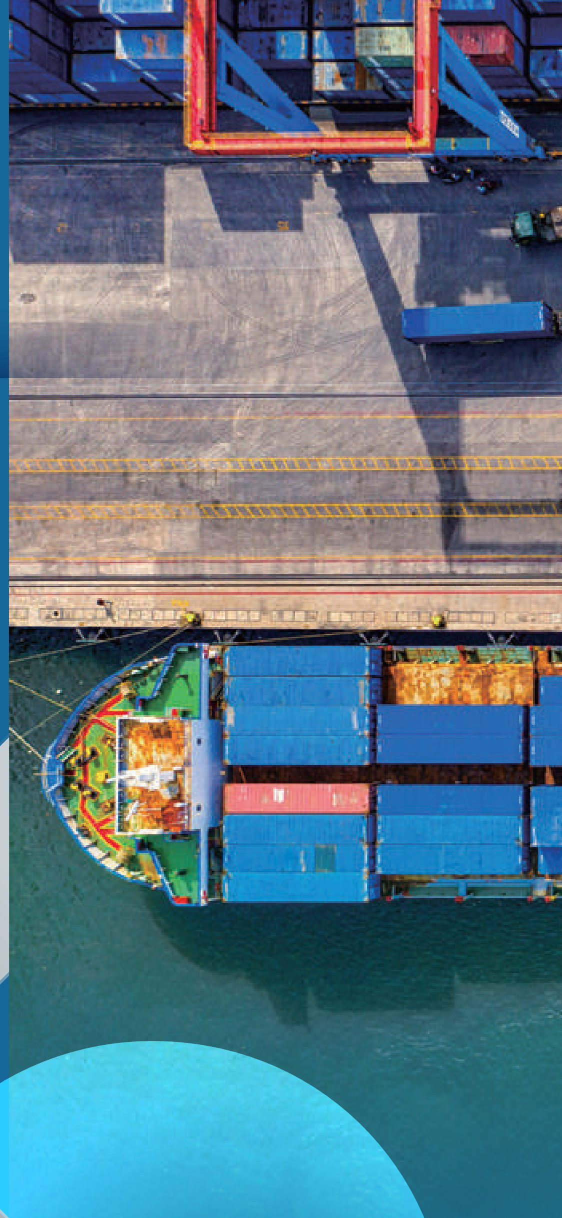
CSSC (Hong Kong) Shipping Company Limited
中國船舶(香港)航運租賃有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 3877

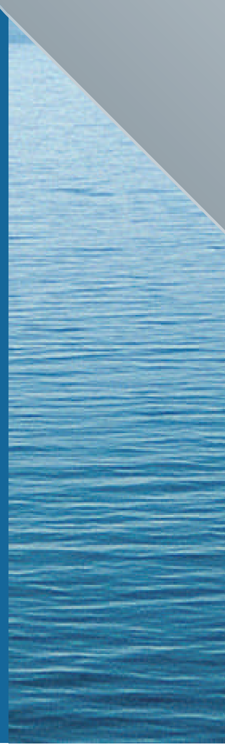
ONE OF THE WORLD'S LEADING SHIP LEASING COMPANIES

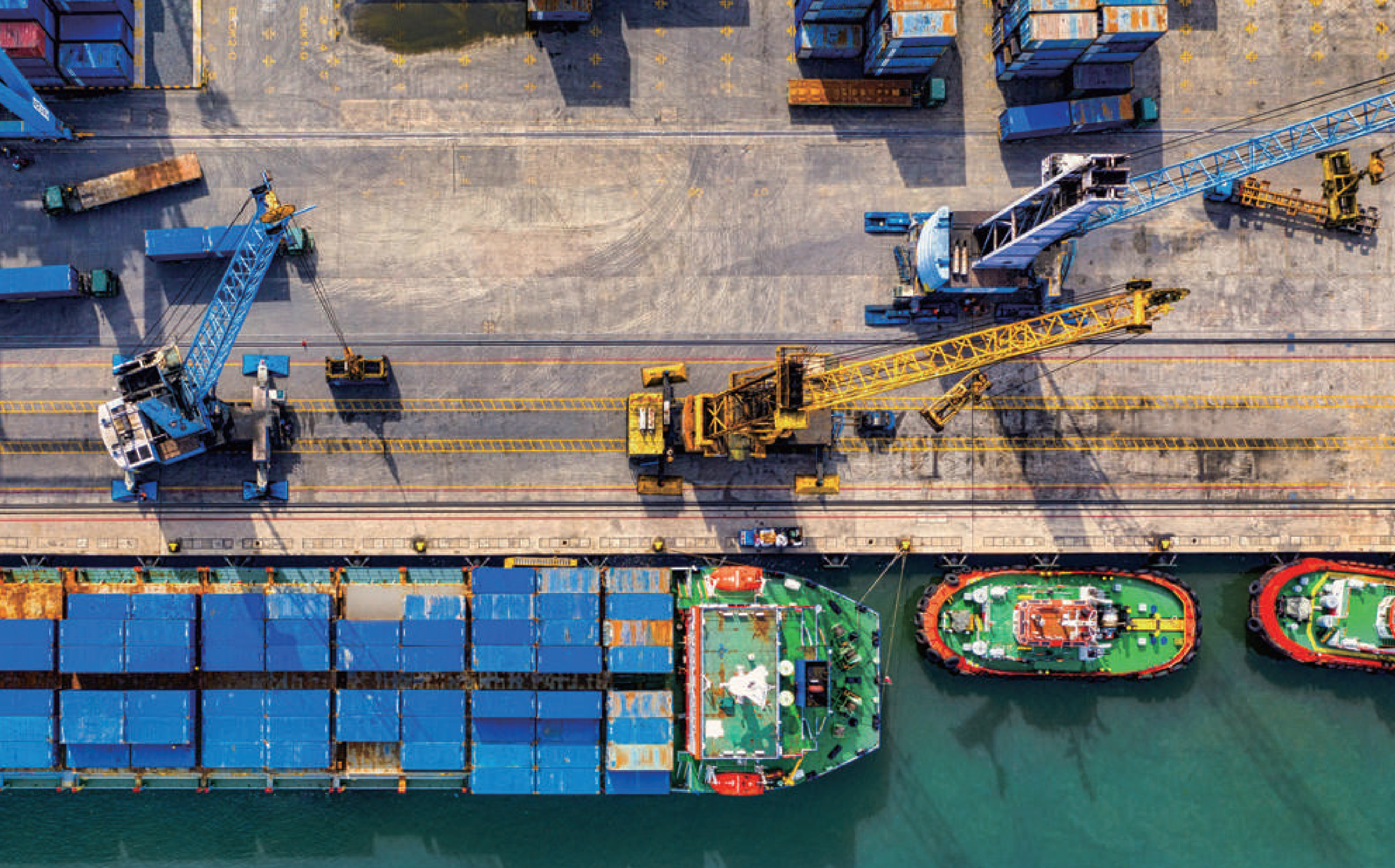
ANNUAL REPORT 2023



WE ARE —
A GLOBAL LEADING SHIP LEASING COMPANY.

ONE OF THE WORLD'S LEADING SHIP LEASING COMPANIES





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COMPANY PROFILE

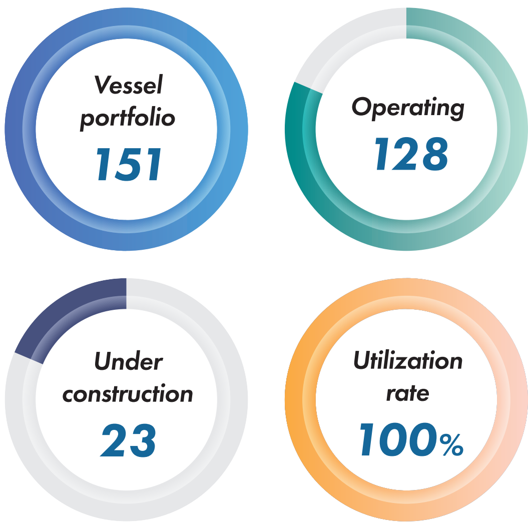
Established in June 2012, CSSC (Hong Kong) Shipping Company Limited (the "Company" or "CSSC"), along with its subsidiaries (collectively referred to as the "Group"), is the sole red-chip listed company under China State Shipbuilding Corporation Limited (中國船舶集團有限公司) ("China Shipbuilding Group"). It stands as the premier shipyard-affiliated leasing company in Greater China and is among the foremost ship leasing companies in the world. Leveraging the robust industrial foundation and extensive maritime industry expertise of our controlling shareholder, the Group is dedicated to expanding its leasing and investment operations in vessels and marine equipment, offering tailored and adaptable integrated shipping services, along with financial solutions, to ship operators, shippers, and traders worldwide.

As of 31 December 2023, the Company's vessel portfolio comprised 151 vessels, and its total asset size exceeded HK$45 billion. This positions it as a leader in the global ship leasing industry both in terms of vessel asset size and the number of vessels. Since its inception, the Group's operating efficiency has steadily increased at a significant rate. With its "one body with two wings" business model, which encompasses ship leasing, investment, and operations, along with its persistent efforts in the arena of green and clean energy, the Group's operating results for 2023 reached another record high.

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

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

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



AWARDED "A" CREDIT RATING BY FITCH AND "A-" CREDIT RATING BY S&P FOR FIVE CONSECUTIVE YEARS

SERVICES

Integrated Shipping Services

By leveraging our extensive network and rich experience in the maritime industry, we are able to provide ship brokerage services to shipbuilders and potential buyers while engaging in leasing operations.

As intermediaries between shipbuilders and potential buyers, we offer a wide range of services, including assisting shipbuilders in identifying market opportunities, recommending shipbuilders to potential buyers, advising potential buyers on ship types, specifications, and carrying capacities, providing market data to shipbuilders and potential buyers, serving as a communication channel between shipbuilders and potential buyers to maintain contact and provide services, negotiating shipbuilding contract agreements, and resolving issues that may arise during the execution of shipbuilding agreements.

CORPORATE BUSINESS

Financing Services

Our loan services mainly include pre-delivery loan, secured loan and factoring services.

In general, as part of our 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.

In addition, we provide secured loan services to customers to satisfy their funding needs. 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. In certain circumstances, we also provide entrusted loan services, under which 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.

We also provide factoring services on a recourse basis to other financial institutions. In a typical factoring transaction, our customer sells and assigns to us, at an agreed price, the accounts receivable due from its debtor, and we obtain the right to receive payment from its debtor. The price at which we purchase the accounts receivable from our customers is determined based on a number of factors, such as the creditworthiness, repayment capabilities as well as business and financial conditions of our customers and their debtors. We generally enter into factoring transactions on a recourse basis, whereby our customers undertake to unconditionally repurchase the accounts receivable at an agreed price under certain circumstances (e.g. expiry of the factoring period, our customers' debtors failing to settle their accounts receivable as and when they fall due, our customers ceasing their operations or having their business licences revoked, and the occurrence of events that have a material adverse impact on the operating or financial conditions of our customers).

COMPANY INFORMATION

Board of Directors

Executive Director

Mr. Zhong Jian *(Chairman)*

Non-Executive Directors

Ms. Zhang Yi
Mr. Zhang Qipeng
Mr. Chi Benbin (appointed on 24 February 2023)

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Strategic and Investment Committee

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

ESG and Sustainable Development Committee

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

Company Secretary

Mr. Ding Weisong

Assistant Company Secretary

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

Authorised Representatives

Mr. Zhong Jian
Ms. Ng Sau Mei

Registered Office

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

Hong Kong Legal Adviser

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

Hong Kong Share Registrar

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

Auditor

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

Principal Banks

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

Company's Website

http://www.csscshipping.cn

Stock Code

3877

Listing Date

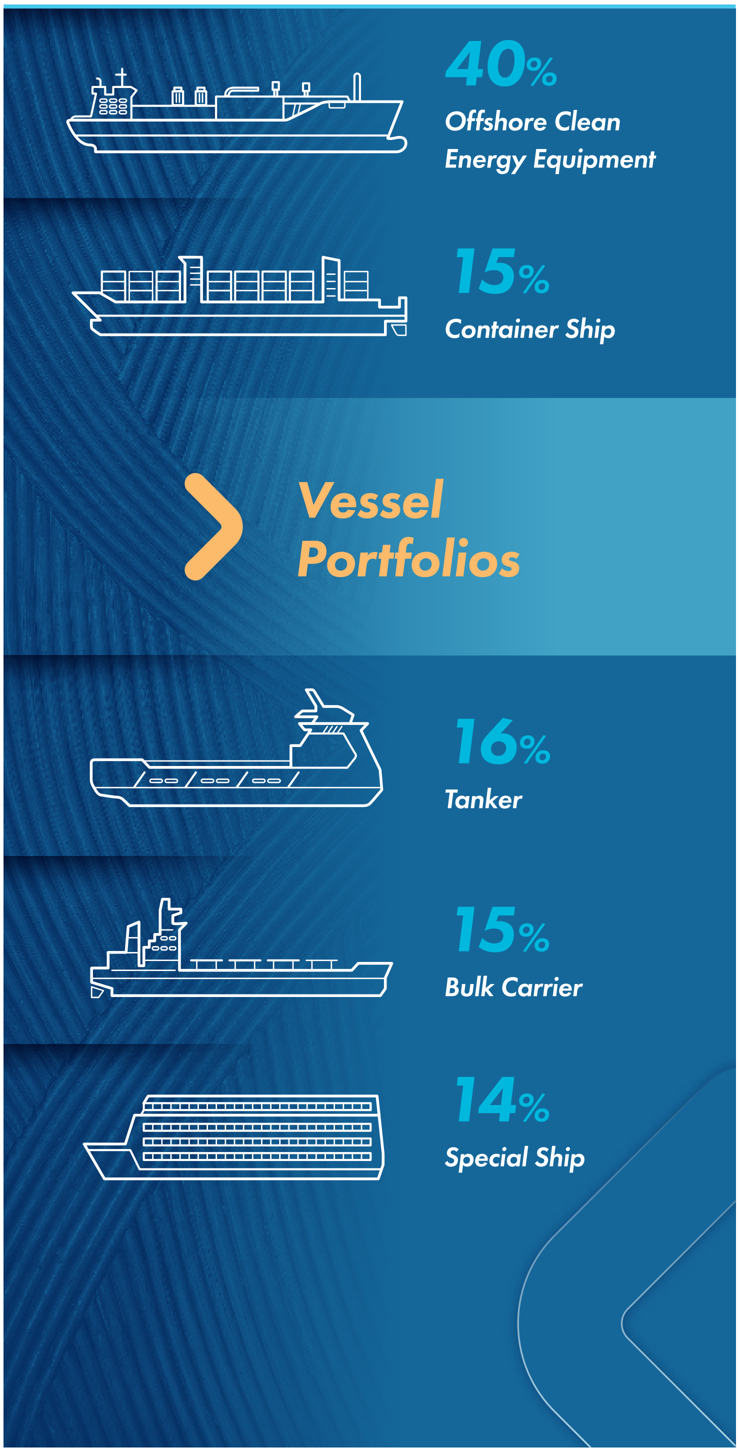
17 June 2019

HISTORY

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 China State Shipbuilding Industry Corporation Limited# (中國船舶工業集團有限公司) ("**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 Financial Leasing (Shanghai) Co., Ltd. ("**CSSC Shanghai**") and CSSC Financial Leasing (Tianjin) Company Limited ("**CSSC Tianjin**") were established in the PRC in 2014. Kylin Offshore Engineering Pte Ltd. 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. According to Clarkson's research report, in terms of assets balance in 2023, we ranked fifth in China's ship leasing industry.



Key Milestones

2012

Our Company was registered in Hong Kong as the sole leasing company under CSSC Group.

2013

The Company entered into an operating lease transaction for three 18,000-TEU container vessels with a leading global shipping group.

The Company entered into a financial lease transaction for seven 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.

2014

The Group and Golar, the world's leading LNG industry chain equipment operation company, signed for the worlds first retrofit floating LNG production and storage unit (FLNG) construction financing and sale-leaseback project.

The Company entered into a financial lease transaction for seven 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.

2015

The Company entered into a sale-and-leaseback transaction for a FLNG vessel with a subsidiary of a LNG shipping company.

2016

The Group invested in the world's largest 85,000 cubic meters fully-cooled very large LPG carrier (VLGC) to serve China's clean energy supply.

The Group and Red Box signed two agreements for the sale and leaseback of the world's first polar class heavy-transport deck carriers, connecting Chinese shipbuilding companies with the Russian Yamal LPG project.

The Group and Dynagas, a world-renowned LNG carrier operator, signed a agreement for two 174,000 cubic meters floating LNG storage and regasification units (LNG-FSRU) financing and leasing project. This is the first domestic large-scale LNG-FSRU order received.

2017

The Group undertook the "2019 High Quality Development Forum and Signing Ceremony of Billions of Orders" of CSSC Group.

2018

Established a joint venture to invest in eight cargo ships of 55,000 tons of chemical liquids.

Signed four 120,000 ton bulk carrier operating leasing projects.

2019

CSSC was successfully listed in SEHK.

The Company released the first ESG report (2019).

2020

The Company issued US$400 million bonds due 2025 and US$400 million bonds due 2030.

The Company entered into a financial leasing project for four 86,000 cubic meters dual-fuel of VLGC carriers with Southwest Marine Limited.

The Group issued US$500 million green and blue dual-certified bonds due 2026.

2021

Cooperated with the Standard Chartered Bank and obtained a 10-year vessel secured term loan in an aggregate amount of US$596 million.

The Group was included in the MSCI China Small Cap Index.

The Group won the "Global Green Finance Innovation Awards" by International Finance Forum.

2022

In the SASAC's special assessment of the "double hundred enterprises" of the central enterprises in 2021, the Company was awarded the "benchmark" by the judges.

Financing cost control is strong and effective, and the Company has obtained "A" grade and "A-" grade credit ratings from S&P for four consecutive years.

The power plant transformation of four liquefied petroleum gas carriers (VLGC) was carried out, which was the first dual-fuel upgrading project attempted in China.

Signed the "LNG Ship Leasing Cooperation Principle Agreement" with well-known central enterprises to jointly promote national energy security.

2023

We have established an energy transportation company, and completed the transfer of equity in 44 vessel assets in operation.

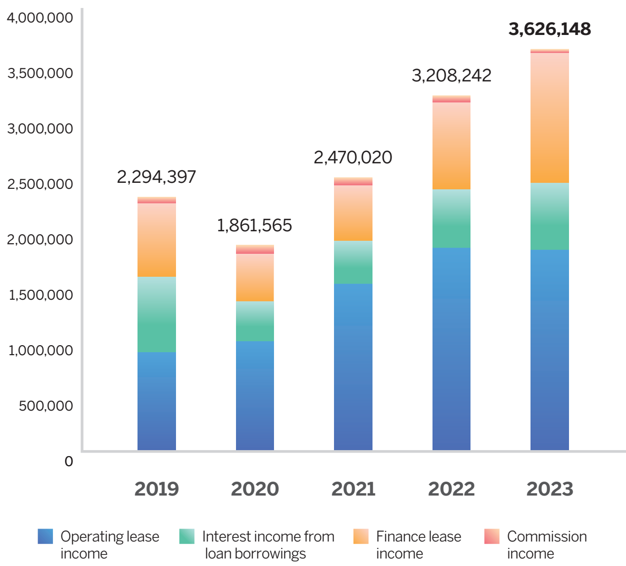
We have been awarded an "A" credit rating by Fitch and an "A-" credit rating by S&P for five consecutive years.

The Company was awarded the "Hong Kong Stock Golden Bull Award" by China Securities Journal.

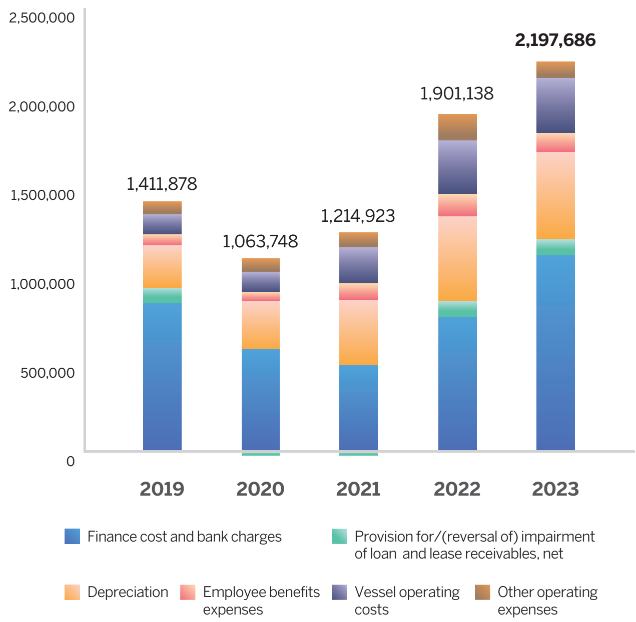
FINANCIAL HIGHLIGHTS AND FIVE-YEAR FINANCIAL SUMMARY

Five-year Summary of Consolidated Income Statement

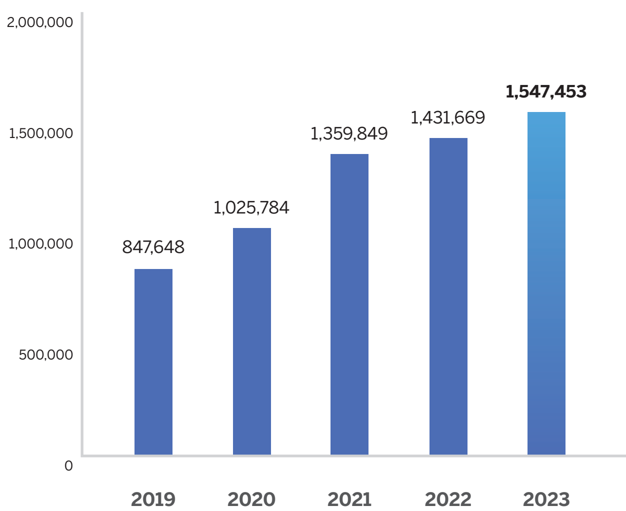
Revenue
(HK$'000)



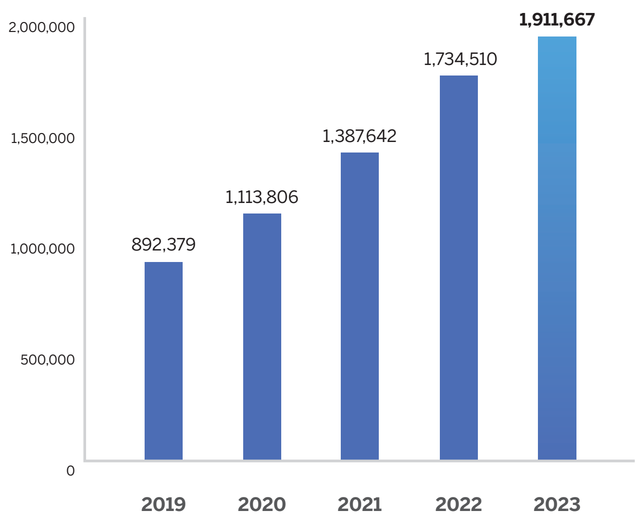
Total expense
(HK$'000)



