中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

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

Annual Report 2022

Green and Smart Shipping Leads **the Future**

Corporate Profile

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

COSCO SHIPPING International has aimed to establish the shipping services industrial cluster as its strategic development direction. The Group has initially laid an integrated shipping services platform comprising ship trading agency, insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings as well as trading and supply of marine fuel and related products, offering diversified and specialised shipping related services and products to customers such as shipping companies, shipyards, container manufacturers, etc. Its business network covers Mainland China, Hong Kong, Singapore, Japan, Germany and the United States, etc..

Vision

COSCO SHIPPING International aims to build a green and low carbon intelligent shipping services industrial cluster, with the goal of "larger scale, stronger profitability, superior anti-cyclical capability and globalisation", through deepening our penetration in Hong Kong, gaining our foothold in the Bay Area, and going global.

Mission

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

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Definitions and Glossary

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

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

* *for identification purposes only*

"Nasurfar Changshu"	常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*), a joint venture of the Company;
"New Renown"	New Renown Limited, a wholly-owned subsidiary of the Company;
"PRC"	the People's Republic of China;
"Share(s)"	the share(s) of HK$0.10 each in the capital of the Company;
"Shareholders"	the holders of the Share(s) of the Company;
"Sinfeng"	Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder(s)"	the meaning ascribed to it in the Listing Rules;
"United States"	the United States of America; and
"Zhejiang Four Brothers Rope"	浙江四兄繩業有限公司 (Zhejiang Four Brothers Rope Co., Ltd.*), an associate of the Company.

* *for identification purposes only*

Company Information

DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Chen Dong

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Chiu Shui Suet

INDEPENDENT AUDITOR

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

LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

INVESTOR RELATIONS

Telephone	: (852) 2809 7888
Facsimile	: (852) 8169 0678
E-mail	: ir@coscointl.com
Website	: hk.coscoshipping.com

FINANCIAL CALENDAR

2022 Annual General Meeting	: 31 May 2022
Announcement of 2022 Interim Results	: 18 August 2022
Announcement of 2022 Annual Results	: 28 March 2023
2023 Annual General Meeting	: 31 May 2023

DIVIDENDS

2022 Interim Dividend	: 11 HK cents per share
Proposed 2022 Final Dividend	: 11.5 HK cents per share
Dividends for the year 2022	: 22.5 HK cents per share

Corporate Structure

SHIPPING SERVICES

Ship Trading Agency Services	北京中遠海運船舶貿易有限公司 (Beijing COSCO SHIPPING Ship Trading Co., Ltd.*) 100%
Insurance Brokerage Services	COSCO SHIPPING (Hong Kong) Insurance Brokers Limited 100% 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*) 55%
Supply of Marine Equipment and Spare Parts	Yuantong Marine Service Co. Limited 100%
Production and Sale of Coatings	中遠關西塗料化工 (珠海) 有限公司 COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. 64.71% 中遠關西塗料化工 (天津) 有限公司 COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. 63.07% 中遠關西塗料化工 (上海) 有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) 63.07% 中遠關西塗料 (上海) 有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) 63.07% Jotun COSCO Marine Coatings (HK) Limited 50% 常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*) 33%
Trading and Supply of Marine Fuel and Related Products	Sinfeng Marine Services Pte. Ltd. 100% Double Rich Limited 18%Note 4

