loans will not apply retrospectively. Therefore, any inconsistency in the entrusted loan agreements effective prior to the effective date of the Measures for Entrusted Loans requires no rectification. Regardless of whether the Measures for Entrusted Loans will take effect retrospectively, the usage of funds in our existing entrusted loan agreements is in compliance with the Measures for Entrusted Loans. Based on the abovementioned, we believe that the existing entrusted loan business of our PRC subsidiaries will not be adversely affected by the Measures for Entrusted Loans.

Our Vessel Portfolio

As of 31 December 2020,, we (including joint ventures and associates) owned a total of 136 vessels, including 90 vessels chartered for operation and 46 vessels under construction. The following table sets out certain details in relation to our vessel fleet in 2019 and 2020:

	As of 31 December			
	2019		2020	
	Number	Vessel value ⁽¹⁾	Number	Vessel value ⁽¹⁾
		USD' million		USD' million
Marine LNG/LPG unit	13	2,744	17	2,738
Bulk carrier.....	35	1,011	42	1,161
Tanker	28	1,130	32	1,375
Container vessel	16	734	20	810
Special tonnage carrier.....	25	887	25	901
Total	117	6,506	136	6,985

Note:

(1) Vessel value refers to the shipbuilders' cost of shipbuilding.

We consider a variety of factors during our selection of vessels. These factors generally include (i) price, quality and capabilities of vessels; (ii) market liquidity of vessels; (iii) income stability and return of vessels; (iv) market conditions and trends; (v) financial condition, creditworthiness and performance capabilities of our customers; and (vi) whether the purchase of vessels is in line with our business strategies.

Our Business Process

Project initiation



Due diligence



Term sheet negotiation



Project assessment



Contract negotiation and execution



Release of funds



Lease management



Project termination

- Upon identifying a potential business opportunity, the project manager gathers some basic information about the proposed transaction and obtains approval for project initiation

- The project manager conducts due diligence against the parties to the proposed transaction and the proposed leased vessel
- If necessary, we may engage third party consultants to assess the creditworthiness of the potential lessee, conduct a valuation on the proposed leased vessel and/or inspect the condition of the proposed leased vessel

- The project manager negotiates the major terms and conditions of the proposed transaction with the potential lessee and prepares a term sheet

- The project manager prepares a preliminary project assessment report and submits a project assessment application to our risk management department
- Our risk management department consolidates the opinions from our asset management and accounting and treasury departments on the proposed transaction, compiles a formal project assessment report, and submits the same to our senior management or our Board for consideration and approval, depending on the importance of the project

- We negotiate and finalise the terms of the lease agreement and other transaction documents with the parties to the proposed transaction
- We arrange for execution of the lease agreement and other transaction documents in accordance with our internal signing procedures

- Upon fulfilment of the conditions precedent specified in the lease agreement, we will arrange for the release of funds

- During the lease term, our asset management department monitors the project status (including our collection of lease payment as well as the condition and value of the leased vessel) on an on-going basis
- Our risk management department evaluates our risk profile on a continuous basis

- Upon expiry of the term of the lease agreement, our asset management department may, depending on the arrangements under the relevant lease agreement, re-possess the leased vessel or arrange for the transfer of ownership of the leased vessel to the lessee

Sales And Marketing

We generally acquire new customers and originate new businesses through our own sales and marketing initiatives as well as referrals by shipbrokers and shipbuilders. Our business department is responsible for exploring new business opportunities and developing new projects in accordance with our business development strategies, maintaining customer relationship as well as collecting market information.

As part of our sales and marketing initiatives, we attend maritime exhibitions and ship finance forums from time to time. These exhibitions and forums not only provide us with an opportunity to enhance our industry reputation and network with ship operators and shipbuilders across the globe, but also keep us abreast of new industry developments and trends. In 2019 and 2020, we participated in a number of maritime exhibitions and ship finance forums, including Marintec China in Shanghai, Posidonia in Greece, SMM in Hamburg as well as various forums organised by Capital Link and Marine Money.

Pricing

We determine the price of our services on a case-by-case basis, and generally take into account the following considerations in our decision-making process: (i) the size and complexity of the transaction; (ii) the value, type and/or condition of the leased asset; (iii) general market and industry conditions; (iv) the business, financial performance, scale of operations, industry reputation, credit history as well as creditworthiness of our customer; (v) the level of our risk exposure; (vi) the security provided by our customer and whether it is sufficient to cover our risk exposure; and (vii) whether the transaction is in line with our business strategies.

Seasonality

As a leasing service provider primarily focusing on ship leasing, our business performance is largely dependent on the demand for leasing and loan services in relation to vessel procurement, which is not subject to seasonal fluctuations. In addition, our finance lease income is subject to the repayment schedules set out in the lease agreements and is not affected by seasonal factors. While some of our operating leases are of a term of less than a year, they do not contribute significantly to our revenue and are unlikely to cause our revenue to be materially affected by seasonal factors. Our business performance is therefore generally not subject to seasonal fluctuations.

Our Customers

Our customers generally include ship operators, shipbuilders and trading companies.

Our Major Customers

In 2019 and 2020, our five largest customers accounted for 63.1% and 60.0% of our total revenue, respectively. Our major customers are located in the PRC, Asia, United States and Europe, with whom we have maintained business relationships for three to six years. The payments made to us by our five largest customers are primarily in U.S. dollars, and by way of telegraphic transfer.

We confirm that, (i) our five largest customers in 2019 and 2020 were independent third parties; and (ii) none of our Directors, their respective close associates or shareholders who own more than 5% of the share capital of our Company had any interest in our five largest customers. Our Directors further confirm that none of our five largest customers in 2019 and 2020 were our major suppliers.

Our Suppliers

Because of the nature of our business, we have no major suppliers. In 2019 and 2020, we purchased vessels mainly from CSSC Group and/or its associates as well as other independent shipbuilders.

Competition

The global ship leasing industry is relatively fragmented, with approximately 400 ship leasing companies across the globe in 2018. The global ship leasing industry may be further segmented into the

non-bank ship leasing industry, with approximately 150 non-bank ship leasing companies across the globe in 2018. The global top five ship leasing service providers accounted for a total market share of 24.5% in terms of revenue in 2020, whereas the global top three non-bank ship leasing service providers accounted for a total market share of 29.2% in terms of revenue in 2018. In terms of the amount of leased vessels and lease contracts in 2020, we were ranked sixth in the Chinese ship leasing industry with a market share of 7.36% and were ranked fifth in terms of the total assets. Ship leasing companies generally compete in terms of professionalism, customer network coverage, risk assessment and management capabilities as well as asset operation.

Employees

As of 31 December 2020, we had 74 employees. The following table sets out a breakdown of our employees as of 31 December 2020 by function:

Management.....	7
Business.....	12
Asset management.....	9
Risk management.....	9
Credit and structured finance.....	3
Accounting and treasury.....	11
Human resources and administration.....	14
Board of Director's Office.....	4
Strategy and Digitization.....	5
Total	74

For the years ended 31 December 2019 and 2020, our staff cost amounted to HK\$62.8 million and HK\$49.0 million (US\$6.3 million), respectively.

We generally recruit our employees through recruitment agencies as well as the posting of job advertisements on public recruitment platforms. We seek to remunerate our employees on a market-competitive basis. The remuneration package of our employees includes basic salary and performance-related bonus. We review the remuneration package and performance of our employees annually. In accordance with applicable Hong Kong laws and regulations, we have made mandatory provident fund contributions for our Hong Kong employees. In accordance with applicable PRC laws and regulations, we have made social insurance and housing provident fund contributions for our PRC employees. In accordance with applicable Singapore laws and regulations, we have made central provident fund contributions for our Singapore employees.

In order to improve the professional skills of our employees, we provide them with training that is specific to their job duties. Our training programmes generally cover industry updates, legal and financial knowledge as well as management and leadership skills.

We have not established any labour union. In 2019 and 2020, we had not experienced any material dispute with our employees or disruption to our operations as a result of labour dispute nor any difficulty in the recruitment and retention of employees.

Intellectual Property

Our intellectual property rights comprise our domain name. In 2019 and 2020 and up to the date of this offering circular, no material claim or dispute was brought against us in relation to any infringement of intellectual property rights. Our Directors are not aware of any use by any third-party of our brand and believe that there had been no infringement of our intellectual property rights that would result in a significant potential impact on our business during the same period.

Insurance

In respect of the assets underlying the leases, we normally require the lessees to maintain insurance that are customary in the marine industry throughout the lease term, and such insurance generally includes hull and machinery insurance, war risk insurance, protection and indemnity insurance as well as kidnap and ransom insurance. See “– Our Business – Leasing Services – (i) Finance Lease – Major terms of direct finance lease and sale-and-leaseback agreements” and “Our Business Leasing Services – (ii) Operating Lease – Major terms of operating lease agreement” in this section for further details. The scope and amount of insurance are set out in the relevant lease agreements, and we have a list of approved insurance companies with which the lessees shall maintain insurance. In line with industry practice, while the insurance premium is normally borne by the lessees, we are generally named as the beneficiary of the insurance policies.

In addition, we maintain medical insurance and employees’ compensation insurance for our employees in Hong Kong. In relation to our PRC employees, we make contributions towards five categories of insurance, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. We also maintain medical insurance for our employees in Singapore.

For the years ended 31 December 2019 and 2020, our total insurance cost amounted to HK\$7.4 million and HK\$5.2 million (US\$0.7 million), respectively. Our Directors believe that our current insurance coverage is sufficient and adequate and in line with the industry norm. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance coverage.

Properties

As of the date of this offering circular, we leased a total of seven properties in total for office premises and staff quarters use, one, five and one of which were located in Hong Kong, the PRC and Singapore, respectively.

As of the date of this offering circular, we had not been provided with valid title certificates in respect of four of our leased properties in the PRC. We believe the likelihood of our business being materially affected by such title defects is remote. As of the date of this offering circular, nine of our lease agreements had not been registered with the relevant PRC government authorities. According to the Administrative Measures on Lease of Commodity Properties (商品房屋租賃管理辦法), lease agreements shall be registered with the relevant PRC government authorities, and any non-registration of lease agreements may result in the relevant PRC government authorities ordering for rectification within a prescribed time limit and, if the relevant entity still fails to register the relevant lease agreements, imposing a fine ranging from RMB1,000 to RMB10,000 per lease agreement. The maximum fine in relation to the non-registration of our nine lease agreements shall be RMB90,000, and the lessors’ failure to register the relevant lease agreements will not affect their validity or enforceability. As of the date of this offering circular, we had not received any notice or demand from the PRC government authorities requesting us to take rectification actions or imposing a fine on us. We believe the likelihood of our business being materially affected by such title defects is remote.

We believe that there would be no material difference in the rental that we would have to pay for our leased properties in the PRC if they were not subject to title defects.

Licences, Permits and Approvals

For the material licences, permits and approvals we hold for carrying on our business operations, see “PRC Regulations” in this offering circular. In 2019 and 2020 and up to the date of this offering circular, we had obtained all requisite licences, permits and approvals that are material to our business operations from the relevant government authorities.

Our management reviews our business practises regularly to ensure compliance with all licencing requirements and conditions as well as the successful renewal of our licences, permits and approvals. We believe there was no major legal impediment for the renewal of our licences, permits and approvals, and no circumstances existed that would render their revocation or cancellation as of the date of this offering circular.

Occupational Health, Work Safety and Environmental Protection

We are committed to providing a safe and healthy working environment for our employees. We have policies and guidelines to ensure and promote workplace safety. In 2019 and 2020, we had not been involved in any major accident or fatality in the course of our business operations. We believe that the annual cost of compliance with the applicable laws and regulations relating to occupational health and work safety was not material during the same period, and that the cost of such compliance is not expected to be material going forward.

Because of the nature of our business, we do not generate any hazards or industrial pollutants during the course of our operations. We did not incur any expenses in relation to compliance with environmental protection laws, rules and regulations in 2019 and 2020, and do not expect to incur any such expenses going forward.

Legal Proceedings

We may be from time to time involved in legal proceedings on disputes arising in the ordinary course of business. As of the date of this offering circular, to the best knowledge and belief of our Directors, there was no pending or threatened litigation, arbitration or claim against any member of our Group or any of them which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations as a whole.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing business operations and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of 31 December 2020, our total borrowings (including the long-term and short-term borrowings) amounted to HK\$20,516.0 million (U.S.\$2,646.1 million). Since 31 December 2020, the Company has from time to time incurred additional indebtedness in the ordinary course of business. We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

PRC Indebtedness

Our Group have entered into four loan agreements with local branches of Shanghai Pudong Development Bank and Bank of Communications. These loans include loans to fund our existed business operations and loans to finance our working capital requirements. As of December 2020, the aggregate outstanding amount under these loans totaled approximately HK\$879.9 million (US\$113.5 million) which was due within one year.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at floating rates calculated with reference to the LIBOR benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of 31 December 2020, the weighted average interest rate on the aggregate outstanding amount of our PRC loans is 1.07% per annum.

Covenants

Under these PRC loans, our Group have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, the termination of business operations or bankruptcy, and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements, and/or deduct the outstanding amount from borrower's bank account at the Bank and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Offshore Loans

We have entered into offshore loan facility agreements with various banks, including but not limited to, the Export-Import Bank of China, China Construction Bank (Asia) Corporation Limited, KFW IPEX-BANK GMBH, Bank of Communications Co., Ltd., China Development Bank Corporation, Bank of Communications Co., Ltd., Agricultural Bank of China, Bank of China, Shanghai Pudong Development Bank Co., Ltd. and DBS Bank Ltd. Of these loan facilities, our term loan facilities have terms ranging from six months to 144 months. The proceeds of the facilities are generally to be used for vessels financing. As of 31 December 2020, the aggregate outstanding amount under our offshore loan facility agreements total approximately U.S.\$1,841.3 million. The outstanding principal amount under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate and others are computed at a fixed rate ranging from 3.3% to 4.6%. Pursuant to the facility agreements, we agreed certain financial covenants with respect to, among others, (1) consolidated tangible net worth, (2) the ratio of consolidated net borrowings to consolidated tangible net worth, (3) the ratio of our consolidated current assets to consolidated current liabilities, (4) the ratio of our consolidated EBITDA to consolidated fixed charges, and (5) the ratio of consolidated PRC borrowings to consolidated total tangible assets.

The 2025 Bonds

On 13 February 2020, the Issuer issued U.S.\$400,000,000 in aggregate principal amount of the 2025 Bonds. The 2025 Bonds bear an interest rate of 2.50 per cent. The 2025 Bonds will mature on 13 February 2025. The 2025 Bonds are unconditionally and irrevocably guaranteed by the Company.

The 2030 Bonds

On 13 February 2020, the Issuer issued U.S.\$400,000,000 in aggregate principal amount of the 2030 Bonds. The 2030 Bonds bear an interest rate of 3.00 per cent. The 2030 Bonds will mature on 13 February 2030. The 2030 Bonds are unconditionally and irrevocably guaranteed by the Company.

SUBSTANTIAL SHAREHOLDERS

The following table sets forth certain information as of the date of this offering circular with respect to the beneficial ownership of the ordinary shares of the Company:

Name	Capacity/Nature of interests	Number of shares	Long/Short position	Percentage of shareholding in the Company (%)
State-owned Assets Supervision and Administration Commission	Interest in controlled corporation ⁽¹⁾	4,602,046,234	Long position	74.99
China State Shipbuilding Corporation Limited (中國 船舶工業集團有限公司)	Interest in controlled corporation ⁽¹⁾	4,602,046,234	Long position	74.99
CSSC International Holding Company Limited.....	Beneficial owner ⁽¹⁾	4,602,046,234	Long position	74.99
Central Huijin Investment Ltd.	Interest in controlled corporation ⁽²⁾	522,490,000	Long position	8.52
China Re Asset Management (Hong Kong) Company Limited.....	Investment manager ⁽²⁾	522,490,000	Long position	8.52
China Reinsurance (Group) Corporation (中國再保險 (集團)股份有限公司).....	Beneficial owner ⁽²⁾	522,490,000	Long position	8.52

Notes:

- (1) CSSC International Holding Company Limited is a wholly-owned subsidiary of China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司), which is wholly-owned by the State-owned Assets Supervision and Administration Commission. As such, by virtue of the SFO, China State Shipbuilding Corporation Limited (中國船舶工業集團有限公司) and the State-owned Assets Supervision and Administration Commission are deemed to be interested in the 4,602,046,234 shares held by CSSC International Holding Company Limited.
- (2) Central Huijin Investment Ltd. holds 71.56% of the equity interest in China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司). As such, by virtue of the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 416,652,000 shares held by China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司). The shares held by China Re Asset Management (Hong Kong) Company Limited are the same batch as those held by China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Directors

Our Board currently consists of eight Directors, comprising two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information of our Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Zhong Jian (鐘堅)	58	Executive Director and chairman of our Board
Mr. Hu Kai (胡凱)	52	Executive Director and general manager of our Company
Mr. Li Wei (李巍)	50	Non-executive Director
Mr. Zou Yuanjing (鄒元晶)	59	Non-executive Director
Mr. Wang Dennis (王德銀)	58	Independent Non-executive Director
Mdm. Shing Mo Han Yvonne (盛慕嫻)	65	Independent Non-executive Director
Mr. Li Hongji (李洪積)	64	Independent Non-executive Director

Senior Management

Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information of the member of our senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Hu Kai (胡凱)	52	Executive Director and general manager of our Company
Mr. Bao Weidong (鮑偉東)	59	Deputy general manager of our Company
Ms. Li Jun (李峻)	48	Chief accountant of our Company
Mr. Chen Hui (陳慧)	45	Deputy general manager of our Company

DIRECTORS

Executive Directors

Mr. Zhong Jian (鐘堅), aged 58, was a non-executive Director appointed in September 2019. He was re-designated as an executive director and appointed as the chairman of the Board on 29 April 2020. Mr. Zhong is primarily responsible for overseeing our general management, strategic development, internal control and audit, human resources, risk management. Mr. Zhong previously served as the director of the operating management department of the CSSC Group, the deputy general manager of Guangzhou Shipyard International Co., Ltd. (廣州廣船國際股份有限公司), the deputy general manager of CSSC Properties Ltd. (中船置業有限公司), the deputy general manager of CSSC Investment Development Co., Ltd. (中船投資發展有限公司), and the chairman of CSSC Guangzhou Huangpu Shipbuilding Co., Ltd. (廣州中船黃埔造船有限公司). Mr. Zhong obtained a master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in 1994.

Mr. Hu Kai (胡凱), aged 52, was appointed as a Director in August 2017 and re-designated as an Executive Director in September 2018. He is also the general manager of our Company. Mr. Hu is primarily responsible for assisting the chairman of our Board in the overall management of our general administration, investments, project evaluation and compliance, information technology. Mr. Hu has over 25 years' experience in the marine industry. From August 1992 to November 2000, he worked in Jiangnan Shipbuilding (Group) Company Limited* (江南造船(集團)有限公司), where he last served in the business department. From November 2000 to December 2011, he served in various positions in China Shipbuilding Trading Company* (中國船舶工業貿易公司), where his last position was assistant general manager. From December 2011 to August 2017, he was the deputy general manager of China Shipbuilding Trading Co., International Ltd.* (中船國際貿易有限公司). Mr. Hu graduated from Huazhong Polytechnic University (華中理工大學) (now known as the Huazhong University of Science and Technology (華中科技大學)) in the PRC in June 1992 and obtained a master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in September 2010.