Profit from operation
(HK$'000)

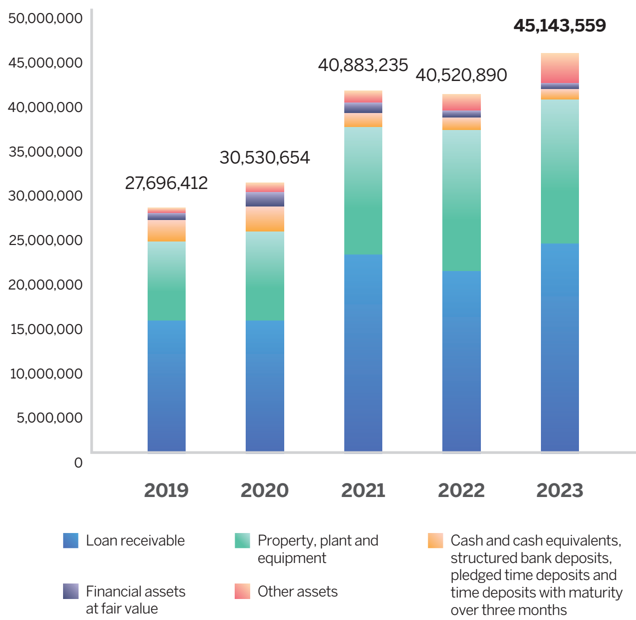


Profit for the year
(HK$'000)

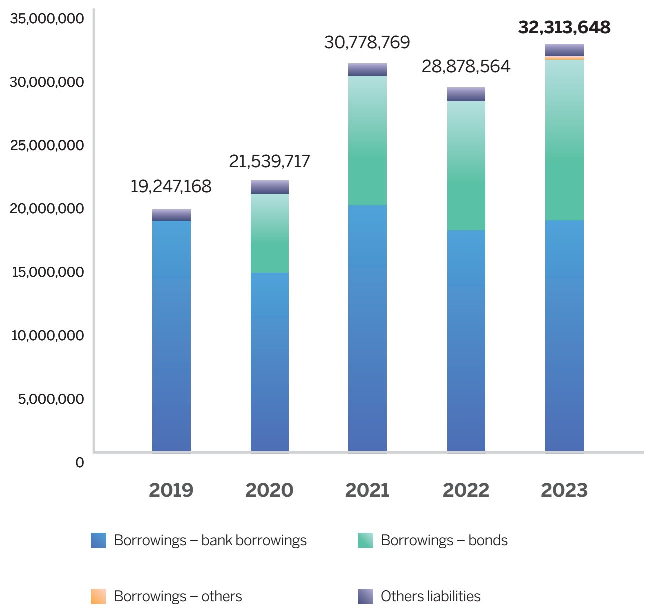


Five-year Summary of Consolidated Statement of Financial Position

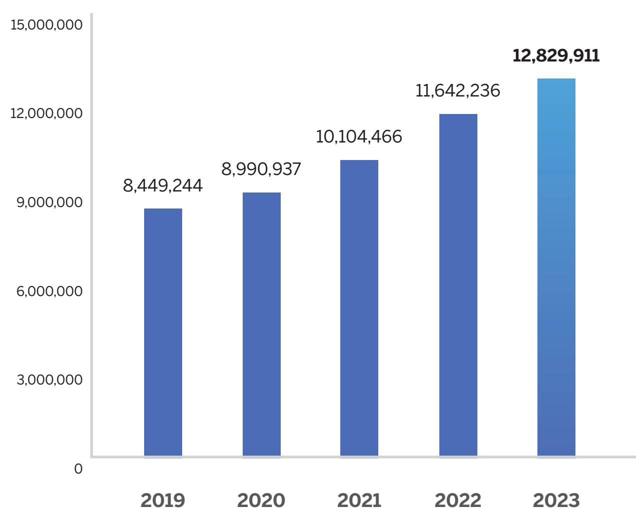
Total Assets
(HK$'000)



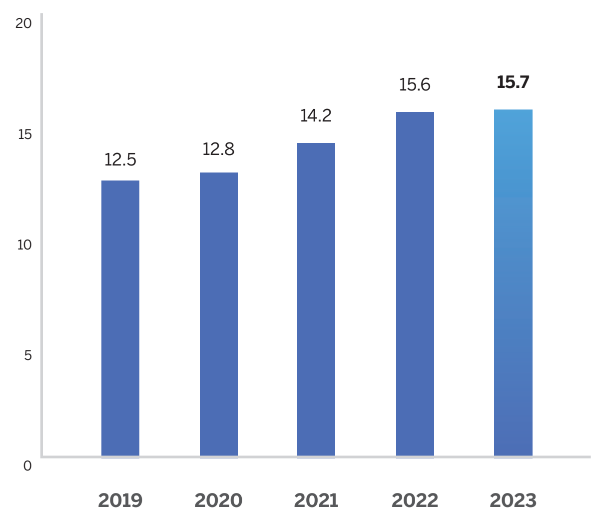
Total Liabilities
(HK$'000)



Net Assets
(HK$'000)



Return on Equity
%



Selected Financial Ratios

	For the year ended 31 December/ As at 31 December	
	2023	2022
Profitability indicators		
Return on average assets ("**ROA**")[1]	**4.5%**	4.3%
Return on average net assets ("**ROE**")[2]	**15.7%**	15.6%
Average cost of interest-bearing liabilities[3]	**3.7%**	2.6%
Net profit margin[4]	**52.7%**	54.1%
Liquidity indicators		
Asset-liability ratio[5]	**71.6%**	71.3%
Risk asset-to-equity ratio[6]	**3.4 times**	3.4 times
Gearing ratio[7]	**2.4 times**	2.4 times
Net debt-to-equity ratio[8]	**2.4 times**	2.3 times
Credit ratings		
S&P Global Ratings	**A-**	A-
Fitch Ratings	**A**	A

Notes:

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

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

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

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

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

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

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

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

LETTER TO THE SHAREHOLDERS

Zhong Jian
Chairman

Dear investors,

The year 2023 was characterized by frequent surprises, with new shipbuilding prices nearly reaching record highs, fully occupied shipyards, constrained vessel supply, and increased tension between ship owners and shipyards. The path to zero carbon emissions in the shipping industry grew more stringent, but the specific technical requirements and timelines had not yet been released, leading to poor visibility. We also observed more volatile freight rates for various ship types due to restrictions on two major canals, caused by a combination of natural and human-made factors. A surge in ship owner buybacks resulted in a reduced volume of the ship leasing market. Nonetheless, an increasing number of financial leasing companies entered the market, intensifying competition.

From a macroscopic perspective, the conflicts between Russo-Ukrainian and Israel-Palestine, the state of war in the Red Sea region, along with escalating geopolitical risks, have spurred ongoing transformations in the global supply chain. This shift favors security and stability over cost efficiency, leading to a more diverse, localized, and fragmented market. Consecutive interest rate hikes by the Federal Reserve, aimed at curbing inflation, have resulted in soaring capital costs. These economic pressures, combined with the aftermath of COVID-19, have contributed to a more vulnerable global economy. The surge of interest in artificial intelligence, epitomized by ChatGPT, has captivated audiences worldwide. The rapid advancement of digitalization and AI is as intriguing as it is perplexing. The year 2023, fraught with uncertainties, is likely just the onset of a transforming world. Adapting to manage uncertainty, building momentum amid challenges, and seeking opportunities within complexity are essential for every industry.

As a listed issuer in Hong Kong looking to become a "top-notch international ship leasing and investment enterprise", CSSC remains committed to the general policy in pursuing healthy and stable growth, and its vision of "finance integrated model, finance-driven growth and service as a core". Abiding by the core values of "professionalism, focus, innovation and efficiency", we have maintained a high level of steady performance growth. We achieved the "14th Five-Year Plan" business objectives proposed in 2020 two years ahead of schedule. Revenue of the Company for 2023 was HK$3.626 billion, up 13% year-over-year ("**yoy**"). Total profit was HK$1.912 billion, up 10.2% yoy, two years ahead to achieve the Company's "14th Five-Year Plan" objectives.

In 2022, which marked the 10th anniversary of the Company's establishment, we defined our core values as "professionalism, focus, innovation, and efficiency." We have also set our direction toward "marketization, specialization, and internationalization." In the 2022 Shareholders' Letter, I shared my interpretation of our core values with investors. This year, I would like to delve into the Company's business strategy and share our perspective on the current situation as well as our investment strategy and response.

I. Professionalism as the cornerstone of enabling long-term sustainable development

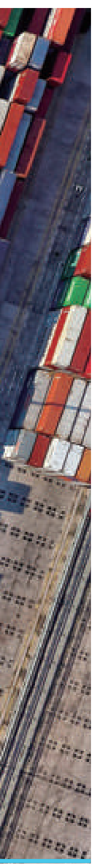
"Professionalism" is a core idea in modern enterprise management, and also one of the core values and directions of the Company. From a microscopic view, professionalism refers to the dedication towards a high level of quality, skills, responsibility and ethics. From a macroscopic perspective, we believe that professionalism entails a thorough understanding of the industry patterns, an accurate grasp of the environment and trends, a clear insight into our own strengths and weaknesses, and a focus on the Company's business direction and investment priorities.

(I) How do we maintain healthy earnings in a changing industry

In the 2022 Letter to Shareholders, we have described the shipping industry as one that possesses unique characteristics, marked by a distinctive cycle, high volatility, a multi-driver nature, enriched product offerings, and a capital-intensive nature, complete with high barriers to entry. In such an industry, managing cyclical fluctuations over the long term and maintaining long-term operational momentum remains our top priority. To be more precise, during the relatively brief period of peak performance, it is essential to allocate adequate resources to support the Company in its pursuit of higher returns. At the same time, we must exercise prudence over the long term in response to periodic market fluctuations. Amidst the adversity of the current cycle, it is imperative that we remain resolute in our strategic positioning, offering mutual support, maintaining composure, and patiently awaiting the opportune moment to counter the prevailing trends. Echoing the words of Warren Buffett, "Be fearful when others are greedy, and be greedy when others are fearful."

10.2%

We recorded net profit of HK$1,911,667,000 for the year ended 31 December 2023, up 10.2 % year on year



To cope with cyclical risks, we have formulated a cross-cyclical strategy of "cross-cyclical investment and cyclical operation", and used the business model of "fixed + flexible returns" to smooth out cyclical fluctuations, and a balanced allocation of ship types to diversify the overall portfolio risk. As a whole, we rely on fixed income from long-term charters to ensure sustainability of income in the long term, while dynamically adjusting the charter structure based on our forward-looking judgment in market trends: in an up market, we moderately increase the proportion of short-term and spot charter projects; during high season, we seize the timing and opportunities to sign medium – long-term charters for short-term operating assets to lock-in future returns. For example, in the autumn of 2023, we leveraged the upward trend of VLGC and sign a five-year charter for a VLGC that we leased on a trip-by-trip basis. Although we sacrificed short-term alpha, we have locked the income for the next five years at an ideal level. In terms of capital cost control, interest rate in US dollar term fell to a recent low in 2021. We issued US$500 million 2.1% bonds timely despite the adverse effect of the pandemic. We have locked-in the average long-term USD fixed rate at 1.59% through series of interest rate swap in line with certain charter projects. In 2023, we looked to multi-currency financing and cut the proportion of US dollar liabilities, with an appropriately higher proportion of RMB and euro liabilities. A multi-pronged measures to keep the cost of capital low has been key to the Company's performance in 2022 and 2023 in defying the effect of the Federal Reserve's rate hikes. These are examples of how we hedge against bad times during the "good times".

In terms of investment objectives, we typically place greater emphasis on absolute returns. For long-term charters, we determine the necessary rates of return by referencing the risk profile of the projects. For short-term charters, we aim to achieve returns that exceed the market benchmark, implementing checks to manage the extent of overall volatility. Additionally, we enter into long-term charters when it represents a favorable opportunity to secure returns. Therefore, in terms of investment strategy, we rely more on the beta of asset allocation returns, without excessively pursuing the alpha of short-term returns. In terms of risk control, we pay more attention to the security of the outstanding principal and interest of the asset value. We can tolerate tight cash flow and poor financial condition on the part of the lessee under special circumstances, and we help lessees overcome difficulties through deferred interest payment and debt restructuring. We closely monitor the asset's liquidity and ensure that its value fully covers the outstanding principal and interest. This approach ensures that we can recover any losses by disposing of the asset if the lessee defaults on their obligations.

(II) Adapting and managing uncertainties, and capitalizing on the key trend in zero carbon emission amid market changes

Overall, given the limited clarity regarding short-to-mid-term prospects and trends within a more challenging broader context, we need to exercise increased caution and be aware of tail risks, remain mindful of established boundaries, and prepare for extreme scenarios. Regarding the vessel charter business, due to the steep rise in vessel costs and shrinking margins, any attempt to expand may not contribute to profit growth and could instead increase exposure to numerous tail risks. Consequently, we are currently inclined to prioritize risk diversification and income stabilization, adopt a stance that favors stability over expansion, and concentrate on projects with greater certainty concerning returns.

Going green and low carbon have been a key trend standing out from the crowd, and that applies to the shipping industry as well. In December 2022, a preliminary agreement was reached within the EU, calling for the inclusion of the shipping industry under EU carbon market's control, where shipping companies are required to pay for the carbon emissions of their vessels. In 2023, the CII and EEXI policies came into force, and IMO adjusted its emission reduction target from the previous 50% reduction in emissions by 2050 (compared to 2008) to net zero emissions by around 2050. Decarbonizing the shipping industry will necessitate upgrades and overhauls of energy sources, technological advancements, the accelerated retirement of obsolete vessels, stimulation of new vessel orders, and the maintenance of a high level of activity in the shipbuilding market. As carbon emissions are calculated at fleet level, rather than individual vessels, it will have a more profound impact on fleet organization and management. As a company focusing on vessel charter, operation and management, we marched into the clean energy industry as early as 2015, when we provided financial leasing services for a FLNG. In 2019, we invested in a total of four 174,000 cubic meter LNG carriers, and prioritized the clean energy industry strategy as one of the core strategies of the Company. For CII and EEXI policies, we conducted compliance evaluations on more than 30 vessels under our self-management in 2021, and planned ahead for any modification or disposal required for the poorly performed vessels to minimize negative impacts. In 2023, in response to the call for environmental protection, we jointly invested in four fully electric yachts, which made their debut on the Qiantang River during the Asian Games in Hangzhou last year. In addition, we have launched a 120 TEU fully electric carrier for inland rivers in collaboration with a customer.

Despite the above, we have also observed uncertainties in previously identified trends. Although the decarbonization of shipping is now mandated by law, the specific mandatory requirements, punitive measures, costs of violations, and the technical roadmap remain unclear. With so many variables, it is challenging to arrive at a conclusion that includes a meaningful forward-looking forecast. Attempting to model these uncertainties will not provide a reliable basis for prediction and may instead create an illusion, leading to discrepancies in forecasting. Our goal is to grasp the overall trend comprehensively, rather than to make overly precise estimates. We aim to identify important variables, clarify their relationship with the outcomes and interconnections among different variables, propose an analytical framework, conduct application scenario analysis, develop countermeasures for significant scenarios, and enhance market and policy monitoring. Upon the occurrence of an indicative event, we can move swiftly and pre-emptively.

(III) Conforming to market forces within the cycle and knowing ourselves better

The shipbuilding and shipping industry features a distinctive and prolonged cycle. As such, we must be clear-headed at all time, not act in an attempt to defy market forces in the cycle, and not regard the current success as a guarantee of future success. After the Company went public in 2019, we have recorded an annual profit growth of 10% or above five years in a row, fundamentally attributable to 1) the large number of vessels invested in a down market, before the prices went up, and 2) the reasonable allocation of "fixed + flexible" income. Since the beginning of 2021, the shipping industry has been abuzz with activity. Although it has shown promise, there is an inevitable trend towards a downward trajectory in the coming years. During this cycle, we remained measured in our success, making sure not to compromise future risk control for the sake of even better performance. We have addressed the challenges of increased repurchasing and narrowing spreads head-on, responded proactively to the mounting competition among financial leasing firms, and enhanced our asset operation and management capabilities to be well-prepared for a market downturn. Consequently, while our revenue growth may decelerate, it is the augmentation in fleet asset value, quality, and technology that we have prioritized — aiming for sustained, healthy, and justifiable expansion.

We envisage "finance integrated model, finance-driven growth and service as a core". We are not only a connector between shipyards and ship owners, we also provide support to them, especially in low season, when shipyards have insufficient orders, and ship owners have financing problems. With the Company's credit support, ship owners are able to maintain a reasonable fleet size and age structure, shipyards obtain long-awaited orders, while the Company is able to achieve a higher spread with lower ship prices.

3,626.15M

For the year ended 31 December 2023, our revenue amounted to HK$3,626.15M, up 13% year on year

At different stages within the cycle, the Company plays different roles and adopts different strategies. Most importantly, the Company must maintain a clear and strategic mindset, understand its competitive advantages, remain cognizant of its limitations, and adapt to market dynamics to gain a stronger foothold in the industry.

II. Marketization and internationalization as both the reasons and results of professionalism

If professionalism is the basis on which the Company operates, marketization and internationalization are the reasons and results behind.

(I) Market-oriented approach as a key to raise core competitiveness

Tracking market pulses and dynamics. The shipping and ship chartering market is highly competitive. Under our comprehensive operation model, the Company's operational personnel are at the forefront of the market, enabling them to gain first-hand market insight swiftly. This timely understanding of changes in trends, ship owners' considerations, and shipyards' capacities allows us to meet their needs and provide one-stop solutions effectively. The Company was able to capitalize on the trend of low-carbon transition in shipping early on, and continued to invest heavily in popular ship types since 2019, with more than US$1 billion invested annually, and it proved to work very well.

Responding to market changes with a flexible business model. To continuously invest when ship prices soar, we established a joint venture company with large cargo owners (transportation demand side) and shipping managers to jointly invest in 2+2 LNG carriers to secure investment returns with long stable charters and reduce the tail risk of asset depreciation, achieving win-win results. As regards the frenzy of early repurchase of stock projects, we did not push back but negotiated with lessees based on market practices and secured overall stability in credit assets swap of lease, while investing more in used ships sensibly to boost mid-to-short term income and maintaining strict control over risks. All in all, the Company adopts a dynamic operating strategy and adapts to market changes in a timely manner. At the same time, due to our focus on the ship leasing market, we are able to conduct specific analysis on each project, and maximize customer experience through tailored services.

Market-based management and incentive mechanism. From the perspective of business performance, we have made some good progresses in recent years, but we are also well aware of the fact that in various segments, we are lagging behind top-tier international enterprises. Since listing, we have been adopting a market-oriented approach in deepening the revolution of management system and contributing to raise management efficiency for long-term development. In recent years, we have successfully completed the reform of professional managers, realized the market-oriented selection and assessment of management teams, implemented equity incentives for 23 management and core business personnel, creating a relatively comprehensive medium – to – long-term incentive mechanism. We have invited external professional institutions to carry out specific consultations on comprehensive risk management and control, internal control management, and management informatization to improve management efficiency.

(II) Internationalization as an anchor for business development

Broad vision and extensive network at the international level. Over 70% of our employees had experience working or studying abroad prior to joining the Group. They bring a wealth of educational backgrounds and work experiences, contributing to a skilled, youthful, diverse, and international team composition. We closely follow issues of concern at the international forefront, and provide staff training on macroeconomic landscape, industry development and risk compliance on a regular basis, with a total of 47 training sessions held in 2023. In terms of the number of projects, the majority of our project partners are overseas customers, and our ships are sailing all over the world. We have established close ties with a large number of international maritime and financial institutions and carry out regular exchanges and cooperation. Such an extensive international network also helps us quickly grasp industry information and seize market opportunities.

Cultivating a stellar international reputation as the Company's long-term goal. Shipping industry is a century-old but yet modern industry, with unique culture and business ethics. Market reputation is extremely important for players in the shipping industry. With the long-term goal of building ourselves into a world-class ship leasing, investment and operation company, we have been committed to building mutual trust and mutually beneficial partnership with ship owners and shipyards. For ship owners, we intend to help them meet their delivery needs by providing credit support. For shipyards, we hope to assist them in leading the industry and achieving stable production and operation through order support. For the industry, we look to promote the transformation and upgrade of the industry towards low-carbon and digitalization through high-quality orders. For shareholders, we hope to provide investors with certainty in an uncertain environment through our solid performance and stable dividend returns. To enhance our commitment to society, we will proactively embrace the mission of "finance integrated model, finance-driven growth and service as a core". We will steadfastly support industrial development, actively contribute to society, and dedicate ourselves to a diverse range of social endeavors.

The year 2024 is expected to remain a period of uncertainty in the global landscape as well as within various sectors. Although a stable environment is generally preferred for development, new opportunities are emerging amid these changes. By maintaining our strategic positioning, observing calmly, and conserving our energy while waiting for the opportune moment, we can gain momentum during challenging times and make proactive decisions when the situation begins to stabilize. By doing so, we can look back without regret and confidently face the future that lies before us.

CSSC (Hong Kong) Shipping Company Limited
Zhong Jian
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Environment

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

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

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

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

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

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

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

2. Business Review

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

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

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

In 2023, the Group's revenue was HK3,626 million, up

13.0%

year on year

+13.0%

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

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

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

2. Business Review *(Continued)*

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

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

As of 31 December 2023, the fleet size of the Group reached ***151 vessels***

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

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

2. Business Review *(Continued)*

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

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

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

2. Business Review *(Continued)*

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

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

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

2. Business Review *(Continued)*

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

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

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

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

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

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

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

2. Business Review *(Continued)*

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

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

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

We continued to deepen the reform of state-owned enterprises with a market-oriented approach in general. We have formulated a special action plan for the Company and a list of work tasks to create value for world-class enterprises. We have made coherence efforts to achieve these goals. We have completed the mid-term assessment and adjustment of the 14th Five-Year Plan and pressed to achieve the goals. The first phase of the share option scheme has been vested to its participants. The Company was awarded "benchmark" in the special assessment of "double hundred enterprises" of SASAC in 2023, and was also awarded "excellent" in the evaluation of the Board of China State Shipbuilding Corporation Limited in 2023. In the SASAC's assessment on the "double hundred enterprises" of central enterprises in 2022, we were once again rated as a "benchmark enterprise". We were also named the Board of the Year in 2022.

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

2. Business Review *(Continued)*

Credit risk assessment policy

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

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

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

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

2. Business Review *(Continued)*

Continued Credit risk assessment policy

Internal control measures

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

3. Development Prospect for 2024

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

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

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

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

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

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

4. Financial Review

4.1 Analysis on Consolidated Income Statement

Summary of Consolidated Income Statement

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

4.1.1 Revenue

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

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

4. Financial Review *(Continued)*

4.1 Continued Analysis on Consolidated Income Statement

4.1.1 Continued *Revenue*

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

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

4. Financial Review *(Continued)*

4.1 Continued Analysis on Consolidated Income Statement

4.1.1 Continued Revenue

Finance Lease Income

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

The Group's finance lease income increased by
49.4%
for the year ended 31 December 2023

Interest Income from Loan Borrowings

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

Operating Lease Income

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

Commission Income

The Group's commission income is generated by providing shipbroking services when the Group successfully facilitates shipbuilding transactions. The Group's commission income was HK$28.4 million for the year ended 31 December 2023 and HK$57.0 million for the year ended 31 December 2022.