* *for identification purposes only*

GENERAL TRADING

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

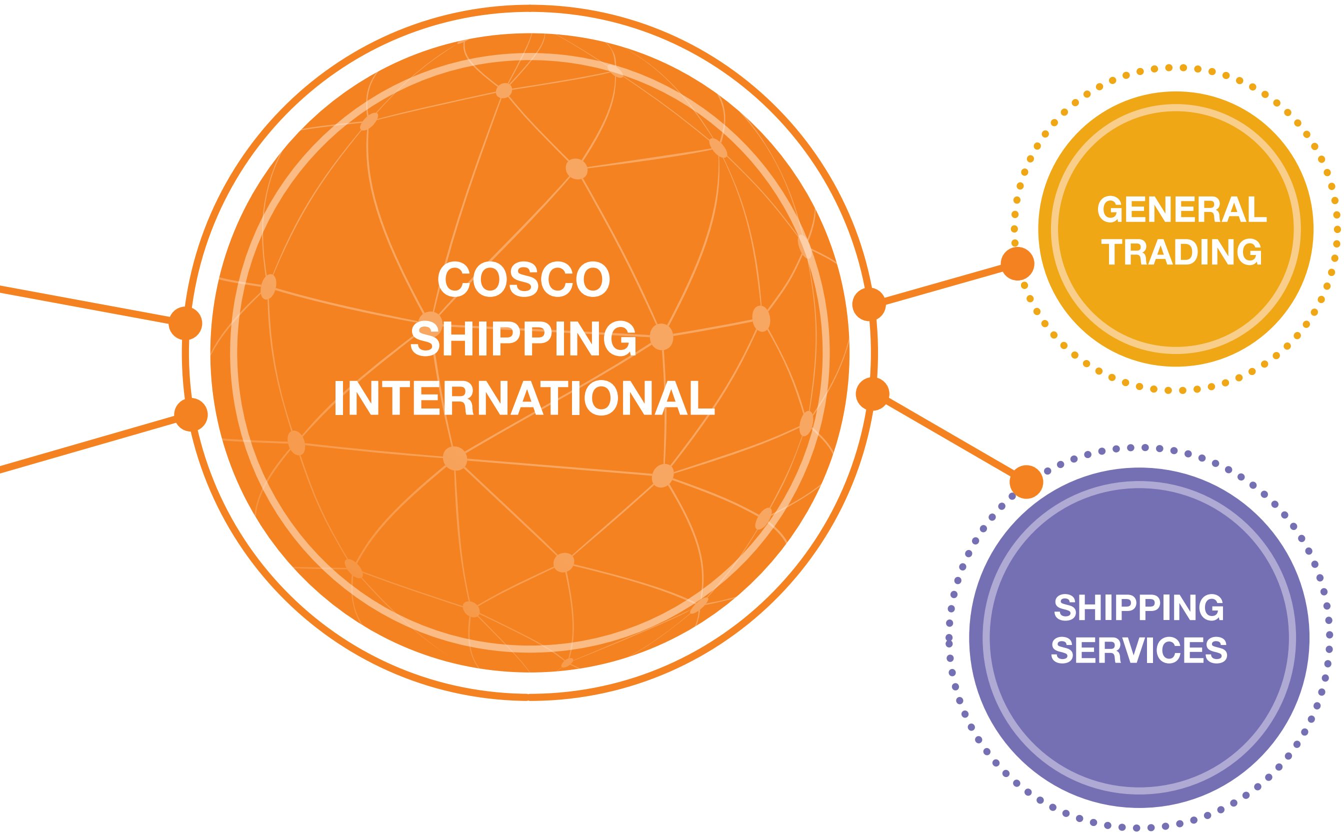
Note 1
COSCO SHIPPING is the ultimate holding company of COSCO SHIPPING International.

Note 2
COSCO SHIPPING International is a subsidiary of COSCO SHIPPING (Hong Kong).

Note 3
To the best of the knowledge and belief of the Directors, COSCO SHIPPING (Hong Kong) held 70.94% issued share capital of the Company as at 31 December 2022.

Note 4
On 28 June 2022, New Renown Limited, a wholly-owned subsidiary of the Company, entered into an agreement with 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.*) and agreed to sell its 18% equity interest in Double Rich Limited. The transaction was completed on 29 December 2022.

* *for identification purposes only*



Financial Highlights

	2022 HK$'000	2021 HK$'000	Change
ANNUAL RESULTS HIGHLIGHTS			
For the year ended 31 December			
Revenue	**3,962,539**	4,533,549	(13%)
Gross profit	**660,612**	769,373	(14%)
Operating profit	**202,831**	277,545	(27%)
Profit before income tax	**425,358**	341,174	25%
Profit attributable to equity holders	**347,062**	288,341	20%
Basic earnings per share (HK cents)	**22.74**	18.81	21%
Dividends per share (HK cents)	**22.5**	19.0	18%
Dividend payout ratio (%)	**99**	101	(2pts)