Non-Executive Director

Mr. Li Wei (李巍), aged 50, is a Non-Executive Director appointed in July 2019. Mr. Li is currently serving as a deputy general manager of China Re Asset Management Company Ltd., (中再資產管理股份有限公司) and the chairman of China Re Asset Management (Hong Kong) Company Limited (中再資產管理(香港)有限公司). He is also the general manager of the strategic customer department of China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司) and a group leader of the preparatory team of China Reinsurance Overseas (Holdings) Corporation (中國再保險海外(控股)有限公司). Mr. Li was the deputy general manager of the sales management department of Huatai Property Insurance Co., Ltd. (華泰財產保險股份有限公司), the chief business officer of Sun Life Everbright Life Insurance Co., Ltd. (光大永明人壽保險有限公司), the deputy general manager of Sun Life Everbright Asset Management Co., Ltd. (光大永明資產管理股份有限公司), the deputy general manager of China Continent Property & Casualty Insurance Company (中國大地財產保險股份有限公司) and the supervisor of the strategic customer department of China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司). Mr. Li obtained a master's degree in industrial economics from Harbin Engineering University in March 2003 and an executive master of business administration from Peking University in July 2009.

Mr. Zou Yuanjing (鄒元晶), aged 59, a Non-Executive Director appointed in September 2019. Mr. Zou is currently serving as a director of Shanghai Waigaoqiao Shipbuilding Co., Ltd. (上海外高橋造船有限公司), which is a subsidiary of CSSC Group. Mr. Zou previously served as an assistant to general manager and the deputy general manager of Jiangnan Shipyard (Group) Co., Ltd. (江南造船(集團)有限責任公司), the general manager of Shanghai Lupu Bridge Investment Development Co., Ltd. (上海盧浦大橋投資發展有限公司), and the deputy general manager of Shanghai Jiangnan Changxing Heavy Industry Co., Ltd. (上海江南長興重工有限責任公司). Mr. Zou obtained a bachelor's degree in naval architecture and ocean engineering from Harbin Engineering University (哈爾濱工程大學) in the PRC in 1984.

Independent Non-Executive Directors

Mr. Wang Dennis (王德銀), aged 58, is an Independent Non-executive Director appointed in November 2020. Mr. Wang is primarily responsible for overseeing the management of our Group independently. Mr. Wang is an entrepreneur. Mr. Wang was previously the chairman, an executive director and the chief consultant of China Water Industry Group Limited (中國水業集團有限公司), the shares of which are listed on the Main Board of the SEHK, the chairman and the general manager of Tibet Jinzhu Co., Ltd. (西藏金珠股份有限公司), the shares of which are listed on the Shanghai Stock Exchange, the founder and the chairman of Shenzhen Hornson Science and Tech. Co., Ltd. (深圳豪信科技有限公司), and the chairman and the president of Shenzhen Modern Computer Co., Ltd. (深圳現代計算機有限公司). Mr. Wang obtained a bachelor's degree in computer engineering from Xidian University (西安電子科技大學) in the People's Republic of China in 1986.

Mdm. Shing Mo Han Yvonne (盛慕嫻), *BBS, JP*, aged 65, is an Independent Non-executive Director appointed in May 2019. Mdm. Shing is primarily responsible for overseeing the management of our Group independently. Mdm. Shing is a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. She is a founding member of the Association of Women Accountants (Hong Kong) Limited. She is currently the vice chair-lady of the

Taxation Committee of the Hong Kong General Chamber of Commerce and a member of the Chinese General Chamber of Commerce, Hong Kong. Mdm. Shing's current public appointments include treasurer of the Council of the Hong Kong Academy for Performing Arts, member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption, member of the Antiquities Advisory Board, member of the Communications Authority, member of the Advisory Committee on Built Heritage Conservation, and court member of the Hong Kong Polytechnic University. Mdm. Shing was appointed as a Justice of the Peace in 2013 and was awarded the Bronze Bauhinia Star in 2017. She was named as one of the China's National Hundred Outstanding Women Entrepreneurs by China Association of Women Entrepreneurs (中國女企業家協會) in October 2006.

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

Mdm. Shing is currently serving as an independent non-executive director of China Resources Pharmaceutical Group Limited, a company listed on the Main Board of the SEHK (stock code: 3320). She was a senior adviser of Deloitte Touche Tohmatsu in Hong Kong until March 2019.

Mr. Li Hongji (李洪積), aged 64, is an Independent Non-executive Director appointed in May 2019. Mr. Li is primarily responsible for overseeing the management of our Group independently. Mr. Li has been serving as a partner and practicing lawyer in Commerce & Finance Law Offices (通商律師事務所) since 2006. Mr. Li is a registered arbitrator in a number of arbitration centres, including China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), Arbitration Center Across The Straits (海峽兩岸仲裁中心), China Maritime Arbitration Commission (中國海事仲裁委員會), Beijing Arbitration Commission (北京仲裁委員會), Shanghai International Arbitration Center (上海國際仲裁中心), and Qingdao Arbitration Commission (青島仲裁委員會). He is currently serving as a part-time lecturer of the master's degree programme in Peking University Law School (北京大學法學院).

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

SENIOR MANAGEMENT

Mr. Hu Kai (胡凱), aged 52, is an Executive Director and the general manager of our Company. For the biography of Mr. Hu, see “– Directors – Executive Directors” in this section.

Mr. Bao Weidong (鮑偉東), aged 59, is the deputy general manager of our Company. Mr. Bao is primarily responsible for overseeing our asset management activities. Mr. Bao has over 30 years' experience in the marine industry. From August 1982 to May 2003, he served in various positions in Hudong-Zhonghua Shipbuilding (Group) Company Limited (滬東中華造船(集團)有限公司), where his last position was assistant general manager. He then served as the deputy general manager and later as the general manager of Marinequip China Company Limited (泛華設備有限公司) from May 2003 to May 2013, and as the deputy general manager of the European branch office of CSSC Group from March 2004 to May 2005. He joined China United Shipbuilding in December 2009, where he served as an assistant to general manager until May 2013. He has been the deputy general manager of China United Shipbuilding since May 2013. Mr. Bao obtained a bachelor's degree in ship engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1982 and a bachelor's degree in industrial management engineering from Zhenjiang Shipbuilding College (鎮江船舶學院) (now known as Jiangsu University of Science and Technology (江蘇科技大學)) in the PRC in July 1987.

Ms. Li Jun (李峻), aged 48, is the chief accountant of our Company. Ms. Li is primarily responsible for assisting our general manager in the overall management of our accounting matters, financing and capital operations. Ms. Li served in the business department of Guangzhou Shipyard Company Limited (廣州造船廠有限公司) as a sales representative from July 1994 to March 1995. From March 1995 to July 2011, she served in various positions, including supervisor, assistant to executive and deputy chief officer of the finance department, in CSSC Offshore & Marine Engineering. She joined CSSC Chengxi Voyage Ship (Guangzhou) Company Limited* (中船澄西遠航船舶(廣州)有限公司) (now known as CSSC Chengxi Ship (Guangzhou) Company Limited* (中船澄西船舶(廣州)有限公司)) as the vice general accountant in July 2011, and has been serving as the general accountant since May 2013. Since June 2018, she has been serving as a non-executive director of Bank of Tianjin Co., Ltd (天津銀行股份有限公司). Ms. Li obtained a bachelor's degree in economics from the Beijing Institute of Commerce (北京商學院) (now known as Beijing Technology and Business University (北京工商大學)) in July 1994 and a master's degree in engineering from Huazhong University of Science and Technology (華中科技大學) in December 2010. In December 2002, she obtained the Certificate for Passing all the Required Subjects of the National Uniform CPA Examination.

Mr. Chen Hui (陳慧), aged 45, is the deputy general manager of our Company. Mr. Chen is primarily responsible for assisting in managing our human resources, administration, planning and publicity. Mr. Chen joined Jiangnan Shipbuilding (Group) Company Limited (江南造船(集團)有限公司) in July 1998, where he last served as the deputy executive of the general office until August 2007. He served in CSSC Group from February 2000 to August 2007, where his last position was the head of the legal division of the general office. In August 2007, he joined CSSC Jiangnan Heavy Industry Company Limited (中船江南重工股份有限公司) (now known as CSSC Science & Technology Company Limited (中船科技股份有限公司)), where he served as the assistant general manager and the secretary of the board of directors until October 2011 and as the secretary of the board of directors and the chairman of the labour union from October 2011 to December 2017. He joined our Group in December 2017. Mr. Chen obtained a bachelor's degree in law from Xiamen University (廈門大學) in the PRC in July 1998 and a master's degree in law from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in the PRC in June 2009. He was awarded the Certificate of Legal Professional Qualification (法律職業資格證書) of the PRC in February 2000.

COMPANY SECRETARIES

Mr. Ding Weisong (丁唯淞) was appointed as our company secretary on 28 September 2018. He is also the general legal counsel of our Company and the general manager of our risk management department. Mr. Ding is primarily responsible for the secretarial affairs of our Company and overseeing our risk management activities. Mr. Ding worked in China Shipbuilding Trading Company (中國船舶工業貿易公司) from July 2007 to December 2012, where his last position was project manager. He joined our Company in December 2012, where he served in a number of positions including deputy general manager and general manager of the credit and structured finance department. Mr. Ding obtained a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2004 and a master's degree in law from Peking University (北京大學) in the PRC in July 2007. He was awarded the Certificate of Legal Professional Qualification (法律職業資格證書) of the PRC in February 2005. He became a non-practicing member of the Chinese Institute of Certified Public Accountants in December 2009.

Ms. Wong Sau Ping (黃秀萍) was appointed as our assistant company secretary on 6 May 2019, and is primarily responsible for the secretarial affairs of our Company. Ms. Wong has more than 15 years of experience in the company secretarial field. She joined TMF Hong Kong Limited (a global corporate services provider) in May 2013 and is currently serving as a senior manager of its listing services department. Ms. Wong obtained a bachelor's degree in business administration from the Hong Kong Baptist University in December 1996 and a master's degree in arts from the City University of Hong Kong in November 2004. She was admitted as an associate member of the Hong Kong Institute of Company Secretaries (now known as The Hong Kong Institute of Chartered Secretaries) and the Institute of Chartered Secretaries and Administrators in September 2004.

PRC REGULATIONS

LAWS AND REGULATORY SIN THE PRC

The key laws and regulations regulating our business operations in China include the following:

Law and Regulations Relating to Financial Leasing Enterprises

Measures on Supervision of Financial Leasing Enterprises

The Measures on Supervision of Financial Leasing Enterprises (融資租賃企業監督管理辦法) (the “**Measures for Financial Leasing Enterprises**”) were promulgated by the Ministry of Commerce of the PRC (the “MOFCOM”) on 18 September 2013 and came into effect on 1 October 2013 with a view to enhancing regulation over both domestic and foreign-invested financial leasing enterprises registered in China.

Pursuant to the Measures for Financial Leasing Enterprises, the MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of financial leasing companies. A financial leasing company shall, according to the requirements of the MOFCOM, report the relevant data in a timely and truthful manner through the National Financial Leasing Enterprise Management Information System. Specifically, a financial leasing company shall, within 15 working days after the end of each quarter, submit the statistics on and a summary of its operations for the preceding quarter, and prior to 30 April of each year, submit the statistics on and a summary of its operations for the preceding year as well as its financial and accounting report (including the notes appended thereto) audited by an audit body for the preceding year. In the event of a change of name, relocation to another region, increase or decrease of registered capital, change in organisational form, adjustment of ownership structure or other changes, a financial leasing company shall report to the competent provincial-level commerce authority in advance. A foreign-invested financial leasing company that undergoes the said changes shall go through the approval or filing procedures in compliance with the relevant provisions. A financial leasing company shall, within five working days after completing the registration changes with the administration of industry and commerce authority, log into the National Financial Leasing Enterprise Management Information System to modify the relevant information.

The Measures for Financial Leasing Enterprises explicitly stipulate the business scope of a financial leasing company. A financial leasing company may conduct its financial leasing activities by way of a direct lease, sub-lease, leaseback, leveraged lease, trusted lease and joint lease subject to the applicable laws, regulations and rules. A financial leasing company shall operate financial leasing and other leasing businesses as its main business, and may engage in the purchase of leased properties, disposal of residual value of leased properties, maintenance of leased properties, lease transaction consultancy and guarantee services, assignment of accounts receivable to a third party institution, receiving lease deposits and other businesses approved by the competent authority. A financial leasing company shall not engage in deposit taking, lending, entrusted lending, and without the approval of the competent authority, shall not engage in inter-bank borrowing without the approval of the competent authority. A financial leasing company is prohibited from carrying out illegal fund-raising activities under the disguise of financial leasing in any circumstances.

The Measures for Financial Leasing Enterprises also require the financial leasing companies to strengthen their internal risk controls, establish good systems for classifying at-risk assets, and adopt a credit appraisal system for the lessee, an ex-post recovery and disposal system and a risk alert mechanism. A financial leasing company shall also establish an affiliated transaction management system, and exclude related parties from the voting or decision-making process of affiliated transactions. In the event of a purchase of equipment from an affiliated production enterprise, the settlement price for such equipment shall not be evidently lower than the price offered by such enterprise to any third party for such equipment or for equipment of the same batch. A financial leasing company shall manage its assets under trust lease and sub-lease separately and keep separate accounts therefor. A financial leasing company shall strengthen the management of its major lessees, limit the proportion of business with a single lessee and with lessees that are affiliates, and pay attention to the prevention and diversification of operational risks. The Measures for Financial Leasing Enterprises also stipulate that risky assets of a financial leasing company shall not exceed 10 times of its total net assets.

The Measures for Financial Leasing Enterprises also contain regulatory provisions specifically on sale-and-leaseback transactions. The subject matter of a sale-and-leaseback transaction shall be properties that can give play to their economic functions and produce continuous economic benefits. A financial leasing company shall not accept any properties to which a lessee has no title, or on which any mortgage has been created, or which has been sealed or seized by any judicial organ, or whose ownership has any other defects as the subject matter of a sale-and-leaseback transaction. A financial leasing company shall give adequate consideration to and objectively evaluate assets leased back, set purchase prices at reasonable basis for them in compliance with accounting principles, and shall not purchase any asset at a price in excess of its value.

Measures on the Administration of Foreign-invested Lease Industry

The Measures on the Administration of Foreign-invested Lease Industry (外商投資租賃業管理辦法) (the “**Measures for Foreign-invested Lease Industry**”) were promulgated by the MOFCOM on 3 February 2005 (last amended on 28 October 2015) to regulate the operation of foreign-invested leasing business and financial leasing business. The Measures for Foreign-invested Lease Industry were abolished on 22 February 2018.

The Measures for Foreign-invested Lease Industry apply to the establishment of foreign-invested companies in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and WFOEs in China to engage in the leasing or financial leasing business. Under the Measures for Foreign-invested Lease Industry, the total assets of the foreign investors of a foreign-invested financial leasing company shall not be less than U.S.\$5 million. A foreign-invested financial leasing company shall satisfy the following conditions: (i) the term of operation of a foreign-invested financial leasing company in the form of a limited liability company shall not normally exceed 30 years; and (ii) it shall be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and shall have no less than three years’ experience in the relevant business.

Pursuant to the Measures for Foreign-invested Lease Industry, foreign-invested financial leasing companies may conduct the following businesses: (i) financial leasing business; (ii) leasing business; (iii) purchasing domestic and overseas leased assets; (iv) disposal of residual value of and maintenance of leased assets; (v) consultancy and guarantee services of lease transactions; and (vi) other businesses approved by the competent authorities. Foreign-invested financial leasing companies may engage in financial leasing activities by way of direct leasing, sub-leasing, sale-and-leaseback, leveraged leasing, entrusted leasing and joint leasing. The Measures for Foreign-invested Lease Industry also require foreign-invested financial leasing companies to submit a report on their business operations and financial statements audited by an accounting firm of the preceding year to the MOFCOM for filing purposes before 31 March of each year. For the purposes of risk management and business protection, the risk assets of a foreign-invested financial leasing company, i.e. the amount after deducting cash, bank deposits, treasury securities and entrusted leased assets from the total assets of the company, shall not exceed 10 times of the total amount of its net assets.

Circular of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-invested Financial Leasing Companies

In accordance with the Notice of the State Council on Issues Concerning Strengthening the Management of Local Governing Financing Platform Companies (No. 19 [2010] of the State Council (國務院關於加強地方政府融資平台公司管理有關問題的通知(國發[2010]19號)), foreign-invested financial leasing companies are not permitted to provide direct or indirect financing to local governmental financing companies which undertake public welfare project in any forms.

Circular of the State Council on the Wide Application of Replicable Reform Experience from the Pilot Programmes in China (Shanghai) Pilot Free Trade Zone

The Circular of the State Council on the Wide Application of Replicable Reform Experience from the Pilot Programmes in China (Shanghai) Pilot Free Trade Zone (Guo Fa [2014] No. 65)(國務院關於推廣中國(上海)自由貿易試驗區可複製改革試點經驗的通知(國登[2014]65號)) (the “**Circular No.65**”) was promulgated by the State Council on 21 December 2014 to promote some replicable experience gained at China (Shanghai) Pilot Free Trade Zone (the “**Shanghai FTZ**”) to other places nationwide. The Circular No. 65 allows financial leasing companies to concurrently engage in the provision of commercial factoring services which relate to their primary business. In addition, pursuant to the Circular No. 65, no minimum registered capital is required for the subsidiaries established by financial leasing companies.

Circular of the General Office of the Ministry of Commerce on the Wide Application of Replicable Reform Experience from the Pilot Programmes in China (Shanghai) Pilot Free Trade Zone in Financial Leasing Industry

The Circular of the General Office of the Ministry of Commerce on the Wide Application of Replicable Reform Experience from the Pilot Programmes in China (Shanghai) Pilot Free Trade Zone in Financial Leasing Industry (Shang Ban Liu Tong Han [2015] No. 575) (商務部辦公廳關於融資租賃行業推廣中國(上海)自由貿易試驗區可複製改革試點經驗的通知(商辦流通函[2015]575號)) was promulgated by the General Office of the MOFCOM on 23 July 2015. Pursuant to the circular, the MOFCOM decides to promote the experience gained at the Shanghai FTZ to other places nationwide. Financial leasing companies are allowed to concurrently engage in commercial factoring services which relate to their primary business and no minimum registered capital is required for their subsidiaries.

Guiding Opinion on Accelerating the Development of Financial Leasing Industry

The Guiding Opinion on Accelerating the Development of Financial Leasing Industry (Guo Ban Fa [2015] No. 68) (國務院辦公廳關於加快融資租賃業發展的指導意見(國辦發[2015]68號)) (the “**Guiding Opinion**”) was promulgated by the General Office of the State Council on 31 August 2015. There are four main tasks of the Guiding Opinion, namely system and mechanism reform, development in major fields, innovative development and industry supervision of financial leasing industry. According to the Guiding Opinion, there is no minimum registered capital limit for the subsidiaries of financial leasing companies, and financial leasing companies are allowed to sideline in factoring business relating to their primary business and are encouraged to become stronger in the traditional areas such as ships, aircraft and construction machinery.