4.1.2 Other Income and Other Gains, Net

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

4. Financial Review *(Continued)*

4.1 Continued Analysis on Consolidated Income Statement

4.1.3 Expenses

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

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

4. Financial Review *(Continued)*

4.1 Continued Analysis on Consolidated Income Statement

4.1.3 Continued Expenses

Finance Costs and Bank Charges

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

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

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

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

4. Financial Review *(Continued)*

4.1 Continued Analysis on Consolidated Income Statement

4.1.3 Continued *Expenses*

Depreciation

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

Vessel Operating Costs

The Group's vessel operating costs represent the expenses incurred in operating vessels under operating lease arrangements, including crew expenses, vessel repair and maintenance fees, ship management fees and vessel insurances. The Group's vessel operating costs were HK$310.8 million for the year ended 31 December 2023, with an increase of HK$7.9 million yoy.

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

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Ship management fees	**168,563**	161,536
Crew expenses	**63,928**	83,467
Commission	**43,263**	26,615
Insurance	**7,587**	7,034
Stores and supplies	**10,622**	8,256
Repairs and maintenance	**5,904**	8,818
Port charges	**3,511**	3,405
Others	**7,460**	3,726
Total	**310,838**	302,857

4. Financial Review *(Continued)*

4.1 Continued Analysis on Consolidated Income Statement

4.1.3 Continued *Expenses*

Employee Benefits Expenses

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

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

Research and Development Expenses

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

Net Amount of Provision for Impairment of Loan and Lease Receivables

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

4. Financial Review *(Continued)*

4.1 Continued Analysis on Consolidated Income Statement

4.1.4 Share of Results of Joint Ventures

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

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

4. Financial Review *(Continued)*

4.2 Analysis on Consolidated Statement of Financial Position

Summary of Consolidated Statement of Financial Position

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

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

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

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

4. Financial Review *(Continued)*

4.2 Continued Analysis on Consolidated Statement of Financial Position

Assets

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

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

4.2.1 Loan and Lease Receivables

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

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

4. Financial Review *(Continued)*

4.2 Continued Analysis on Consolidated Statement of Financial Position

4.2.1 Continued *Loan and Lease Receivables*

a) Lease Receivables

Net lease receivables are the gross investment in leases less unearned finance income and accumulated allowance for impairment loss. The following table sets out, as at the dates indicated, a breakdown of the Group's finance lease receivables:

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

4. Financial Review *(Continued)*

4.2 Continued Analysis on Consolidated Statement of Financial Position

4.2.1 Continued *Loan and Lease Receivables*

a) *Lease Receivables (Continued)*

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

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

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

b) *Loan Borrowings*

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

A maturity profile of the loan borrowings based on the maturity date, net of impairment losses, is as follows:

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

4. Financial Review *(Continued)*

4.2 Continued Analysis on Consolidated Statement of Financial Position

4.2.1 Continued Loan and Lease Receivables

c) *Loans to Joint Ventures*

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

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

4.2.2 Property, Plant and Equipment

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

4.2.3 Financial Assets at Fair Value

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

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

Liabilities

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

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

4. Financial Review *(Continued)*

4.2 Continued Analysis on Consolidated Statement of Financial Position

4.2.4 Borrowings – Bank Borrowings

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

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

	2023 HK$'000	2022 HK$'000
On demand or within 1 year	**8,076,673**	7,457,427
After 1 year but within 2 years	**3,842,427**	1,105,387
After 2 years but within 5 years	**4,343,723**	5,003,120
After 5 years	**2,173,222**	4,045,757
	18,436,045	17,611,691

4.2.5 Borrowings – Bonds

As at 31 December 2023, the Group held (i) two guaranteed bonds of US$400,000,000 (approximately HK$3,112,000,000) due 2025 and US$400,000,000 (approximately HK$3,112,000,000) due 2030 bearing interest at 2.5% and 3.0% per annum respectively; and (ii) a green and blue dual-certified bond of US$500,000,000 (approximately HK$3,890,000,000) due 2026 with a coupon rate of 2.10% per annum.

In addition, in March and September 2023, the Group successfully issued the First (Sustainability Linked and Bond Connect) and the Second Tranche of 2023 Medium-term Notes publicly at the PRC Interbank Bond Market with the issue size of RMB1.0 billion (approximately HK$1.11 billion) and RMB1.2 billion (approximately HK$1.28 billion) for a term of three years at a coupon rate of 3.3% and 3.1% per annum, respectively. The Group and the First and the Second Tranche of 2023 Medium-term Notes received "AAA" rating from credit rating agency Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司).

The issuance of the First and the Second Tranche of 2023 Medium-term Notes can lower the Group's finance costs from the high interest rate of bank borrowings. The use of funds includes development of the leasing business (including the green and blue vessel projects), repayment of existing debts and general corporate purposes.

4. Financial Review *(Continued)*

4.2 Continued Analysis on Consolidated Statement of Financial Position

4.2.5 Continued Borrowings – Bonds

The guaranteed bonds were guaranteed by the Company and listed on The Stock Exchange of Hong Kong Limited.

As at 31 December 2023, the bonds were repayable as follows:

	2023 HK$'000	2022 HK$'000
Within 1 year	**111,843**	62,573
After 1 year but within 2 years	**3,112,000**	–
After 2 years but within 5 years	**6,289,663**	7,002,000
After 5 years	**3,112,000**	3,112,000
	12,625,506	10,176,573

4.3 Asset Quality

The Group adopts the three-stage model for impairment loss based on changes in the credit quality of our loan receivables since initial recognition. Financial instrument that is not credit-impaired on initial recognition is classified as "stage 1". The expected credit loss is measured on a 12-month basis. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "stage 2". Financial instrument that is classified as stage 2 is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis. If the financial instrument is credit-impaired, the financial instrument is then transferred to "stage 3". The expected credit loss is measured on lifetime basis. In stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount. 52 The provision for impairment loss recognised for the year is impacted by a variety of factors, including the transfers between stage 1 and stage 2 or stage 3 due to loan receivables experiencing a significant increase (or decrease) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime expected credit loss, the additional provisions for new financial instruments recognised, as well as releases for loan receivables derecognised in the period, and loan receivables derecognised and write-offs of provisions related to assets that were written off during the period.

4. Financial Review *(Continued)*

4.3 Continued Asset Quality

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

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Provision for impairment of loan and lease receivables as at 31 December 2023	**92,378**	**393,429**	**181,483**	**667,290**
Provision for impairment of loan and lease receivables as at 31 December 2022	135,631	254,098	186,394	576,123

Write-offs

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

4. Financial Review *(Continued)*

4.4 Liquidity and Working Capital

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

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

During the year, the Group had sufficient cash flow, while the credit facilities granted by the banks to the Company were sufficient, there was no significant change in the indebtedness and credit standing, and the credit ratings and future outlooks assigned to the Company by the credit rating agencies remained unchanged. In addition, during the year, the Group was rated "AAA" for domestic entities by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司) in China, and maintained an "A" (international) and "A-" (international) ratings by Fitch and S&P, respectively. Taking into account the historical and expected future cash flows from operations, unutilised available banking facilities of the Group and the bonds issued by the Group during the reporting period, the Directors expected that the Group would have adequate resources to meet its liabilities and commitment as and when they fall due and be able to continue its operation for the foreseeable future.

4. Financial Review *(Continued)*

4.4 Continued Liquidity and Working Capital

The following table sets out, for the years indicated, a summary of the Group's consolidated statement of cash flows:

	Year ended 31 December	
	2023	2022
	HK$'000	HK$'000
Net cash (used in)/generated from operating activities	**(452,170)**	3,844,684
Net cash used in investing activities	**(2,533,091)**	(1,530,170)
Net cash generated from/(used in) financing activities	**2,726,938**	(2,548,463)
Net decrease in cash and cash equivalents	**(258,323)**	(233,949)
Cash and cash equivalents at the beginning of the year	**1,181,458**	1,427,683
Effect of foreign exchange rate changes on cash and cash equivalents	**14,870**	(12,276)
Cash and cash equivalents at the end of the year	**938,005**	1,181,458

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

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

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

4. Financial Review *(Continued)*

4.5 Bank Loans and Capital Structure

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

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

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

4. Financial Review *(Continued)*

4.5 Continued Bank Loans and Capital Structure

The Group continued to deepen its partnership with core banks based on its existing financing channels in accordance with its strategic development needs, forming in-depth strategic partnerships with banks including the large banks and policy banks, as well as international commercial banks, and successively launched multiple products such as sustainability index-linked liquidity loan, sustainability index-linked project loan, vessel project loans and syndicated loans for vessel projects. As at 31 December 2023, the Group held loan facilities of approximately HK$27.84 billion (approximately US$3.58 billion), utilized loan facilities of approximately HK$18.44 billion (approximately US$2.37 billion) and unutilized bank loan facilities of approximately HK$9.40 billion (approximately US$1.21 billion), and the credit balance was sufficient.

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

5. Risk Management

5.1 Exchange Rate Risk

Exchange rate risk refers to the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The vessels under finance lease and operating lease are purchased in US Dollars (USD), and the corresponding finance lease receivables and fixed assets are denominated in USD, while the main source of funding is bank loans denominated in USD. There is therefore no significant exposure to exchange rate risk. The Group holds some of its monetary funds in Hong Kong dollars, Renminbi and Euros, but the overall proportion is relatively small. In terms of exchange rate structure, the Group continued to uphold its original exchange rate risk management strategies and maintained the basic matching of assets and liabilities in currency.

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

5. Risk Management *(Continued)*

5.2 Interest Rate Risk

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

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

5. Risk Management *(Continued)*

5.2 Continued Interest Rate Risk

Interest rate profile

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

	2023 **HK$'000**	2022 HK$'000
Loan and lease receivables	**16,511,380**	18,573,561
Borrowings	**15,904,429**	17,611,691

Sensitivity analysis

As at 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$5,068,000 (2022: increase/decrease by approximately HK$8,032,000). Other components of equity would not be affected by the changes in interest rates.

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

5. Risk Management *(Continued)*

5.3 Foreign Currency Risk

The Group has foreign currency income, expenses and fund remittances, which expose the Group to foreign currency risk. Since the fluctuation of US$ and HK$ is minimal under the Linked Exchanged Rate System, the directors 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 financial assets and liabilities as at 31 December 2023 and 2022, translated into Hong Kong dollars at the closing rates, are as follows:

	As at 31 December 2023			As at 31 December 2022		
	EUR HK$'000	**SGD HK$'000**	**RMB HK$'000**	EUR HK$'000	SGD HK$'000	RMB HK$'000
Loan and lease receivables	**1,306,589**	**–**	**703,829**	–	–	863,712
Prepayments, deposits and other receivables	**–**	**–**	**9,086**	–	10	10,976
Amounts due from associates	**–**	**–**	**–**	–	29,715	–
Time deposits with maturity over three months	**–**	**–**	**–**	–	–	58,199
Cash and cash equivalents	**25,875**	**3**	**580,067**	387	201	295,656
Other payables and accruals	**(21,249)**	**–**	**(46,788)**	–	(3,925)	(26,879)
Amounts due to non-controlling interests	**–**	**–**	**–**	–	(3,526)	–
Borrowings	**(1,225,510)**	**–**	**(5,248,204)**	–	–	–
Net exposure	**85,705**	**3**	**(4,002,010)**	387	22,475	1,201,664

The following table details the Group's sensitivity to a 5% increase in the relevant functional currencies against HK$ as at 31 December 2023. 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 2023. 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.

	2023 HK$'000	2022 HK$'000
EUR	**3,578**	16
SGD	**–***	938
RMB	**(167,084)**	50,169

* Less than HK$1,000

5. Risk Management *(Continued)*

5.3 Continued Foreign Currency Risk

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, foreign currency risk, asset risk, information technology risk and reputation risk. The Group carries out risk management with the strategic objectives of sustainable development of business and enhancement of the Group's value, and has established a comprehensive risk management system. The Group has leveraged its potential in resources to improve the responsiveness in risk management for safeguarding the stable development of its performance. At present, the Group has adopted a stable strategy in relation to risk appetite. With regard to the selection of industries, the Group prefers industries and fields with mature business models, economies of scale and excellent asset quality. In terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or high-quality listed companies. In terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management, and accelerate the transfer of leased assets by combining various operation strategies, taking into account the market environment and the features of leased properties. While realizing the steady growth of the business, the Group achieves a return on investment commensurate with the risks and maintains risk levels within an acceptable range. Based on the characteristics of the leasing industry, its own risk tolerance and risk appetite, the Group has established an effective risk identification, evaluation, monitor, control and reporting mechanism to support the effective implementation of the Company's risk management policies through a sound management information system to actively strengthen risk assessment and management system. Meanwhile, it will strengthen the proactive response management of risks; reduce the overall business risks by carrying out asset risk management in different countries, regions and industries; strive to maximize the risk return by actively adjusting the business strategy of the industry, establishing the customer credit quantitative assessment model and debt assessment model, strengthening the customer access standards, and improving the risk assessment system; and realize the value creation of risk management by improving the business quality and resource allocation efficiency of the Group. In 2023, the Group continued to strengthen the establishment of a comprehensive risk management system and promoted the improvement of corporate risk governance structure; comprehensively assessed the Company's risk management strategy system, formulated a comprehensive risk management optimization plan for the Group's main risk categories and business segments, and established a comprehensive risk management structure that matches the business development strategies, operation objectives, financial conditions and compliance management objectives.

6. Contingent liabilities

Details of the Group's contingent liabilities during the Reporting Year are set out in note 35 to the consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Director

Mr. Zhong Jian (鐘堅), aged 60, was a non-executive Director appointed in September 2019. He was re-designated as an executive director and appointed as the chairman of the Board on 29 April 2020. Mr. Zhong is primarily responsible for overseeing our general management, strategic development, investments, human resources, project evaluation and compliance.

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

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

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

Non-Executive Directors

Ms. Zhang Yi (張軼), aged 53, was appointed as a non-executive Director on 29 September 2022. She is currently serving as the director of foreign operations of China Re Asset Management Co., Ltd.* (中再資產管理股份有限公司), and the executive director and general manager of China Re Asset Management (Hong Kong) Company Limited* (中再資產管理(香港)有限公司).

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

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

Mr. Zhang Qipeng (張啟鵬), aged 44, was appointed as a non-executive Director on 4 November 2022.

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

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

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

Mr. Chi Benbin (遲本斌), aged 50, was appointed as a non-executive Director on 24 February 2023.

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

Independent Non-Executive Directors

Mr. Wang Dennis (王德銀), aged 61, was appointed as an independent non-executive Director on 10 November 2020. Mr. Wang is primarily responsible for the independent supervision of the management of the Group.

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

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

Mdm. Shing Mo Han Yvonne (盛慕嫻), *BBS, JP*, aged 68, is an independent non-executive Director appointed in May 2019. Mdm. Shing is primarily responsible for overseeing the management of our Group independently.

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

Mdm. Shing is a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. She is a founding member and former president of the Association of Women Accountants (Hong Kong) Limited, and is the former chairman of Hong Kong Institute of Certified Public Accountants' Taxation Committee.

Mdm. Shing's current public appointments include member of the Deposit Protection Board, and her past public appointments include treasurer of the Council of the Hong Kong Academy for Performing Arts, council member of the Hong Kong Polytechnic, member of the Telecommunications Affairs Committee of the Communications Authority, member of the Citizens Advisory Committee on Community Relations and the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption, and board member of the Hospital Authority.

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

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

Mr. Li Hongji (李洪積), aged 67, is an independent non-executive Director appointed in May 2019. Mr. Li is primarily responsible for overseeing the management of our Group independently.

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

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

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

Senior Management

Mr. Li Xi (李晞), aged 59, is the general manager of the Company appointed in March 2022. Mr. Li previously served as the ship repairing supervisor, the associate director of production management department of ship repairing branch of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司修船分廠), the head of heavy industry branch of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司重工分廠), the associate director of business department, the director of business department, the general manager assistant, the deputy general manager, the general manager and the chairman of Guangzhou Wenchong Shipyard Co. Ltd.* (廣州文沖船廠有限責任公司), the deputy general manager of the CSSC Huangpu Wenchong Shipbuilding Company Limited* (中船黃埔文沖船舶有限公司), which is a subsidiary of China State Shipbuilding Corporation Limited* (中國船舶工業集團有限公司).

Ms. Li Jun (李峻), aged 51, is the chief accountant of the Company. Ms. Li is primarily responsible for assisting our general manager in the overall management of our accounting matters, financing and capital operations.

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

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

Mr. Teng Fei (滕飛先生), aged 48, was appointed as a vice general manager (multi-divisional) of the Company (in charge of business) on 4 April 2022. He has been the general manager assistant of our Company since August 2017. Immediately prior to his current position in our Company, he served as the marketing director of our Company from March 2016 to August 2017 and the deputy general manager of business department from February 2014 to March 2016. Prior to joining the Company, he successively served as the deputy general manager of Third Shipping Department and First Shipping Department in China Shipbuilding Trading Company* (中國船舶工業貿易公司) from January 2003 to February 2014, and as a project manager, and later as a deputy section chief, of the sales department of Hudong-Zhonghua Shipbuilding (Group) Company Limited* (滬東中華造船(集團)有限公司) from August 1997 to January 2003.

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

Mr. Ding Weisong (丁唯淞先生), aged 41, was appointed as the company secretary and a vice general manager (asset and risk control division) of the Company on 28 September 2018 and 4 April 2022, respectively. He is also the general legal counsel of our Company. Mr. Ding worked in China Shipbuilding Trading Company* (中國船舶工業貿易公司) from July 2007 to December 2012, where his last position was project manager. He joined our Company in December 2012, where he has been serving in a number of positions including deputy general manager of the credit and structured finance department, general manager of the finance department, general manager of the risk management department, chief legal counsel and general manager of the risk management department and general manager of the Board of Directors' Office.

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

Mr. Wang Hai (王海), aged 51, was appointed as the board secretary of the Company in April 2022. Currently, he also serves as the general manager of the General Management Department and general manager of the Office of the Board of Directors. Mr. Wang was an assistant accountant, accountant and costing supervisor of Sifang Institute of the Ministry of Railways. He was an accountant and costing supervisor of Sifang Institute of China CNR Group. He was an assistant to the general manager, the chief financial officer and executive deputy general manager of Nuctech Hong Kong Company Limited as well as the deputy head of the finance department, deputy general manager and member of finance and economic committee of Nuctech Company Limited. He was also a director of a number of subsidiaries of Nuctech Company Limited in Poland, Belgium, Israel, Singapore, South Africa, Kenya, Laos, Mexico, Panama and Morocco.

Mr. Wang obtained a bachelor's degree in economics from Nanjing University of Finance and Economics in the PRC in July 1996 and a master's degree in business administration from Tsinghua University in the PRC in July 2006, and was named as an outstanding graduate of Tsinghua University. He was certified as a certified public accountant in China in April 2000 and was awarded as a senior accountant in December 2016. He is also a senior member of the Chinese Accounting Society. He was appointed as the second and third Management Accounting Consultant of the Ministry of Finance and the fourth advisory member of the China Accounting Standards Committee. In September 2023, he was appointed as an expert member of the Transitional Implementation Group (TIG) of the International Sustainability Standards Board (ISSB).

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board is pleased to present the report and the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "**Reporting Year**").

Global Offering

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

Principal Activities

The Company is a ship leasing, investment and operation company, together with its subsidiaries (collectively, the "**Group**") provides integrated shipping services (including operating leases and shipbroking services) and financial services (including finance leases and loans borrowings). An analysis of the Group's business segment for the year ended 31 December 2023 is set out in note 5 to the consolidated financial statements.

The loans granted under the leasing services primarily consist of long-term loans with tenure of up to 15 years and are secured by collaterals, including corporate guarantees, refund guarantees, personal guarantees, mortgage and/or assignment of the underlying shipbuilding agreements and/or vessels while the loans granted under the loan services consist of short-term loans with tenure of less than 5 years and are secured by mortgages only. The customers of the leasing services and the loan services are similar and generally include ship operators and trading companies. The operation of the principal business is primarily funded by bank borrowings, cash generated from the operation of the Group, share capital from Shareholders and bond issuance.

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

Results

The results of the Group for the year ended 31 December 2023 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 110 and 111 of this annual report, respectively.

Final Dividend

To share the fruitful results of the Group among all Shareholders, the Board recommends the payment of a final dividend of HK$0.09 per Share out of the distributable reserve of the Company in respect of the year ended 31 December 2023. The date of closure of the register of members of the Company regarding the entitlement of final dividend will be announced in due course. The proposed final dividend is expected to be paid on or before 31 July 2024 following approval at the forthcoming AGM.

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

Business Overview

Financial Overview

A summary of the Group's results and its assets and liabilities for the past five financial years is set out on pages 10 to 12 of this annual report. This summary does not form part of the audited consolidated financial statements.

Major Customers and Suppliers

Major Customers

For the year ended 31 December 2023, the transaction amounts of the top five customers of the Group accounted for 51.8% of the Group's total revenue (2022: 49.7%), while the transaction amounts of the single largest customer of the Group accounted for 12.4% of the Group's total revenue (2022: 10.7%).

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

Major Suppliers

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

Property, Plant and Equipment

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

Share Capital

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

Reserves

Details of movements in the reserves of the Company and the Group during the Reporting Year are set out in the consolidated statement of changes in equity on page 114 of this annual report.

Reserves Available for Distribution

As at 31 December 2023, the Company's reserves available for distribution calculated under Part 6 of the Companies Ordinance (Cap. 622, Laws of Hong Kong) (the "**Companies Ordinance**") amounted to approximately HK$601,266,000 (2022: HK$721,042,000).

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2023 are set out in note 24 to the consolidated financial statements.

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

On 17 August 2023, the Company, as borrower, entered into a facility agreement (the "**Facility Agreement**") with a bank, as lender (the "**Lender**"), pursuant to which the Lender has agreed to grant a loan to the Company in the amount up to RMB750,000,000 to finance the working capital of the Company. The maturity date of the facility is 36 months from the date of the first draw down.

Pursuant to the Facility Agreement, the Company undertakes that, throughout the life of the facility, China State Shipbuilding Corporation Limited* (中國船舶集團有限公司)("**China Shipbuilding Group**") shall, among others, (i) remain as an enterprise directly under the management of the SASAC (國資委); and (ii) remain as a controlling shareholder of the Company.

Directors

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

Executive Director:

Mr. Zhong Jian *(Chairperson)*

Non-executive Directors:

Ms. Zhang Yi
Mr. Zhang Qipeng
Mr. Chi Benbin (appointed on 24 February 2023)
Mr. Zou Yuanjing (resigned on 24 February 2023)

Independent Non-executive Directors:

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

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

Therefore, Ms. Zhang Yi, Mr. Zhang Qipeng and Mr. Li Hongji shall retire by rotation, and being eligible, offer themselves for re-election at the AGM.