	2022 HK$'000	2021 HK$'000	Change
BALANCE SHEET HIGHLIGHTS			
As at 31 December			
Total assets	**9,234,493**	9,742,224	(5%)
Total liabilities	**1,112,913**	1,347,628	(17%)
Net assets attributable to shareholders	**7,802,587**	8,061,017	(3%)
Net cash	**5,933,120**	6,176,934	(4%)
Net assets per share (HK$)	**5.27**	5.26	0%
Net cash per share (HK$)	**4.00**	4.03	(1%)
Return on total assets (%)	**3.66**	2.93	0.73pt
Return on shareholders' equity (%)	**4.38**	3.57	0.81pt

	2022	2021
KEY FINANCIAL RATIOS		
For the year ended 31 December		
Gross profit margin	**16.7%**	17.0%
Interest coverage	**212.1 times**	48.6 times
Current ratio	**7.6 times**	6.5 times
Liquidity ratio	**7.3 times**	6.2 times
Total liabilities/total assets	**12.1%**	13.8%
Total borrowings/total assets	**—**	0.4%

	2022 HK$'000	2021 HK$'000	Change
SEGMENT REVENUE*			
For the year ended 31 December			
Shipping Services			
Coatings	**1,067,153**	1,685,183	(37%)
Marine equipment and spare parts	**1,669,821**	1,578,889	6%
Ship trading agency	**85,413**	103,772	(18%)
Insurance brokerage	**114,584**	102,152	12%
	2,936,971	3,469,996	(15%)
General trading	**1,025,568**	1,063,553	(4%)
Total	**3,962,539**	4,533,549	(13%)

* external customers only

	2022 HK$'000	2021 HK$'000	Change
SEGMENT PROFIT/(LOSS) BEFORE INCOME TAX			
For the year ended 31 December			
Shipping Services			
Coatings	**152,362**	95,160	60%
Marine equipment and spare parts	**89,026**	106,219	(16%)
Ship trading agency	**52,877**	69,694	(24%)
Insurance brokerage	**81,400**	69,427	17%
Marine fuel and other products	**(8,647)**	(46,764)	(82%)
	367,018	293,736	25%
General trading	**4,576**	18,483	(75%)
Corporate and others	**53,764**	28,955	86%
Total	**425,358**	341,174	25%

Chairman's Statement

> "The long-term development of COSCO SHIPPING International relies on the trust and support of its shareholders. We will continue to enhance our awareness of rewarding our shareholders and strive to move ahead together."

Zhu Jianhui
Chairman

To all shareholders,

On behalf of the Board of the Company, I am pleased to report to you the 2022 annual results and future directions of COSCO SHIPPING International. In 2022, due to the cyclical impact of individual business segments, revenue of COSCO SHIPPING International recorded a year-on-year decrease of 13%, while operating profit decreased by 27% year-on-year to HK$202,831,000 (2021: HK$277,545,000). However, with the outstanding performance of the Group's marine coatings business and the increase in finance income, the profit attributable to equity holders of the Company was HK$347,062,000 (2021: HK$288,341,000), representing a year-on-year increase of 20%. The basic and diluted earnings per share were 22.74 HK cents (2021: 18.81 HK cents). The Board recommended the payment of a final dividend of 11.5 HK cents per share. The dividend per share for the year 2022 will amount to 22.5 HK cents (2021: 19 HK cents) in total, representing a dividend payout ratio of 99% (2021: 101%).

COSCO SHIPPING International has a specific and clear dividend policy, pursuant to which, the Company's annual dividend payout ratio shall not be less than 50% of net profit prior to achieving practical progress in significant investment projects. Adhering to the business philosophy of maximising shareholders' returns, under the principle of prudent investment attitudes to make good use of our capital, and taking into account factors such as the operating environment and development needs, the actual dividend payout ratio has been improved to approximately 100% since 2020, which fully demonstrates the Company's determination to enhance shareholders' returns in the long run. In order to achieve better shareholders' returns, the Company further optimised its use of cash flow by repurchasing Shares in the open market in 2022, with a total of 51,262,000 Shares repurchased during the year. The long-term development of COSCO SHIPPING International relies on the trust and support of its shareholders. We will continue to enhance our awareness of rewarding our shareholders and strive to move ahead together.

BUSINESS DEVELOPMENT AND PERFORMANCE

In 2022, the repeated and prolonged outbreaks of the COVID-19 pandemic and the increasing geopolitical frictions continued to interfere with the recovery of the global supply chain. The sharp fluctuations in energy and food prices, the increasing inflationary pressures and a rapidly tightening financial environment posed numerous obstacles to the stable development of the world economy. China's economy was also hit by unexpected factors such as the pandemic, extreme weather and a sudden drop in global demand. In response, the central government launched a package of policies and measures to stabilise the economy, firmly promoting a balanced and coordinated socio-economic development and steadily improving the quality of development.