Implementation Opinion of Tianjin Municipal People’s Government on Accelerating the Development of Financial Leasing Industry

The Implementation Opinion of Tianjin Municipal People’s Government on Accelerating the Development of Financial Leasing Industry (Jin Zheng Ban Fa [2015] No. 2) (天津市人民政府辦公廳關於加快我市融資租賃業發展的實施意見(津政辦發[2015]2號)) (the “**Implementation Opinion of Tianjin**”) was promulgated by the General Office of Tianjin Municipal People’s Government and came into effect on 28 January 2015. According to the Implementation Opinion of Tianjin, Tianjin will take the Dongjiang Free Trade Port Zone as a pilot to first carry out the innovation of functions, policies and regime in the financial leasing industry. The Implementation Opinion of Tianjin supports financial leasing companies with good credit and mature business to establish special project vehicles with no minimum registered capital limit in the Dongjiang Free Trade Port Zone. The aircraft leasing company is permitted to establish special project vehicle with a single aircraft. Special project vehicles with a single aircraft belonging to the same parent company are allowed to register with the centralised residence of and in the same place as the parent company.

Circular of Tianjin Commission of Commerce and Tianjin Market and Quality Supervision Administration on Issues Related to Financial Leasing Companies Concurrently Engage in Commercial Factoring Business

The Circular of Tianjin Commission of Commerce and Tianjin Market and Quality Supervision Administration on Issues Related to Financial Leasing Companies Concurrently Engage in Commercial Factoring Business (Jin Shang Liu Tong [2016] No. 21) (天津市商務委、天津市市場監管委關於融資租賃企業兼營商業保理業務有關問題的通知(津商務流通[2016]21號)) was promulgated by the Tianjin Commission of Commerce and the Tianjin Market and Quality Supervision Administration on 28 July 2016. According to the circular, foreign-invested financial leasing companies concurrently engaging in commercial factoring services which relate to their primary business shall obtain approvals or complete filings in accordance with the current regulations. Financial leasing companies shall act in accordance with the provisions of Measures on Supervision of Financial Leasing Enterprises, and the commercial factoring business they conduct should relate to their primary business. When conducting commercial business, the relevant provisions of the management of commercial factoring industry shall apply as reference.

Circular of the General Office of the Ministry of Commerce on Adjustment of Regulatory Responsibilities in respect of Financial Leasing Companies, Commercial Factoring Companies and Pawnbrokers

The Circular of the General Office of the Ministry of Commerce on Adjustment of Regulatory Responsibilities in respect of Financial Leasing Companies, Commercial Factoring Companies and Pawnbrokers (Shang Ban Liu Tong Han [2018] No. 165) (商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知(商辦流通函[2018]165號)) (the “**Circular No. 165**”) was promulgated by the MOFCOM on 8 May 2018 and came into effect on 20 April 2018. Pursuant to Circular No. 165, the responsibilities of formulating rules in relation to the business operations of and supervision over financial leasing companies shall be transferred from the MOFCOM to the China Banking and Insurance Regulatory Commission.

Contract Law

The National People’s Congress promulgated the Contract Law of the PRC (中華人民共和國合同法) (the “**PRC Contract Law**”) on 15 March 1999 for regulating the civil contractual relationship among natural persons, legal persons and other organisations. Chapter 14 of the PRC Contract Law sets out the mandatory rules on financial leasing contracts.

Under the PRC Contract Law, financial leasing contracts shall be in writing and include terms such as the name, quantity, specifications, technical performance and inspection method of the leased object, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased object upon expiration of the lease.

Under the financial leasing contracts, the lessor shall conclude a purchase contract based on the lessee’s selection in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property. Without the consent of the lessee, the lessor may not modify the relevant particulars relating to the lessee of the purchase contract which has been concluded based on the lessee’s selection in respect of the seller and the leased property.

In respect of the usage and maintenance of the leased property, the lessee shall take due care of the leased property and use it properly. The obligation of maintaining and repairing the leased object while in the possession of the lessee shall be performed by the lessee. The lessor is not liable for injury to the body or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If the lessee becomes bankrupt, the leased property does not become part of the property available for distribution in bankruptcy. If the leased property fails to meet the requirements stipulated by the parties or is not fit for the purpose for which it is to be used, the lessor shall not be liable, unless the lessee selected the leased property in reliance on the technical ability of the lessor or the lessor interfered in the selection of the leased property.

The lessor and the lessee may stipulate in which party ownership of the leased property shall vest upon expiration of the lease. If they have not stipulated in which party ownership shall vest upon expiration, if such stipulation is not clear, or if ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased object shall vest in the lessor. If the parties have stipulated that ownership of the leased property shall vest upon the lessee upon expiration of the lease, and the lessee has already paid most of the rent but is unable to pay the balance, and if the lessor terminates the contract and repossesses the leased property on those grounds, the lessee may demand a partial refund if the value of the leased property repossessed exceeds the rent and any other expenses owed by the lessee.

Civil Code of the People's Republic of China

The National People's Congress promulgated the Civil Code of the People's Republic of China (中華人民共和國民法典) (the "**PRC Civil Code**") on 28 May 2020. The PRC Civil Code took effect as of 1 January 2021, and the Contract Law was repealed simultaneously. Compared with the Contract Law, there exist the following material changes in relation to the financial leasing under the PRC Civil Code:

A financial leasing contract concluded by the parties concerned by falsifying a leased item shall be null and void.

If administrative license is required for the operation or use of a leased item under laws and administrative regulations, failure of the lessor to obtain the administrative license shall not affect the validity of the financial leasing contract.

If the seller breaches the obligation for delivery of the subject matter to the lessee, which falls under any of the following circumstances, the lessee may refuse to collect the subject matter delivered by the seller: (1) Grave inconformity of the subject matter with the agreement; (2) Failing to deliver the subject matter as agreed upon and still failing to deliver the subject matter within a reasonable period of time after being urged by the lessee or the lessor. The lessee, if refusing to collect the subject matter, shall notify the lessor thereof in a timely manner.

The lessee's exercise of the right to claim compensation from the seller shall not affect its performance of the obligation to pay rental. However, if the lessee relies on the skills of the lessor to determine the leased item or the lessor interferes with the selection of the leased item, the lessee may request reduction or exemption of corresponding rental.

If the lessor falls under any of the following circumstances, resulting in failure of the lessee to exercise the right to claim compensation from the seller, the lessee shall have the right to request the lessor to take corresponding liability: (1) Having clear knowledge, but failing to inform the lessee, of the defects in the quality of the leased item; (2) Failing to provide necessary assistance in a timely manner when the lessee exercises the right to claim compensation. If the lessor is indolent to exercise the right, exercisable by it exclusively, to claim compensation from the seller, causing loss to the lessee, the lessee shall have the right to request the lessor to take liability for compensation.

The ownership of the leased item enjoyed by the lessor shall not prevail over a bona fide third party without registration.

The lessor shall guarantee the possession and use of the leased item by the lessee.

If the lessor falls under any of the following circumstances, the lessee shall have the right to request the lessor to compensate for loss: (1) Taking back the leased item without justification; (2) Obstructing or interfering with the lessee's occupation and use of the leased item without justification; (3) Claiming by a third party the right to the leased item due to reasons attributable to the lessor; (4) Other circumstances which improperly affect the occupation and use of the leased item by the lessee.

In case of invalidity of a financial leasing contract, if the parties have agreement on the ownership to leased item in such circumstance, the agreement shall prevail; in the absence of agreements or explicit agreement, the leased item shall be returned to the lessor. However, if the contract is invalidated due to reasons attributable to the lessee, and the lessor does not require the return of the leased item, or the efficacy of leased item will be significantly reduced after it is returned, the lessee shall have the ownership to the leased item and shall provide the lessor with reasonable compensation.

Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in Hearing Cases of Finance Lease Contract Disputes

The Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in Hearing Cases of Finance Lease Contract Disputes (Fa Shi [2014] No. 3) (最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋(法釋[2014]3號)) (the “**Interpretation of Finance Lease Contract Disputes**”) was promulgated by Supreme People's Court on 24 February 2014 and came into effect on 1 March 2014. According to the Interpretation of Finance Lease Contract Disputes, where the lessee sells its own property to the lessor and leases the property back from the lessor through a finance lease contract, the people's court shall not determine that the legal relation of finance lease is not constituted only on the ground that the lessee and the seller are the same person.

Pursuant to the Interpretation of Finance Lease Contract Disputes, where, during the occupation of the leased item by the lessee, the lessee bears the risk of loss or damage of the leased item, and the lessor requires the lessee to continue to pay rental, the people's court shall uphold such requirement, unless otherwise agreed by the parties or specified by law. Where the finance lease contract is terminated due to the reasons which are not attributable to the parties such as accidental loss of or damage to the leased item after delivery to the lessee, and the lessor requires the lessee to make compensation according to the depreciation of the leased item, the people's court shall uphold such requirement.

If the finance lease contract is terminated because the sales contract is terminated, determined as invalid or rescinded, and the lessor claims, according to the stipulations of the finance lease contract or on the ground that such stipulations of the finance lease contract are absent or unclear but the seller and the leased item are chosen by the lessee, that the lessee should compensate the relevant loss, the people's court shall uphold such claim.

Circular of the General Office of the Ministry of Transport on Regulating the Management of Domestic Vessel Finance Lease

The Circular of the General Office of the Ministry of Transport on Regulating the Management of Domestic vessels Finance Lease (Ting Shui Zi [2008] No. 1) (交通運輸部辦公廳關於規範國內船舶融資租賃管理的通知(廳水字[2008]1號)) was promulgated by the Ministry of Transport and came into effect on 28 March 2008. Under the above circular, domestic vessel finance lease activity refers to a lessee renting a vessel for domestic waterway transportation by means of finance lease. The lessor engaging in domestic vessel finance lease activities shall obtain the business qualification of finance lease approved by the competent authority. The lessor and the lessee shall sign a vessel finance lease contract according to the relevant laws and regulations. If the lessor engaging in domestic vessel finance lease is a foreign-invested company, the proportion of foreign investment shall not exceed 50%.

Laws and Regulations Relating to Entrusted Loans and Cross-border RMB Use

Administrative Measures for Entrusted Loans Undertaken by Commercial Banks

The Administrative Measures for Entrusted Loans Undertaken by Commercial Banks (Yin Jian Fa [2018] No. 2) (商業銀行委託貸款管理辦法(銀監發[2018]2號)) (the “**Measures for Entrusted Loans**”) were promulgated by the CBRC and came into effect on 5 January 2018. Under the Measures for Entrusted Loans, an entrusted loan refers to the loan provided by a trustor and granted by a commercial bank (trustee) on behalf of the trustor to a borrower determined by the trustor, and the purpose, amount, currency, duration and interest rate of such loan shall be determined by the trustor. The trustee shall assist in supervising the use of the loan and collecting loan repayment. Trusted loans under cash management and trusted loans under housing provident fund are not included. The commercial bank shall not accept

the following funds from any trustor for entrusted loans: (i) funds of others under its management as entrusted; (ii) funds of bank loans; (iii) special funds of special purposes (unless otherwise required by relevant authorities under the State Council); (iv) other debt funds (unless otherwise required by relevant authorities under the State Council); (v) funds of which their source cannot be proved. The commercial bank shall charge an agent handling fee from the trustor under the principle that “the party that entrusts shall pay the fee”. The commercial bank, the trustor and the borrower shall sign an entrusted loan contract which shall specify the purpose, amount, currency, duration, interest rate and repayment plan of the loan, as well as the rights and obligations of the trustor, the trustee and the borrower.

Notice of the Shanghai Head Office of the PBOC on Supporting the Expanded Cross-border RMB Use within the China (Shanghai) Pilot Free Trade Zone

The Notice of the Shanghai Head Office of the PBOC on Supporting the Expanded Cross-border RMB Use within the China (Shanghai) Pilot Free Trade Zone (Yin Zong Bu Fa [2014] No. 22) (中國人民銀行上海總部關於支持中國(上海)自由貿易試驗區擴大人民幣跨境使用的通知(銀總部發 [2014]22號)) (the “**Notice No. 22**”) was promulgated by the Shanghai Head Office of the PBOC and came into effect on 20 February 2014. Pursuant to Notice No. 22, an enterprise within the Shanghai FTZ may, according to its operational and management needs, carry out two-way cross-border RMB fund pool business within its enterprise group. Two-way cross-border RMB fund pool business shall refer to the two-way fund pooling business among the domestic and overseas member enterprises of an enterprise group, and shall be considered as operational financing activities within the enterprise group. Funds shall be considered as “being turned over” if they flow from the parties from whom the funds are collected to the party collecting the funds, and fund flow in the reversed direction shall be called “allocation”. RMB funds that may be “turned over” and “allocated” shall be the cash flow generated by an enterprise’s own production and operating activities and its industrial and investment activities. For the time being, cash flow generated by financing activities is not eligible for fund pooling. The offshore RMB funds borrowed by financial institutions and enterprises within the Shanghai FTZ (excluding trade credit and intra-group operational financing) shall be used for fields in line with national macro regulation and control. The offshore RMB borrowings shall not be used for investment in marketable securities (including wealth management products and other asset management products) and derivatives for the time being, and shall not be used for entrusted loans.

Notice of the PBOC on Further Facilitating the Two-way Cross-border RMB Fund Pool Business by Multinational Enterprise Groups

The Notice of the PBOC on Further Facilitating the Two-way Cross-border RMB Fund Pool Business by Multinational Enterprise Groups (Yin Fa (2015) No. 279) (中國人民銀行關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知(銀發[2015]279號)) (the “**Notice No. 279**”) was promulgated by the PBOC and came into effect on 5 September 2015. Pursuant to Notice No. 279, the responsible domestic enterprise shall, in accordance with the Measures for the Administration of RMB Bank Settlement Accounts (Order [2003] No. 5 of the PBOC) (人民幣銀行結算帳戶管理辦法(中國人民銀行令(2003)第5號)) and other administrative provisions on bank settlement accounts, apply for opening a special RMB deposit account which shall be dedicated for two-way cross-border RMB fund pool business. Funds in the said account shall not be used for disbursing entrusted loans to non-member enterprises. A multinational enterprise group may establish two-way cross-border RMB fund pool respectively in accordance with Notice No. 279 and other relevant policies of pilot free trade zones, and the same domestic member enterprise may join one fund pool only.

Laws and Regulations Relating to Foreign Exchange

Regulations of the PRC on Foreign Exchange Administration

The principal regulation governing foreign currency exchange in China is the Regulations of the PRC on Foreign Exchange Administration (2008 Revision) (中華人民共和國外匯管理條例(2008年修訂)), which were promulgated by the State Council on 29 January 1996 and amended on 5 August 2008. Pursuant to the above regulations, Renminbi is freely convertible for current account items such as profit distributions, interest payments and trade and service-related foreign exchange transactions, but not for capital account items such as direct investment, loans, repatriation of investments and investments in securities outside of China unless prior approval or registration is obtained from or made with the SAFE.

Circular on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment

The Circular on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (Hui Fa [2015] No. 13) (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) (the “**SAFE Circular No. 13**”) was promulgated by the SAFE on 13 February 2015 and came into effect on 1 June 2015. Under the SAFE Circular No. 13, two administrative approval items, namely foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, are abolished by the SAFE. Instead, banks take the responsibilities of reviewing and undertaking foreign exchange registration relating to domestic and overseas direct investment. The confirmation and registration of monetary contribution by foreign investors are replaced with entry registration of monetary contribution under domestic direct investment. In the event that a foreign investor makes contribution in monetary form (including cross-border foreign exchange remittance and Renminbi), the deposit bank shall, upon receipt of the relevant capital funds, carry out entry and registration of monetary contribution of domestic direct investment via the SAFE Capital Account Information System directly before the capital funds can be used.

Measures on Administration of Renminbi Settlement for Foreign Direct Investment

The Measures on Administration of Renminbi Settlement for Foreign Direct Investment (Announcement of the PBOC [2011] No. 23) (外商直接投資人民幣結算業務管理辦法(中國人民銀行公告[2011]第23號)) (the “**Measures on Renminbi Settlement**”) were promulgated by the PBOC on 13 October 2011 and revised on 29 May 2015. Under the Measures on Renminbi Settlement, foreign investors shall comply with the provisions of PRC laws and regulations on foreign direct investment when using Renminbi in making investments in China. In order to clarify the provisions of Measures on Renminbi Settlement, the PBOC promulgated the Operational Rules for the Measures on Renminbi Settlement (Yin Fa [2012] No. 165) (中國人民銀行關於明確外商直接投資人民幣結算業務操作細則的通知(銀發[2012]165號)) on 14 June 2012, which were revised on 29 May 2015. According to the above operational rules, Renminbi funds deposited in the special Renminbi deposit account for capital funds and the general Renminbi deposit account for overseas loans of a foreign-invested enterprise shall be used within the business scope approved by the relevant departments of the State and shall not be used for investing in securities and financial derivatives, entrusted loans or purchasing wealth management products or non-self-used housing properties.

Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review

The Notice of the SAFE on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (Hui Fa [2017] No. 3) (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)) (the “**Notice No. 3**”) was promulgated by the SAFE and came into effect on 26 January 2017. Pursuant to Notice No. 3, the authenticity and compliance review shall be strengthened for outbound direct investment. When going through the procedures for registration of outbound direct investment and outbound remittance of funds, a domestic institution shall, in addition to submitting relevant materials for review as required, also explain to the bank concerned the sources of the funds for investment and the purposes (use plan) of such funds, and provide the relevant resolution of the board of directors (or the relevant resolution of partners), the relevant contract or other materials in proof of transaction authenticity. Banks shall strengthen authenticity and compliance review in accordance with business principles.

Laws and Regulations Relating to Taxation

EIT Law and the relevant Implementation Regulations

The EIT Law was promulgated by the Standing Committee on 16 March 2007, came into effect on 1 January 2008, and revised on 24 February 2017 and 29 December 2018. According to the EIT Law, the income tax rate for both domestic and foreign-invested enterprises (excluding non-resident enterprises) is 25%. In order to clarify certain provisions in the EIT law, the Implementation Regulations on the Enterprise Income Tax of the PRC (中華人民共和國企業所得稅法實施條例) (the “**EIT Implementation Rules**”) were promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008. Under the EIT Law and the EIT Implementation Rules, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. According to the EIT Law and the EIT Implementation Rules, in addition to enterprises established within the PRC, enterprises established outside of China whose “actual management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for the global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “actual management bodies” are not within the PRC but have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. Pursuant to the EIT Implementation Rules, the income tax rate for the gain of non-resident enterprises sourced within the PRC is 10%.

Value-Added Tax

The Temporary Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) were promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax of the PRC (Order of the Ministry of Finance No. 65) (中華人民共和國增值稅暫行條例實施細則(國家稅務局第50號令)) were promulgated by the Ministry of Finance (the “**MOF**”) and came into effect on 25 December 1993, and amended on 15 December 2008 and 28 October 2011. According to above value-added tax regulations, taxpayers engaging in the sales of goods or labour services, the leasing of tangible movable properties and the import of goods within the PRC shall pay value-added tax (the “**VAT**”) at the tax rate of 17%, 11% or 6%.