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

Directors and Senior Management

Biographical details of the Directors and senior management of the Company are set out on pages 54 to 61 of this annual report.

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

Confirmation of Independence from the Independent Non-executive Directors

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

Directors' Service Contracts and Letters of Appointment

Mr. Zhong Jian has entered into a service contract with the Company for a period of three years commencing from 29 April 2023. With regard to the appointment as an independent non-executive Director, Mr. Wang Dennis has signed a letter of appointment with the Company for an initial term of three years commencing from 11 November 2023. Each of Mdm. Shing Mo Han Yvonne and Mr. Li Hongji has signed a letter of appointment with the Company for an initial term of three years commencing from 17 June 2022.

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

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

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

Directors' Interests in Transactions, Arrangements or Contracts of Significance

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

Management Contracts

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

Employee and Emolument Policy

As at 31 December 2023, the Group had a total of 86 employees, approximately 37% of whom were located in Hong Kong. The Group has a team of high-quality talents with a bachelor's degree or above. As at 31 December 2023, approximately 96% of the Group's employees had a bachelor's degree or above. The Group endeavors to create a competitive and fair system for remuneration and welfare. The remuneration package of the Group's employees includes basic salary, performance-related bonus and share-based payment. The Group reviews the remuneration packages and performance of its employees on an annual basis.

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

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

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Group are set out in notes 10 and 28 to the consolidated financial statements.

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

As at 31 December 2023, based on the information available to the Company, Directors and chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as follows:

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

Note:

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

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company, or which were required to be otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2023, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interests	Number of Shares	Long/Short position	Approximate percentage of shareholding in the Company (%)
SASAC	Interest in controlled corporation[1]	4,602,046,234	Long position	75.00
China Shipbuilding Group	Interest in controlled corporation[1]	4,602,046,234	Long position	75.00
CSSC Group	Interest in controlled corporation[1]	4,602,046,234	Long position	75.00
CSSC International Holding Company Limited ("**CSSC International**")	Beneficial owner[1]	4,602,046,234	Long position	75.00
Central Huijin Investment Ltd.	Interest in controlled corporation[2]	522,490,000	Long position	8.51
China Re Asset Management (Hong Kong) Company Limited	Investment manager[2]	522,490,000	Long position	8.51
China Reinsurance (Group) Corporation ("**China Reinsurance**")	Beneficial owner[2]	522,490,000	Long position	8.51

Notes:

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

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

Save as disclosed above, as at 31 December 2023, as far as the Directors are aware, no any other persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

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

Purpose of the Scheme

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

Participants of the Scheme

Participants of the Scheme shall be employees of the Company and include executive Directors and senior management members of the Company, as well as core technical personnel and backbone management who are considered by the Board to have a direct impact on the Company's overall operating performance.

Maximum number of Shares to be granted under the Scheme

The maximum number of Shares to be issued upon the exercise of the share options shall not in aggregate exceed 613,606,623 Shares, representing approximately 10% of the total number of issued Shares as at the date of approval of the Scheme at the EGM. 172,250,000 share options had been granted by the Company under the Scheme up to the date of this annual report. Therefore, the number of share options available for further grant at the beginning and at the end of the Reporting Year is 441,356,623, and the number of Shares available for issue under the Scheme is 551,794,423 Shares, representing approximately 8.98% of the total number of issued Shares as at the date of this annual report.

As no share options were granted under the Scheme during the year ended 31 December 2023, the number of Shares that could be issued in respect of the share options granted under the Scheme during the Reporting Year divided by the weighted average number of Shares in issue during the Reporting Year is nil.

Maximum entitlement of each participant under the Scheme

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

Share Option Scheme *(Continued)*

Time limit for exercise of share options

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

Exercise price

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

The remaining life of the Scheme

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

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

Share Option Scheme *(Continued)*

The remaining life of the Scheme *(Continued)*

Particulars and movements of share options granted under the Scheme during the year ended 31 December 2023 are set out below:

Name or category of participant	Position(s) held with the Group	Number of share options: As of 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	Forfeited during the period	As of 31 December 2023	Estimated fair value per share option (HK$)	Date of grant	Exercise period of share options (both dates inclusive) (Note)	Exercise price (HK$)	Closing price of the shares of the Company immediately before the Date of Grant (HK$)
Director												
Mr. Zhong Jian	Chairman and Executive Director	12,650,000	–	–	–	–	12,650,000	0.277	30/4/2021	30/4/2021-29/4/2031	1.32	1.32
Sub-total		12,650,000	–	–	–	–	12,650,000					
Other employees of the Group												
Employees in aggregate		74,820,000	–	(812,000)	–	–	74,008,000	0.303	30/4/2021	30/4/2021-29/4/2031	1.32	1.32
		28,710,000	–	–	–	–	28,710,000	0.298	4/4/2022	4/4/2022-3/4/2032	1.15	1.15
Sub-total		103,530,000	–	(812,000)	–	–	102,718,000					
Total		116,180,000	–	(812,000)	–	–	115,368,000					

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

Note:

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

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

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

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

Directors' Rights to Acquire Shares or Debentures

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

Principal Risks and Uncertainties

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

Environmental Policies and Performance

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

Compliance with Laws and Regulations

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

Equity-linked Agreement

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

Purchase, Redemption or Sales of the Listed Securities

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

Pledge of Assets

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

Deed of Non-competition

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

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

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

Directors' Interest in Competing Business

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

Connected Transactions and Continuing Connected Transactions

Non-exempt continuing connected transactions

On 9 January 2023, CSSC Tianjin entered into the Capital Increase Agreement with the existing shareholders of the JV Company, pursuant to which, CSSC Tianjin has agreed to make a capital contribution of RMB134,200,000 in cash to the registered capital of the JV Company. Following completion of the Capital Increase, the JV Company will be owned as to approximately 26.31%, 22.53%, 26.82%, 8.91%, 13.00%, 0.43% and 2.00% by CSSC Tianjin, Qingdao Conson Oceantec Valley Development Co., Ltd, Qingdao Ocean Innovation Industry Investment Fund Co., Ltd, Qingdao Ocean New Kinetic Energy Industry investment Fund (L.P), CSSC Capital Holdings (Tianjin), Qingdao Lanliang Ocean Engineering Technology Co., Ltd. and Qingdao Dacheng Fishery Technology Co., Ltd., respectively.

As at the date of this agreement, CSSC Capital Holdings (Tianjin) is an indirect wholly-owned subsidiary of China Shipbuilding Group, which is a controlling shareholder of the Company. Accordingly, CSSC Capital Holdings (Tianjin) is a connected person of the Company. The JV Company is therefore an associate of China Shipbuilding Group and a connected person of the Company and the Capital Increase constituted a connection transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more applicable percentage ratios of the transaction contemplated under the Capital Increase Agreement, when aggregated with the Initial Capital Contribution, is more than 0.1% but less than 5%, the Capital Increase is only subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Non-exempt continuing connected transactions *(Continued)*

On 6 June 2023 (after trading hours), Shanghai Jiahang Ship Leasing Co., Ltd.* (being a wholly owned SPV of the Company) as purchaser and Wuxi Dongfang Ship Research High Performance Ship Engineering Co., Ltd.* ("**Wuxi Dongfang**") as vendor entered into four Shipbuilding Agreements to acquire the Vessels at a total consideration of RMB75,574,000 (equivalent to approximately HK$85,868,000).

As at the date of this agreement, China Shipbuilding Group (through CSSC Group) is interested in 4,602,046,234 Shares, accounting for approximately 75% of the issued share capital of the Company. As China Shipbuilding Group, the sole shareholder of CSSC Group, is the indirect shareholder of Wuxi Dongfang, Wuxi Dongfang is a connected person of the Company. Therefore, the Acquisitions constituted connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Shipbuilding Agreements and the transactions contemplated thereunder exceed 0.1% but all of them are less than 5% and the Shipbuilding Agreements were made on normal commercial terms, the Shipbuilding Agreements and the transactions contemplated thereunder are subject to reporting and announcement requirements but are exempt from the circular and the Shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Non-exempt continuing connected transactions *(Continued)*

During the year ended 31 December 2023, the Group had entered into the following continuing connected transactions:

Continuing connected transactions	Related parties involved	Nature	Annual cap permitted under the Listing Rules (HK$ million)	Transaction amounts in 2023 (HK$ million)
Framework property leasing agreement (Note 1)	CSSC Group and/or its associates	Leasing of properties	26.4	18.0
Framework shipbroking agreement (Note 2)	CSSC Group and/or its associates	Shipbroking services	91.5	8.5

Notes:

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

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

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

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

Connected Transactions and Continuing Connected Transactions *(Continued)*

Continuing connected transactions

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

(1) have been approved by the Board;

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

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

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

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

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

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

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

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

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

Charity Donation

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

Material Legal Proceedings

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

Permitted Indemnity Provisions

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

Material Acquisitions and Disposals

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

Events after the Reporting Year

There was no significant event affecting the Group since the end of the Reporting Year.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") has, together with the senior management of the Group, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements for the year ended 31 December 2023.

Corporate Governance Practices

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the corporate governance report on pages 81 to 103 in this annual report.

Public Float

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

Auditor

The consolidated financial statements for the year ended 31 December 2023 have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming Annual General Meeting. A resolution to reappoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming Annual General Meeting.

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

Hong Kong, 26 March 2024

CORPORATE GOVERNANCE REPORT

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

Corporate Governance Practices

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its Shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix C1 to the Listing Rules as its own code of corporate governance.

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

Corporate Culture

The Board leads to establish, promote and continually reinforce the desired corporate culture of the Company which is underpinned by our corporate values of committing highest standard of business ethics and integrity. Our sound corporate culture reaches all levels of the Group, and aligns with the Company's mission, corporate values and strategies.

The Board

Responsibilities

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

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

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

Board Composition

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

Executive Director:

Mr. Zhong Jian *(Chairman)*

Non-executive Directors:

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

Independent Non-executive Directors:

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

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

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

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

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

Board Composition *(Continued)*

The Company acknowledges the significance of Board member diversity in enhancing the effectiveness of corporate governance and the Board. To enhance the effective functioning of the Board and uphold a high standard of corporate governance, the Nomination Committee has developed a diversity policy for the Board. This policy ensures an appropriate balance of diversity in various aspects, including the skills, experience, and perspectives of the Board members. The nomination and appointment of members of the Board will continue to follow the principle of meritocracy based on business needs and consideration of the benefits of Board diversity. The principal responsibilities of the Nomination Committee are to identify persons qualified for being Directors and give sufficient consideration to the policy of Board diversity throughout the selection process. The Nomination Committee will formulate measurable objectives for the selection of Directors. The selection of Director candidates will be based on a series of considerations and references made to the business model and specific demand of the Company (including, but not limited to, sex, age, race, language, cultural background, education background, industrial experience and professional experience). The Nomination Committee is responsible for reviewing the Board's diversity policy to ensure its effective implementation. This includes evaluating measurable objectives and overseeing the progress of these objectives. To maintain the Board's sustained effectiveness, the Nomination Committee conducts an annual review of both the policy and the measurable objectives.

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

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

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

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

As of the date of this report, the Board comprised five male Directors and two female Directors. The Board considers that it is sufficiently diversified in terms of gender and the balance of skills and experience.

Board Composition *(Continued)*

The gender ratio of employees of the Company during the year ended 31 December 2023 is set out in the Environmental, Social and Governance Report for the Reporting Year. The Company will continue to take steps to promote gender diversity at all levels of the Group, including but not limited to the Board and senior management.

Independence of the Board

The Company is committed to promoting a high level of Board independence. The Board must be satisfied that each of the independent non-executive Directors is not related to the Group in all material respects. Independence of the independent non-executive Directors is determined by the Board based on the requirements set out in the Listing Rules. Each of the independent non-executive Directors has provided the Company with a written confirmation of his or her independence for the 2023 financial year (including his or her immediate family members) pursuant to Rule 3.13 of the Listing Rules. The Board is of the view that they continue to be independent. The Board has mechanisms in place to ensure independent views and opinions of Directors are conveyed to the Board. The chairman of the Board schedules annual meetings with the independent non-executive Directors in the absence of other Directors to encourage them to express their independent views and to promote an open and constructive dialogue. During the year, the chairman of the Board held two meetings with the independent non-executive Directors to discuss matters relating to the Group and its operations. In addition, all Directors (including the independent non-executive Directors) provide valuable views and advice to the Board through the Board's performance review as mentioned in this report. The Board has reviewed these mechanisms and their implementation in the 2023 financial year and is of the view that such mechanism are effectively implemented.

Induction and Continuous Professional Development

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

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

Induction and Continuous Professional Development *(Continued)*

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

Name of Directors	Nature of Continuous Professional Development
Mr. Zhong Jian	A/B
Ms. Zhang Yi	A/B
Mr. Zou Yuanjing[(1)]	A/B
Mr. Zhang Qipeng	A/B
Mr. Chi Benbin[(2)]	A/B
Mr. Wang Dennis	A/B
Mdm. Shing Mo Han Yvonne, *BBS, JP*	A/B
Mr. Li Hongji	A/B

Notes:

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

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

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

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

Chairman and Chief Executive Officer

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

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

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

Appointment and Re-election of Directors

With regard to the re-designation as an executive Director, Mr. Zhong Jian has entered into a service contract with the Company for an initial period of three years commencing from 29 April 2020. With regard to the appointment as an independent non-executive Director, Mr. Wang Dennis has signed a letter of appointment with the Company for an initial term of three years commencing from 11 November 2023. Each of Mdm. Shing Mo Han Yvonne and Mr. Li Hongji has signed a letter of appointment with the Company for an initial term of three years commencing from 17 June 2022.

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

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

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

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

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

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

Board Meetings

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

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

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

Board Meetings *(Continued)*

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

Directors	Number of Board meetings attended/held	Number of general meeting attended/held
Mr. Zhong Jian	8/8	1/1
Ms. Zhang Yi	8/8	1/1
Mr. Zou Yuanjing [(1)]	Not Applicable	Not Applicable
Mr. Zhang Qipeng	6/8	1/1
Mr. Chi Benbin [(2)]	4/8	0/1
Mr. Wang Dennis	8/8	1/1
Mdm. Shing Mo Han Yvonne, *BBS, JP*	7/8	1/1
Mr. Li Hongji	8/8	1/1

Notes:

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

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

Model Code for Securities Transactions by Directors

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

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

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

Risk Management and Internal Control

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

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

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

The Group's risk management and internal control systems are reviewed by the Audit Committee annually. The Audit Committee has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2023, and considers it effective and adequate. The Group has an internal audit function.

Board Committees

During the Reporting Year, the Board had Audit Committee, Nomination Committee, Remuneration Committee, Strategic and Investment Committee and ESG and Sustainable Development Committee. The Board established the ESG and Sustainable Development Committee on 24 February 2023.

The ESG and Sustainable Development Committee currently comprises of three members, including Mr. Zhong Jian, Mr. Wang Dennis, and Mdm. Shing Mo Han Yvonne. Mr. Zhong Jian is the Chairperson of the ESG and Sustainable Development Committee.

The main responsibilities of the ESG and Sustainable Development Committee include: (i) reviewing and formulating the Company's ESG and sustainable development management policies, strategies, principles, targets and vision; (ii) supervising the formulation and implementation of the Company's ESG objectives; (iii) monitoring major trends in ESG so as to report the relevant risks and opportunities affecting the sustainable development, ESG policies, strategies and targets of the Company to the Board; (iv) reviewing the identification and prioritization of important ESG issues of the Group; (v) reviewing the Company's annual ESG Report and other ESG-related disclosures; (vi) identifying and assessing ESG risks and opportunities related to the Company; (vii) providing suggestions to the Board regarding the response to ESG risks or opportunities; (viii) exercising other authorities specified or recommended by the Listing Rules (including the provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules); and (ix) performing other ESG duties assigned by the Board.

Audit Committee

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

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

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

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

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

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

Board Committees *(Continued)*

Audit Committee *(Continued)*

The Audit Committee held three meetings during the year ended 31 December 2023 to discuss and consider the following:

- Review of the interim results of the Company and its subsidiaries for the six months ended 30 June 2023;
- Review of the Company's 2022 Environmental, Social and Governance Report, review of the Company's continuing connected transactions, consideration of the 2022 risk management and internal audit exercise, consideration of the 2022 internal control evaluation report, and consideration of the resolution in respect of the adjustment on the annual auditor's work programme; and
- Review of the financial reporting systems, compliance procedures, internal controls (including the adequacy of the resources, qualifications, training courses and budget for the employees of the accounting and financial reporting department of the Company), risk management systems and procedures, and re-appointment of external auditor.

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

Directors	**Number of meetings attended/ eligible to attend**
Mdm. Shing Mo Han Yvonne, *BBS, JP*	3/3
Mr. Wang Dennis	3/3
Mr. Li Hongji	3/3
Ms. Zhang Yi	3/3
Mr. Zhang Qipeng	1/3
Mr. Zou Yuanjing (1)	Not Applicable

Note:

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

Board Committees *(Continued)*

Nomination Committee

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

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

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

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

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

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

(e) To review the Board diversity policy.

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

The Nomination Committee held two meetings during the year ended 31 December 2023 to discuss and consider the following:

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

Board Committees *(Continued)*

Nomination Committee *(Continued)*

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

Directors	**Number of meetings attended/ eligible to attend**
Mr. Zhong Jian	2/2
Mr. Chi Benbin [1]	0/1
Mr. Wang Dennis	2/2
Mdm. Shing Mo Han Yvonne, *BBS, JP*	2/2
Mr. Li Hongji	2/2

Note:

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

Remuneration Committee

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

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

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

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

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

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

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

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

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

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

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

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

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

The Remuneration Committee held four meetings during the year ended 31 December 2023 to discuss and consider the following:

- Review of the proposal regarding the recommendation of the level of remuneration for the nominated non-executive Director;

- Review of the proposal regarding the determination of the results of the comprehensive evaluation of professional managers in 2022 and honoring of performance based annual salary;

- Review of the proposal regarding the settlement of the 2022 gross payroll budget and the 2023 budget work;

- Review of the proposal regarding the settlement of the 2023 gross payroll budget; and

- Review of the proposal regarding the implementation of 2022 excess profit reward.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

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

Directors	Number of meetings attended/ eligible to attend
Mr. Wang Dennis	4/4
Mdm. Shing Mo Han Yvonne, *BBS, JP*	3/4
Mr. Li Hongji	4/4

Strategic and Investment Committee

The current members of the Strategic and Investment Committee include one executive Director, namely Mr. Zhong Jian (Chairperson), three non-executive Directors, namely Ms. Zhang Yi, Mr. Zhang Qipeng and Mr. Chi Benbin, and one independent non-executive Director, namely Mr. Wang Dennis.

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

(a) To conduct research on the long-term strategic planning, investment policies and major investment projects of the Company and make recommendations, and to monitor and follow up on major investment projects approved by the shareholders' meeting and the Board and to notify all Directors in a timely manner. "Major investment projects" herein refer to external investment and annual investment plans that are subject to the approval of the Board;

(b) To conduct research on other major matters that may have impacts on the development of the Company and make recommendations to the Board; and

(c) To consider and implement other matters, as defined or assigned by the Board or otherwise required by the Listing Rules from time to time.

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

The Strategic and Investment Committee held four meetings during the year ended 31 December 2023 to discuss and consider the following:

To review and formulate the outline of the Company's high-quality development strategy; to review the 2023 equity investment plan; to review and amend the 2023 equity investment plan; to review the proposal on capital increase of CSSC Shanghai; to review and amend the Company's "14th Five-Year Plan".

Board Committees *(Continued)*

Strategic and Investment Committee *(Continued)*

The attendance of members of the Strategic and Investment Committee at the meetings is set out in the following table:

Directors	Number of meetings attended/ eligible to attend
Mr. Zhong Jian	4/4
Ms. Zhang Yi	4/4
Mr. Zhang Qipeng	3/4
Mr. Chi Benbin [1]	2/4
Mr. Wang Dennis	4/4

Note:

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

ESG and Sustainable Development Committee

The current members of the ESG and Sustainable Development Committee include one executive Director, namely Mr. Zhong Jian (Chairperson), and two independent non-executive Directors, namely Mr. Wang Dennis and Mdm. Shing Mo Han Yvonne.

The main duties and responsibilities of the ESG and Sustainable Development Committee are as follows:

(a) To guide, review and formulate the Company's ESG and sustainable development management policies, strategies, principles, targets and vision to ensure that they keep pace with the times, meet the needs, and comply with applicable laws and regulatory requirements;

(b) To supervise the formulation and implementation of the Company's ESG objectives, including establishing the Company's ESG management efficiency targets; reviewing the progress of target achievement and providing suggestions on the actions to be taken in order to achieve the targets;

(c) To monitor major trends in ESG so as to report the relevant risks and opportunities affecting the sustainable development, ESG policies, strategies and targets of the Company to the Board;

(d) To guide and review the identification and prioritization of important ESG issues of the Group;

(e) To review the annual ESG Report and other ESG-related disclosures, and to make recommendations to the Board for approval;

Board Committees *(Continued)*

ESG and Sustainable Development Committee *(Continued)*

(f) To identify ESG risks and opportunities related to the Company, assess the effect of such risks or opportunities on the Group, and provide suggestions to the Board regarding the response to risks or opportunities;

(g) Other authorities exercisable by the Committee specified or recommended by the Listing Rules (including the provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules); and

(h) To perform other duties assigned by the Board.

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

The ESG and Sustainable Development Committee held one meeting during the year ended 31 December 2023 to discuss and consider the following:

- To review the 2022 ESG Report.

The attendance of members of the ESG and Sustainable Development Committee at the meeting is set out in the following table:

Directors	**Number of meeting attended/ eligible to attend**
Mr. Zhong Jian	1/1
Mr. Wang Dennis	1/1
Mdm. Shing Mo Han Yvonne, *BBS, JP*	1/1

Directors' Remuneration Policy

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

Remuneration of Directors and Senior Management

Details of the remuneration of the members of the Board and the senior management of the Company as set out on pages 54 to 61 of this annual report for the year ended 31 December 2023 are as follows:

Remuneration band	Number of individuals
Nil to HK$1,000,000	6
HK$1,000,001 to HK$1,500,000	0
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	3
HK$3,000,001 to HK$3,500,000	1

The remuneration band shown above excludes share-based compensation benefits. 28,865,100 share options were vested for the year ended 31 December 2023.

Directors' Responsibilities for Financial Reporting in Respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor regarding its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 104 to 109 of this annual report.