Unstable political and economic situation led to an increasingly complex shipping market environment with divergent performance in various market segments. On the one hand, the container and dry bulk vessel markets saw a gradual decline in cargo volumes, overcapacity and dropping freight rates due to the shrinking global consumer demand, a significant relief of port congestion and other factors. On the other hand, the reshaping of trade flows brought by geopolitical conflicts has supported the continuous recovery momentum of the energy transportation markets.

In the face of the challenging macro environment, COSCO SHIPPING International committed to its development strategy of becoming a leading international shipping service company, providing a full range of value-added shipping services to its customers. With a well-diversified shipping service businesses and investments portfolio, the Company effectively reduced the cyclical fluctuations of its businesses as a whole and achieved profit growth during the year.

For ship trading agency services, both revenue and profit of relevant segments declined year-on-year due to fewer new vessels delivered during the year. For insurance brokerage business and marine spare parts business, both segments achieved steady and sustained growth in revenue as the proportion of non-COSCO business continued to increase through continuous marketing efforts. For coating business, the sharp drop in demand in the container market led to a year-on-year decrease in both revenue and profit. However, the strong demand in the marine coatings market, coupled with our advanced technology, leading market share and pricing power, enabled us to achieve significant profit growth. For trading and supply of marine fuel products, in view of the highly volatile global fuel prices and the trend of green energy, the Company disposed Double Rich, a company indirectly owned as to 18% by the Company and engaged in the trading of fuel and oil products, on 28 June 2022.

CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT

COSCO SHIPPING International attaches great importance to its role as an exemplar and has established a sound corporate governance structure while promoting the improvement of the management mechanism of corporate social responsibility.

The Company always strives to maintain high standard of corporate governance. In 2022, the Company continued to improve its dual control system of risk prevention and control and potential hazard investigation, and comprehensively enhanced its integrated management of internal control, risk and compliance. The Company set early warning indicators for key business links to move forward risk monitoring nodes, carried out comprehensive data management, fully monitored financial, business and external data and implemented a stringent evaluation mechanism. By continuously accumulating practical experience in the fields of system establishment, risk management, information management and control, and supervision and evaluation, we effectively strengthened our governance capability to make more appropriate risk-based decisions. The Company continuously optimised and innovated its working mechanism, identified and rectified deficiencies through regular review and evaluation along with timely improvement and revision, and took multiple measures to promote the effective application of internal control results. The Company continued to improve its innovation system and enhance its innovation capabilities. COSCO Kansai (Tianjin) was recognised as a national-level "new, distinctive, specialised and sophisticated" "little giant" enterprise, while Zhejiang Four Brothers Rope was recognised as a "new, distinctive, specialised and sophisticated" niche enterprise in Zhejiang Province.

The Company has always been being attentive to the environmental, social and governance ("ESG") issues. Since 2018, the Company has engaged consultants to provide professional advice on its ESG-related regulatory framework, data calculation and reporting, and actively improved its ESG standards and ESG reporting disclosure standards. COSCO SHIPPING International strictly follows laws, regulations, national policies and regulatory requirements, continuously optimises and updates the management of ESG-related issues, ensures the effective implementation of various measures, and accelerates the progress of informatization to further improve the Company's sustainable development, thereby promoting the healthy development of the Company.

In response to the severe pandemic situation, COSCO SHIPPING International has established a leading workgroup at the early stage and implemented a series of pandemic prevention measures to carry out solid pandemic prevention and control and firmly establish the Company's health defense line. A comprehensive and thorough pandemic prevention and control mechanism was thus formed to ensure the safety of the working environment for employees. COSCO SHIPPING International effectively coordinated the pandemic prevention and control as well as production and operation, which minimised the impacts of pandemic effectively.

In fulfilling corporate social responsibility, the Company attaches great importance to the issues regarding production safety and employee welfare, as well as civil responsibilities such as environmental protection and charity. Dedicated divisions are responsible for facilitating works in relation to employees and social welfare. The Company actively participates in numerous community building and voluntary activities, committing to making contributions to the society. In 2022, the Company initiated and participated in various charitable and volunteer activities while keeping the risks of the pandemic under control. In 2023, the Company was awarded the "15 Years Plus Caring Company Logo" granted by the Hong Kong Council of Social Service, highlighting the high level of public recognition of the Company's performance of social responsibility.