Pursuant to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (Cai Shui [2011] No. 110) (營業稅改徵增值稅試點方案(財稅[2011]110號)) promulgated by the MOP and the State Administration of Taxation (the “**SAT**”), the State began to launch taxation reforms in a gradual manner with effect from 16 November 2011, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries. According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)) (the “**Circular No. 36**”), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, revised by Notice on Pilot Policies of Levying Value-added Tax in Lieu of Business Tax for Construction Services and Other Sectors came into effect on 1 July 2017 (關於建築服務等營改增試點政策的通知) and Announcement on Policies for Deepening the VAT Reform came into effect on 1 April 2019 (關於深化增值稅改革有關政策的公告), the VAT pilot programme will be extended to the whole country. Business tax payers in the industries of construction, real estate and financial and life services will be included within the scope of the VAT pilot programme. Entities and individuals that engage in the sales of services, intangible assets or immovable properties in the territory of China are taxpayers of VAT and shall pay VAT instead of business tax. The VAT rate to be imposed on (i) taxable activities of taxpayers shall be 6%, except as otherwise specified below; (ii) the provision of services relating to transportation, mail, basic telecommunications, construction, sales and leasing of real estate and transfer of land use rights shall be 11%; (iii) the provision of leasing services for tangible movables assets shall be 17%; and (iv) cross-border taxable activities conducted by domestic entities and individuals shall be nil. The specific scopes shall be further provided by the MOP and the SAT. The VAT levy rate shall be 3% unless otherwise specified by the MOP and the SAT.

According to the Circular No. 36, if the actual VAT burden on a pilot general taxpayer engaging in financial leasing upon approval of the PBOC, the CBRC or the Ministry of Commerce for the tangible personal property financial leasing and sale-and-leaseback services provided by it is more than 3%, such VAT will be refunded upon collection thereof.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui (2018] No. 32) (財政部、國家稅務總局關於調整增值稅稅率的通知(財稅[2018]32號)) issued on 4 April 2018 and came into effect on 1 May 2018, a taxpayer who is previously subject to the rates of 17% and 11%, respectively, for VAT-taxable sales activities or imported goods shall have the applicable tax rates adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告), the 16% tax rate applicable to the VAT taxable sales or import of goods by a general VAT taxpayer shall be adjusted to 13%, and the 10% tax rate applicable thereto shall be adjusted to 9%.

Dividends

The Hong Kong Tax Treaty was promulgated on 21 August 2006, and the first, second, third and fourth protocols to the Hong Kong Tax Treaty were promulgated on 21 August 2006, 30 January 2008, 27 May 2010 and 1 April 2015, respectively. According to the Hong Kong Tax Treaty, dividends paid by a PRC resident company to a Hong Kong resident company are subject to a withholding tax rate of 5%, provided that such Hong Kong resident company directly holds at least 25% of the equity interests of the PRC resident company. The withholding tax rate of 10% applies to dividends paid by a PRC resident company to a Hong Kong resident company if such Hong Kong resident company holds less than 25% of the equity interests of the PRC resident company. According to the Circular No. 81, where a fiscal resident (taxpayer) to the tax agreement directly owns a certain percentage (generally 25% or 10%) or more of the capital of a PRC resident company which pays dividends to such a fiscal resident, dividends obtained by such a fiscal resident may be taxed at a tax rate specified in the tax agreement, and each of the following conditions must be satisfied in order for a taxpayer to enjoy the preferential tax treatments under the tax agreement for dividends received from a PRC resident enterprise: (i) the taxpayer receiving dividends shall, pursuant to the provisions of the tax agreement, be a company; (ii) the taxpayer shall directly hold at least the requisite prescribed proportion of the equity interests and voting shares of the PRC resident company; and (iii) the proportion of equities owned by such taxpayer in the PRC resident company shall, at any time within the consecutive 12 months prior to obtaining the dividends, comply with the proportion requirements under the tax agreement.

Circular on the Stamp Tax Policies relating to Financial Leasing Contracts

The Circular on the Stamp Tax Policies relating to Financial Leasing Contracts (Cai Shui [2015] No. 144) (財政部、國家稅務總局關於融資租賃合同有關印花稅政策的通知(財稅[2015]144號)) was promulgated by the MOP and the SAT and came into effect on 24 December 2015. Pursuant to the above circular, financial leasing contracts on financial leasing businesses, including sale-and-leaseback transactions for financing purposes, stamp duty will be calculated at the rate of 0.005% according to the taxable item “loan contract” based on the total rental indicated in the contracts. For sales contracts between the lessor and the lessee in respect of sale-and-leaseback financing businesses, stamp duty will be exempted.

Laws and Regulations Relating to Labour Protection

Labour Law of the PRC

According to the Labour Law of the PRC (中華人民共和國勞動法), which was promulgated by the Standing Committee on 5 July 1994, came into effect on 1 January 1995 and revised on 27 August 2009 and 29 December 2018, and the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which was promulgated on 29 June 2007, revised on 28 December 2012 and came into effect on 1 July 2013, written labour contracts shall be executed between an entity and its employees if an employment

relationship is established. Employers are required to inform their employees about their job responsibilities, working conditions, occupational hazards, remuneration and other matters with which the employees may be concerned. Employers shall pay remuneration to employees on time and in full in accordance with the commitments set forth in their employment contracts and the relevant PRC laws and regulations.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險), which was promulgated on 28 October 2010, came into effect on 1 July 2011 and revised on 29 December 2018, the Interim Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), which were implemented on 22 January 1999 and revised by the Decision of the State Council on Revising Some Administrative Regulations came into effect on 24 March 2019 (國務院關於修改部分行政法規的決定), the Trial Measures for Enterprise Staff Maternity Insurance (Lao Bu Fa [1994] No. 504) (企業職工生育保險試行辦法(勞部發[1994]504號)), which were implemented on 1 January 1995, the Regulations on Work-Related Injury Insurance (工傷保險條例) which were implemented on 1 January 2004, amended on 20 December 2010 and came into effect on 1 January 2011, and the Regulations on Management of Housing Provident Fund (住房公積金管理條例) which was promulgated on 3 April 1999, amended on 24 March 2002 and revised by the Decision of the State Council on Revising Some Administrative Regulations came into effect on 24 March 2019 (國務院關於修改部分行政法規的決定), employers in the PRC shall provide their employees with welfare schemes covering basic pension, insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund. Employers who fail to contribute to the above social insurance and housing provident funds may be subject to a fine and ordered to make full payment within a prescribed time period. If an employing entity fails to make the payment towards the social insurance and housing provident funds within a prescribed time limit, an application may be made to a people's court for enforcement.

TAXATION

The following summary of certain Hong Kong, PRC and British Virgin Islands tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this offering circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest in respect of the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes.

These beneficial owners are referred to as non-PRC Bondholders in this “PRC” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management organization” are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that Issuer’s “de facto management organization” is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside the PRC. As of the date of this offering circular, the Issuer confirms that it has not received notice or has been informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment within the PRC, shall be required to pay an income tax at the rate of 10% (or 7% for Hong Kong residents) on the income sourced inside the PRC. Such income tax shall be withheld by the PRC payer that is acting as the obligatory withholding and such PRC payer shall withhold the tax amount from each payment or payment due. Although as confirmed by the Issuer, as of the date of this offering circular, it has not been noticed or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it will be required to withhold income tax from the payments of interest in respect of the Bonds for any non-PRC Bondholder. However, despite the potential withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions.

According to the double taxation arrangement between China and Hong Kong and relevant PRC tax regulations, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Bonds. Other non-PRC Bondholders will also not be subject to the PRC tax on any capital gains derived from a sale or exchange of Bonds consummated outside the PRC between non-PRC Bondholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% (or 7% for Hong Kong residents) of PRC withholding tax.

VAT

On 23 March 2016, the Ministry of Finance and the Circular 36 confirmed that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of the Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. In the event the Issuer is deemed to be in the PRC by the PRC tax authorities, the holders of the Bonds may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-PRC resident holders of the Bonds may be subject to withholding VAT and surcharges at the rate of around 6.72%.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply, and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of the Bonds is located in the PRC.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC holders of the Bonds either upon issuance of the Bonds or upon a subsequent transfer of the Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

British Virgin Islands

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 21 July 2021 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

	Principal amount of the Bonds to be subscribed
	U.S.\$
Bank of China (Hong Kong) Limited	75,000,000
CCB International Capital Limited.....	75,000,000
CLSA Limited	75,000,000
DBS Bank Ltd.....	75,000,000
ABCI Capital Limited.....	25,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	25,000,000
CMB International Capital Limited	25,000,000
CNCB (Hong Kong) Capital Limited	25,000,000
Crédit Agricole Corporate and Investment Bank	25,000,000
Haitong International Securities Company Limited	25,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	25,000,000
SPDB International Capital Limited.....	25,000,000
Total	500,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services and/or Transactions**”). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds) and such orders and/or allocations of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being ‘offered’ should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, one or more initial investors are expected to subscribe for a material proportion of the Bonds. As such, liquidity of trading in the Bonds may be constrained (see “*Risk Factors – Risks Relating to the Bonds and the Guarantee – An active trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds*”). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds among individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (THE “STABILISING MANAGER”) OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

General

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor, the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this offering circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor, the Joint Lead Managers in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Managers or any affiliate of a Joint Lead Manager is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Managers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of Bonds and the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area. For the purposes of this provision:

- I the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and
- II the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Hong Kong

Each of the Joint Lead Managers has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

The People's Republic of China

Each of the Joint Lead Managers has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by applicable laws of the PRC.

Singapore

Each of the Joint Lead Managers has acknowledged that this offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

British Virgin Islands

Each of the Joint Lead Managers represents and agrees invitation has not been made nor will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws. This offering circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream. Certain trading information with respect to the Bonds is set forth below:

	ISIN	Common Code
The Bonds	XS2358216211	235821621

2. **Listing of the Bonds:** Application will be made to the SEHK for the listing of and permission to deal in the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 28 July 2021.

However, the Issuer cannot assure you that the application to such stock exchange will be approved. The settlement of the Bonds is not conditional on obtaining such listing.

3. **Approvals:** Except as may otherwise be indicated in this offering circular, all authorizations, consents, and approvals to be obtained by the Issuer for, or in connection with, the creation and issue of the Bonds, the performance of its obligations expressed to be undertaken by it and the distribution of this offering circular were obtained and were in full force and effect at the pricing of the offering. The issue of the Bonds by the Issuer was authorized pursuant to a resolution of its board of directors on 15 July 2021 and the giving of the Guarantee a resolution of the board of directors of the Guarantor on 15 July 2021.
4. **No Material Adverse Change:** Save as disclosed in this offering circular, there has been no significant adverse change in the financial or trading position or prospects of the Issuer, the Company or the Group since 31 December 2020.
5. **Litigation:** None of the Issuer, the Company or any member of the Group is involved in any legal, governmental or arbitration proceedings nor is the Issuer or the Company aware that any such proceedings are pending or threatened. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Company is aware) in the 12 months preceding the date of this offering circular which may have or have in such period had a significant effect upon the financial position or profitability of the Issuer or the Company.
6. **Available Documents:** So long as any of the Bonds is outstanding, hard copies of (i) the Company's annual report for the Year ended 31 December 2020, the (ii) Trust Deed, (iii) the Agency Agreement and (iv) the Articles of Association of each of the Issuer and the Company as at the date of this offering circular will be available for inspection from the Issue Date at the specified office of the Principal Paying Agent during normal business hours following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent and, in the case of each of the aforementioned reports, documents and Articles of Association other than the Agency Agreements, subject to copies of the same having been provided to the Principal Paying Agent.
7. **Audited Financial Information:** The Company's consolidated financial information as of and for the year ended 31 December 2020, have been audited by Grant Thornton Hong Kong Limited, as stated in its report appearing herein.

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Audited Financial Information as of and for the Year ended 31 December 2020

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Independent Auditor's Report



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

Opinion

We have audited the consolidated financial statements of CSSC (Hong Kong) Shipping Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 129 to 224, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 Hong Kong Companies Ordinance.

Basis for Opinion

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

Independent Auditor's Report

Key Audit Matters

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

Key Audit Matter

How the matter was addressed in our audit

Lease arrangements

Refer to notes 2.14 and 4(i) to the consolidated financial statements.

Management assessed the classification of leases in accordance with Hong Kong Financial Reporting Standard 16 "Leases".

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

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease which involves critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets, the incremental borrowing rate in the calculation of the present value of minimum lease payments and whether the purchase option will be exercised.

Due to the significance of management's judgments and estimates applied in assessing the classification of leases, we considered this as a key audit matter.

We performed the following procedures to assess management's classification of leases:

- examined the lease agreements and discussed with management the key terms in order to identify any inconsistency from our understanding;
- performed the following procedures for the appropriateness of the judgments made by management in the determination of lease classification:
 - assessed the impact of the agreed terms in the lease agreements on the classification;
 - tested the mathematical accuracy of the present value of minimum lease payment calculation and the verified relevant input data (i.e. lease terms, lease payments and lease period) to the agreements;
 - assessed the reasonableness of the incremental borrowing rate of the respective lease arrangement with reference to bank quotation;
 - evaluated the appropriateness of the economic lives and the fair value of leased assets with reference to similar types of assets in the market; and
 - Assessed the existence of the purchase option under the lease arrangement by checking to the lease agreement and possibility of lessees/borrowers to exercise such option by comparing the rate to exercise to the current market rate.

Independent Auditor's Report

Key Audit Matter

How the matter was addressed in our audit

Impairment of loan receivables

Refer to notes 2.8, 3(b)(i), 4(i) and 17 to the consolidated financial statements.

As at 31 December 2020, the net carrying amounts of the Group's loan receivables amounted to approximately HK\$15,061,334,000, in which provision for impairment loss of approximately HK\$503,565,000 were recorded.

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

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

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

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

- (1) Consideration on whether the loan receivables have experienced a significant increase in credit risk
- (2) Identification of default and credit-impaired assets

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

- We evaluated and tested the relevant controls, including those over the timely identification of impairment indicators and the calculation of provision for impairment on loan receivables.
- We selected samples, in consideration of the financial information and non-financial information of the lessees/borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of receivables with significant increase in credit risk since initial recognition and credit-impaired loan receivables.
- We reviewed the methodologies for ECL for impairment assessment and assessed the reasonableness of significant judgments and assumptions including, inputs, assumptions and estimation techniques. We tested whether or not the measurement methods reflect the methodologies documented by management.
- We examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness.
- For loan receivables in stages 2 and 3, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of the lessees/borrowers and other available information together with discount rates in supporting the computation of the provision for impairment.
- We reviewed the management's analysis for forward-looking information using forecasted economic growth rate, assessed the reasonableness and performed sensitivity analysis on possible scenarios.

Independent Auditor's Report

Key Audit Matter

How the matter was addressed in our audit

Impairment of loan receivables *(Continued)*

- (3) Inputs, assumptions and estimation techniques in measuring ECL (i.e. PD, EAD, LGD)
- (4) Forward-looking information incorporated in the ECL (i.e. forecasted economic growth rates which reflect the general economic conditions of the industry in which the lessees/borrowers operate)

Due to the significance of management's judgment and estimates applied in assessing the amount of ECL at the reporting date, we considered this as a key audit matter.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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.

Independent Auditor's Report

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

31 March 2021

Lam Yau Hing

Practising Certificate No.: P06622

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	5	1,861,565	2,294,397
Other income	6	113,118	104,381
Other gains/(losses), net		114,849	(139,252)
Expenses			
Finance cost and bank charges	7	(578,536)	(839,733)
Reversal of/(provision for) impairment of loan receivables, net	17	23,657	(86,881)
Depreciation		(272,869)	(238,300)
Employee benefits expenses	10	(48,959)	(62,818)
Vessel operating costs		(112,601)	(111,296)
Other operating expenses		(74,440)	(72,850)
Total expenses		(1,063,748)	(1,411,878)
Profit from operations	8	1,025,784	847,648
Share of results of joint ventures	15	112,699	53,547
Share of results of associates	16	(10,315)	3,021
Profit before income tax		1,128,168	904,216
Income tax expense	9	(14,362)	(11,837)
Profit for the year		1,113,806	892,379
Profit for the year attributable to:			
Equity holders of the Company		1,108,518	883,089
Non-controlling interests		5,288	9,290
		1,113,806	892,379
Earnings per share (HK\$)			
Basic and diluted	12	0.181	0.163

The notes on pages 136 to 224 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
Profit for the year	1,113,806	892,379
Other comprehensive income/(expense) including reclassification adjustments for the year		
Items that will be reclassified subsequently to profit or loss:		
– Exchange differences on translation of investments in subsidiaries, associates and joint ventures	7,379	(37,369)
– Fair value change of financial assets at fair value through other comprehensive income (debt instruments)	3,488	17,528
– Release upon settlement of debt instruments at fair value through other comprehensive income	–	(3,384)
– Fair value change of derivative financial instruments (cash flow hedges)	(111,027)	(67,055)
– Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	8,214	–
Items that will not be reclassified subsequently to profit or loss:		
– Fair value change of financial assets at fair value through other comprehensive income (equity instruments)	10,718	53,584
Total other comprehensive expense for the year	(81,228)	(36,696)
Total comprehensive income for the year	1,032,578	855,683
Total comprehensive income for the year attributable to:		
Equity holders of the Company	1,027,469	846,398
Non-controlling interests	5,109	9,285
Total comprehensive income for the year	1,032,578	855,683

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
ASSETS			
Property, plant and equipment	13	10,035,106	8,915,910
Right-of-use assets	14	32,964	23,685
Interests in joint ventures	15	483,480	211,304
Interests in associates	16	49,784	35,618
Loan receivables	17	15,061,334	15,044,802
Derivative financial assets	18	10,306	3,881
Prepayments, deposits and other receivables	19	394,569	164,695
Financial assets at fair value through profit or loss	20	904,671	39,460
Financial assets at fair value through other comprehensive income	21	726,258	777,224
Amounts due from associates	22	25,320	23,968
Amounts due from fellow subsidiaries	22	3,024	220
Amounts due from joint ventures	22	26,871	4,776
Structured bank deposits	23	467,443	335,653
Time deposits with maturity over three months	23	129,244	171,395
Cash and cash equivalents	23	2,180,280	1,895,182
Asset held for sales	24	–	48,639
Total assets		30,530,654	27,696,412
LIABILITIES			
Income tax payables		32,386	22,138
Borrowings	25	20,515,990	18,397,969
Derivative financial liabilities	18	263,958	105,966
Amounts due to fellow subsidiaries	22	17,490	20,179
Amount due to a joint venture	22	71,732	96,118
Amount due to a non-controlling interest	22	87,497	87,922
Other payables and accruals	26	517,017	493,222
Lease liabilities	27	33,647	23,654
Total liabilities		21,539,717	19,247,168
Net assets		8,990,937	8,449,244

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
EQUITY			
Share capital	28	6,614,466	6,614,466
Reserves		2,332,876	1,796,292
		8,947,342	8,410,758
Non-controlling interests		43,595	38,486
Total equity		8,990,937	8,449,244

The consolidated financial statements on pages 129 to 224 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf.