Auditor's Remuneration

The approximate auditor's remuneration in respect of the audit and non-audit services provided by Grant Thornton Hong Kong Limited to the Company and the Group during the year ended 31 December 2023 is as follows:

Type of services	**Amount** (HK$'000)
Audit services	4,010
Non-audit services	930
Total	4,940

Company Secretary

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

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

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

Communication with Shareholders and Investor Relationship Enquiries to the Board

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

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

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

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

Shareholders' Rights

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

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

Dividend Policy

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

Convening a General Meeting

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

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

Propose Resolutions at the AGM

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

Making Inquiries to the Board

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

Amendments to Constitutional Documents

The Company has adopted the Articles of Association effective from the Listing Date on 17 June 2019, and approved the amendments to the Articles of Association at the annual general meeting of the Company held on 30 June 2022. The latest Articles of Association of the Company are available on the websites of the SSE, the Stock Exchange and the Company. During the Reporting Year, there were no changes to the Articles of Association.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

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 110 to 220, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in our audit
Lease arrangements	
Refer to notes 2.15 and 4 to the consolidated financial statements. Management assessed the classification of leases in accordance with Hong Kong Financial Reporting Standard 16 "Leases". The Group has entered into certain agreements whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased vessels to the lessees/borrowers, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair value of the leased assets at the inception of the leases. Accordingly, the Group has excluded the vessels from its consolidated statements of financial position and has instead, recognised finance lease receivables. Otherwise the Group includes the vessels under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease which involves critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets, the incremental borrowing rate in the calculation of the present value of minimum lease payments and whether the purchase option will be exercised. Due to the significance of management's judgments and estimates applied in assessing the classification of leases, we considered this as a key audit matter.	We performed the following procedures to assess management's classification of leases: • examined the lease agreements and discussed with management the key terms in order to identify any inconsistency from our understanding; • performed the following procedures for the appropriateness of the judgments made by management in the determination of lease classification on a sample basis: – assessed the impact of the agreed terms in the lease agreements on the classification; – tested the mathematical accuracy of the present value of minimum lease payment calculation and verified relevant input data (i.e. lease terms, lease payments and lease period) to the agreements; – assessed the reasonableness of the incremental borrowing rate of the respective lease arrangement; – evaluated the appropriateness of the economic lives and the fair value of leased assets with reference to similar types of assets in the market; and – assessed the existence of the purchase option under the lease arrangement by checking to the lease agreements and possibility of lessees/borrowers to exercise such option by comparing the rate to exercise to the current market rate.

Key Audit Matters *(Continued)*

Key Audit Matter	How the matter was addressed in our audit

Impairment of loan and lease receivables

Refer to notes 2.9, 3.2(i), 4 and 17 to the consolidated financial statements.

As at 31 December 2023, the net carrying amounts of the Group's loan and lease receivables amounted to approximately HK$23,734,332,000, in which provision for impairment loss of approximately HK$667,290,000 were recorded.

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

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

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

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

- we understood the process for identification of impairment indicators and tested the calculation of provision for impairment on loan and lease receivables;
- we selected samples, in consideration of the financial information and non-financial information of the lessees/borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of receivables with significant increase in credit risk since initial recognition and credit-impaired loan and lease receivables;
- we reviewed the methodologies for ECL for impairment assessment and assessed the reasonableness of significant judgments and assumptions including, inputs, assumptions and estimation techniques. We tested whether or not the measurement methods reflect the methodologies documented by management;
- we examined major data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness; and
- for loan and lease receivables in stages 2 and 3, we examined, on a sample basis, financial information of the lessees/borrowers and other available information.

Key Audit Matters *(Continued)*

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

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 March 2024

Lam Yau Hing
Practising Certificate No.: P06622

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	5	**3,626,148**	3,208,242
Other income	6	**65,589**	58,489
Other gains, net		**53,402**	66,076
Expenses			
Finance costs and bank charges	7	**(1,106,305)**	(760,216)
Provision of impairment of loan and lease receivables, net	17	**(91,167)**	(90,260)
Depreciation		**(492,937)**	(476,724)
Employee benefits expenses	10	**(106,306)**	(124,696)
Vessel operating costs		**(310,838)**	(302,857)
Other operating expenses		**(90,133)**	(146,385)
Total expenses		**(2,197,686)**	(1,901,138)
Profit from operations	8	**1,547,453**	1,431,669
Share of results of joint ventures	15	**426,653**	348,214
Share of results of associates	16	**(30,285)**	(24,242)
Profit before income tax		**1,943,821**	1,755,641
Income tax expense	9	**(32,154)**	(21,131)
Profit for the year		**1,911,667**	1,734,510
Profit for the year attributable to:			
Equity holders of the Company		**1,901,606**	1,684,909
Non-controlling interests		**10,061**	49,601
		1,911,667	1,734,510
Earnings per share (HK$)	12		
Basic		**0.310**	0.275
Diluted		**0.310**	0.275

The notes on pages 117 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**1,911,667**	1,734,510
Other comprehensive (expense)/income including reclassification adjustments for the year		
Items that will be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations	**(24,070)**	(115,020)
– Share of other comprehensive income of joint ventures, net	**(14,574)**	61,193
– Fair value change of financial assets at fair value through other comprehensive income (debt instruments)	**484**	(8,355)
– Fair value change of derivative financial instruments (cash flow hedges)	**(173,158)**	398,091
– Reclassification adjustment from hedging reserve to profit or loss	**119,569**	3,324
Item that will not be reclassified subsequently to profit or loss:		
– Fair value change of financial assets at fair value through other comprehensive income (equity instruments)	**–**	700
Total other comprehensive (expense)/income for the year	**(91,749)**	339,933
Total comprehensive income for the year	**1,819,918**	2,074,443
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**1,809,858**	2,025,029
Non-controlling interests	**10,060**	49,414
Total comprehensive income for the year	**1,819,918**	2,074,443

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
ASSETS			
Property, plant and equipment	13	**16,227,335**	15,924,752
Right-of-use assets	14	**22,888**	28,240
Interests in joint ventures	15	**1,469,330**	1,093,817
Interests in associates	16	**97,372**	52,429
Loan and lease receivables	17	**23,734,332**	20,610,300
Derivative financial assets	18	**424,226**	511,817
Prepayments, deposits and other receivables	19	**1,161,296**	40,459
Financial assets at fair value through profit or loss	20	**296,157**	686,726
Financial assets at fair value through other comprehensive income	21	**427,768**	94,478
Deferred tax assets	27	**3,668**	4,125
Amounts due from associates	22	**24,740**	29,715
Amounts due from joint ventures	22	**109,197**	52,792
Amounts due from fellow subsidiaries	22	**3,186**	2,047
Time deposits with maturity over three months	23	**198,915**	200,107
Pledged time deposits	23	**5,144**	7,628
Cash and cash equivalents	23	**938,005**	1,181,458
Total assets		**45,143,559**	40,520,890
LIABILITIES			
Income tax payables		**53,485**	33,422
Borrowings	24	**31,333,427**	27,788,264
Derivative financial liabilities	18	**98,291**	–
Deferred tax liabilities	27	**1,008**	–
Amount due to a joint venture	22	**207,794**	207,172
Amounts due to non-controlling interests	22	**162,383**	168,227
Other payables and accruals	25	**433,304**	651,517
Lease liabilities	26	**23,956**	29,962
Total liabilities		**32,313,648**	28,878,564
Net assets		**12,829,911**	11,642,326

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
EQUITY			
Share capital	29	**6,615,789**	6,614,466
Reserves		**6,096,083**	4,898,486
		12,711,872	11,512,952
Non-controlling interests		**118,039**	129,374
Total equity		**12,829,911**	11,642,326

The consolidated financial statements on pages 110 to 220 were approved by the Board of Directors on 26 March 2024 and were signed on its behalf.

ZHONG JIAN	**SHING MO HAN YVONNE**
Director	*Director*

The notes on pages 117 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to equity holders of the Company									
	Share capital HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Other reserves HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2023	**6,614,466**	**(505)**	**402,406**	**83,957**	**25,998**	**(96,902)**	**4,483,532**	**11,512,952**	**129,374**	**11,642,326**
Profit for the year	–	–	–	–	–	–	**1,901,606**	**1,901,606**	**10,061**	**1,911,667**
Other comprehensive income/(expense) for the year	–	**484**	**(53,589)**	**(14,574)**	–	**(24,069)**	–	**(91,748)**	**(1)**	**(91,749)**
Total comprehensive income for the year	–	**484**	**(53,589)**	**(14,574)**	–	**(24,069)**	**1,901,606**	**1,809,858**	**10,060**	**1,819,918**
Appropriations to statutory surplus reserve	–	–	–	**1,596**	–	–	**(1,596)**	–	–	–
Disposal of debt instruments at fair value through other comprehensive income (recycling)	–	**(120)**	–	–	–	–	–	**(120)**	–	**(120)**
Transactions with equity holders										
– Issuance of shares under share option scheme (note 29)	**1,323**	–	–	–	**(251)**	–	–	**1,072**	–	**1,072**
– Dividends (note 37)	–	–	–	–	–	–	**(613,631)**	**(613,631)**	**(21,395)**	**(635,026)**
Equity settled share-based payments	–	–	–	–	**1,741**	–	–	**1,741**	–	**1,741**
At 31 December 2023	**6,615,789**	**(141)**	**348,817**	**70,979**	**27,488**	**(120,971)**	**5,769,911**	**12,711,872**	**118,039**	**12,829,911**
At 1 January 2022	6,614,466	9,620	991	23,945	10,335	17,931	3,347,218	10,024,506	79,960	10,104,466
Profit for the year	–	–	–	–	–	–	1,684,909	1,684,909	49,601	1,734,510
Other comprehensive (expense)/income for the year	–	(7,655)	401,415	61,193	–	(114,833)	–	340,120	(187)	339,933
Total comprehensive income for the year	–	(7,655)	401,415	61,193	–	(114,833)	1,684,909	2,025,029	49,414	2,074,443
Appropriations to statutory surplus reserve	–	–	–	(1,181)	–	–	1,181	–	–	–
Disposal of equity investments at fair value through other comprehensive income (non-recycling)	–	(2,470)	–	–	–	–	2,470	–	–	–
Transactions with equity holders										
– Dividends (note 37)	–	–	–	–	–	–	(552,246)	(552,246)	–	(552,246)
Equity settled share-based payments	–	–	–	–	15,663	–	–	15,663	–	15,663
At 31 December 2022	6,614,466	(505)	402,406	83,957	25,998	(96,902)	4,483,532	11,512,952	129,374	11,642,326

The notes on pages 117 to 220 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Net cash generated from operations	32.1	**537,855**	4,597,648
Interest received		**60,902**	51,586
Interest paid		**(1,044,383)**	(772,802)
Income tax refunded		**4,073**	–
Income tax paid		**(10,617)**	(31,748)
Net cash (used in)/generated from operating activities		**(452,170)**	3,844,684
Cash flows from investing activities			
Investment in joint ventures		**–**	(66,063)
Investment in associates		**(76,507)**	(1)
Increase in time deposits with maturity over three months		**(121)**	(75,686)
Decrease/(Increase) in pledged time deposits		**2,484**	(7,628)
Decrease in structured bank deposits		**–**	58,336
Payment of purchase of vessels and property, plant and equipment		**(2,626,111)**	(1,990,801)
Payment of acquisition of right-of-use assets		**–**	(18)
Dividend received from financial assets at fair value through other comprehensive income		**–**	8,402
Dividend received from a joint venture		**36,566**	–
Proceeds from disposal of property, plant and equipment		**176,465**	466
Proceeds from disposal of asset held for sale		**–**	221,449
Payment for purchase of financial assets at fair value through other comprehensive income		**(427,900)**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**95,094**	272,300
Proceeds from disposal of financial assets at fair value through profit or loss		**217,902**	38,900
Proceeds from/(payments for) settlement of derivative financial instruments		**24,147**	(38,124)
Decrease in loans to joint ventures		**97,459**	31,303
Decrease/(Increase) in amounts due from associates		**4,975**	(4,460)
(Increase)/Decrease in amounts due from joint ventures		**(56,405)**	20,461
(Increase)/Decrease in amounts due from fellow subsidiaries		**(1,139)**	994
Net cash used in investing activities		**(2,533,091)**	(1,530,170)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from financing activities			
Proceeds from issuance of bonds	32.2	**2,389,067**	–
Proceeds from borrowings	32.2	**15,077,111**	13,779,459
Repayment of borrowings	32.2	**(14,083,140)**	(15,770,635)
Payment of lease liabilities	32.2	**(17,022)**	(16,711)
Dividends paid		**(635,026)**	(552,246)
Proceeds from a joint venture during the year	32.2	**622**	–
Repayment to joint ventures during the year	32.2	**–**	(51,264)
Proceeds from issuance of share capital		**1,072**	–
Proceeds from non-controlling interests during the year	32.2	**–**	135,992
Repayment to non-controlling interests during the year	32.2	**(5,746)**	(55,646)
Repayment to fellow subsidiaries during the year	32.2	**–**	(17,412)
Net cash generated from/(used in) financing activities		**2,726,938**	(2,548,463)
Net decrease in cash and cash equivalents		**(258,323)**	(233,949)
Cash and cash equivalents at 1 January		**1,181,458**	1,427,683
Effect of foreign exchange rate changes on cash and cash equivalents		**14,870**	(12,276)
Cash and cash equivalents at 31 December	23	**938,005**	1,181,458

The notes on pages 117 to 220 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. General information

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

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of integrated shipping services (including operating lease services and ship brokerage services) and financing services (including finance lease services and loan borrowings).

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

2. Summary of material accounting policies

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

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

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

2.1 Basis of preparation *(Continued)*

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

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA which are relevant to the Group's operation and effective for the consolidated financial statements for the period beginning on 1 January 2023:

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

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

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

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

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

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

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

2.1 Basis of preparation *(Continued)*

Amendments to HKAS 8 "Definition of Accounting Estimates"

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

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

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

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

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

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

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments. The key impact of the Group relates to disclosure of components of deferred tax assets and liabilities in note 27 of the consolidated financial statements.

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

2.1 Basis of preparation *(Continued)*

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

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

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

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

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

Issued but not yet effective HKFRSs

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective date not yet determined

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

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

2.2 New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will take effect on 1 May 2025 (the "**Transition Date**"). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' Mandatory Provident Fund Scheme (the "**MPF**") contributions to offset long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the "**Abolition**"). In addition, the last month's salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 (the "**Practical Expedient**") to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" ("**the Guidance**") that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group ceased to apply the Practical Expedient and reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 19.

This change does not have any material impact to the opening balance of equity at 1 January 2022, the consolidated statement of financial position as at 31 December 2022 and 2023, and the consolidated income statement and consolidated statement of comprehensive income for the years then ended. It also does not have a material impact on the company-level statements of financial position as at 31 December 2022 and 31 December 2023.

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

2.3 Principles of consolidation and equity accounting

Subsidiaries

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

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

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

Associates

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

Joint arrangements

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

Joint ventures

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

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

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

Equity method

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.8.

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

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

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

2.6 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

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

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

2.6 Foreign currency translation *(Continued)*

Group companies *(Continued)*

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates prevailing at the end of the reporting period.

2.7 Property, plant and equipment

Construction in progress

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

Other property, plant and equipment

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

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

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

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

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

2.7 Property, plant and equipment *(Continued)*

Other property, plant and equipment *(Continued)*

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

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

2.8 Impairment of non-financial assets

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

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

2.9 Investments and other financial assets

Classification

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

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

- those to be measured at amortised cost.

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

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

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

Recognition and derecognition

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

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

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

2.9 Investments and other financial assets *(Continued)*

Measurement

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

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

Debt instruments

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

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

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

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

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

2.9 Investments and other financial assets *(Continued)*

Equity instruments

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

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

Impairment

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

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

2.10 Offsetting financial instruments

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

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

2.11 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 as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

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

Cash flow hedges that qualify for hedge accounting

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

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

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

Derivatives that do not qualify for hedge accounting

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

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

2.12 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.

2.13 Revenue recognition

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

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

Finance lease income – refer to note 2.15(i).

Operating lease income – refer to note 2.15(ii).

Interest income – recognised using the effective interest method, refer to note 2.27.

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

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

2.14 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 as other income in the consolidated income statement.

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

2.15 Leases

Definition of a lease and the Group as a lessee

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

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

As a lessee

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

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

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

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

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

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

2.15 Leases *(Continued)*

As a lessee *(Continued)*

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

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

2.15 Leases *(Continued)*

As a lessor

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

(i) Finance lease

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

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

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

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

2.15 Leases *(Continued)*

As a lessor *(Continued)*

(ii) Operating lease

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

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

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

2.16 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.

2.17 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.

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

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

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

2.19 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.

2.20 Borrowings

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

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

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

2.21 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.

2.22 Current and deferred income tax

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

Current income tax

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

Deferred income tax

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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

2.22 Current and deferred income tax *(Continued)*

Deferred income tax *(Continued)*

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.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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. Summary of material accounting policies *(Continued)*

2.23 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to LSP if the eligibility criteria are met. The LSP are defined benefits plans.

(a) *Defined contribution plans*

The Group participated 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.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(b) *Defined benefit plans*

The amount of long service benefit that an employee will receive on cessation of employment in certain circumstances is defined by reference to the employee's length of service and corresponding salary. The legal obligations for any benefits remains with the Group.

The LSP obligations recognised in the consolidated statement of financial position is the present value of the LSP obligation at the end of the reporting period.

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

2.23 Employee benefits *(Continued)*

Retirement benefits *(Continued)*

(b) Defined benefit plans (Continued)

Management estimates the LSP obligations annually. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related defined benefit liability.

Defined benefit costs are categorised as follows:

- service cost (including current and past service cost, and gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

Net interest expense on the net defined benefit liability is included in employee benefits expenses.

Gains and losses resulting from remeasurements of the net defined benefit liability, comprising actuarial gains and losses, are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Short-term obligations

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

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

2.23 Employee benefits *(Continued)*

Share-based employee compensation

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

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

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "share option reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

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

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.

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

2.23 Employee benefits *(Continued)*

Termination benefits

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

2.24 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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

Diluted earnings per share

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

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

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

2.25 Dividend income

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

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

2.26 Dividend distribution

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

2.27 Interest income

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

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

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

2.28 Financial guarantee contracts

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

- the amount determined in accordance with the ECL model under HKFRS 9; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 “Revenue from Contracts with Customers”.

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

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

2.29 Asset held for sale

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

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

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

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

2.30 Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3. Financial risk management

3.1 Financial instruments by category

Financial assets as at 31 December 2023	Amortised cost HK$'000	Financial assets at fair value HK$'000	Total HK$'000
Derivative financial assets	–	424,226	424,226
Financial assets at fair value through profit or loss	–	296,157	296,157
Financial assets at fair value through other comprehensive income	–	427,768	427,768
Loan and lease receivables	23,734,332	–	23,734,332
Other receivables (excluding prepayments)	216,296	–	216,296
Amounts due from associates	24,740	–	24,740
Amounts due from joint ventures	109,197	–	109,197
Amounts due from fellow subsidiaries	3,186	–	3,186
Time deposits with maturity over three months	198,915	–	198,915
Pledged time deposits	5,144	–	5,144
Cash and cash equivalents	938,005	–	938,005
Total	25,229,815	1,148,151	26,377,966

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

3. Financial risk management *(Continued)*

3.1 Financial instruments by category *(Continued)*

Financial liabilities as at 31 December 2023	**Financial liabilities at amortised cost HK$'000**	**Financial liabilities at fair value HK$'000**	**Total HK$'000**
Borrowings	**31,333,427**	**–**	**31,333,427**
Derivative financial liabilities	**–**	**98,291**	**98,291**
Other payables and accruals (excluding deposits received)	**88,136**	**–**	**88,136**
Amounts due to non-controlling interests	**162,383**	**–**	**162,383**
Amount due to a joint venture	**207,794**	**–**	**207,794**
Lease liabilities	**23,956**	**–**	**23,956**
Total	**31,815,696**	**98,291**	**31,913,987**

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors

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

(i) Credit risk

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

The amounts due from the fellow subsidiaries, joint ventures, and associates are considered by management to be fully recoverable with no significant increase in credit risk identified.