PROSPECTS

Looking ahead to 2023, the major risks plaguing the development of global economy will become more prominent as a result of the intensifying geopolitical conflicts, volatile commodity prices, divergent monetary policies of central banks around the world and other factors. However, as the central government is introducing comprehensive measures to support the economy along with the gradual recovery of the Chinese economy from the pandemic, it is expected that the overall economic operation in China will recover strongly and become an important force to invigorate global economy.

A new trend of green, low-carbon and intelligent development is gradually emerging in the global shipping industry. China is a major maritime nation with important influence in the world. The "14th Five-Year Plan" period is a critical period for China to promote high quality development and strive to achieve emissions peak by 2030. It is also the first five-year period in which the vision of carbon neutrality is incorporated into the economic and social development plan. The shipping industry is undergoing a quantum leap in infrastructure construction, transportation restructuring, clean energy application, pollution control and technological innovation, and the green, low-carbon and intelligent development of the shipping industry has become an irreversible trend.

Having COSCO SHIPPING Group as the hinterland with its reputation and resource supports, COSCO SHIPPING International adheres to the path of professional services and actively pushes forward strategic extension and operation model improvement, so as to enhance its operation standards and service capabilities, as well as accelerate the improvement of its core competitive edges. Following the development trend of green and intelligent shipping, the Company upholds the concept of technological innovation and continuously promotes digitalisation to realise efficient operation. On 14 February 2023, the Company established a joint venture, namely 中遠海運綠色數智船舶服務有限公司 (COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.*), with 中遠海運科技有限公司 (COSCO SHIPPING Technology Co., Ltd.*), aiming to play an empowering role in the shipping service industry chain, provide rich digital solutions to the industry and continue to pursue the goal of green, low-carbon and digital development.

Looking ahead, COSCO SHIPPING International will further optimise and integrate its existing businesses and, align its goal of high efficiency and specialisation, focus on developing high-yield businesses and improving the efficiency of asset operations and income levels. At the same time, we will focus on industry trends and make greater efforts to develop cutting-edge business areas such as digitisation, intelligence and environmental protection, so as to become a leading international shipping service provider platform and assist in the building of a high-quality, low-carbon and intelligent shipping system within the industry.

Just as importantly, on behalf of the Board, I would like to express my sincere gratitude to all shareholders and stakeholders of COSCO SHIPPING International for their supports and trusts in the Company. I would also like to express my gratitude to the highly committed and diligent group of colleagues, including my fellow directors, the management team and all employees for their contribution to the Company's success and long-term development.

Zhu Jianhui
Chairman

Hong Kong, 28 March 2023

* *For identification purposes only*

Management Discussion and Analysis

OVERALL ANALYSIS OF RESULTS

In 2022, profit attributable to equity holders of the Company was HK$347,062,000 (2021: HK$288,341,000), while the basic and diluted earnings per share were 22.74 HK cents (2021: 18.81 HK cents), representing an increase of 21% year-on-year. Although the gross profit decreased due to the impact of the Coronavirus Disease 2019 ("COVID-19") pandemic on certain business segments, the adverse effect was offset by the decrease in selling expenses, increase in finance income and increase in share of profits of joint ventures.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue was HK$3,962,539,000 (2021: HK$4,533,549,000), decreased by 13% year-on-year. Revenue from the core business of shipping services was HK$2,936,971,000 (2021: HK$3,469,996,000), decreased by 15% year-on-year, and accounted for 74% (2021: 77%) of the Group's revenue. Due to the shrinking demand of certain businesses and the pandemic situation in Hong Kong and the PRC remained volatile, revenues from coatings and ship trading agency segments decreased. Revenue from general trading segment was HK$1,025,568,000 (2021: HK$1,063,553,000), decreased by 4% year-on-year, and accounted for 26% (2021: 23%) of the Group's revenue.

Gross Profit and Gross Profit Margin

During the year, the Group's gross profit was HK$660,612,000 (2021: HK$769,373,000), decreased by 14% year-on-year, mainly attributable to the decrease in revenues from coatings and ship trading agency segments. Gross profit margin remained at 17% (2021: 17%), same as last year.