ZHONG JIAN
Director

HU KAI
Director

The notes on pages 136 to 224 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity holders of the Company							Non-controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Hedging reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000		
At 1 January 2020	6,614,466	10,218	(67,055)	11,051	(71,896)	1,913,974	8,410,758	38,486	8,449,244
Profit for the year	–	–	–	–	–	1,108,518	1,108,518	5,288	1,113,806
Other comprehensive income/ (expense) for the year	–	14,206	(102,813)	–	7,558	–	(81,049)	(179)	(81,228)
Total comprehensive income for the year	–	14,206	(102,813)	–	7,558	1,108,518	1,027,469	5,109	1,032,578
Transactions with equity holders: – Dividends (note 35)	–	–	–	–	–	(490,885)	(490,885)	–	(490,885)
At 31 December 2020	6,614,466	24,424	(169,868)	11,051	(64,338)	2,531,607	8,947,342	43,595	8,990,937
At 1 January 2019	4,602,046	(57,510)	–	7,195	(34,532)	1,218,823	5,736,022	29,201	5,765,223
Profit for the year	–	–	–	–	–	883,089	883,089	9,290	892,379
Other comprehensive income/ (expense) for the year	–	67,728	(67,055)	–	(37,364)	–	(36,691)	(5)	(36,696)
Total comprehensive income for the year	–	67,728	(67,055)	–	(37,364)	883,089	846,398	9,285	855,683
Appropriations to statutory surplus reserve	–	–	–	3,856	–	(3,856)	–	–	–
Transactions with equity holders: – Issues of new shares by public offering, net of expenses (note 28)	2,012,420	–	–	–	–	–	2,012,420	–	2,012,420
– Dividends (note 35)	–	–	–	–	–	(184,082)	(184,082)	–	(184,082)
At 31 December 2019	6,614,466	10,218	(67,055)	11,051	(71,896)	1,913,974	8,410,758	38,486	8,449,244

The notes on pages 136 to 224 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	30(a)	1,236,730	4,370,233
Interest received		74,778	98,535
Interest paid		(653,238)	(909,894)
Income tax paid		(4,114)	(10,348)
Net cash generated from operating activities		654,156	3,548,526
Cash flows from investing activities			
Investment in joint ventures		(160,416)	(157,689)
Investment in an associate		(22,498)	(16,742)
Decrease in time deposits with maturity over three months		41,340	1,408,463
Increase in structured bank deposits		(106,126)	(23,497)
Payment of purchase of vessels and property, plant and equipment		(1,461,063)	(2,438,976)
Increase in portfolio investment at fair value through profit or loss/fair value through other comprehensive income		(1,374,458)	(40,639)
Dividend received from financial assets at fair value through other comprehensive income		29,744	29,342
Proceeds on disposal of property, plant and equipment		184,789	–
Proceeds on disposal of asset held for sales		68,254	–
Proceeds on disposal of financial assets at fair value through other comprehensive income		332,891	368,494
Proceeds on disposal of financial assets at fair value through profit or loss		279,310	407,005
Increase in loan to joint ventures		142,711	119,540
Increase in amounts due from associates		(1,468)	873
Increase in amount due from joint ventures		(22,127)	(9,552)
Increase in amounts due from fellow subsidiaries		(2,806)	110,633
Net cash used in investing activities		(2,071,923)	(242,745)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Cash flows from financing activities			
Proceeds from issuance of guaranteed bonds	30(b)	6,204,880	–
Proceeds from borrowings	30(b)	8,367,901	8,111,516
Repayment of borrowings	30(b)	(12,344,582)	(11,859,777)
Payment of lease liabilities	30(b)	(8,997)	(3,609)
Dividends paid		(490,885)	(184,082)
Net proceeds from issuance of ordinary shares under public offering		–	2,055,587
Professional expenses paid in connection with public offering		–	(30,180)
Proceeds from joint venture during the year		508	96,618
Repayment to related companies during the year		(24,440)	(500)
Repayment to joint ventures during the year		–	(70,433)
Proceeds from fellow subsidiaries during the year		950	1,200
Repayment to fellow subsidiaries during the year		(3,543)	(420,034)
Net cash generated from/(used in) financing activities		1,701,792	(2,303,694)
Net increase in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,895,182	924,060
Effect of foreign exchange rate changes on cash and cash equivalents		1,073	(30,965)
Cash and cash equivalents at 31 December	23	2,180,280	1,895,182

The notes on pages 136 to 224 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

CSSC (Hong Kong) Shipping Company Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The registered office is located at Room 1801, 18th Floor, Worldwide House, No. 19 Des Voeux Road Central, Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in provision of leasing business, ship brokerage services and financing business.

Shares of the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (“The Stock Exchange”) on 17 June 2019.

These consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2021.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Amended HKFRSs that are effective for annual period beginning on 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA which are relevant to the Group's operation and effective for the Group's consolidated financial statements for the period beginning on 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁶
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 16	COVID-19 – Related Rent Concessions ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ³
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁶

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective date not yet determined

⁶ Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

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

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

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

(ii) Associates

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

(iii) Joint arrangements

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

Joint ventures

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

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

(iv) Equity method

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

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

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

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

2.3 Separate financial statements

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.4 Segment reporting

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

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

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.5 Foreign currency translation *(Continued)*

(iii) Group companies

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

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

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

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

2.6 Property, plant and equipment

(i) Construction in progress

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

(ii) Other property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.6 Property, plant and equipment *(Continued)*

(ii) Other property, plant and equipment (Continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.7 Impairment of non-financial assets

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

2.8 Investments and other financial assets

(i) *Classification*

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.8 Investments and other financial assets *(Continued)*

(ii) Recognition and derecognition

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

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

(iii) Measurement

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

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

(iv) Debt instruments

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.8 Investments and other financial assets *(Continued)*

(iv) Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through consolidated statement of comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in consolidated statement of comprehensive income is reclassified from equity to profit or loss.
- Fair value at profit or loss ("FVTPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

(v) Equity instruments

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

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

(vi) Impairment

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

For loan receivables, the Group applies the general approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3(b)(i) and 17 for further details.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.9 Offsetting financial instruments

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

2.10 Derivatives and hedging activities

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.10 Derivatives and hedging activities *(Continued)*

(i) Cash flow hedges that qualify for hedge accounting

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

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

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

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

(ii) Derivatives that do not qualify for hedge accounting

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

2.11 Cash and cash equivalents

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

2.12 Recognition of revenue and income

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

The Group recognises revenue when the contract of services transferred to customer, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.12 Recognition of revenue and income *(Continued)*

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

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

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

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

2.13 Government grants

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

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

2.14 Leases

Definition of a lease and the Group as a lessee

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.14 Leases *(Continued)*

As a lessee

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.14 Leases *(Continued)*

As a lessee *(Continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions and credit rating of the Group since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. value of ROU, term, country, currency and value of security.

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

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

As a lessor

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

(i) Finance lease

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.14 Leases *(Continued)*

As a lessor *(Continued)*

(i) Finance lease (Continued)

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

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

(ii) Operating lease

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

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Other payables

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.18 Provisions

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

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

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

2.19 Borrowings

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.21 Current and deferred income tax *(Continued)*

Deferred income tax *(Continued)*

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

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

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

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

Investment allowances and similar tax incentives

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

2.22 Employee benefits

(i) Short-term obligations

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.22 Employee benefits *(Continued)*

(ii) Pension obligations

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

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

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

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

(iii) Profit-sharing and bonus plans

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

(iv) Termination benefits

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.23 Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

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

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Dividend income

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

2.25 Dividend distribution

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.26 Interest income

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

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

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

2.27 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

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

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

2.28 Asset held for sale

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

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.29 Related parties

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

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Notes to the Consolidated Financial Statements

3 Financial risk management

(a) Financial instruments by category

Financial assets as at 31 December 2020	Amortised at cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
Derivative financial assets	–	10,306	–	10,306
Financial assets at fair value through profit or loss	–	904,671	–	904,671
Financial assets at fair value through other comprehensive income	–	–	726,258	726,258
Loan receivables	15,061,334	–	–	15,061,334
Other receivables (excluding prepayments)	30,510	–	–	30,510
Amounts due from associates	25,320	–	–	25,320
Amounts due from fellow subsidiaries	3,024	–	–	3,024
Amounts due from joint ventures	26,871	–	–	26,871
Time deposits with maturity over three months	129,244	–	–	129,244
Cash and cash equivalents	2,180,280	–	–	2,180,280
Structured bank deposits	–	467,443	–	467,443
Total	17,456,583	1,382,420	726,258	19,565,261

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial instruments by category (Continued)

Financial assets as at 31 December 2019	Amortised at cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	Total HK\$'000
Derivative financial assets	–	3,881	–	3,881
Financial assets at fair value through profit or loss	–	39,460	–	39,460
Financial assets at fair value through other comprehensive income	–	–	777,224	777,224
Loan receivables	15,044,802	–	–	15,044,802
Other receivables (excluding prepayments)	149,128	–	–	149,128
Amounts due from associates	23,968	–	–	23,968
Amounts due from fellow subsidiaries	220	–	–	220
Amounts due from joint ventures	4,776	–	–	4,776
Time deposits with maturity over three months	171,395	–	–	171,395
Cash and cash equivalents	1,895,182	–	–	1,895,182
Structured bank deposits	–	335,653	–	335,653
Total	17,289,471	378,994	777,224	18,445,689

Financial liabilities as at 31 December 2020	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at fair value through other comprehensive income HK\$'000	Total HK\$'000
Borrowings	20,515,990	–	–	20,515,990
Other payables and accruals (excluding deposits received)	82,739	–	–	82,739
Amount due to a non-controlling interest	87,497	–	–	87,497
Amount due to a joint venture	71,732	–	–	71,732
Amounts due to fellow subsidiaries	17,490	–	–	17,490
Derivative financial liabilities	–	94,090	169,868	263,958
Lease liabilities	33,647	–	–	33,647
Total	20,809,095	94,090	169,868	21,073,053

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(a) Financial instruments by category *(Continued)*

Financial liabilities as at 31 December 2019	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Financial liabilities at fair value through other comprehensive income HK\$'000	Total HK\$'000
Borrowings	18,397,969	–	–	18,397,969
Other payables and accruals (excluding deposits received)	54,490	–	–	54,490
Amount due to a non-controlling interest	87,922	–	–	87,922
Amount due to a joint venture	96,118	–	–	96,118
Amounts due to fellow subsidiaries	20,179	–	–	20,179
Derivative financial liabilities	–	38,911	67,055	105,966
Lease liabilities	23,654	–	–	23,654
Total	18,680,332	38,911	67,055	18,786,298

(b) Financial risk factors

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

(i) Credit risk

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

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(i) **Credit risk** *(Continued)*

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

Impairment allowance policies for loan receivables

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(i) **Credit risk** *(Continued)*

Impairment allowance policies for loan receivables (Continued)

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

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

ECL model for loan receivables, as summarised below:

- The ECL was calculated and provided based on the “three-stages” model by referring to the changes in credit quality since initial recognition.
- The loan receivables that is not credit-impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to “Stage 3”. The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(i) **Credit risk** *(Continued)*

Impairment allowance policies for loan receivables (Continued)

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

- (1) Consideration on whether the loan receivables to have experienced a significant increase in credit risk
The Group considers whether the loan receivables to have experienced a significant increase in credit risk when backstop criteria have been met. A backstop is applied and the loan receivables considered to have experienced a significant increase in credit risk if the borrower is past due on its contractual payments.
- (2) Identification of default and credit-impaired assets
The Group identifies a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.
- (3) Inputs, assumptions and estimation techniques in measuring ECL
The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL are the discounted product of the PD, EAD, and LGD.

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

- (4) Forward-looking information incorporated in the ECL models
The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and expected credit losses. In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment arising from COVID-19.

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

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(i) **Credit risk** *(Continued)*

Provision for impairment

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

- Transfers between Stage 1 and Stage 2 or 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent “step up” (or “step down”) between 12-month and lifetime ECL;
- Additional provisions for new financial instruments recognised, as well as releases for loan receivables derecognised in the period;
- Loan receivables derecognised and write-offs of provisions related to assets that were written off during the period.

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

	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
Provision for impairment of loan receivables as of 1 January 2020	37,121	228,389	261,712	527,222
Transfer from stage 1 to stage 2	(15,679)	39,548	–	23,869
Transfer from stage 2 to stage 1	12,716	(142,001)	–	(129,285)
Loan receivables originated during the year	5,780	66,196	9,783	81,759
Provision for impairment of loan receivables as of 31 December 2020	39,938	192,132	271,495	503,565

	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
Provision for impairment of loan receivables as of 1 January 2019	32,723	222,084	185,534	440,341
Transfer from stage 1 to stage 2	(71)	13,550	–	13,479
Loan receivables originated/(derecognised) during the year	4,469	(7,245)	76,178	73,402
Provision for impairment of loan receivables as of 31 December 2019	37,121	228,389	261,712	527,222

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(i) **Credit risk** *(Continued)*

Provision for impairment (Continued)

The gross carrying amounts of the loan receivables explain their significance to the changes in the provision above:

	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
Loan receivables as of 1 January 2020	11,872,063	2,822,695	877,266	15,572,024
Transfer from stage 1 to stage 2	(600,621)	600,621	–	–
Transfer from stage 2 to stage 1	1,461,103	(1,461,103)	–	–
Loan receivables originated/(derecognised) during the year other than write-off	455,224	143,422	(605,771)	(7,125)
Loan receivables as of 31 December 2020	13,187,769	2,105,635	271,495	15,564,899

	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
Loan receivables as of 1 January 2019	14,194,672	2,952,229	1,093,096	18,239,997
Transfer from stage 1 to stage 2	(17,224)	17,224	–	–
Loan receivables (derecognised)/originated during the year other than write-off	(2,305,385)	(146,758)	(215,830)	(2,667,973)
Loan receivables as of 31 December 2019	11,872,063	2,822,695	877,266	15,572,024

Write-off policy

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(i) **Credit risk** *(Continued)*

Modification

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

(ii) **Liquidity risk**

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

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

- (a) all non-derivative financial assets and liabilities, and
- (b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

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

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

Financial assets

	As at 31 December 2020					Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	After 5 years HK\$'000			
Derivative financial instruments	10,306	–	–	–	10,306	10,306	
Financial assets at fair value through profit or loss and other comprehensive income	1,630,929	–	–	–	1,630,929	1,630,929	
Loan receivables	4,527,888	1,447,317	4,422,125	7,698,535	18,095,865	15,061,334	
Other receivables (excluding prepayments)	30,510	–	–	–	30,510	30,510	
Amounts due from associates, joint ventures and fellow subsidiaries	55,215	–	–	–	55,215	55,215	
Cash and cash equivalents and time deposits with maturity over three months	2,309,524	–	–	–	2,309,524	2,309,524	
Structured bank deposits	467,443	–	–	–	467,443	467,443	
	9,031,815	1,447,317	4,422,125	7,698,535	22,599,792	19,565,261	

	As at 31 December 2019					Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	After 5 years HK\$'000			
Derivative financial instruments	3,881	–	–	–	3,881	3,881	
Financial assets at fair value through profit or loss and other comprehensive income	816,684	–	–	–	816,684	816,684	
Loan receivables	3,111,426	2,854,981	5,616,879	4,998,745	16,582,031	15,044,802	
Other receivables (excluding prepayments)	149,128	–	–	–	149,128	149,128	
Amounts due from associates, joint ventures and fellow subsidiaries	28,964	–	–	–	28,964	28,964	
Cash and cash equivalents and time deposits with maturity over three months	2,066,577	–	–	–	2,066,577	2,066,577	
Structured bank deposits	335,653	–	–	–	335,653	335,653	
	6,512,313	2,854,981	5,616,879	4,998,745	19,982,918	18,445,689	

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

Financial liabilities

	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	After 5 years HK\$'000	Total contractual undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
As at 31 December 2020						
Other payables and accruals (excluding deposits received)	82,739	–	–	–	82,739	82,739
Amounts due to a non-controlling interest, a joint venture and fellow subsidiaries	176,719	–	–	–	176,719	176,719
Borrowings	8,755,918	1,142,544	6,456,522	6,081,506	22,436,490	20,515,990
Derivative financial instruments	263,958	–	–	–	263,958	263,958
Lease liabilities	9,755	9,755	15,769	–	35,279	33,647
	9,289,089	1,152,299	6,472,291	6,081,506	22,995,185	21,073,053
As at 31 December 2019						
Other payables and accruals (excluding deposits received)	54,490	–	–	–	54,490	54,490
Amounts due to a non-controlling interest, a joint venture and fellow subsidiaries	204,219	–	–	–	204,219	204,219
Borrowings	5,824,607	1,836,652	6,941,059	6,243,223	20,845,541	18,397,969
Derivative financial instruments	105,966	–	–	–	105,966	105,966
Lease liabilities	6,535	6,535	12,432	–	25,502	23,654
	6,195,817	1,843,187	6,953,491	6,243,223	21,235,718	18,786,298

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(iii) Cash flow and fair value interest rate risk

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

Interest rate profile

The following table details the interest rate profile of the Group's net borrowing at the end of the each of the reporting period:

	2020 HK\$'000	2019 HK\$'000
Variable rate balances		
Loan receivables	11,931,272	12,495,843
Bank borrowings	13,487,888	15,333,159

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

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

Instruments used by the Group

Swaps currently in place cover approximately 35% (2019: 14%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 0.72% and 3.00% (2019: 1.65% and 3.00%), and the variable rates of the loans are the 3 month LIBOR rate which, at the end of the reporting period, was 0.24% (2019: 1.91%). The effects of the interest rate swaps on the Group's consolidated financial position and performance are as follows:

	2020 HK\$'000	2019 HK\$'000
Interest rate swaps		
Carrying amount	(213,803)	(91,392)
Notional amount	4,739,410	2,201,340
Maturity date	2028-2031	2029
Change in fair value of outstanding hedging instruments since 1 January	(115,684)	(74,957)

Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by HK\$12,998,000 (2019: HK\$23,692,000). Other components of equity would not be affected by the changes in interest rates.

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

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(iv) Foreign currency risk

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

The carrying amounts of the Group’s significant foreign currency denominated monetary assets and liabilities as at 31 December 2020 and 2019, are as follows:

	As at 31 December 2020			As at 31 December 2019		
	EUR HK\$'000	SGD HK\$'000	RMB HK\$'000	EUR HK\$'000	SGD HK\$'000	RMB HK\$'000
Prepayments, deposits and other receivables	-	1,977	5,796	-	-	12,388
Amounts due from associates	-	25,320	-	-	23,968	-
Structured bank deposits	-	-	467,443	-	-	335,653
Cash and cash equivalents	145,436	5,136	128,907	1,351,998	482	123,889
Other payables and accruals	-	(6,707)	(31,734)	-	-	(4,577)
Net exposure	145,436	25,726	570,412	1,351,998	24,450	467,353

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(b) Financial risk factors *(Continued)*

(iv) Foreign currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase in the relevant functional currencies against HK\$ as at 31 December 2020 and 2019. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for 5% change in foreign currency rates during the year. A positive/negative number indicates an increase/a decrease in profit for the year where respective functional currencies strengthening 5% as at 31 December 2020 and 2019. During the year, for a 5% weakening of respective functional currencies against HK\$, there would be an equal but opposite impact on the profit for the year.

	2020 HK\$'000	2019 HK\$'000
EUR	6,072	56,446
SGD	1,074	1,021
RMB	23,815	19,512

(c) Capital risk management

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

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

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity. Total borrowings including "borrowings" as shown in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(c) Capital risk management *(Continued)*

The gearing ratios as at 31 December 2020 and 2019 were as follows:

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Borrowings	20,515,990	18,397,969
Total equity	8,990,937	8,449,244
Gearing ratio	2.3 times	2.2 times

Loan covenants

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

- the debt to asset ratio must be not more than 85%, and
- the ratio of net finance cost to earnings before interest, tax, depreciation and amortisation (“EBITDA”) must be not more than 66%.