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Impairment allowance policies for loan and lease receivables

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Impairment allowance policies for loan and lease receivables (Continued)

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

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

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

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

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

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) ***Credit risk*** *(Continued)*

Impairment allowance policies for loan and lease receivables (Continued)

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

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

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

(2) Identification of default and credit-impaired assets

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

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Impairment allowance policies for loan and lease receivables (Continued)

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

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

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

Provision for impairment

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

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Provision for impairment (Continued)

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

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Provision for impairment of loan and lease receivables as at 1 January 2023	**135,631**	**254,098**	**186,394**	**576,123**
Transfer from stage 1 to stage 2	**(1,993)**	**1,993**	**–**	**–**
Transfer from stage 2 to stage 1	**51,749**	**(51,749)**	**–**	**–**
Net ECL allowance recognised/(reversed)	**(93,009)**	**189,087**	**(4,911)**	**91,167**
Provision for impairment of loan and lease receivables as at 31 December 2023	**92,378**	**393,429**	**181,483**	**667,290**
Provision for impairment of loan and lease receivables as at 1 January 2022	91,621	162,868	231,374	485,863
Transfer from stage 1 to stage 2	(2,161)	2,161	–	–
Transfer from stage 2 to stage 1	40,632	(40,632)	–	–
Net ECL allowance recognised/(reversed)	5,539	129,701	(44,980)	90,260
Provision for impairment of loan and lease receivables as at 31 December 2022	135,631	254,098	186,394	576,123

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Provision for impairment (Continued)

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

	Stage 1 12-month ECL HK$'000	Stage 2 Lifetime ECL HK$'000	Stage 3 Lifetime ECL HK$'000	Total HK$'000
Loan and lease receivables as at 1 January 2023	**17,882,955**	**3,116,292**	**187,176**	**21,186,423**
Transfer from stage 1 to stage 2	**(353,866)**	**353,866**	**–**	**–**
Transfer from stage 2 to stage 1	**344,143**	**(344,143)**	**–**	**–**
Loan and lease receivables originated/ (derecognised) during the year other than write-off	**2,712,729**	**523,304**	**(4,911)**	**3,231,122**
Exchange rate realignment	**(15,141)**	**–**	**(782)**	**(15,923)**
Loan and lease receivables as at 31 December 2023	**20,570,820**	**3,649,319**	**181,483**	**24,401,622**
Loan and lease receivables as at 1 January 2022	20,854,481	1,864,607	238,933	22,958,021
Transfer from stage 1 to stage 2	(1,272,972)	1,272,972	–	–
Transfer from stage 2 to stage 1	718,333	(718,333)	–	–
Loan and lease receivables (derecognised)/ originated during the year other than write-off	(2,294,939)	702,661	(32,340)	(1,624,618)
Exchange rate realignment	(121,948)	(5,615)	(19,417)	(146,980)
Loan and lease receivables as at 31 December 2022	17,882,955	3,116,292	187,176	21,186,423

Write-off policy

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(i) Credit risk *(Continued)*

Modification

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

(ii) Liquidity risk

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

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

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

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

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

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

Financial assets

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
As at 31 December 2023						
Derivative financial assets	**424,226**	**–**	**–**	**–**	**424,226**	**424,226**
Financial assets at fair value through profit or loss and other comprehensive income	**723,925**	**–**	**–**	**–**	**723,925**	**723,925**
Loan and lease receivables	**5,044,512**	**3,289,929**	**10,872,380**	**13,944,984**	**33,151,805**	**23,734,332**
Other receivables (excluding prepayments)	**216,296**	**–**	**–**	**–**	**216,296**	**216,296**
Amounts due from associates, joint ventures and fellow subsidiaries	**137,123**	**–**	**–**	**–**	**137,123**	**137,123**
Cash and cash equivalents and time deposits with maturity over three months	**1,136,920**	**–**	**–**	**–**	**1,136,920**	**1,136,920**
Pledged time deposits	**5,144**	**–**	**–**	**–**	**5,144**	**5,144**
	7,688,146	**3,289,929**	**10,872,380**	**13,944,984**	**35,795,439**	**26,377,966**
As at 31 December 2022						
Derivative financial assets	511,817	–	–	–	511,817	511,817
Financial assets at fair value through profit or loss and other comprehensive income	781,204	–	–	–	781,204	781,204
Loan and lease receivables	4,033,999	3,587,995	8,476,048	10,721,763	26,819,805	20,610,300
Other receivables (excluding prepayments)	25,191	–	–	–	25,191	25,191
Amounts due from associates, joint ventures and fellow subsidiaries	84,554	–	–	–	84,554	84,554
Cash and cash equivalents and time deposits with maturity over three months	1,381,565	–	–	–	1,381,565	1,381,565
Pledged time deposits	7,628	–	–	–	7,628	7,628
	6,825,958	3,587,995	8,476,048	10,721,763	29,611,764	23,402,259

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(ii) Liquidity risk *(Continued)*

Financial liabilities

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	After 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
As at 31 December 2023						
Derivative financial liabilities	**98,291**	**–**	**–**	**–**	**98,291**	**98,291**
Other payables and accruals (excluding deposits received)	**88,136**	**–**	**–**	**–**	**88,136**	**88,136**
Amounts due to a joint venture and non-controlling interests	**370,177**	**–**	**–**	**–**	**370,177**	**370,177**
Borrowings	**9,216,103**	**7,742,027**	**11,797,982**	**6,119,401**	**34,875,513**	**31,333,427**
Lease liabilities	**13,490**	**4,607**	**4,572**	**3,556**	**26,225**	**23,956**
	9,786,197	**7,746,634**	**11,802,554**	**6,122,957**	**35,458,342**	**31,913,987**
Financial guarantees issued						
Maximum amount guaranteed	**5,852,256**	**–**	**–**	**–**	**5,852,256**	**–**
As at 31 December 2022						
Other payables and accruals (excluding deposits received)	144,605	–	–	–	144,605	144,605
Amounts due to a joint venture and non-controlling interests	375,399	–	–	–	375,399	375,399
Borrowings	8,422,596	1,957,431	13,584,113	8,107,049	32,071,189	27,788,264
Lease liabilities	15,931	12,072	3,128	–	31,131	29,962
	8,958,531	1,969,503	13,587,241	8,107,049	32,622,324	28,338,230
Financial guarantees issued						
Maximum amount guaranteed	4,365,887	–	–	–	4,365,887	–

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iii) Cash flow and fair value interest rate risk

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

Interest rate profile

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

	2023 **HK$'000**	2022 HK$'000
Loan and lease receivables	**16,511,380**	18,573,561
Borrowings	**15,904,429**	17,611,691

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

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

Instruments used by the Group

Swaps currently in place cover approximately 21% (2022: 21%) of the variable loan principal outstanding. The fixed interest rates of the swaps range between 0.72% and 3% (2022: 0.72% and 3%), and the variable rates of the loans are mainly at 3 month SOFR rate (2022: 3 month LIBOR rate) which, at the end of the reporting period, was 5.36% (2022: 4.77%). The swap contracts require settlement of net interest receivable or payable every 3 months. The settlement dates coincide with or are close with the dates on which interest is payable on the underlying debt. The details and effects of the interest rate swaps on the Group's consolidated financial position and performance are as follows:

	2023 HK$'000	2022 HK$'000
Interest rate swaps designated as cash flow hedges		
Carrying amount	**346,921**	419,163
Notional amount	**3,342,905**	3,652,846
Hedge ratio	**1:1**	1:1
Weighted average hedged rate for the year	**1.59%**	1.60%
	Year	Year
Maturity date	**2028-2032**	2028-2032

Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after taxation and retained profits by approximately HK$5,068,000 (2022: increase/decrease by approximately HK$8,032,000). Other components of equity would not be affected by the changes in interest rates.

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

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iv) Foreign currency risk

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

The carrying amounts of the Group's significant foreign currency denominated financial assets and liabilities as at 31 December 2023 and 2022, translated into Hong Kong dollars at the closing rates, are as follows:

	As at 31 December 2023			As at 31 December 2022		
	EUR HK$'000	SGD HK$'000	RMB HK$'000	EUR HK$'000	SGD HK$'000	RMB HK$'000
Loan and lease receivables	1,306,589	–	703,829	–	–	863,712
Prepayments, deposits and other receivables	–	–	9,086	–	10	10,976
Amounts due from associates	–	–	–	–	29,715	–
Time deposits with maturity over three months	–	–	–	–	–	58,199
Cash and cash equivalents	25,875	3	580,067	387	201	295,656
Other payables and accruals	(21,249)	–	(46,788)	–	(3,925)	(26,879)
Amounts due to non-controlling interests	–	–	–	–	(3,526)	–
Borrowings	(1,225,510)	–	(5,248,204)	–	–	–
Net exposure	85,705	3	(4,002,010)	387	22,475	1,201,664

3. Financial risk management *(Continued)*

3.2 Financial risk factors *(Continued)*

(iv) Foreign currency risk *(Continued)*

The following table details the Group's sensitivity to a 5% increase in the relevant functional currencies against HK$ as at 31 December 2023. 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 2023. 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.

	2023 **HK$'000**	2022 HK$'000
EUR	**3,578**	16
SGD	**–***	938
RMB	**(167,084)**	50,169

* Less than HK$1,000

3.3 Capital risk management

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

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

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "bank borrowings", "bonds" and "other borrowings" as disclosed in note 24 to the consolidated financial statements).

3. Financial risk management *(Continued)*

3.3 Capital risk management *(Continued)*

The gearing ratios as at 31 December 2023 and 2022 were as follows:

	2023 HK$'000	2022 HK$'000
Borrowings	**31,333,427**	27,788,264
Total equity	**12,829,911**	11,642,326
Gearing ratio	**2.4 times**	2.4 times

Loan covenants

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

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

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

3.4 Fair value estimation

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

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

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

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

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

Fair value hierarchy

	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2023					
Financial assets					
Derivative financial assets	18	–	**424,226**	–	**424,226**
Financial assets at fair value through profit or loss	20	–	**296,157**	–	**296,157**
Financial assets at fair value through other comprehensive income	21	**427,768**	–	–	**427,768**
Total financial assets at fair values		**427,768**	**720,383**	–	**1,148,151**
At 31 December 2022					
Financial assets					
Derivative financial assets	18	–	511,817	–	511,817
Financial assets at fair value through profit or loss	20	–	468,886	217,840	686,726
Financial assets at fair value through other comprehensive income	21	94,478	–	–	94,478
Total financial assets at fair values		94,478	980,703	217,840	1,293,021

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

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

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

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

	Fair value at 31 December			Range of inputs		Relationship of unobservable inputs
	2023 HK$'000	2022 HK$'000	**Unobservable inputs**	**2023**	2022	**to fair value**
Unlisted exchangeable note	–	217,840	Discount rate	**N/A**	14.21%	The higher the discount rate, the lower the fair value
			Expected volatility	**N/A**	27.97%	The lower the expected volatility, the lower the fair value.

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

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

3. Financial risk management *(Continued)*

3.4 Fair value estimation *(Continued)*

Valuation processes

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

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

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

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

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

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

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

3.5 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2023 and 2022.

4. Significant accounting judgments and estimates

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

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

Classification of leases

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

The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgments by management. In particular, management assessed the lease term, the present value of minimum lease payments, the nature of leased assets, and that there were no ownership transfers and no purchase options at the end of the lease terms. The key judgments are in respect of the economic lives and fair values of the leased assets and the incremental borrowing rate in the calculation of the present value of minimum lease payments, and whether the purchases option will be exercised. As set out in notes 13 and 17.2 to the consolidated financial statements, vessels in property, plant and equipment and lease receivables consist of leasing during 2023 and 2022. As at 31 December 2023, the carrying amounts of vessels and construction in progress in property, plant and equipment and lease receivables are HK$15,148,542,000 (2022: HK$12,752,267,000), HK$1,069,152,000 (2022: HK$3,160,998,000) and HK$16,526,516,000 (2022: HK$12,291,021,000), respectively.

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

Impairment loss for loan and lease receivables

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

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

The Group measures the loss allowance for loan and lease receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognised 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 period, primarily including the following:

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

(2) Identification of default and credit-impaired assets;

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

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

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

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

Useful lives and residual value of property, plant and equipment

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

The Group estimates the useful life of its vessels with reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of property, plant and equipment is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

Income taxes

Significant management judgments on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimation of the fair values of financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets.

Lease term and discount rate determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying asset and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

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

Impairment of investments in associates and joint ventures

The Group assesses whether there are any indicators of impairment for investments in associates and joint ventures at the end of each reporting period. Investments in associates and joint ventures are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of investment in associates or joint ventures exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. When value in use calculations are undertaken, the Group must estimate the present values of cash flows expected to arise from continuing to hold the investments and choose a discount rate commensurate with the associated risk in order to calculate the present values of those cash flows.

Estimation of LSP obligations

Management's estimate of the LSP obligations is based on a number of critical underlying assumptions such as the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Variation in these assumptions may significantly impact the LSP obligations amount and the annual defined benefit expenses amount.

Any changes in these assumptions will impact the carrying amount of LSP obligations.

5. Segment information and revenue

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

Leasing services

The Group provides 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.

Loan borrowings

Loan borrowings mainly include pre-delivery loan and secured loan. Pre-delivery loan services are offered as part of leasing services and to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. Secured loan services are offered to customers to satisfy their funding needs and are generally secured by customers' vessels or assets.

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.

5. Segment information and revenue *(Continued)*

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

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

	Leasing services HK$'000	Loan borrowings HK$'000	Shipbroking services HK$'000	Total HK$'000
Year ended 31 December 2023				
Segment revenue and revenue from external customers	**2,991,681**	**606,095**	**28,372**	**3,626,148**

	Leasing services HK$'000	Loan borrowings HK$'000	Shipbroking services HK$'000	Total HK$'000
Year ended 31 December 2022				
Segment revenue and revenue from external customers	2,627,206	524,032	57,004	3,208,242

Commission income from charterer included in shipbroking services, are recognised over time method and commission income received from shipbuilder, including in shipbroking services segment, are recognised at point in time method during the year.

For the year ended 31 December 2023, commission income included in shipbroking services are recognised at a point in time and over time amounting to HK$8,646,000 and HK$19,726,000 (2022: HK$27,172,000 and HK$29,832,000) respectively.

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

Segment assets and liabilities

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

5. Segment information and revenue *(Continued)*

Geographic information

During the year, the Group provided a majority of leasing services and financing and other services to customers mainly located in the PRC, Asia, United States and Europe.

The Group's assets, consisted of its property, plant and equipment, right-of-use assets, joint ventures, associates, financial instruments, loan and lease receivables, prepayments, deposits and other receivables, time deposits with maturity over three months, pledged time deposits and cash and cash equivalents. The vessels (included in property, plant and equipment) are primarily utilised across geographical markets throughout the world. Accordingly, it is impractical to present the locations of the vessels by geographical areas and thus no analysis by geographical area is presented.

Revenue by business activities

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

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:

	2023 **HK$'000**	2022 HK$'000
Customer A in the loan borrowings segment	**449,966**	333,800
Customer B in the leasing services segment (note a)	**N/A**	342,017
Customer C in the leasing services segment	**437,223**	334,306
Customer D in the leasing services segment (note b)	**405,327**	N/A

Notes:

a) The corresponding revenue did not individual contribute over 10% of the Group's revenue for the year ended 31 December 2023.

b) The corresponding revenue did not individual contribute over 10% of the Group's revenue for the year ended 31 December 2022.

6. Other income

Other income recognise during the year are as follows:

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

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

During the year ended 31 December 2022, the Group received government subsidies of HK$397,000 from the Employment Support Scheme ("**ESS**"), which aims to retain employment and combat COVID-19, under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7. Finance costs and bank charges

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

8. Profit from operations

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

	2023 HK$'000	2022 HK$'000
Depreciation on		
– property, plant and equipment	**477,742**	461,312
– right-of-use assets	**15,195**	15,412
Foreign exchange (gain)/loss, net	**(981)**	3,660
Employee benefits expenses (note 10)	**106,306**	124,696
Gain on deemed disposal of a joint venture (note 15)	**–**	(9,429)
Net realised gain from settlement of derivative financial instruments	**–**	(211)
Net unrealised (gain)/loss on changes in fair value of financial assets at fair value through profit or loss	**(21,374)**	62,168
Net gain on disposal of debt instruments at fair value through other comprehensive income (recycling)	**(120)**	–
Net gain on disposal of asset held for sales	**–**	(23,498)
Net gain on disposal of property, plant and equipment	**(26,206)**	(258)
Net gain on de-recognition of finance lease receivables	**(122,419)**	(51,597)
Auditors' remuneration		
– audit services	**4,472**	4,465
– non-audit services	**1,425**	1,380

9. Income tax expense

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

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

For the years ended 31 December 2023 and 2022, the PRC corporate income tax is charged at the statutory rate of 25% based on the estimated assessable income as determined with the relevant tax rules and regulations of the PRC.

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

For the year ended 31 December 2023, Malta corporate income tax is charged at the statutory rate of 35% (2022: 35%) of the estimated assessable income as determined with the relevant tax rules and regulations of Malta. Normally, 6/7 of the tax paid would be deducted, taking the effective tax rate to be 5%.

Income tax expense in the consolidated income statement represents:

	2023 **HK$'000**	2022 HK$'000
Current taxation		
– Hong Kong profits tax	**10,978**	10,281
– Overseas taxation	**22,106**	17,089
Under/(over) provision in respect of prior years		
– Hong Kong profits tax	**562**	(4,276)
– Overseas taxation	**(2,875)**	746
	30,771	23,840
Deferred tax		
– Origination and reversal of temporary differences (note 27)	**1,383**	(2,709)
Income tax expense	**32,154**	21,131

9. Income tax expense *(Continued)*

Reconciliation between income tax expense and profit before income tax at the applicable tax rate:

	2023 HK$'000	2022 HK$'000
Profit before income tax	**1,943,821**	1,755,641
(Less)/Add:		
Share of results of joint ventures	**(426,653)**	(348,214)
Share of results of associates	**30,285**	24,242
	1,547,453	1,431,669
Calculated at tax rate of 16.5%	**255,330**	236,225
Effect of different tax rates in other countries	**(29,440)**	(14,505)
Tax effect of income not subject to tax	**(547,232)**	(494,718)
Tax effect of expenses not deductible for tax purpose	**341,586**	296,123
Tax effect of tax losses not recognised	**14,223**	1,172
Over-provision in prior years	**(2,313)**	(3,530)
Others	**–**	364
Income tax expense	**32,154**	21,131

10. Employee benefits expenses and five highest paid individuals

	2023 HK$'000	2022 HK$'000
Wages, salaries, other allowances and benefits in kind (including directors' emoluments)	**97,124**	102,692
Retirement benefit costs (Note)	**7,441**	6,341
Share-based payment expenses	**1,741**	15,663
	106,306	124,696

Note:

At 31 December 2023 and 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

For the year ended 31 December 2022, the individuals whose remuneration was the highest include one director whose remuneration is reflected in the analysis presented in note 11.

The remuneration paid to the five (2022: remaining four) highest individuals are as follows:

	2023 HK$'000	2022 HK$'000
Wages, salaries, other allowances and benefits in kind	**12,210**	9,609
Retirement benefit costs	**1,706**	1,319
	13,916	10,928

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	2023 HK$'000	2022 HK$'000
HK$2,000,001 to HK$2,500,000	**1**	2
HK$2,500,001 to HK$3,000,000	**3**	1
HK$3,000,001 to HK$3,500,000	**1**	1

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the years ended 31 December 2023 and 2022.

In addition to the above remuneration, certain highest paid individuals were granted share options under the share option scheme, details of which were disclosed in note 30.

11. Benefits and Interests of Directors (Disclosures Required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information About Benefits of Directors) Regulation (Cap. 622G) and Listing Rules)

The remuneration of every director are set out below:

Name of Directors	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
			Year ended 31 December 2023		
Chairman and Executive Director					
ZHONG JIAN (note i)	–	923	330	351	1,604
Non-Executive Directors					
ZOU YUANJING (note x)	–	–	–	–	–
ZHANG YI	–	–	–	–	–
ZHANG QIPENG	–	–	–	–	–
CHI BENBIN (note xi)	–	–	–	–	–
Independent Non-Executive Directors					
SHING MO HAN YVONNE	400	–	–	–	400
LI HONGJI	400	–	–	–	400
WANG DENNIS	400	–	–	–	400
Total	1,200	923	330	351	2,804

Name of Directors	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
			Year ended 31 December 2022		
Chairman and Executive Director					
ZHONG JIAN (note i)	–	980	1,738	292	3,010
Executive Director					
HU KAI (note i and vi)	–	223	1,332	105	1,660
Non-Executive Directors					
LI WEI (note vii)	–	–	–	–	–
ZOU YUANJING	–	–	–	–	–
ZHANG YI (note viii)	–	–	–	–	–
ZHANG QIPENG (note ix)	–	–	–	–	–
Independent Non-Executive Directors					
SHING MO HAN YVONNE	350	–	–	–	350
LI HONGJI	350	–	–	–	350
WANG DENNIS	350	–	–	–	350
Total	1,050	1,203	3,070	397	5,720

11. Benefits and Interests of Directors (Disclosures Required by Section 383 of the Companies Ordinance (Cap. 622), Companies (Disclosure of Information About Benefits of Directors) Regulation (Cap. 622g) and Listing Rules) *(Continued)*

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 2023 (2022: 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 2023, 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 (2022: nil). No consideration was provided to or receivable by third parties for making available directors' services (2022: nil). There are no loans, quasi loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2022: 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 2023 (2022: nil).

iv. 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 2023 and 2022.

v. In addition to the above emoluments, certain directors of the Company were granted share options under the share option scheme, details of which were disclosed in note 30.

vi. Mr. Hu Kai resigned all his office in the Company with effect from 4 March 2022.

vii. Mr. Li Wei resigned as a non-executive director of the Company with effect from 29 September 2022.

viii. Ms. Zhang Yi was appointed as the Company's non-executive director on 29 September 2022.

ix. Mr. Zhang Qipeng was appointed as the Company's non-executive director on 4 November 2022.

x. Mr. Zou Yuanjing resigned as a non-executive director of the Company with effect from 24 February 2023.

xi. Mr. Chi Benbin was appointed as the Company's non-executive director on 24 February 2023.

12. Earnings per share

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

	2023 **HK$'000**	2022 HK$'000
Earnings		
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**1,901,606**	1,684,909

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

The calculation of the diluted earnings per share for the year ended 31 December 2023 has not taken into account the effect of the share options of the Company granted on the First Grant Date (as defined in note 30) as they are considered as anti-dilutive (2022: the calculation has not taken into account the effect of the share options of the Company granted on both the First Grant Date and the Second Grant Date (as defined in note 30) as they are considered as anti-dilutive).

13. Property, plant and equipment

	Construction in progress HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
Cost						
At 1 January 2023	**3,160,998**	**14,410,507**	**1,880**	**8,351**	**19,714**	**17,601,450**
Additions	**2,671,672**	**16,109**	**–**	**5,021**	**3**	**2,692,805**
Transfers	**(4,707,432)**	**3,001,440**	**–**	**–**	**–**	**(1,705,992)**
Disposals	**–**	**(211,278)**	**–**	**(5)**	**(222)**	**(211,505)**
Written off	**(56,086)**	**–**	**–**	**–**	**–**	**(56,086)**
Exchange differences	**–**	**–**	**(42)**	**(122)**	**(227)**	**(391)**
At 31 December 2023	**1,069,152**	**17,216,778**	**1,838**	**13,245**	**19,268**	**18,320,281**
Accumulated depreciation						
At 1 January 2023	**–**	**1,658,240**	**1,394**	**6,376**	**10,688**	**1,676,698**
Charge for the year	**–**	**471,015**	**81**	**1,856**	**4,790**	**477,742**
Written back on disposals	**–**	**(61,019)**	**–**	**(5)**	**(222)**	**(61,246)**
Exchange differences	**–**	**–**	**(32)**	**(72)**	**(144)**	**(248)**
At 31 December 2023	**–**	**2,068,236**	**1,443**	**8,155**	**15,112**	**2,092,946**
Net carrying amount						
At 31 December 2023	**1,069,152**	**15,148,542**	**395**	**5,090**	**4,156**	**16,227,335**
Cost						
At 1 January 2022	1,936,812	13,606,460	2,465	7,855	20,709	15,574,301
Additions	2,070,869	4,172	454	877	9	2,076,381
Transfers	(840,850)	840,850	–	–	–	–
Disposals	–	–	(840)	(11)	–	(851)
Exchange differences	(5,833)	(40,975)	(199)	(370)	(1,004)	(48,381)
At 31 December 2022	3,160,998	14,410,507	1,880	8,351	19,714	17,601,450
Accumulated depreciation						
At 1 January 2022	–	1,207,380	2,173	5,495	5,415	1,220,463
Charge for the year	–	454,495	22	1,142	5,653	461,312
Written back on disposals	–	–	(638)	(5)	–	(643)
Exchange differences	–	(3,635)	(163)	(256)	(380)	(4,434)
At 31 December 2022	–	1,658,240	1,394	6,376	10,688	1,676,698
Net carrying amount						
At 31 December 2022	3,160,998	12,752,267	486	1,975	9,026	15,924,752

14. Right-of-use assets

	HK$'000
Cost	
At 1 January 2023	**63,214**
Addition	**10,077**
Written off	**(4,450)**
Exchange differences	**(490)**
At 31 December 2023	**68,351**
Accumulated depreciation	
At 1 January 2023	**34,974**
Charge for the year	**15,195**
Written off	**(4,450)**
Exchange differences	**(256)**
At 31 December 2023	**45,463**
Net carrying amount	
At 31 December 2023	**22,888**
Cost	
At 1 January 2022	56,866
Additions	8,059
Exchange differences	(1,711)
At 31 December 2022	63,214
Accumulated depreciation	
At 1 January 2022	20,158
Charge for the year	15,412
Exchange differences	(596)
At 31 December 2022	34,974
Net carrying amount	
At 31 December 2022	28,240

14. Right-of-use assets *(Continued)*

The Group leases various offices and apartments. Rental contracts are typically entered into for fixed periods of 3 to 8 years without any extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

15. Interests in joint ventures

	2023 HK$'000	2022 HK$'000
At the beginning of the year	**1,093,817**	586,954
Capital injection	**–**	100,807
Share of results of joint ventures	**426,653**	348,214
Share of other comprehensive income of joint ventures, net	**(14,574)**	61,193
Gain on deemed disposal of a joint venture	**–**	9,429
Reclassified to interests in associates (note 16)	**–**	(10,944)
Dividends received	**(36,566)**	–
Exchange differences	**–**	(1,836)
At the end of the year	**1,469,330**	1,093,817

As at 31 December 2023 and 2022, details of the Group's interests in joint ventures which are unlisted corporate entities whose quoted market price is not available, are as follows:

Name	**Place of incorporation/ registration and operation**	**Percentage of equity attributable to the Company at 31 December 2023**	**2022**	**Principal activities**
Sino Singapore Maritime Pte. Ltd.	Singapore	**50%**	50%	Vessel owning and chartering
Ocean Classic Limited	British Virgin Islands ("**BVI**")	**50%**	50%	Chartering services
Vista Shipping Pte. Limited	Singapore	**50%**	50%	Vessel owning and chartering
Sea Jade Investment Limited	Marshall Islands	**25%**	N/A	Vessel owning and chartering

All joint ventures have a reporting date of 31 December.