Management Fee Income

During the year, management fee income arising from the provision of management services by the Company in relation to the day-to-day business operations and management of COSCO SHIPPING (Hong Kong) and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.) was HK$56,837,000 (2021: HK$77,942,000), decreased by 27% year-on-year, mainly due to the decrease in administrative and general expenses related to COSCO SHIPPING (Hong Kong) and its subsidiaries mentioned above.

Other Income and (Losses)/Gains — Net

During the year, other income and (losses)/gains — net losses was HK$17,272,000 (2021: net gains of HK$35,163,000), mainly attributable to the provision for impairment of other receivables and assets held for sale.

Selling, Administrative and General Expenses

During the year, selling, administrative and general expenses was HK$497,346,000 (2021: HK$604,933,000), decreased by 18% year-on-year, mainly attributable to the decrease in selling expenses as a result of drop in revenue.

SHIPPING SERVICES INDUSTRIAL CLUSTER

Ship Trading Agency Services

Insurance Brokerage Services

Supply of Marine Equipment and Spare Parts

Production and Sale of Coatings

Trading and Supply of Marine Fuel and Related Products

CORE BUSINESS NETWORK

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

Operating Profit

The Group's operating profit was HK$202,831,000 (2021: HK$277,545,000), decreased by 27% year-on-year, mainly attributable to the decrease in overall gross profit.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, was HK$98,366,000 (2021: HK$47,979,000), increased by 105% year-on-year, mainly attributable to the increase in interest rates of deposits.

Finance Costs

Finance costs, which mainly represented interest expenses on short-term borrowings and other financial charges, was HK$2,015,000 (2021: HK$7,172,000), decreased by 72% year-on-year.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was HK$117,529,000 (2021: HK$63,711,000), increased by 84% year-on-year. This item primarily represented the share of profits of Jotun COSCO of HK$106,720,000 (2021: HK$47,482,000) and of Nasurfar Changshu of HK$8,036,000 (2021: HK$13,920,000), which were included in the coatings segment.

Share of Profits/(Losses) of Associates

The Group's share of profits of associates was HK$8,647,000 (2021: share of losses of HK$40,889,000). This item primarily represented the share of profit of Zhejiang Four Brothers Rope of HK$3,424,000 (2021: HK$1,616,000), which was included in the general trading segment. In 2021, this item also represented the share of loss of Double Rich of HK$45,984,000, which was included in the marine fuel and other products segment. On 28 June 2022, New Renown, entered into an agreement with 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.*) ("Chimbusco") and agreed to sell its 18% equity interest in Double Rich with 31 December 2021 as the benchmark date, and the above transfer was completed on 29 December 2022 (the "Date of Completion"). According to the agreement, any profit or loss from the date after the benchmark date to the Date of Completion would be attributable to Chimbusco. As such, the Group did not share any profit or loss of Double Rich during the year (2021: share of loss of HK$45,984,000).

Income Tax Expenses

During the year, the Group's income tax expenses was HK$58,461,000 (2021: HK$37,568,000), increased by 56% year-on-year. The ratio of income tax expenses to profit before income tax, excluding the share of profits/(losses) of joint ventures and associates, increased from 12% in 2021 to 19%, mainly attributable to the increase in deferred income tax — net for the year.