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

(d) Fair value estimation

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

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(d) Fair value estimation *(Continued)*

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

Fair value hierarchy

	Notes	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2020					
Financial assets					
Derivative financial assets	18	–	10,306	–	10,306
Financial assets at fair value through profit or loss	20	–	687,584	217,087	904,671
Financial assets at fair value through other comprehensive income	21	726,258	–	–	726,258
Structure bank deposits	23	–	467,443	–	467,443
Total financial assets at fair value		726,258	1,165,333	217,087	2,108,678
Financial liabilities					
Derivative financial liabilities	18	–	263,958	–	263,958
At 31 December 2019					
Financial assets					
Derivative financial assets	18	–	3,881	–	3,881
Financial assets at fair value through profit or loss	20	–	–	39,460	39,460
Financial assets at fair value through other comprehensive income	21	777,224	–	–	777,224
Structured bank deposits	23	–	335,653	–	335,653
Total financial assets at fair value		777,224	339,534	39,460	1,156,218
Financial liabilities					
Derivative financial liabilities	18	–	105,966	–	105,966

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(d) Fair value estimation *(Continued)*

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date
- the fair value of unlisted exchangeable note is determined using binomial option pricing model
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

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

Description	Fair value at		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	31 December 2020 HK\$'000	31 December 2019 HK\$'000		2020	2019	
Investments in wealth management portfolio	–	39,460	Expected rate of return	N/A	5%-6%	The higher the expected rate of return the higher the fair value
			Expected volatility	N/A	20%	
Unlisted exchangeable note	217,087	–	Discount rate	11.47%	N/A	The higher the discount rate for lack of marketability, the lower the fair value
			Expected volatility	39.82%	N/A	

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

It is estimated that on the assumption of a movement of 35% and 10% decrease and increase of (i) the expected volatility; and/or (ii) the discount rate, where applicable, with all other variables held constant, the profit before income tax for the year ended 31 December 2020 would have been decreased by approximately HK\$739,000 and HK\$16,820,000 respectively and the Group's equity would have been decreased by approximately HK\$617,000 and HK\$14,045,000 respectively, which are not significant to the financial performance and financial position of the Group.

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

(d) Fair value estimation *(Continued)*

Valuation techniques used to determine fair values *(Continued)*

It is estimated that on the assumption of a movement of 5% increase/decrease of (i) the expected volatility; and/or (ii) the expected rate of return, where applicable, with all other variables held constant, the profit before income tax for the year ended 31 December 2019 would have been increased/decreased by approximately HK\$1,089,000 and the Group's equity would have been increased/decreased by approximately HK\$3,460,000, which are not significant to the financial performance and financial position of the Group.

Fair value adjustment in unlisted exchangeable note and investments in wealth management portfolio is included in "Other gains/(losses), net" in the consolidated income statement.

Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least annually.

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

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by internal credit risk management of Group.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

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

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

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

(e) Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

4 Significant accounting judgments and estimates

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

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

(i) Classification of leases

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

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets and the incremental borrowing rate in the calculation of the present value of minimum lease payments, and whether the purchases option will be exercised. As set out in note 13 and 17 to the consolidated financial statements, loan receivables and vessels included in property, plant and equipment and construction in progress consist of leasing during 2020 and 2019. As at 31 December 2020, the carrying amount of loan receivables, vessels and construction in progress included in property, plant and equipment are HK\$15,061,334,000 (2019: HK\$15,044,802,000), HK\$7,633,004,000 (2019: HK\$7,304,931,000) and HK\$2,398,736,000 (2019: HK\$1,608,725,000).

Notes to the Consolidated Financial Statements

4 Significant accounting judgments and estimates *(Continued)*

(ii) Impairment loss for loan receivables

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

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

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

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

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

- (1) Consideration on whether the loan receivables to have experienced a significant increase in credit risk
- (2) Identification of default and credit-impaired assets
- (3) Inputs, assumptions and estimation techniques in measuring ECL
- (4) Forward-looking information incorporated in the ECL models

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3(a)(i) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

4 Significant accounting judgments and estimates *(Continued)*

(iii) Useful lives and residual value of property, plant and equipment

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

The Group estimates the useful life of its vessels with reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

(iv) Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of property, plant and equipment is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(v) Income taxes

Significant management judgments on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(vi) Estimation of the fair values of financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

(vii) Lease term and discount rate determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying asset and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

Notes to the Consolidated Financial Statements

5 Segment information and revenue

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

Leasing services

The Group provide tailored vessel leasing services to the Group’s customers with the options of finance lease and operating lease. Finance lease refers to a leasing model whereby the lessor purchases an asset according to the lessee’s specific requirements and choice of supplier or the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return for periodic lease payments.

Shipbroking Services

Shipbroking services to shipbuilders includes recommending shipbuilders to interested purchasers and advising interested purchasers on vessel types, specifications and capabilities. Shipbroking services to charterers includes advising interested charterers to lease the vessels in form of finance lease and operating lease and advising interested charterers on vessel types, specifications and capabilities.

Loan borrowings

Loan borrowings mainly include pre-delivery loan, secured loan and factoring services. Pre-delivery loan services are offered as part of leasing services and to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. Secured loan services are offered to customers to satisfy their funding needs and are generally secured by our customers’ vessels or assets.

Notes to the Consolidated Financial Statements

5 Segment information and revenue (Continued)

The segment information provided to the executive directors for the years ended 31 December 2020 and 2019 are as follows:

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

	Leasing services HK\$'000	Loan borrowings HK\$'000	Shipbroking services HK\$'000	Total HK\$'000
For the year ended 31 December 2020				
Segment revenue	1,430,442	355,660	75,463	1,861,565
Inter-segment revenue	–	–	–	–
Revenue from external customers	1,430,442	355,660	75,463	1,861,565
For the year ended 31 December 2019				
Segment revenue	1,556,992	681,073	56,332	2,294,397
Inter-segment revenue	–	–	–	–
Revenue from external customers	1,556,992	681,073	56,332	2,294,397

Commission income from charterer included in shipbroking services, are recognised over time method and commission income received from shipbuilder, including in shipbroking services segment, are recognised at a point in time method during the year.

For the year ended 31 December 2020, commission income included in shipbroking services are recognised at a point in time and over time amounting to HK\$25,314,000 and HK\$50,149,000 (2019: HK\$56,332,000 and HK\$Nil) respectively.

Notes to the Consolidated Financial Statements

5 Segment information and revenue *(Continued)*

Segment assets and liabilities

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

Geographic information

During the year, the Group provided a majority of leasing services and financing and other services to customers mainly located in PRC, Asia, United States and Europe.

The Group's assets, consisted of its property, plant and equipment, right-of-use assets, joint ventures, associates, financial instruments and others. The vessels (included in property, plant and equipment) are primarily utilised across geographical markets throughout the world. Accordingly, it is impractical to present the locations of the vessels by geographical areas and thus no analysis by geographical area is presented.

Revenue by business activities

	2020 HK\$'000	2019 HK\$'000
Finance lease income	432,277	658,781
Operating lease income	998,165	898,211
Interest income from loan borrowings	355,660	681,073
Commission income	75,463	56,332
	1,861,565	2,294,397

Information about major customers

Details of revenue from external customers individually contributed over 10% of the Group's revenue during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A in the loan borrowings segment	261,885	587,465
Customer B in the leasing services segment	329,705	323,201
Customer C in the leasing services segment	303,764	273,064

Notes to the Consolidated Financial Statements

6 Other income

Other income recognised during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Dividend income	29,744	29,342
Interest income from		
– financial assets at fair value through profit or loss	19,575	3,495
– financial assets at fair value through other comprehensive income	25,207	25,499
– bank deposits	34,276	46,045
Government subsidies	4,316	–
	113,118	104,381

During the year ended 31 December 2020, the Group received government subsidies of HK\$700,000 from the Employment Support Scheme (“ESS”), which aims to retain employment and combat COVID-19, under the Anti-pandemic Fund, set up by the Government of the HKSAR. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the subsidies, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

In addition, the Group received government subsidies amounting to HK\$3,616,000 from government authorities of the PRC to support the Group’s operations.

7 Finance costs and bank charges

	2020 HK\$'000	2019 HK\$'000
Interest and charges on bonds	161,459	–
Interest and charges on borrowings	468,065	917,757
Interest on lease liabilities	821	107
Bank charges	5,564	1,537
	635,909	919,401
Less: finance costs capitalised	(57,373)	(79,668)
	578,536	839,733

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group’s general borrowings during the year, in this case 3.07% (2019: 4.52%).

Notes to the Consolidated Financial Statements

8 Profit from operations

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

	2020 HK\$'000	2019 HK\$'000
Depreciation on		
– property, plant and equipment	264,072	234,834
– right-of-use assets	8,797	3,466
Foreign exchange (gain)/loss, net	(42,588)	27,827
Employee benefits expenses (note 10)	48,959	62,818
Net unrealised loss on changes in fair value of derivative financial instruments	48,374	38,587
Net realised loss from derivative financial instruments	6,913	9,784
Net realised gain on disposal of debt instruments at fair value through other comprehensive income	(6,141)	(5,219)
Net realised gain from financial assets at fair value through profit or loss	(7,343)	(21,346)
Net unrealised (gain) loss on changes in fair value of financial assets at fair value through profit or loss	(28,582)	441
Net gain on disposal of asset held for sales	(19,615)	–
Net gain on disposal of property, plant and equipment	(109,269)	–
Net (gain)/loss on de-recognition of finance lease receivables	(13,653)	99,990
Auditor remuneration		
– audit services	2,480	5,300
– non-audit services	2,474	2,049

Notes to the Consolidated Financial Statements

9 Income tax expense

The Group mainly operates in Hong Kong, PRC, British Virgin Islands and Marshall Islands.

Hong Kong profits tax is provided at 16.5% (2019: 16.5%) based on assessable profits arising in Hong Kong during the year ended 31 December 2020.

For the year ended 31 December 2020, the PRC corporate income tax is charged at the statutory rate of 25% (2019: 25%) of the assessable income as determined with the relevant tax rules and regulations of the PRC.

Income tax expense in the consolidated income statements represents:

	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax		
– current year	5,898	–
– under-provision in prior years	2,578	–
	8,476	–
PRC corporate income tax		
– current year	5,886	11,837
Income tax expense	14,362	11,837

Notes to the Consolidated Financial Statements

9 Income tax expense *(Continued)*

Reconciliation between income tax expense and profit before income tax at the applicable tax rate:

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	1,128,168	904,216
Less:		
Share of results of associates	10,315	(3,021)
Share of results of joint ventures	(112,699)	(53,547)
	1,025,784	847,648
Calculated at tax rate of 16.5%	169,255	139,861
Effect of different tax rates in other countries	2,660	(3,112)
Income not subject to tax	(340,506)	(419,677)
Expenses not deductible for tax purpose	187,069	284,575
Utilisation of previously unrecognised tax loss	(6,634)	–
Tax effect of tax loss not recognised	–	10,190
Tax effect of temporary differences not recognised	(60)	–
Under-provision in prior years	2,578	–
Income tax expense	14,362	11,837

At 31 December 2020, the Group has not recognised deferred income tax assets in respect of tax losses of approximately HK\$11,688,000 (2019: HK\$18,324,000). Deferred income tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. The Group had no other significant deferred taxation not provided for as at 31 December 2020. Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such unremitted earnings in the unforeseeable future.

At 31 December 2020, the Group's tax losses will expire:

	2020 HK\$'000	2019 HK\$'000
No expiry date	70,835	111,054

Notes to the Consolidated Financial Statements

10 Employee benefits expenses

	2020 HK\$'000	2019 HK\$'000
Wages, salaries, and other allowances (including directors' emoluments)	41,457	53,101
Retirement benefit costs	7,502	9,717
	48,959	62,818

(a) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 2 directors (2019: 2 directors) for the year ended 31 December 2020, whose remuneration are reflected in the analysis presented in note 11.

The remuneration paid to the remaining 3 (2019: 3) individuals are as follows:

	2020 HK\$'000	2019 HK\$'000
Wages, salaries, and other allowances	7,206	6,506
Retirement benefit costs	660	599
	7,866	7,105

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	2020 HK\$'000	2019 HK\$'000
HK\$nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	3
HK\$2,500,001 to HK\$3,000,000	2	–

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended 31 December 2020 (2019: nil).

Notes to the Consolidated Financial Statements

11 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(a) Directors' emoluments

The remuneration of every director are set out below:

Name of Directors	Year ended 31 December 2020				
	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary Bonus (Note ii) HK\$'000	Employer's contribution to retirement benefit scheme HK\$'000	Total HK\$'000
Chairman and Executive Directors					
ZHONG JIAN (note i and v)	–	695	–	110	805
YANG LI (note i and iv)	–	464	2,196	81	2,741
Executive Director					
HU KAI (note i)	–	1,160	2,196	259	3,615
Non-Executive Directors					
LI WEI	–	–	–	–	–
ZHONG JIAN	–	–	–	–	–
ZOU YUANJING	–	–	–	–	–
Independent Non-Executive Directors					
WONG YAU KAR DAVID (note vi)	270	–	–	–	270
SHING MO HAN YVONNE (note vii)	300	–	–	–	300
LI HONG JI (note vii)	300	–	–	–	300
WANG DENNIS (note viii)	30	–	–	–	30
Total	900	2,319	4,392	450	8,061

Notes to the Consolidated Financial Statements

11 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(a) Directors' emoluments (Continued)

Name of Directors	Year ended 31 December 2019				Total HK\$'000
	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonus (Note ii) HK\$'000	Employer's contribution to retirement benefit scheme HK\$'000	
Chairman and Executive Director					
YANG LI (note i and iv)	–	1,280	2,370	262	3,912
Executive Director					
HU KAI (note i)	–	968	2,032	293	3,293
Non-Executive Directors					
LI WEI	–	–	–	–	–
ZHONG JIAN (note v)	–	–	–	–	–
ZOU YUANJING	–	–	–	–	–
Independent Non-Executive Directors					
WONG YAU KAR DAVID (note vi)	150	–	–	–	150
SHING MO HAN YVONNE (note vii)	150	–	–	–	150
LI HONG JI (note vii)	150	–	–	–	150
Total	450	2,248	4,402	555	7,655

Note:

- i. The remuneration represents remuneration received from the Group by these directors in their capacity as employees to the Company and no directors waived any emolument during the year ended 31 December 2020 (2019: Nil).
- ii. The bonus is determined with reference to the operating results individual performance and comparable market statistics during both years.
- iii. During the year ended 31 December 2020, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2019: Nil). There are no loans, quasi loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2019: Nil). No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the Directors during the year ended 31 December 2020 (2019: Nil).
- iv. Mr. Yang Li was resigned on 29 April 2020.

Notes to the Consolidated Financial Statements

11 Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(a) Directors' emoluments (Continued)

Note: (Continued)

- v. Mr. Zhong Jian was re-designated as an executive director and appointed as the chairman on 29 April 2020.
- vi. Dr. Wong Yau Kar David was appointed as the Company's independent non-executive director on 6 May 2019 and resigned on 10 November 2020.
- vii. Mdm. Shing Mo Han Yvonne, and Mr. Li Hong Ji were appointed as the Company's independent non-executive directors on 6 May 2019.
- viii. Mr. Wang Dennis was appointed as the Company's independent non-executive director on 10 November 2020.
- ix. No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year. No director waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

12 Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

The basic and diluted earnings per share are the same since there are no potential dilutive shares.

	2020	2019
Profit attributable to equity holders of the Company (in HK\$'000)	1,108,518	883,089
Weighted average number of ordinary shares in issue ('000)	6,136,066	5,434,200
Basic earnings per share (in HK\$)	0.181	0.163

Note: The weighted average of 5,434,200,000 ordinary shares used in the calculation of basic earnings per share for the year ended 31 December 2019 comprising: (i) 4,602,046,000 ordinary shares of the Company in issue as at 31 December 2019; and (ii) 1,534,020,000 ordinary shares offered to the public issued on 17 June 2019.

Notes to the Consolidated Financial Statements

13 Property, plant and equipment

	Construction in progress HK\$'000	Vessels HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost						
At 1 January 2020	1,608,725	8,216,972	2,249	5,314	1,808	9,835,068
Additions	1,430,896	86,034	–	1,057	449	1,518,436
Transfer	(632,705)	632,705	–	–	–	–
Disposal	–	(357,804)	–	–	–	(357,804)
Exchange differences	(8,180)	(39,840)	136	155	(60)	(47,789)
At 31 December 2020	2,398,736	8,538,067	2,385	6,526	2,197	10,947,911
Accumulated depreciation						
At 1 January 2020	–	913,041	1,763	3,886	468	919,158
Charge for the year	–	262,550	176	745	601	264,072
Written back on disposal	–	(266,125)	–	–	–	(266,125)
Exchange differences	–	(4,403)	116	117	(130)	(4,300)
At 31 December 2020	–	905,063	2,055	4,748	939	912,805
Net carrying amount						
At 31 December 2020	2,398,736	7,633,004	330	1,778	1,258	10,035,106
Cost						
At 1 January 2019	1,691,194	5,780,764	2,287	4,810	297	7,479,352
Additions	2,047,109	393,896	–	329	1,535	2,442,869
Transfer	(2,120,525)	2,120,525	–	–	–	–
Transfer to asset held for sale (note 24)	–	(49,592)	–	–	–	(49,592)
Exchange differences	(9,053)	(28,621)	(38)	175	(24)	(37,561)
At 31 December 2019	1,608,725	8,216,972	2,249	5,314	1,808	9,835,068
Accumulated depreciation						
At 1 January 2019	–	683,878	1,404	3,007	178	688,467
Charge for the year	–	233,567	387	583	297	234,834
Transfer to asset held for sale (note 24)	–	(953)	–	–	–	(953)
Exchange differences	–	(3,451)	(28)	296	(7)	(3,190)
At 31 December 2019	–	913,041	1,763	3,886	468	919,158
Net carrying amount						
At 31 December 2019	1,608,725	7,303,931	486	1,428	1,340	8,915,910

Notes to the Consolidated Financial Statements

13 Property, plant and equipment *(Continued)*

At 31 December 2020, the Group's vessels with aggregate net carrying amounts of HK\$2,545,058,000 (2019: HK\$2,514,736,000), were pledged to secure general banking facilities granted to the Group.

14 Right-of-use assets

	HK\$'000
Cost	
At 1 January 2020	27,151
Additions	18,117
Exchange differences	38
Written off	(3,754)
At 31 December 2020	41,552
Accumulated depreciation	
At 1 January 2020	3,466
Exchange differences	24
Charge for the year	8,797
Written back on written off	(3,699)
At 31 December 2020	8,588
Net carrying amount	
At 31 December 2020	32,964
Cost	
At 1 January 2019	–
Effect upon adoption of HKFRS 16	3,572
Additions	23,579
At 31 December 2019	27,151
Accumulated depreciation	
At 1 January 2019	–
Charge for the year	3,466
At 31 December 2019	3,466
Net carrying amount	
At 31 December 2019	23,685

Notes to the Consolidated Financial Statements

14 Right-of-use assets *(Continued)*

The Group leases various offices. Rental contracts are typically made for fixed periods of 2 years to 5 years without any extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15 Interests in joint ventures

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	211,304	8
Capital Injection	160,416	157,689
Share of results of joint ventures	112,699	53,547
Exchange differences	(939)	60
At the end of the year	483,480	211,304

Particulars of the Group's joint ventures as at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December		Principal activities
		2020	2019	
Ocean Classic Limited (note i)	British Virgin Islands ("BVI")	50%	50%	Chartering services
Sino-sin Shipping Company Limited	BVI	50%	50%	Vessel owning
Vista Shipping PTE. LTD. (note)	Singapore	50%	–	Vessel owning and chartering
Vista Shipping Limited (note)	Marshall Islands	–	50%	Vessel owning and chartering
Zhendui Industrial Intelligent Technology Co., Ltd.* 震兌工業智能科技有限 公司	The PRC	18%	18%	Marine technology

All joint ventures have a reporting date of 31 December.