15. Interests in joint ventures *(Continued)*

Summarised financial information for material joint ventures

The tables below provide summarised financial information of the 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.

	Sino Singapore Maritime Pte. Ltd. 2023 HK$'000
Current assets	783,773
Non-current assets	2,158,008
Current liabilities	(123,237)
Non-current liabilities	(1,210,014)
Revenue	648,269
Profit for the year	372,875
Other comprehensive income	(29,148)
Total comprehensive income	343,727
Cash and cash equivalents	477,089
Current financial liabilities (excluding trade and other payables and provisions)	112,059
Non-current financial liabilities (excluding trade and other payables and provisions)	1,210,014
Depreciation and amortisation	(92,318)
Interest income	118
Interest expense	(53,524)
Income tax expense	–

Reconciliation of summarised financial information:

	Sino Singapore Maritime Pte. Ltd. 2023 HK$'000
Opening net assets as at 1 January	1,337,935
Profit for the year	372,875
Other comprehensive expense	(29,148)
Dividend paid	(73,132)
Closing net assets as at 31 December	1,608,530
Interest in joint venture	50%
Share of net assets	804,265
Carrying value	804,265

15. Interests in joint ventures *(Continued)*

Summarised financial information for material joint ventures *(Continued)*

	Sino Singapore Maritime Pte. Ltd. 2022 HK$'000
Current assets	538,277
Non-current assets	2,253,024
Current liabilities	(127,909)
Non-current liabilities	(1,325,457)
Revenue	592,160
Profit for the year	294,977
Other comprehensive income	122,386
Total comprehensive income	417,363
Cash and cash equivalents	139,575
Current financial liabilities (excluding trade and other payables and provisions)	119,135
Non-current financial liabilities (excluding trade and other payables and provisions)	1,325,457
Depreciation and amortisation	(96,677)
Interest income	17
Interest expense	(48,119)
Income tax expense	–

Reconciliation of summarised financial information:

	Sino Singapore Maritime Pte. Ltd. 2022 HK$'000
Opening net assets as at 1 January	721,129
Capital injection	201,615
Profit for the year	294,977
Other comprehensive income	122,386
Exchange differences	(2,172)
Closing net assets as at 31 December	1,337,935
Interest in joint venture	50%
Share of net assets	668,968
Carrying value	668,968

15. Interests in joint ventures *(Continued)*

The aggregate amount of the Group's share of results of its joint ventures which are individually immaterial as follows:

	2023 **HK$'000**	2022 HK$'000
Aggregate carrying amount of individual joint ventures in the consolidated financial statements	**665,065**	424,849

	2023 **HK$'000**	2022 HK$'000
Net profit for the year	**240,216**	200,725
Other comprehensive income for the year	**–**	–

Commitments of joint ventures in respect of construction of vessels as at 31 December 2023 attributable to the Group were HK$1,902,705,000 (2022: HK$626,290,000).

16. Interests in associates

	2023 **HK$'000**	2022 HK$'000
At the beginning of the year	**52,429**	70,294
Share of results of associates	**(30,285)**	(24,242)
Capital injection	**76,507**	1
Reclassified from interests in joint ventures (note 15)	**–**	10,944
Exchange differences	**(1,279)**	(4,568)
At the end of the year	**97,372**	52,429

16. Interests in associates *(Continued)*

As at 31 December 2023 and 2022, details of the Group's interests in associates which are unlisted corporate entities whose quoted market price is not available, are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company at 31 December		Principal activities
		2023	2022	
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	**26%**	25%	Marine technology
Glory Shipping Pte. Ltd.	Singapore	**35%**	35%	Not yet commence business
CSSC SDARI Energy Saving Technology (Shanghai) Company Limited* 中船斯達瑞節能科技（上海）有限公司	The PRC	**20%**	20%	Energy saving technology
Zhendui Industrial Intelligent Technology Co., Ltd.* 震兌工業智能科技有限公司	The PRC	**16%**	16%	Marine technology

* The English name of the associates represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

Commitments of associates in respect of construction of vessels as at 31 December 2023 attributable to the Group were HK$127,875,000 (2022: Nil).

All associates have a reporting date of 31 December.

17. Loan and lease receivables

	Notes	As at 31 December 2023 Gross amount HK$'000	Allowance for impairment losses HK$'000	Net carrying amount HK$'000
Loan borrowings	17.1	**6,553,344**	**(90,594)**	**6,462,750**
Lease receivables	17.2	**17,103,212**	**(576,696)**	**16,526,516**
Loans to joint ventures	17.3	**745,066**	**–**	**745,066**
		24,401,622	**(667,290)**	**23,734,332**

	Notes	As at 31 December 2022 Gross amount HK$'000	Allowance for impairment losses HK$'000	Net carrying amount HK$'000
Loan borrowings	17.1	7,617,997	(141,243)	7,476,754
Lease receivables	17.2	12,725,901	(434,880)	12,291,021
Loans to joint ventures	17.3	842,525	–	842,525
		21,186,423	(576,123)	20,610,300

Movements in the Group's provision of impairment loss of loan and lease receivables are as follows:

	HK$'000
At 1 January 2022	485,863
Provision for the year	269,163
Reversal during the year	(178,903)
At 31 December 2022 and 1 January 2023	576,123
Provision for the year	284,823
Reversal during the year	(193,656)
At 31 December 2023	667,290

17. Loan and lease receivables *(Continued)*

17.1 Loan borrowings

As at 31 December 2023, loan borrowings were secured, interest bearing at rates ranging from 6.8% to 9.3% (2022: 3.6% to 8.7%) per annum and repayable from 2024 to 2033 (2022: 2023 to 2034). The loan receivables are secured by the respective vessel and certain shares of borrowers, which owned the vessel.

A maturity profile of the loan borrowings based on the maturity date, net of impairment losses, is as follows:

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

17.2 Lease receivables

As at 31 December 2023, the Group's finance lease receivables were secured, interest bearing at rates ranging from 5% to 11.3% (2022: 6% to 10.4%). Details of lease receivables as at 31 December 2023 and 2022 are as follows:

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

17. Loan and lease receivables *(Continued)*

17.2 Lease receivables *(Continued)*

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

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

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

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

During the year ended 31 December 2023, the interest rates of lease receivables amounting to HK$14,421,012,000 (2022: HK$323,203,000) were replaced from London Interbank Offered Rate ("**LIBOR**") to Secured Overnight Financing Rate ("**SOFR**") plus fixed spread adjustment. Since the Group applied the practical expedient upon the modification of these lease receivables provided that the "economically equivalent" criterion is met, there is no impact on the financial position and performance of the Group.

17.3 Loans to joint ventures

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

18. Derivative financial instruments

	2023 HK$'000	2022 HK$'000
Assets		
Interest rate swap – held for trading	**77,305**	92,654
Interest rate swap – cash flow hedges	**346,921**	419,163
	424,226	511,817
Liabilities		
Currency swap – held for trading	**66,535**	–
Cross currency swap – held for trading	**31,756**	–
	98,291	–

Interest rate swap

As at 31 December 2023, the Group has outstanding interest rate swap contracts, which will expire between December 2028 and April 2032 (2022: between December 2028 and April 2032) with notional amount of US$497,573,000, approximately equivalent to HK$3,871,119,000 (2022: US$543,112,000, approximately equivalent to HK$4,225,408,000) to exchange floating interest rates into fixed interest rates in a range of 0.72% to 3% (2022: 0.72% to 3%).

Currency swap

As at 31 December 2023, the Group has outstanding currency swap contracts, which will expire in March 2026 with notional amount of US$204,499,000, approximately equivalent to HK$1,591,005,000 to mitigate exchange rate risks between RMB and USD. These forward contracts did not satisfy the requirements for hedge accounting, the fair value changes of which were recognised in other gains, net.

Cross currency swap

As at 31 December 2023, the Group has outstanding cross currency swap contracts, which will expire in March 2026 with notional amount of US$125,000,000, approximately equivalent to HK$972,500,000 to mitigate exchange rate risks between RMB and USD. These forward contracts did not satisfy the requirements for hedge accounting, the fair value changes of which were recognised in other gains, net.

18. Derivative financial instruments *(Continued)*

Hedging reserves

The Group's hedging reserves disclosed in consolidated statement of changes in equity relate to the following hedging instruments:

	Hedging reserves HK$'000
At 1 January 2022	(991)
Less: Changes in fair value of hedging instrument recognised in other comprehensive income	(398,091)
Reclassified from hedging reserve to profit or loss	(3,324)
At 31 December 2022 and 1 January 2023	**(402,406)**
Less: Changes in fair value of hedging instrument recognised in other comprehensive income	**173,158**
Reclassified from hedging reserve to profit or loss	**(119,569)**
At 31 December 2023	**(348,817)**

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:

	2023 **HK$'000**	2022 HK$'000
Net unrealised gain on interest rate swap not qualifying as hedges included in other gains, net	**(9,600)**	(70,971)
Hedge ineffectiveness of interest rate swap – amount recognised in other gains, net	**19,456**	(11,193)
Net unrealised loss on currency swap not qualifying as hedges included in other gains, net	**66,534**	–
Net unrealised loss on cross currency swap not qualifying as hedges included in other gains, net	**31,756**	–
	108,146	(82,164)

18. Derivative financial instruments *(Continued)*

Amounts recognised in consolidated income statement *(Continued)*

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed by using hypothetical derivative which has terms that mirror those of the hedged item. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Fair value measurement

Details of the methods and assumptions used in determining the fair value of derivatives are as set out in note 3.4.

19. Prepayments, deposits and other receivables

	2023 HK$'000	2022 HK$'000
Prepayments (note a)	**945,000**	15,268
Interest receivables	**9,667**	9,711
Other receivables (note b)	**206,629**	15,480
	1,161,296	40,459

Notes:

a) As at 31 December 2023, included in prepayments is an amount of HK$928,000,000 represents prepayments to a fellow subsidiary for acquisition of vessels for finance lease purposes.

b) As at 31 December 2023, proceeds from disposal of financial assets at fair value through profit or loss included in other receivables amounted to HK$194,041,000.

The carrying amounts of these receivables of the Group approximate their fair values.

20. Financial assets at fair value through profit or loss

	2023 **HK$'000**	2022 HK$'000
Investments in wealth management portfolio	**296,157**	468,886
Investments in exchange notes	**–**	217,840
	296,157	686,726

The movements of financial assets at fair value through profit or loss are as follows:

	2023 **HK$'000**	2022 HK$'000
At 1 January	**686,726**	790,174
Disposals	**(411,943)**	(38,900)
Net changes in fair value	**21,374**	(62,168)
Exchange differences	**–**	(2,380)
At 31 December	**296,157**	686,726

21. Financial assets at fair value through other comprehensive income

	2023 **HK$'000**	2022 HK$'000
Debt instruments – listed debts	**427,768**	94,478

21. Financial assets at fair value through other comprehensive income *(Continued)*

The movements in financial assets at fair value through other comprehensive income are as follows:

	Equity instruments HK$'000	Debt instruments HK$'000	Total HK$'000
At 1 January 2023	**–**	**94,478**	**94,478**
Additions	**–**	**427,900**	**427,900**
Disposals	**–**	**(95,094)**	**(95,094)**
Net changes in fair value	**–**	**484**	**484**
At 31 December 2023	**–**	**427,768**	**427,768**
At 1 January 2022	155,368	220,196	375,564
Disposals	(155,600)	(116,700)	(272,300)
Net changes in fair value	700	(8,355)	(7,655)
Exchange differences	(468)	(663)	(1,131)
At 31 December 2022	–	94,478	94,478

22. Amounts due from/to associates, fellow subsidiaries, joint ventures and non-controlling interests

	2023 HK$'000	2022 HK$'000
Amounts due from associates	**24,740**	29,715
Amounts due from joint ventures	**109,197**	52,792
Amounts due from fellow subsidiaries	**3,186**	2,047

	2023 HK$'000	2022 HK$'000
Amount due to a joint venture	**207,794**	207,172
Amounts due to non-controlling interests	**162,383**	168,227

22. Amounts due from/to associates, fellow subsidiaries, joint ventures and non-controlling interests *(Continued)*

The amounts due from associates are unsecured, interest free, repayable on demand and are denominated in US$ which are non-trade nature.

The amounts due from fellow subsidiaries are unsecured, interest free, repayable on demand and are denominated in HK$ which are non-trade nature.

The amounts due to non-controlling interests are unsecured, interest free, repayable on demand and denominated in US$ and SGD, which are non-trade nature.

The amounts due from/to joint ventures are unsecured, interest free, repayable on demand and denominated in HK$ and US$, which are non-trade nature.

23. Cash and cash equivalents, time deposits with maturity over three months and pledged time deposits

	2023 HK$'000	2022 HK$'000
Time deposits with maturity over three months	**198,915**	200,107
Pledged time deposits	**5,144**	7,628
Cash at bank and on hand	**938,005**	1,181,458
Total	**1,142,064**	1,389,193

The carrying amounts of the Group's cash and cash equivalents, time deposits with maturity over three months and pledged time deposits are denominated in following currencies:

	2023 HK$'000	2022 HK$'000
EUR	**25,875**	387
HK$	**14,930**	3,127
RMB	**580,067**	353,855
SGD	**3**	201
US$	**521,189**	1,031,623
	1,142,064	1,389,193

23. Cash and cash equivalents, time deposits with maturity over three months and pledged time deposits *(Continued)*

The time deposits with original maturity over three months carried interests at prevailing market interest rates. The effective interest rate on deposits with bank as at 31 December 2023 is from 3.15% to 5.64% (2022: from 3.15% to 5%) per annum.

The pledged time deposits carried interests at fixed interest rates. The effective interest rate on pledged time deposits as at 31 December 2023 is 5.34% (2022: 4.49%) per annum.

As at 31 December 2023, the bank balances of the Group denominated in RMB amounted to HK$580,067,000 (2022: HK$353,855,000). 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.

24. Borrowings

	2023	2022
	HK$'000	HK$'000
Bank borrowings	**18,436,045**	17,611,691
Bonds	**12,625,506**	10,176,573
Other borrowings	**271,876**	–
	31,333,427	27,788,264

24. Borrowings *(Continued)*

24.1 Bank borrowings

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

	2023 **HK$'000**	2022 HK$'000
On demand or within 1 year	**8,076,673**	7,457,427
After 1 year but within 2 years	**3,842,427**	1,105,387
After 2 years but within 5 years	**4,343,723**	5,003,120
After 5 years	**2,173,222**	4,045,757
	18,436,045	17,611,691

The interest rates of the borrowings of the Group as at 31 December 2023 were as follows:

	2023 **HK$'000**	2022 HK$'000
Bank borrowings	**From 3.1% to 7.15%**	From 4.91% to 6.22%

As at 31 December 2023, the Group's secured bank borrowings of HK$5,625,430,000 (2022: HK$8,992,860,000) were secured by lease receivables of approximately HK$7,431,473,000 (2022: HK$10,461,470,000), shares of certain subsidiaries, floating charge on deposits of approximately HK$88,898,000 (2022: HK$162,344,000), pledged deposits of approximately HK$5,144,000 (2022: HK$7,628,000), general assignments, bareboat charterer assignments, intra-group loan assignments and property, plant and equipment of approximately HK$3,616,288,000 (2022: HK$4,068,613,000).

As at 31 December 2023, the Group's bank borrowings of HK$12,810,615,000 (2022: HK$8,618,831,000) were unsecured and guaranteed by the Company.

For the year ended 31 December 2023, the interest rates of the Group's bank borrowings amounting to HK$4,692,028,000 (2022: HK$797,324,000) were replaced from LIBOR to SOFR plus fixed spread adjustment. Since the Group applied the practical expedient upon the modification of these bank borrowings provided that the "economically equivalent" criterion is met, there is no impact on the financial position and performance of the Group.

24. Borrowings *(Continued)*

24.2 Bonds

In February 2020, the Group issued two guaranteed bonds of US$400,000,000 (approximately HK$3,112,000,000) due February 2025 and US$400,000,000 (approximately HK$3,112,000,000) due February 2030 bearing interest at 2.5% and 3% respectively.

In July 2021, the Group issued guaranteed bonds of US$500,000,000 (approximately HK$3,890,000,000) due July 2026 bearing interest at 2.1%.

The above guaranteed bonds were guaranteed by the Company and listed on The Stock Exchange of Hong Kong Limited.

In March 2023 and September 2023, the Company issued bonds of RMB1,000,000,000 and RMB1,200,000,000 (approximately HK$1,106,394,000 and HK$1,282,673,000 respectively) due March 2026 and September 2026 bearing interest at 3.3% and 3.1% respectively. These bonds were listed on the PRC inter-bank Bond Market.

As at 31 December 2023, the bonds were repayable as follows:

	2023 **HK$'000**	2022 HK$'000
Within 1 year	**111,843**	62,573
After 1 year but within 2 years	**3,112,000**	–
After 2 years but within 5 years	**6,289,663**	7,002,000
After 5 years	**3,112,000**	3,112,000
	12,625,506	10,176,573

24.3 Other borrowings

As at 31 December 2023, the Group's secured other borrowings of US$34,945,000 (approximately HK$271,876,000) bearing interest at 7.06% were secured by pre-delivery assignments, deed of charge over shares in certain subsidiaries, property, plant and equipment of approximately HK$568,034,000.

As at 31 December 2023, the other borrowings were repayable as follows:

	2023 **HK$'000**	2022 HK$'000
Within 1 year	**2,898**	–
After 1 year but within 2 years	**–**	–
After 2 years but within 5 years	**–**	–
After 5 years	**268,978**	–
	271,876	–

25. Other payables and accruals

	2023 HK$'000	2022 HK$'000
Accruals	**5,161**	41,021
Deposits received	**345,168**	506,912
Other payables	**82,975**	103,584
	433,304	651,517

The carrying amount of other payables and accruals are considered to be the same as their fair values, due to their short-term nature.

26. Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023 HK$'000	2022 HK$'000
Total minimum lease payments:		
Due within one year	**13,490**	15,931
Due in the second to fifth year	**9,179**	15,200
Due after five years	**3,556**	–
	26,225	31,131
Future finance charges	**(2,269)**	(1,169)
Present value of lease payments	**23,956**	29,962

	2023 HK$'000	2022 HK$'000
Present value of minimum lease payments:		
Due within one year	**12,747**	15,133
Due in the second to fifth year	**7,867**	14,829
Due after five years	**3,342**	–
	23,956	29,962

During the year ended 31 December 2023, the total cash outflows for the leases amounted to HK$17,022,000 (2022: HK$16,711,000).

27. Deferred tax

The movement during the year in the deferred tax assets/(liabilities) is as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**4,125**	1,680
Recognised in profit or loss (note 9)	**(1,383)**	2,709
Exchange differences	**(82)**	(264)
At 31 December	**2,660**	4,125

The movements in deferred tax assets and liabilities during the years are as follows:

Deferred tax assets

	ECL allowance HK$'000	Tax losses HK$'000	Right-of-use assets HK$'000	Total HK$'000
At 1 January 2022	65	1,285	330	1,680
Recognised in profit or loss	2,221	803	(315)	2,709
Exchange differences	(102)	(147)	(15)	(264)
At 31 December 2022 and 1 January 2023	2,184	1,941	–	4,125
Recognised in profit or loss	(1,898)	(65)	1,595	(368)
Exchange differences	(36)	(42)	(11)	(89)
At 31 December 2023	250	1,834	1,584	3,668

Deferred tax liabilities

	Lease liabilities HK$'000
At 1 January 2022	–
Recognised in profit or loss	–
Exchange differences	–
At 31 December 2022 and 1 January 2023	–
Recognised in profit or loss	(1,015)
Exchange differences	7
At 31 December 2023	(1,008)

27. Deferred tax *(Continued)*

At 31 December 2023, the Group did not recognise deferred tax assets in respect of tax losses of approximately HK$32,658,000 (2022: HK$18,435,000) due to the unpredictability of future profit streams. Subject to the agreement by Hong Kong tax authorities, such losses of HK$197,930,000 (2022: HK$111,726,000) do not expire under current tax legislation. The Group had no other significant un-provided deferred taxation as at 31 December 2023. Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such unremitted earnings in the unforeseeable future.

28. Long service payment obligations

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, Hong Kong employees that have been employed continuously for at least five years are entitled to LSP under certain circumstances (e.g. dismissal by employers or upon retirement).

The amount of LSP payable is determined with reference to the employee's last monthly salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme, with an overall cap of HK$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligations.

In June 2022, the Government gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Amendment Ordinance will take effect on the Transition Date. Separately, the Government has indicated that it would launch a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date. In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The benefit payment under LSP remains capped at HK$390,000 per employee. If an employee's total benefit payment exceeds HK$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in notes 2.2 and 2.23 to the consolidated financial statements.

29. Share capital

	Numbers of shares ('000)	Share capital HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2022, 31 December 2022 and 1 January 2023	6,136,066	6,614,466
Issuance of shares under share option scheme (Note)	812	1,323
At 31 December 2023	6,136,878	6,615,789

Note:

In August 2023 and September 2023, the issued number of share capital of the Company has been increased by 612,000 and 200,000 ordinary shares respectively upon the exercise of share options at the exercise price of HK$1.32 per share. The total consideration received of HK$808,000 and HK$264,000 was credited to the share capital with the amount of HK$251,000 has been transferred from the share option reserve to the share capital in accordance with the policy set out in note 2.23.

30. Share-based employee compensation

The Company has adopted a share option scheme (the "**Scheme**"), which was approved by the shareholders on the extraordinary general meeting held on 30 April 2021.

Pursuant to which, the maximum number of shares to be issued upon the exercise of the share options shall not in aggregate exceed 613,606,623 shares, representing approximately 10% of the total number of issued shares of the Company as at the date of approval of the Scheme at the extraordinary general meeting.

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

On 30 April 2021 (the "**First Grant Date**") and 4 April 2022 (the "**Second Grant Date**"), the Company granted 143,540,000 and 28,710,000 share options to certain of its directors and employees for nil consideration at an exercise price of HK$1.32 and HK$1.15 per share respectively. The exercise price represents the highest of (i) the closing price as stated in the daily quotations sheet issued by the Stock Exchange on the First and Second Grant Date; and (ii) the average closing price as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the First and Second Grant Date. The options shall be vested to the Grantees during the period and in the respective proportions as follows:

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

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

(iii) The third batch (being 34% of the Share Options granted) will be vested on the first trading day after 48 months from the Grant Date.