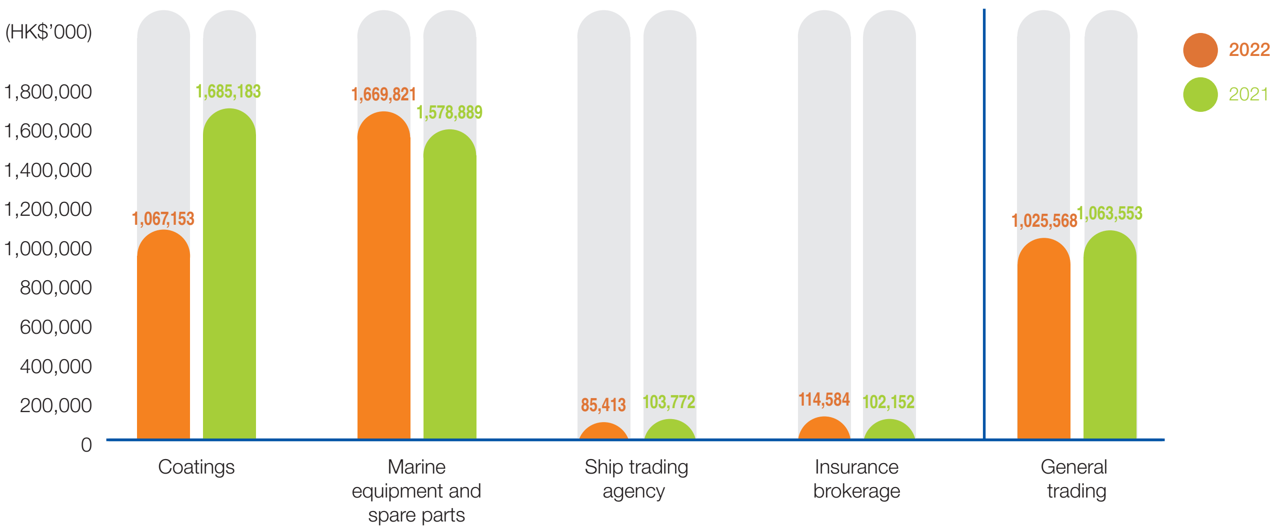
Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company was HK$347,062,000 (2021: HK$288,341,000), increased by 20% year-on-year.

* *for identification purposes only*

FINANCIAL RESULTS

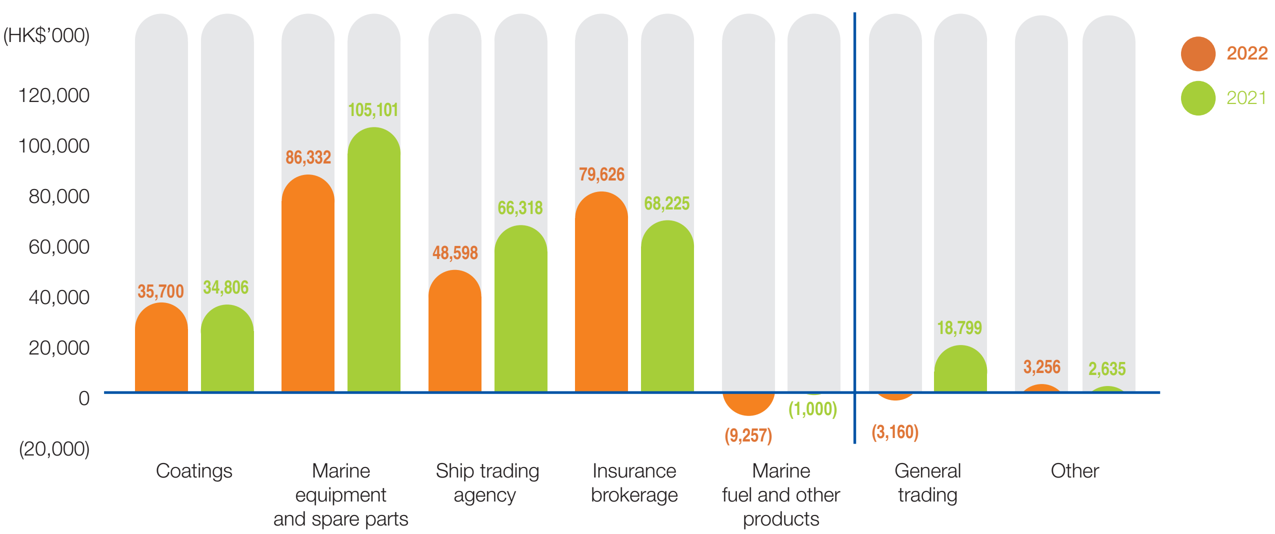
SEGMENT REVENUE*



* external customers only

Revenue from the core shipping services businesses decreased by 15% to HK$2,936,971,000 (2021: HK$3,469,996,000) and accounted for 74% (2021: 77%) of the Group's revenue. The decrease in revenue was mainly due to the decrease of revenues from the coatings, ship trading agency and general trading segments.

SEGMENT OPERATING PROFIT/(LOSS)



Segment operating profit from shipping services decreased by 12% to HK$240,999,000 (2021: HK$273,450,000). It was mainly due to the decrease in segment operating profits from marine equipment and spare parts and ship trading agency year-on-year.