* The English name of the joint ventures represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

Note:

Vista Shipping Limited has re-domiciled from Marshall Islands to Singapore on 7 August 2020 and renamed as "Vista Shipping Pte. Ltd."

Notes to the Consolidated Financial Statements

15 Interests in joint ventures *(Continued)*

(i) Summarised financial information for a material joint venture

The tables below provide summarised financial information for a joint venture that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Ocean Classic Limited	
	2020 HK\$'000	2019 HK\$'000
Current assets	173,967	139,351
Non-current assets	2,078,470	2,168,899
Current liabilities	(691,246)	(845,025)
Non-current liabilities	(1,300,195)	(1,355,581)
Revenue	421,094	404,125
Profit after income tax	153,931	145,375
Other comprehensive income	–	–
Total comprehensive income	153,931	145,375
Cash and cash equivalents	64,705	39,588
Current financial liabilities (excluding trade and other payables and provisions)	65,126	65,442
Non-current financial liabilities (excluding trade and other payables and provisions)	–	–
Depreciation and amortisation	(87,265)	(66,360)
Interest income	21	23
Interest expense	(43,911)	(72,167)
Income tax expense	–	–

Notes to the Consolidated Financial Statements

15 Interests in joint ventures *(Continued)*

(i) Summarised financial information for a material joint venture *(Continued)*

Reconciliation of summarised financial information

	Ocean Classic Limited	
	2020 HK\$'000	2019 HK\$'000
Opening net assets 1 January	107,644	16
Profit for the year	153,931	107,523
Currency translation differences	(579)	105
Closing net assets as at 31 December	260,996	107,644
Interest in joint venture	50%	50%
Share of net assets	130,498	53,822
Carrying value	130,498	53,822

(ii) The aggregate amount of the Group's share of results of its joint ventures which are individually immaterial are as follows:

	2020 HK\$'000	2019 HK\$'000
Aggregate carrying amount of individual joint ventures in the consolidated financial statements	352,982	157,482
	2020 HK\$'000	2019 HK\$'000
Net profit for the year	35,733	8,012

Notes to the Consolidated Financial Statements

15 Interests in joint ventures *(Continued)*

(iii) Commitments and contingent liabilities of joint ventures attributable to the Group

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
Capital commitment: Construction of vessels	502,835	629,542

16 Interests in associates

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	35,618	15,938
Share of results of associates	(10,315)	3,021
Capital injection	22,498	16,742
Exchange differences	1,983	(83)
At the end of the year	49,784	35,618

Particulars of the Group's associates as at 31 December 2020 and 2019 are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December		Principal activities
		2020	2019	
Nor Solan I Pte Ltd	Singapore	28%	28%	Chartering services
Nor Solan II Pte Ltd	Singapore	28%	28%	Chartering services
Guoxin CSSC (Qing dao) Marine Technology Company Limited* 國信中船(青島)海洋科技 有限公司	The PRC	25%	25%	Marine technology

There were no contingent liabilities relating to the Group's interests in the associates and no significant contingent liabilities in relation to the associates themselves as at 31 December 2020 (2019: none).

All associates have a reporting date of 31 December.

* The English name of the associate represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

Notes to the Consolidated Financial Statements

17 Loan receivables

	As at 31 December 2020		
	Gross amount HK\$'000	Allowance for impairment losses HK\$'000	Net carrying amount HK\$'000
Loan borrowings (note a)	7,486,207	(27,421)	7,458,786
Finance lease receivables (note b)	7,357,569	(476,040)	6,881,529
Loans to joint ventures (note c)	721,123	(104)	721,019
	15,564,899	(503,565)	15,061,334

	As at 31 December 2019		
	Gross amount HK\$'000	Allowance for impairment losses HK\$'000	Net carrying amount HK\$'000
Loan borrowings (note a)	7,847,210	(214,626)	7,632,584
Finance lease receivables (note b)	7,126,488	(312,476)	6,814,012
Loans to joint ventures (note c)	598,326	(120)	598,206
	15,572,024	(527,222)	15,044,802

Movement of the provision of impairment loss of the Group are as follows:

	HK\$'000
At 1 January 2019	440,341
Provision for the year	188,248
Reversal during the year	(101,367)
At 31 December 2019 and 1 January 2020	527,222
Provision for the year	189,255
Reversal during the year	(212,912)
At 31 December 2020	503,565

As at 31 December 2020 and 2019, there was no loan receivables past due but not impaired.

Notes to the Consolidated Financial Statements

17 Loan receivables *(Continued)*

(a) Loan borrowings

As at 31 December 2020, loan borrowings were secured, interest bearing at rates ranging from 3.6% to 8.0% (2019: 4.7% to 15.0%) per annum and repayable in 2021 to 2031 (2019: 2020 to 2026). The secured loan receivables are secured by the respective vessel and certain shares of borrowers, which owned the vessel.

A maturity profile of the loan borrowings, based on the maturity date, net of impairment losses, is as follows:

	2020 HK\$'000	2019 HK\$'000
Within 1 year	1,101,435	987,993
After 1 year but within 2 years	565,272	932,942
After 2 years but within 5 years	1,719,965	3,023,641
Over 5 years	4,072,114	2,688,008
	7,458,786	7,632,584

(b) Finance lease receivables

As at 31 December 2020, the Group's finance lease receivables were secured, interest bearing at rates ranging from 3.5% to 9.0% (2019: 4.0% to 10.0%). Details of finance lease receivables as at 31 December 2020 are as follows:

	2020	2019
Finance lease receivables	5,623,063	5,461,527
Guaranteed residual value	3,050,560	2,889,594
Gross investment in leases	8,673,623	8,351,121
Less: unearned finance income	(1,316,054)	(1,224,633)
Net investments in leases	7,357,569	7,126,488
Less: accumulated allowance for impairment	(476,040)	(312,476)
Finance lease receivables – net	6,881,529	6,814,012

Notes to the Consolidated Financial Statements

17 Loan receivables *(Continued)*

(b) Finance lease receivables *(Continued)*

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

	2020 HK\$'000	2019 HK\$'000
Gross investment in finance leases	8,673,623	8,351,121
Less: unguaranteed residual values	–	–
Minimum lease payments receivable	8,673,623	8,351,121
Less: unearned finance income related to minimum lease payments receivable	(1,316,054)	(1,224,633)
Present value of minimum lease payments receivable	7,357,569	7,126,488

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings as at 31 December 2020 and 2019:

	2020 HK\$'000	2019 HK\$'000
Gross investment in finance leases		
– Within 1 year	2,356,399	1,525,107
– After 1 year but within 2 years	790,037	1,922,039
– After 2 years but within 5 years	2,435,181	2,593,238
– Over 5 years	3,092,006	2,310,737
	8,673,623	8,351,121

(c) Loans to joint ventures

As at 31 December 2020, except for loans to joint ventures of HK\$352,446,000 (2019: HK\$210,808,000) which were unsecured, interest bearing at rates ranging from 3.0% to 5.1% (2019: 4.89% to 5.63%) per annum and repayable on demand. The remaining balances were unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

18 Derivative financial instruments

	2020 HK\$'000	2019 HK\$'000
Assets		
Interest rate swap – held for trading	–	299
Interest rate swap – cash flow hedges	10,306	3,582
	10,306	3,881
Liabilities		
Interest rate swap – held for trading	28,029	4,509
Interest rate swap – cash flow hedges	224,109	94,974
Cross currency swap	11,820	6,483
	263,958	105,966

Interest rate swap

(i) Hedging reserves

The Group's hedging reserves disclosed in consolidated statement of changes in equity relate to the following hedging instruments:

	Hedging reserves HK\$'000
At 1 January 2019	–
Add: Net change in fair value of hedging instrument recognised in other comprehensive income	(67,055)
At 31 December 2019 and 1 January 2020	(67,055)
Add: Change in fair value of hedging instrument recognised in other comprehensive income	(111,027)
Less: Reclassified from OCI to profit or loss	8,214
At 31 December 2020	(169,868)

During the year ended 31 December 2020, there is balance in cash flow hedge reserve arising from hedging relationship for which hedge accounting is no longer applied amounting to HK\$8,214,000 (2019: HK\$Nil).

Notes to the Consolidated Financial Statements

18 Derivative financial instruments *(Continued)*

Interest rate swap *(Continued)*

(ii) Amounts recognised in consolidated income statement

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in consolidated income statement in relation to derivatives:

	2020 HK\$'000	2019 HK\$'000
Net loss on cross currency swap and interest rate swap not qualifying as hedges included in other gain/(losses), net	48,374	38,587

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

As at 31 December 2020, the Group has outstanding interest rate swap contracts with notional amount of US\$708,936,000, approximately equivalent to HK\$5,496,452,000 (2019:US\$433,236,000, approximately equivalent to HK\$3,375,212,000).

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed by using hypothetical derivative which has terms that mirror those of the hedged item. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Cross currency swap

As at 31 December 2020, the Group has outstanding cross currency swap contracts with notional amounts of US\$58,430,000, approximately equivalent to HK\$453,014,000 (2019: US\$140,000,000, approximately equivalent to HK\$1,090,698,000).

Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives, please refer to note 3(d).

Notes to the Consolidated Financial Statements

19 Prepayments, deposits and other receivables

	2020 HK\$'000	2019 HK\$'000
Prepayments	364,059	15,567
Interest receivables	23,340	71,021
Other receivables	7,170	78,107
	394,569	164,695

As at 31 December 2020, included in prepayments in an amount of HK\$325,312,000 represents prepayment to fellow subsidiaries for acquisition of vessels for finance lease purposes.

The carrying amounts of these receivables of the Group approximate their fair values.

20 Financial assets at fair value through profit or loss

	2020 HK\$'000	2019 HK\$'000
Investments in wealth management portfolio	687,584	39,460
Investments in exchange notes	217,087	–
	904,071	39,460

The movements of financial assets at fair value through profit or loss are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	39,460	385,659
Addition during the year	1,109,122	39,901
Disposal during the year	(279,310)	(407,005)
Net change in fair value	35,925	20,905
Exchange differences	(526)	–
At 31 December	904,671	39,460

Notes to the Consolidated Financial Statements

21 Financial assets at fair value through other comprehensive income

	2020 HK\$'000	2019 HK\$'000
Equity instruments		
– Listed perpetual securities	508,230	574,198
Debt instruments		
– Listed debts	218,028	203,026
	726,258	777,224

The movements in financial assets at fair value through other comprehensive income are as follows:

	Equity instruments HK\$'000	Debt instruments HK\$'000	Total HK\$'000
At 1 January 2020	574,198	203,026	777,224
Addition during the year	–	265,336	265,336
Disposal during the year	(77,565)	(255,326)	(332,891)
Net change in fair value	10,718	9,629	20,347
Exchange differences	879	(4,637)	(3,758)
At 31 December 2020	508,230	218,028	726,258
	Equity instruments HK\$'000	Debt instruments HK\$'000	Total HK\$'000
At 1 January 2019	520,614	550,560	1,071,174
Addition during the year	–	1,597	1,597
Disposal during the year	–	(368,494)	(368,494)
Net change in fair value	53,584	19,363	72,947
At 31 December 2019	574,198	203,026	777,224

Notes to the Consolidated Financial Statements

22 Amounts due from/to associates, fellow subsidiaries, joint ventures and a non-controlling interest

	2020 HK\$'000	2019 HK\$'000
Amounts due from associates	25,320	23,968
Amounts due from fellow subsidiaries	3,024	220
Amounts due from joint ventures	26,871	4,776
	2020 HK\$'000	2019 HK\$'000
Amounts due to fellow subsidiaries	17,490	20,179
Amount due to a joint venture	71,732	96,118
Amount due to a non-controlling interest	87,497	87,922

The amounts due from associates are unsecured, interest free, repayable on demand and are denominated in SGD which are non-trade nature.

The amounts due from/to fellow subsidiaries are unsecured, interest free, repayable on demand and are denominated in HK\$, US\$ and CHF which are non-trade nature.

The amount due to a non-controlling interest is unsecured, interest free, repayable on demand and denominated in US\$, which are non-trade nature.

The amounts due from/to joint ventures are unsecured, interest free, repayable on demand and denominated in HK\$ and US\$, which are non-trade nature.

23 Cash and cash equivalents, time deposits with maturity over three months and structured bank deposits

	2020 HK\$'000	2019 HK\$'000
Time deposits with maturity over three months	129,244	171,395
Cash at bank and on hand	2,180,280	1,895,182
Total	2,309,524	2,066,577
Structured bank deposits	467,443	335,653

Notes to the Consolidated Financial Statements

23 Cash and cash equivalents, time deposits with maturity over three months and structured bank deposits *(Continued)*

The carrying amounts of the Group's cash and cash equivalents and time deposits are denominated in following currencies:

	2020 HK\$'000	2019 HK\$'000
EUR	145,436	1,351,998
HK\$	53,046	7,906
RMB	128,907	123,889
SGD	5,136	482
US\$	1,976,999	582,302
	2,309,524	2,066,577

The short-term bank deposits are with original maturity over three months and carried interests at the prevailing market interest during the year. The effective interest rate on deposits with bank as at 31 December 2020 is 0.57% (2019: 2.29%) per annum.

As 31 December 2020, the bank balances of the Group denominated in RMB amounted to HK\$128,907,000 (2019: HK\$123,889,000). These bank balances are not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2020 and 2019, the Group's structured bank deposits are principal-protected and placed with the PRC banks. These deposits are with original maturity dates more than three months, interest bearing, denominated in RMB. The carrying amounts of structured bank deposits approximate their fair values.

24 Asset held for sale

	2020 HK\$'000	2019 HK\$'000
Vessel	–	48,639

In August 2019, the directors of the Group intended to sell a vessel which was under operating lease arrangement. The vessel was consequently present as asset held for sale in the consolidated financial statements. The sales transaction was completed in January 2020 at a consideration of US\$8,800,000 (approximately equivalent to HK\$68,254,000).

Notes to the Consolidated Financial Statements

25 Borrowings

	2020 HK\$'000	2019 HK\$'000
Bank borrowings	14,279,534	18,397,969
Guaranteed bonds	6,236,456	–
	20,515,990	18,397,969

Bank borrowings

The Group's borrowings were repayable based on the scheduled repayment terms set out in the loan agreements as follows:

	2020 HK\$'000	2019 HK\$'000
On demand and within 1 year	8,374,024	5,621,747
After 1 year but within 2 years	854,066	1,711,312
After 2 years but within 5 years	2,625,900	6,017,514
After 5 years	2,425,544	5,047,396
	14,279,534	18,397,969

The weighted average interest rates of the borrowings of the Group for the years ended 31 December 2020 and 2019 were as follows:

	2020	2019
Bank borrowings	From 1.12% to 3.62%	From 2.69% to 4.60%

Notes to the Consolidated Financial Statements

25 Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of each reporting periods is as follows:

	2020 HK\$'000	2019 HK\$'000
Variable rate balances		
Bank borrowings	13,487,888	15,333,159

As at 31 December 2020, the Group's secured bank borrowings of HK\$7,569,637,000 (2019: HK\$18,397,969,000) were secured by loan receivables of approximately HK\$9,594,395,000 (2019: HK\$11,334,000,000), certain of shares of the subsidiaries, deposits of approximately HK\$158,568,000 (2019: HK\$35,000,000), general assignments, bareboat charterer assignments, intra group loan assignments and property, plant and equipment of approximately HK\$2,545,058,000 (2019: HK\$2,514,736,000). Among which, HK\$1,922,949,000 (2019: \$4,671,155,000) were secured by corporate guarantee from the ultimate holding company.

As at 31 December 2020, the Group's bank borrowings of HK\$6,709,897,000 (2019: nil) were unsecured and guaranteed by the Company.

Guaranteed bonds

In February 2020, the Group issued two guaranteed bonds of US\$400,000,000 (approximately HK\$3,101,240,000) due 2025 and US\$400,000,000 (approximately HK\$3,101,240,000) due 2030 bearing interest at 2.5% and 3.0% respectively listed on The Stock Exchange of Hong Kong Limited. The guaranteed bonds were guaranteed by the Company and repayable as follows:

	2020 HK\$'000
Within 1 year	33,976
After 1 year but within 2 years	–
After 2 years but within 5 years	3,101,240
After 5 years	3,101,240
	6,236,456

Notes to the Consolidated Financial Statements

26 Other payables and accruals

	2020	2019
Accruals	12,608	17,825
Deposits received	434,278	438,732
Other payables	70,131	36,665
	517,017	493,222

The carrying amount of other payables and accruals are considered to be the same as their fair values, due to their short-term nature.

27 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020 HK\$'000	2019 HK\$'000
Total minimum lease payments:		
Due within one year	9,755	6,535
Due in the second to fifth years	25,524	18,967
Future finance charges	35,279 (1,632)	25,502 (1,848)
Present value of lease liabilities	33,647	23,654
	2020 HK\$'000	2019 HK\$'000
Present value of minimum lease payments:		
Due within one year	9,041	5,860
Due in the second to fifth years	24,606	17,794
	33,647	23,654

During the year ended 31 December 2020, the total cash outflows for the leases (including short term lease) amounted to HK\$12,569,000 (2019: HK\$8,705,000).

Notes to the Consolidated Financial Statements

28 Share capital

Ordinary shares, issued and fully paid:

	Numbers of shares (‘000)	Share capital HK\$’000
At 1 January 2019	4,602,046	4,602,046
Issues of shares by public offering (note)	1,534,020	2,012,420
At 31 December 2019, 1 January 2020 and 31 December 2020	6,136,066	6,614,466

Note:

1,534,020,000 ordinary shares, were issued by way of the public offering on the Main Board of The Stock Exchange of Hong Kong at a price of HK\$1.34 per share on 17 June 2019. The net proceeds raised by the Company after deducting the capitalised listing expenses of HK\$43,167,000 were approximately HK\$2,012,420,000.

29 Related party transactions

The directors of the Company regard CSSC International Holding Company Limited as the immediate holding company, which owns 75% of the Company’s issued ordinary shares at 31 December 2020. The parent company of the Group is China State Shipbuilding Corporation Limited (“CSSC Group”), a state-owned enterprise established in the PRC. CSSC Group itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include CSSC Group and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CSSC Group as well as their close family members.