30. Share-based employee compensation *(Continued)*

The options are exercisable within a period of ten years from the Grant Date. Each option gives the holder the right to subscribe for one ordinary share in the Company. Details of the Scheme are as set out in the Company's circular dated 13 April 2021.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Details of movements in share options during the year ended 31 December 2023 were as follows:

	2023		2022	
	Number '000	**Weighted average exercise price HK$**	Number '000	Weighted average exercise price HK$
Outstanding at 1 January	**116,180**	**1.28**	143,540	1.32
Granted	**–**	**–**	28,710	1.15
Exercised	**(812)**	**1.32**	–	–
Forfeited	**–**	**–**	(56,070)	1.32
Outstanding at 31 December	**115,368**	**1.28**	116,180	1.28

The weighted average share price for share options exercised during the year ended 31 December 2023 at the date of exercise was HK$1.45. None of the share options were exercised or expired during the year ended 31 December 2022.

As at 31 December 2023, the outstanding share options had a weighted average remaining contractual life of 7.6 years (2022: 8.6 years).

The fair values of options granted were determined by using the Binomial Option Pricing Model that takes into account of factors specific to the share incentive plans. The following principal assumptions were used in the valuation at the respective grant date:

	The First Grant Date	**The Second Grant Date**
Share price at date of grant	HK$1.32	HK$1.15
Exercise price at date of grant	HK$1.32	HK$1.15
Expected volatility	44.2%	43.93%
Expected option life	10 years	10 years
Dividend yield	8.58%	7.5%
Risk-free interest rate	1.15%	2.24%
Post-vesting forfeiture rate	14.16% to 25.44%	12.81%

30. Share-based employee compensation *(Continued)*

Details of the share options granted during the year ended 31 December 2022 were as follows:

	Grant Date	Share options granted during the year ended 31 December 2022	Estimated fair value per share option HK$	Fair value as at the grant date HK$'000
Other employees	4 April 2022	28,710,000	0.298	8,556

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Binomial Option Pricing Model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, HK$1,741,000 (2022: HK$15,663,000) of employee compensation expenses has been recognised in profit or loss for the year ended 31 December 2023 and the corresponding amount of which has been credited to "share option reserve" in equity. No liabilities were recognised in connection with share-based payment transactions.

Certain directors and highest paid individuals held share options during the year. The related charge recognised for such options for the year ended 31 December 2023, estimated in accordance with the Group's accounting policy in note 2.23 was as follows:

(1) Mr. Zhong Jian, HK$877,000 (2022: HK$1,262,000);

(2) Mr. Hu Kai, nil (2022: HK$210,000) and forfeiture amount at nil (2022: HK$1,051,000); and

(3) The five (2022: remaining four) highest paid individuals, HK$864,000 (2022: HK$3,453,000).

31. Related party transactions

The directors of the Company regard CSSC International Holding Company Limited as the immediate holding company, which owns approximately 75% of the Company's issued ordinary shares at 31 December 2023. The ultimate parent company of the Group is China State Shipbuilding Corporation Limited ("**China Shipbuilding Group**") (中國船舶集團有限公司), a state-owned enterprise established in the PRC. China Shipbuilding Group itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include China Shipbuilding Group and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and China Shipbuilding Group as well as their close family members.

31. Related party transactions *(Continued)*

For the years ended 31 December 2023 and 2022, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include bank deposits, bank borrowings and the corresponding interest income and interest expenses and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in these consolidated financial statements, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year ended 31 December 2023.

31.1 Transaction with related parties

Other than as disclosed in elsewhere of these consolidated financial statements, the Group entered into the following related party transactions during the year:

Transactions with fellow subsidiaries:

	2023 **HK$'000**	2022 HK$'000
Commission income	**8,479**	25,355
Rental and utilities expenses	**17,993**	17,556
Purchase of vessels and offshore equipment	**2,604,978**	2,005,258

Transactions with intermediate holding company:

	2023 **HK$'000**	2022 HK$'000
Guarantee expenses	**–**	2,766

Transactions with joint ventures:

	2023 **HK$'000**	2022 HK$'000
Interest income	**39,178**	19,266

Transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

31. Related party transactions *(Continued)*

31.2 Balances with related parties

	2023 HK$'000	2022 HK$'000
Amounts due from		
– Associates	**24,740**	29,715
– Joint ventures	**109,197**	52,792
– Fellow subsidiaries	**3,186**	2,047
Loans to joint ventures	**745,066**	842,525
Amounts due to		
– A joint venture	**207,794**	207,172
– Non-controlling interests	**162,383**	168,227

31.3 Key management personnel compensations

Key management includes executive directors and senior management. The compensations paid or payable to key management for employee services are shown below:

	2023 HK$'000	2022 HK$'000
Wages, salaries and bonuses, other allowances and benefits in kind	**13,463**	16,686
Retirement benefit costs	**2,057**	2,030
Share-based payment expenses	**1,741**	3,646
	17,261	22,362

32. Note to consolidated statement of cash flows

32.1 Reconciliation from profit before income tax to net cash generated from operations

	2023 HK$'000	2022 HK$'000
Profit before income tax	**1,943,821**	1,755,641
Adjustments for		
– Finance costs	**1,101,767**	759,215
– Interest income	**(61,193)**	(49,490)
– Depreciation	**492,937**	476,724
– Dividend income	**–**	(8,402)
– Provision of impairment of loan and lease receivables, net	**91,167**	90,260
– Share-based payment expenses	**1,741**	15,663
– Net gain on disposal of property, plant and equipment	**(26,206)**	(258)
– Gain on disposal of asset held for sale	**–**	(23,498)
– Loss on written off of property, plant and equipment	**56,086**	–
– Net gain on de-recognition of finance lease receivables	**(122,419)**	(51,597)
– Net unrealised loss/(gain) on changes in fair value of derivative financial instruments	**108,146**	(82,164)
– Net realised gain from settlement of derivative financial instruments	**–**	(211)
– Net unrealised (gain)/loss on changes in fair value of financial assets at fair value through profit or loss	**(21,374)**	62,168
– Share of results of joint ventures	**(426,653)**	(348,214)
– Share of results of associates	**30,285**	24,242
– Gain on deemed disposal of a joint venture	**–**	(9,429)
Operating profit before working capital charges	**3,168,105**	2,610,650
Increase in loan and lease receivables	**(4,810,882)**	(231,444)
Increase in prepayments, deposits and other receivables	**(488,668)**	(13,198)
(Decrease)/Increase in other payables and accruals	**(217,736)**	232,822
Proceeds on de-recognition of finance lease receivables	**2,887,036**	1,998,818
Net cash generated from operations	**537,855**	4,597,648

Material non-cash transactions

(i) During the year ended 31 December 2023, the Group has transferred from property, plant and equipment to lease receivables and prepayments, amounting to HK$1,263,858,000 and HK$442,134,000 respectively.

(ii) During the year ended 31 December 2022, the Group has transferred from prepayments to finance lease receivables upon the delivery of the respective vessels for finance leasing and commencement of the respective finance lease arrangements amounting to HK$118,746,000.

(iii) During the year ended 31 December 2022, the Group has subscribed redeemable preference shares of joint venture amounting to HK$26,964,000 and HK$7,780,000 which were settled by netting off amounts due from joint ventures and loans to joint ventures respectively.

32. Note to consolidated statement of cash flows *(Continued)*

32.2 Net debt reconciliation

The table below set out the reconciliation of liabilities arising from financing activities:

	Lease liabilities HK$'000	Amounts due to fellow subsidiaries HK$'000	Amount due to a joint venture HK$'000	Amounts due to a non-controlling interest HK$'000	Borrowings HK$'000
As at 1 January 2022	38,584	17,465	259,216	88,066	29,798,461
Proceeds of borrowings	–	–	–	–	13,779,459
Repayment of borrowings	–	–	–	–	(15,770,635)
Interests paid	–	–	–	–	(772,802)
Principle element of lease liabilities paid	(15,434)	–	–	–	–
Interest element of lease liabilities paid	(1,277)	–	–	–	–
Foreign exchange adjustments	(1,229)	(53)	(780)	(185)	(89,737)
Finance costs incurred	–	–	–	–	843,518
Increase in lease liabilities from entering into new leases during the year	8,041	–	–	–	–
Interest on lease liabilities	1,277	–	–	–	–
Proceeds during the year	–	–	–	135,992	–
Repayment during the year	–	(17,412)	(51,264)	(55,646)	–
As at 31 December 2022 and 1 January 2023	**29,962**	**–**	**207,172**	**168,227**	**27,788,264**
Proceeds from issuance of bonds	**–**	**–**	**–**	**–**	**2,389,067**
Proceeds of borrowings	**–**	**–**	**–**	**–**	**15,077,111**
Repayment of borrowings	**–**	**–**	**–**	**–**	**(14,083,140)**
Interests paid	**–**	**–**	**–**	**–**	**(1,044,383)**
Principle element of lease liabilities paid	**(15,827)**	**–**	**–**	**–**	**–**
Interest element of lease liabilities paid	**(1,195)**	**–**	**–**	**–**	**–**
Foreign exchange adjustments	**(256)**	**–**	**–**	**(98)**	**39,242**
Finance costs incurred	**–**	**–**	**–**	**–**	**1,167,266**
Increase in lease liabilities from entering into new leases during the year	**10,077**	**–**	**–**	**–**	**–**
Interest on lease liabilities	**1,195**	**–**	**–**	**–**	**–**
Proceeds during the year	**–**	**–**	**622**	**–**	**–**
Repayment during the year	**–**	**–**	**–**	**(5,746)**	**–**
As at 31 December 2023	**23,956**	**–**	**207,794**	**162,383**	**31,333,427**

33. Operating lease arrangements

As lessor

The Group leases its vessels under operating lease arrangements, which leases negotiated for terms of 3 to 14 years. None of the leases includes contingent rentals.

At 31 December 2023, the Group had total future minimum lease receivables under non-cancellable operating leases with its leases falling due as follows:

	2023 **HK$'000**	2022 HK$'000
Within one year	**1,860,158**	1,770,491
After 1 year but within 2 years	**1,860,564**	2,358,586
After 2 years but within 3 years	**1,668,360**	2,408,169
After 3 years but within 4 years	**1,505,467**	2,161,441
After 4 years but within 5 years	**1,386,924**	2,267,488
After five years	**6,072,956**	14,424,058
	14,354,429	25,390,233

34. Capital commitments

As at 31 December 2023, capital commitments outstanding contracted but not provided for are as follows:

	2023 **HK$'000**	2022 HK$'000
Contracted for in respect of construction of vessels	**613,609**	9,454,787

35. Provisions and contingencies

The financial guarantees issued by the Group as at 31 December 2023 are analysed as below:

	2023	2022
	HK$'000	HK$'000
Guarantees provided in respect of joint ventures' bank loans	**2,076,074**	1,736,103
Guarantees provided in respect of joint ventures' other borrowings	**893,673**	737,544
	2,969,747	2,473,647

As at 31 December 2023, among the guarantees provided in respect of the joint ventures' bank loan, HK$909,566,000 (2022: HK$1,017,345,000) were jointly and severally guaranteed by the joint venture partners.

As at 31 December 2023, the Group has an outstanding guarantee up to a maximum amount of US$114,868,000 approximately HK$893,673,000 (2022: US$94,800,000 approximately HK$737,544,000) for the punctual performance of the joint ventures in respect of their respective obligations, duties and liabilities of other borrowings. The guarantees will be released upon the end of the charter period.

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the consolidated statement of financial position.

36. Reserves

36.1 Investment revaluation reserve

Investment revaluation reserve represents the reserve of the fair value change from financial assets at fair value through other comprehensive income.

36.2 Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve, see note 18 for details. The cash flow hedge reserve is used to recognise effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 2.11.

36.3 Exchange reserve

Exchange reserve represents the exchange difference on translation of the foreign operations.

36.4 Other reserves

Other reserves represent the statutory surplus reserve and other reserve.

36.5 Share option reserve

Share option reserve represents the portion of the grant date fair value of unexercised share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2.23.

37. Dividends

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

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

38. 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 2023	2022	Principal activities
New Pearl River Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
CP Shanghai Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Guangzhou Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Tianjin Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Chongqing Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Nanjing Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CP Shenzhen Shipping S.A.	Marshall Islands	US$500	**75%**	75%	Operating leasing
CSSC Financial Leasing (Shanghai) Company Limited* # (中船融資租賃(上海)有限公司)	The PRC	RMB100,000,000	**100%**	100%	Finance leasing
CSSC Financial Leasing (Guangzhou) Company Limited* # (中船融資租賃(廣州)有限公司)	The PRC	RMB200,000,000	**100%**	100%	Finance leasing
CSSC Financial Leasing (Tianjin) Company Limited* # (中船融資租賃(天津)有限公司)	The PRC	RMB500,000,000	**100%**	100%	Finance leasing
CSSC Ruiyun (Tianjin) Financial Leasing Co., Ltd.* # (中船瑞雲(天津)融資租賃有限公司)	The PRC	RMB100,000	**100%**	100%	Finance leasing
CSSC Jiyun (Tianjin) Financial Leasing Co., Ltd.* # (中船吉雲(天津)融資租賃有限公司)	The PRC	RMB100,000	**100%**	100%	Finance leasing
CHA First Shipping S.A	Marshall Islands	US$1	**100%**	100%	Finance leasing
CHA Second Shipping S.A	Marshall Islands	US$1	**100%**	100%	Finance leasing
CHC First Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
CHC Second Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
CHC Third Shipping S.A.	Marshall Islands	US$1	**100%**	100%	Operating leasing
Kylin Offshore Engineering Pte Ltd.	Singapore	SGD5,000,000	**70%**	70%	Marine engineering business
Fortune Fuzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Lianjiang Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Loan borrowings
Shenjiamen Shipping S.A	Marshall Islands	US$100	**100%**	100%	Finance leasing

38. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2023	2022	Principal activities
Zhujiajian Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Finance leasing
CP Jinan Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
CP Xian Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
CP Hangzhou Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
CP Fuzhou Shipping S.A.	Marshall Islands	–	**100%**	100%	Operating leasing
Fortune Tianhe Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Haizhu Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Nansha Shipping Limited	Hong Kong	HK$1	**100%**	100%	Loan borrowings
Fortune Ricardo Shipping Limited	Hong Kong	HK$1	**100%**	100%	Finance leasing
Fortune Kun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Zhen Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Xun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Kan Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Li Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Gen Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Dui Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suez I Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suez III Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Xuanyuan Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune East Sea Holding Company Limited	BVI	US$100	**100%**	100%	Loan borrowings and investment holding
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

38. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2023	2022	Principal activities
Essence Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Excellency Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Elmar Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Elsa Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Ernest Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Bec I Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec II Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec III Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec IV Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec V Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
Fortune Bec VI Shipping Limited	Cyprus	EUR$1,000	**100%**	100%	Finance leasing
CP Chartering Company Limited	BVI	US$1	**75%**	75%	Operating leasing
Fortune Guangzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune May Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune July Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Pluto Holding Company Limited	BVI	US$100	**100%**	100%	Loan borrowings
Fortune Harbin Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Central Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune CD Prometheus Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Gentle Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Grit Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Shanghai Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
CSSC Capital 2015 Limited	BVI	US$100	**100%**	100%	Bond issuing
Epoch Shipping S.A.	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Changchun Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing

38. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2023	2022	Principal activities
Fortune Crete Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Great Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Grind Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Lantau Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Leopard Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Pingtan Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Power Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Shenyang Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Tsingyi Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Vbulker Shipping Pte Ltd.	Singapore	US$50,000	**100%**	100%	Finance leasing
Fortune VGAS Shipping I Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune VGAS Shipping II Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune VGAS Shipping III Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune VGAS Shipping IV Pte Ltd.	Singapore	US$100	**100%**	100%	Finance leasing
Fortune Wanchai Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Chem1 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem2 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem3 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem4 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem5 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Chem6 Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune MGAS I Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune MGAS II Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune MC Hercules Shipping Limited	BVI	US$100	**100%**	100%	Finance leasing
Fortune MC Titan Shipping Limited	BVI	US$100	**100%**	100%	Finance leasing

38. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2023	2022	Principal activities
Fortune Santorini Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suqian Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Mudanjiang Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Changle Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Teddy Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Civilization Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Equality Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Freedom Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Integrity Carriers Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Changsha Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Lanzhou Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Lasa Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Sealion I Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Sealion II Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Sealion III Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Sealion IV Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Yangzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Suzhou Shipping Limited	Marshall Islands	US$100	**100%**	100%	Loan borrowings
Fortune Wuxi Shipping Limited	Marshall Islands	US$100	**100%**	100%	Loan borrowings
Fortune Lyra Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Matthew Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Aquila Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Colossians Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Grus Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Ephesians Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing

38. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2023	2022	Principal activities
Fortune Hebrews Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Dongming Maritime Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Elsa Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Faith HLMPP Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Falcon HLMPP Maritime Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Fame HLMPP Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Fighter HLMPP Maritime Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Focus HLMPP Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Force Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Fortune HLMPP Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Freedom HLMPP Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Frontier HLMPP Maritime Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Fusion HLMPP Shipping Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Future 13KMPPF900HL Maritime Limited	Malta	EUR1,200	**100%**	100%	Operating leasing
Fortune Capricorn Holding Limited	BVI	US$100	**100%**	100%	Investment holding
Fortune Car Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Chengdu Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Chongqing Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Geneva Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune HLC Shipping Limited	Liberia	US$100	**100%**	100%	Finance leasing
Fortune Idea Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Image Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Jinhua Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Leo Shipping Limited	Marshall Islands	US$100	**100%**	100%	Operating leasing
Fortune Nanning Shipping Limited	Marshall Islands	US$100	**100%**	100%	Loan borrowings

38. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2023	2022	Principal activities
Fortune Truck Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Vision Shipping Limited	Marshall Islands	US$100	**100%**	100%	Finance leasing
Fortune Xinhang Shipping Pte. Limited	Singapore	US$50,000	**100%**	100%	Finance leasing
Fortune Xintian Shipping Pte. Limited	Singapore	US$50,000	**100%**	100%	Finance leasing
CA Civilization Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
CA Equality Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
CA Freedom Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
CA Integrity Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
CA Harmony Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
CA Honor Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
CA Peace Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
CA Valor Shipping Limited	Liberia	US$100	**60%**	N/A	Operating leasing
Fortune Ropax I Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Ropax II Shipping Limited	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune MGLNG Shipping Company Limited	Liberia	US$500	**100%**	N/A	Finance leasing
Fortune Clean Energy 2023 Holding Limited	Marshall Islands	US$50,000	**100%**	N/A	Investment holding
Fortune Energetic I Shipping Co., Ltd.	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Energetic II Shipping Co., Ltd.	Hong Kong	HK$100	**100%**	N/A	Finance leasing
Fortune Visionary Holding Company Limited	Hong Kong	HK$100	**100%**	N/A	Investment holding
Fortune Osmanthus Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Lily Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Ping Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune AN Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Coconut Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Citrus Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing

38. Investments in subsidiaries *(Continued)*

Name	Country/place of Incorporation/establishment	Issued and fully paid share capital/ registered capital	Effective interest held at 31 December 2023	2022	Principal activities
Fortune Pineapple Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Lychee Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune COLLIE Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Magnificent Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Nanjing Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Fortune Zurich Shipping Limited	Hong Kong	HK$100	**100%**	100%	Finance leasing
Shanghai Jiahang Ship Leasing Co., Ltd.* # (上海佳杭船舶租赁有限公司)	The PRC	RMB100,000	**100%**	100%	Finance leasing
Fortune Pillar Shipping Limited	Hong Kong	HK$100	**100%**	100%	Operating leasing
Fortune Vcontainer Carriers Limited	Hong Kong	HK$100	**100%**	100%	Investment holding

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.

39. Statement of financial position and reserve movements of the company

	2023 HK$'000	2022 HK$'000
ASSETS		
Property, plant and equipment	**3,162**	5,493
Right-of-use asset	**17,068**	15,768
Interests in subsidiaries	**995,838**	996,622
Interests in associate	**272**	272
Loan receivables	**408,157**	382,748
Derivative financial assets	**340,341**	409,149
Prepayments, deposits and other receivables	**–**	9,376
Financial assets at fair value through profit or loss	**–**	217,840
Financial assets at fair value through other comprehensive income	**–**	94,478
Amounts due from subsidiaries	**25,941,029**	30,227,649
Amounts due from fellow subsidiaries	**1,778**	1,711
Cash and bank balances	**173,199**	598,038
Total assets	**27,880,844**	32,959,144
LIABILITIES		
Borrowings	**15,252,334**	8,931,145
Derivative financial liabilities	**98,291**	–
Amounts due to subsidiaries	**5,198,778**	16,566,475
Amount due to joint venture	**99,834**	71,981
Amount due to fellow subsidiaries	**18**	–
Lease liabilities	**17,619**	16,327
Other payables and accruals	**5,464**	48,199
Total liabilities	**20,672,338**	25,634,127
Net assets	**7,208,506**	7,325,017
EQUITY		
Share capital	**6,615,789**	6,614,466
Reserves	**592,717**	710,551
Total equity	**7,208,506**	7,325,017

The statement of financial position of the Company was approved by the Board of Directors on 26 March 2024 and was signed on its behalf.

ZHONG JIAN *Director*	**SHING MO HAN YVONNE** *Director*

39. Statement of financial position and reserve movements of the company *(Continued)*

Reserve movement of the Company

	Investment revaluation reserve HK$'000	Other reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Share option reserve HK$'000	Total HK$'000
At 1 January 2023	**(505)**	**(4,296)**	**(31,688)**	**721,042**	**25,998**	**710,551**
Profit for the year	**–**	**–**	**–**	**493,855**	**–**	**493,855**
Other comprehensive income for the year	**625**	**–**	**(53)**	**–**	**–**	**572**
Total comprehensive income for the year	**625**	**–**	**(53)**	**493,855**	**–**	**494,427**
Disposal of debt instruments at fair value through other comprehensive (recycling)	**(120)**	**–**	**–**	**–**	**–**	**(120)**
Issues of new shares under option scheme	**–**	**–**	**–**	**–**	**(251)**	**(251)**
Equity settled share-based payments	**–**	**–**	**–**	**–**	**1,741**	**1,741**
Dividends (Note 37)	**–**	**–**	**–**	**(613,631)**	**–**	**(613,631)**
At 31 December 2023	**–**	**(4,296)**	**(31,741)**	**601,266**	**27,488**	**592,717**
At 1 January 2022	9,620	(4,296)	(11,296)	1,232,883	10,335	1,237,246
Profit for the year	–	–	–	37,935	–	37,935
Other comprehensive expense for the year	(7,655)	–	(20,392)	–	–	(28,047)
Total comprehensive income for the year	(7,655)	–	(20,392)	37,935	–	9,888
Disposal of equity investments at fair value through other comprehensive (non-recycling)	(2,470)	–	–	2,470	–	–
Equity settled share-based payments	–	–	–	–	15,663	15,663
Dividends (Note 37)	–	–	–	(552,246)	–	(552,246)
At 31 December 2022	(505)	(4,296)	(31,688)	721,042	25,998	710,551

40. Change of Chinese Name of the Company

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

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