For the years ended 31 December 2020 and 2019, 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, bank borrowings and corresponding interest expenses and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in these consolidated financial statements, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

29 Related party transactions *(Continued)*

(a) Transactions with related parties

Other than as disclosed in else where of these consolidated financial statements, the Group entered into the following related party transactions during the year:

Transactions with fellow subsidiaries:

	2020 HK\$'000	2019 HK\$'000
Commission income	14,386	7,735
Rental and utilities expenses	14,384	6,939
Purchase of vessels and offshore equipment	2,162,058	2,434,363

Transactions with ultimate holding company:

	2020 HK\$'000	2019 HK\$'000
Guarantee expenses	4,131	35,610

Transactions with joint ventures:

	2020 HK\$'000	2019 HK\$'000
Interest income	9,409	29,072

These transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

Notes to the Consolidated Financial Statements

29 Related party transactions *(Continued)*

(b) Balances with related parties

	2020 HK\$'000	2019 HK\$'000
Amounts due from		
– Associates	25,320	23,968
– Fellow subsidiaries	3,024	220
– Joint ventures	26,871	4,776
Loans to joint ventures	721,019	598,206
Prepayment to fellow subsidiaries	325,312	–
Amounts due to		
– Fellow subsidiaries	17,490	20,179
– A joint venture	71,732	96,118
– A non-controlling interest	87,497	87,922

(c) Key management personnel compensations

Key management includes executive directors and senior management. The compensations paid or payable to key management for employee services are shown below:

	2020 HK\$'000	2019 HK\$'000
Wages, salaries and bonuses	17,747	16,254
Retirement benefit costs	1,506	1,669
	19,253	17,923

Notes to the Consolidated Financial Statements

30 Note to consolidated statement of cash flows

(a) Reconciliation from profit before income tax to net cash generated from operations

	2020 HK\$'000	2019 HK\$'000
Profit before income tax	1,128,168	904,216
Adjustments for		
– Finance costs and bank charges	578,536	839,733
– Interest income	(79,058)	(75,039)
– Depreciation	272,869	238,300
– Dividend income	(29,744)	(29,342)
– (Reversal of)/Provision for impairment of loan receivables, net	(23,657)	86,881
– Net gain on disposal of property, plant and equipment	(109,269)	–
– Gain on disposal of asset held for sale	(19,615)	–
– Net (gain)/loss on de-recognition of finance lease receivable	(13,653)	99,990
– Net unrealised loss on changes in fair value of derivative financial instruments	48,374	38,587
– Net realised loss from settlement of derivative financial instruments	6,913	9,784
– Net realised gain from financial assets at fair value through profit or loss	(7,343)	(21,346)
– Net unrealised (gain)/loss on changes in fair value of financial assets at fair value through profit or loss	(28,582)	441
– Share of results of associates	10,315	(3,021)
– Share of results of joint ventures	(112,699)	(53,547)
– Net realised gain on disposal of debt instruments at fair value through other comprehensive income	(6,141)	(5,219)
Operating profit before working capital charges	1,615,414	2,030,418
Increase in loan receivables	(2,046,630)	(400,307)
(Increase)/decrease in prepayments, deposits and other receivables	(226,478)	72,019
Increase in other payables and accruals	42,344	121,385
Proceeds on de-recognition of finance lease receivable	1,852,080	2,546,718
Net cash generated from operations	1,236,730	4,370,233

Material non-cash transactions

- (i) During the year ended 31 December 2020, the Group has transferred from prepayments to finance lease receivables upon the delivery of the respective vessels for finance leasing and commencement of the respective finance lease arrangements amounting to HK\$2,256,001,000 (2019: HK\$787,491,000).

Notes to the Consolidated Financial Statements

30 Note to consolidated statement of cash flows (Continued)

(b) Debt reconciliation (Continued)

The table below set out the reconciliation of liabilities arising from financing activities:

	Lease liabilities HK\$'000	Amount due to fellow subsidiaries HK\$'000	Amount due to a joint venture HK\$'000	Amount due to a non-controlling interest HK\$'000	Borrowings HK\$'000
As at 1 January 2019	3,577	439,013	–	88,397	22,567,489
Proceeds of borrowings	–	–	–	–	8,111,516
Repayment of borrowings	–	–	–	–	(11,859,777)
Interest paid	–	–	–	–	(909,894)
Principle element of lease liabilities paid	(3,502)	–	–	–	–
Interest element of lease liabilities paid	(107)	–	–	–	–
Foreign exchange adjustments	–	–	–	(475)	(393,512)
Financial costs incurred	–	–	–	–	882,147
Increase in lease liabilities from entering into new leases during the year	23,579	–	–	–	–
Interest on lease liabilities	107	–	–	–	–
Proceeds during the year	–	1,200	96,618	–	–
Repayment during the year	–	(420,034)	(500)	–	–
As at 31 December 2019 and 1 January 2020	23,654	20,179	96,118	87,922	18,397,969
Proceeds from issuance of guaranteed bonds	–	–	–	–	6,204,880
Proceeds of borrowings	–	–	–	–	8,367,901
Repayment of borrowings	–	–	–	–	(12,344,582)
Interests paid	–	–	–	–	(653,238)
Principle element of lease liabilities paid	(8,176)	–	–	–	–
Interest element of lease liabilities paid	(821)	–	–	–	–
Foreign exchange adjustments	52	(96)	(454)	(425)	(92,028)
Financial costs incurred	–	–	–	–	635,088
Increase in lease liabilities from entering into new leases during the year	18,117	–	–	–	–
Interest on lease liabilities	821	–	–	–	–
Proceeds during the year	–	950	508	–	–
Repayment during the year	–	(3,543)	(24,440)	–	–
As at 31 December 2020	33,647	17,490	71,732	87,497	20,515,990

Notes to the Consolidated Financial Statements

31 Operating lease arrangements

As lessor

For the year ended 31 December 2020, the Group leases its vessels under operating lease arrangements, which leases negotiated for terms of 1 to 15 years (2019: 1 to 15 years). None of the leases includes contingent rentals (2019: none).

At 31 December 2020, the Group had total future minimum lease receivables under non-cancellable operating leases with its leases falling due as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	606,750	780,253
In the second to fifth year inclusive	2,835,880	2,825,004
After five years	4,632,328	3,543,108
	8,074,958	7,148,365

32 Capital commitments

As at 31 December 2020, capital commitments outstanding contracted but not provided for are as follows:

	2020 HK\$'000	2019 HK\$'000
Contracted for: – Construction of vessels	2,834,735	4,289,405

In addition, as at 31 December 2020, the commitments contracted for construction of vessels, which were classified as finance lease arrangement was approximately HK\$8,967,619,000 (2019: HK\$7,361,019,000).

Notes to the Consolidated Financial Statements

33 Provisions and Contingencies

The financial guarantees issued by the Group as at 31 December 2020 are analysed as below:

	2020 HK\$'000	2019 HK\$'000
Guarantees provided in respect of bank loans of:		
Bank guarantees to joint ventures	1,940,100	1,830,227

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

34 Reserves

(a) Investment revaluation reserve

Investment revaluation reserve represents the reserve of the fair value change from financial assets at fair value through other comprehensive income.

(b) Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 18 for details. The cash flow hedge reserve is used to recognise effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 2.10(i).

(c) Exchange reserve

Exchange reserve represents the exchange difference arising from the Group's non-monetary items.

(d) Other reserves

Other reserves represent the statutory surplus reserve and other reserve.

Notes to the Consolidated Financial Statements

35 Dividends

	2020 HK\$'000	2019 HK\$'000
Dividend approved and paid:		
Interim dividend of HK3 cents (2019: HK3 cents) per ordinary share	184,082	184,082
Final dividend in respect of the year ended 31 December 2019 of HK5 cents per ordinary share	306,803	–
	490,885	184,082
Dividends proposed:		
Final dividend in respect of the year ended 31 December 2020 of HK6 cents (2019: HK5 cents) per ordinary share	368,164	306,803

At the board meeting held on 31 March 2021, the board has declared final dividend of HK6 cents (2019: HK5 cents) per share, and the final dividend is declared after reporting period, such dividend has not been recognised as liability as at 31 December 2020.

36 Impact of COVID-19

The COVID-19 pandemic has caused big impact on the domestic and overseas social and economic development. The Group has considered this factor when assessing the recoverability of receivables for the year ended 31 December 2020.

The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of report, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

Other than the events disclosed above, the Group had no material event after the reporting period.

Notes to the Consolidated Financial Statements

37 Investments in subsidiaries

Particulars of the Company's material subsidiaries are as follows:

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/registered capital	Effective interest held at 31 December		Principal activities
			2020	2019	
Zhongqiao Shipping Limited	Hong Kong	HK\$10,000	100%	100%	Operating leasing
New Pearl River Shipping Limited	Hong Kong	HK\$1	100%	100%	Finance leasing
CP Shanghai Shipping S.A.	Marshall Islands	–	75%	75%	Operating leasing
CP Guangzhou Shipping S.A.	Marshall Islands	–	75%	75%	Operating leasing
CP Tianjin Shipping S.A.	Marshall Islands	–	75%	75%	Operating leasing
CP Chongqing Shipping S.A.	Marshall Islands	–	75%	75%	Operating leasing
CP Nanjing Shipping S.A.	Marshall Islands	–	75%	75%	Operating leasing
CP Shenzhen Shipping S.A.	Marshall Islands	–	75%	75%	Operating leasing
CSSC Financial Leasing (Shanghai) Company Limited** (中船融資租賃(上海)有限公司)	The PRC	RMB100,000,000	100%	100%	Finance leasing
Shanghai Jiabojang Ship Leasing Co., Ltd.* [△] (上海佳駁江船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing
Shanghai Jiabohe Ship Leasing Co., Ltd.* [△] (上海佳駁河船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing
Shanghai Jiabohu Ship Leasing Co., Ltd.* [△] (上海佳駁湖船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing
Shanghai Jiabohai Ship Leasing Co., Ltd.* [△] (上海佳駁海船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing
Shanghai Jiabowang Ship Leasing Co., Ltd.* [△] (上海佳駁汪船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing
Shanghai Jiaboyang Ship Leasing Co., Ltd.* [△] (上海佳駁洋船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing
CSSC Financial Leasing (Tianjin) Company Limited** (中船融資租賃(天津)有限公司)	The PRC	RMB500,000,000	100%	100%	Finance leasing
CSSC Ruiyun (Tianjin) Financial Leasing Co., Ltd.** (中船瑞雲(天津)融資租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing
CSSC Jiyun (Tianjin) Financial Leasing Co., Ltd.** (中船吉雲(天津)融資租賃有限公司)	The PRC	RMB100,000	100%	100%	Finance leasing

Notes to the Consolidated Financial Statements

37 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/registered capital	Effective interest held at 31 December		Principal activities
			2020	2019	
CHA First Shipping S.A	Marshall Islands	US\$1	100%	100%	Finance leasing
CHA Second Shipping S.A	Marshall Islands	US\$1	100%	100%	Finance leasing
CHC First Shipping S.A.	Marshall Islands	US\$1	100%	100%	Operating leasing
CHC Second Shipping S.A.	Marshall Islands	US\$1	100%	100%	Operating leasing
CHC Third Shipping S.A.	Marshall Islands	US\$1	100%	100%	Operating leasing
Kylin Offshore Engineering Pte Ltd.	Singapore	SGD5,000,000	70%	70%	Marine engineering business
Fortune Fuzhou Shipping Limited	Marshall Islands	US\$100	100%	100%	Operating leasing
Fortune Quanzhou Shipping Limited	Hong Kong	HK\$1	100%	100%	Operating leasing
Fortune Xiamen Shipping Limited	Hong Kong	HK\$1	100%	100%	Operating leasing
Fortune Lianjiang Shipping S.A.	Marshall Islands	US\$100	100%	100%	Finance leasing
Shenjiamen Shipping S.A	Marshall Islands	US\$100	100%	100%	Finance leasing
Zhujiajian Shipping S.A.	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Chile Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
CP Jinan Shipping S.A	Marshall Islands	-	100%	100%	Operating leasing
CP Xian Shipping S.A	Marshall Islands	-	100%	100%	Operating leasing
CP Hangzhou Shipping S.A.	Marshall Islands	-	100%	100%	Operating leasing
CP Fuzhou Shipping S.A	Marshall Islands	-	100%	100%	Operating leasing
Fortune Taizhou Shipping S.A.	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Tianhe Shipping Limited	Hong Kong	HK\$1	100%	100%	Finance leasing
Fortune Haizhu Shipping Limited	Hong Kong	HK\$1	100%	100%	Finance leasing
Fortune Liwan Shipping Limited	Hong Kong	HK\$1	100%	100%	Finance leasing
Fortune Nansha Shipping Limited	Hong Kong	HK\$1	100%	100%	Finance leasing
Fortune Ricardo Shipping Limited	Hong Kong	HK\$1	100%	100%	Finance leasing
Fortune Qian Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing

Notes to the Consolidated Financial Statements

37 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December		Principal activities
			2020	2019	
Fortune Kun Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Zhen Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Xun Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Kan Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Li Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Gen Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Dui Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Poseidon Holding Company Limited	BVI	US\$100	100%	100%	Finance leasing
Fortune Qinglong Shipping S.A.	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Baihu Shipping S.A.	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Haumea Holding Company Limited	BVI	US\$100	100%	100%	Finance leasing
Fortune Suez I Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Suez III Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Xuanyuan Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Jessica Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune East Sea Holding Company Limited	BVI	US\$100	100%	100%	Finance leasing
Fortune Aspiration I Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Fortune Aspiration II Shipping Limited	Marshall Islands	US\$100	100%	100%	Finance leasing
Earl Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Emma Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Empire Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Epoch Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Essence Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Excellency Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Elmar Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing

Notes to the Consolidated Financial Statements

37 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/registered capital	Effective interest held at 31 December		Principal activities
			2020	2019	
Elsa Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Ernest Shipping S.A.	Marshall Islands	US\$100	100%	100%	Operating leasing
Fortune Caribbean I Shipping Limited	Marshall Islands	US\$100	100%	100%	Operating leasing
Fortune Caribbean II Shipping Limited	Marshall Islands	US\$100	100%	100%	Operating leasing
Fortune Caribbean III Shipping Limited	Marshall Islands	US\$100	100%	100%	Operating leasing
Fortune Caribbean IV Shipping Limited	Marshall Islands	US\$100	100%	100%	Operating leasing
Fortune Bec I Shipping Limited	Cyprus	EUR\$1,000	100%	100%	Finance leasing
Fortune Bec II Shipping Limited	Cyprus	EUR\$1,000	100%	100%	Finance leasing
Fortune Bec III Shipping Limited	Cyprus	EUR\$1,000	100%	100%	Finance leasing
Fortune Bec IV Shipping Limited	Cyprus	EUR\$1,000	100%	100%	Finance leasing
CP Chartering Company Limited	BVI	US\$1	75%	75%	Operating leasing
Fortune Guangzhou Shipping Limited	Marshall Islands	US\$100	100%	N/A	Finance leasing
Fortune May Shipping Limited	Marshall Islands	US\$100	100%	N/A	Finance leasing
Fortune July Shipping Limited	Marshall Islands	US\$100	100%	N/A	Finance leasing
Fortune Pluto Holding Company Limited	BVI	US\$100	100%	N/A	Finance leasing
Fortune Harbin Shipping Limited	Marshall Islands	US\$100	100%	N/A	Finance leasing
Fortune Central Shipping Limited	Marshall Islands	US\$100	100%	N/A	Operating leasing
Fortune CD Astraeus Shipping Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune CD Prometheus Shipping Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune Gentle Shipping Limited	Hong Kong	HK\$100	100%	N/A	Operating leasing
Fortune CGAS Shipping I Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune CGAS Shipping II Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune CGAS Shipping III Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune London Company Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune Grit Shipping Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing

Notes to the Consolidated Financial Statements

37 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December		Principal activities
			2020	2019	
Fortune Shanghai Shipping Limited	Marshall Islands	US\$100	100%	N/A	Finance leasing
CSSC Capital 2015 Limited	BVI	US\$100	100%	N/A	Bond issuing
Epoch Shipping S.A.	Marshall Islands	US\$100	100%	N/A	Operating leasing
Fortune Changchun Shipping Limited	Marshall Islands	US\$100	100%	N/A	Operating leasing
Fortune Crete Shipping Limited	Marshall Islands	US\$100	100%	N/A	Finance leasing
Fortune Great Shipping Limited	Hong Kong	HK\$100	100%	N/A	Operating leasing
Fortune Grind Shipping Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune Lantau Shipping Limited	Marshall Islands	US\$100	100%	N/A	Operating leasing
Fortune Leopard Shipping Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune Pingtan Shipping Limited	Hong Kong	HK\$100	100%	N/A	Finance leasing
Fortune Power Shipping Limited	Hong Kong	HK\$100	100%	N/A	Operating leasing
Fortune Shenyang Shipping Limited	Marshall Islands	US\$100	100%	N/A	Operating leasing
Fortune Tsingyi Shipping Limited	Marshall Islands	US\$100	100%	N/A	Operating leasing
Fortune Vbulker Shipping Pte Ltd	Singapore	US\$50,000	100%	N/A	Finance leasing
Fortune VGAS Shipping I Pte Ltd	Singapore	US\$100	100%	N/A	Finance leasing
Fortune VGAS Shipping II Pte Ltd	Singapore	US\$100	100%	N/A	Finance leasing
Fortune VGAS Shipping III Pte Ltd	Singapore	US\$100	100%	N/A	Finance leasing
Fortune VGAS Shipping IV Pte Ltd	Singapore	US\$100	100%	N/A	Finance leasing
Fortune Wanchai Shipping Limited	Marshall Islands	US\$100	100%	N/A	Operating leasing

Notes:

All companies now comprising the Group have adopted 31 December as their financial year end date.

* The English name of these subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

These subsidiaries were registered in the PRC as a wholly foreign owned enterprise.

△ These subsidiaries were registered in the PRC as a wholly domestic owned enterprise.

Notes to the Consolidated Financial Statements

38 Statement of financial position and reserve movements of the Company

	2020 HK\$'000	2019 HK\$'000
ASSETS		
Property, plant and equipment	1,267	819
Right-of-use asset	32,709	22,983
Interests in subsidiaries	835,489	839,514
Loan receivables	1,117,569	653,528
Derivative financial assets	10,306	3,881
Prepayments, deposits and other receivables	23,705	256,191
Financial assets at fair value through profit or loss	217,087	39,459
Financial assets at fair value through other comprehensive income	726,258	777,224
Amounts due from subsidiaries	20,064,298	13,310,588
Amounts due from fellow subsidiaries	–	902
Amounts due from joint ventures	–	467
Cash and bank balances	1,752,571	1,563,278
Total assets	24,781,259	17,468,834
LIABILITIES		
Borrowings	6,709,897	7,522,044
Derivative financial liabilities	263,958	105,966
Amounts due to subsidiaries	11,051,264	3,373,560
Amounts due to fellow subsidiaries	–	76,799
Amounts due to a joint venture	–	96,118
Lease liabilities	33,077	22,959
Other payables and accruals	88,671	37,327
Total liabilities	18,146,867	11,234,773
Net assets	6,634,392	6,234,061
EQUITY		
Share capital	6,614,466	6,614,466
Reserves/(deficits)	19,926	(380,405)
	Note a	
Total equity	6,634,392	6,234,061

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2021 and was signed on its behalf.

ZHONG JIAN
Director

HU KAI
Director

Notes to the Consolidated Financial Statements

38 Statement of financial position and reserve movements of the Company (Continued)

Note (a) Reserve movement of the Company

	Investment revaluation reserve HK\$'000	Hedging reserve HK\$'000	Other reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2020	5,558	(67,055)	(4,296)	(210,253)	(104,359)	(380,405)
Profit and total comprehensive income for the year	18,866	67,055	–	151,270	654,025	891,216
Dividends (Note 35)	–	–	–	–	(490,885)	(490,885)
At 31 December 2020	24,424	–	(4,296)	(58,983)	58,781	19,926
At 1 January 2019	(62,170)	–	(4,296)	(110,436)	373,795	196,893
Loss and total comprehensive expense for the year	67,728	(67,055)	–	(99,817)	(294,072)	(393,216)
Dividends (Note 35)	–	–	–	–	(184,082)	(184,082)
At 31 December 2019	5,558	(67,055)	(4,296)	(210,253)	(104,359)	(380,405)

ISSUER

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