FINANCIAL RESULTS (Continued)

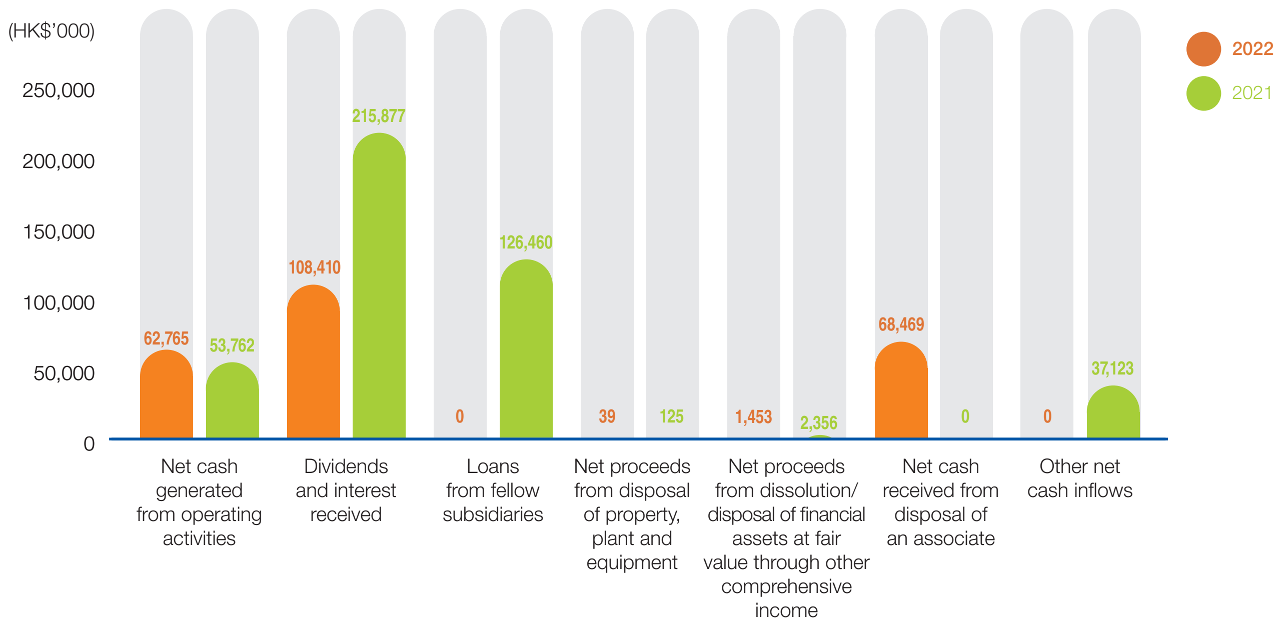
For the year ended 31 December	**2022 HK$'000**	2021 HK$'000	Change HK$'000	%	Remark
Shipping services	**240,999**	273,450	(32,451)	(12)	It was mainly attributable to the decrease in segment operating profits from marine equipment and spare parts and ship trading agency year-on-year.
General trading	**(3,160)**	18,799	(21,959)	(117)	It was mainly attributable to the increase in provision for impairment of trade receivables and other receivables year-on-year.
Others	**3,256**	2,635	621	24	
Corporate net exchange gains	**6,469**	31,046	(24,577)	(79)	
Corporate expenses, net of income	**(44,132)**	(47,725)	3,593	(8)	
Elimination of segment income from corporate headquarters	**(601)**	(660)	59	(9)	
Operating profit	**202,831**	277,545	(74,714)	(27)	
Finance income-net	**96,351**	40,807	55,544	136	It was mainly attributable to the increase in interest rates of deposits year-on-year.
Share of profits of joint ventures	**117,529**	63,711	53,818	84	It was mainly attributable to higher sales volume and the improvement in gross profit margin of Jotun COSCO year-on-year.
Share of profits/(losses) of associates	**8,647**	(40,889)	49,536	(121)	It was because the Group did not share any profit or loss of Double Rich during the year (2021: share of loss of Double Rich of HK$45,984,000).
Profit before income tax	**425,358**	341,174	84,184	25	
Income tax expenses	**(58,461)**	(37,568)	(20,893)	56	
Profit for the year	**366,897**	303,606	63,291	21	

FINANCIAL RESULTS (Continued)

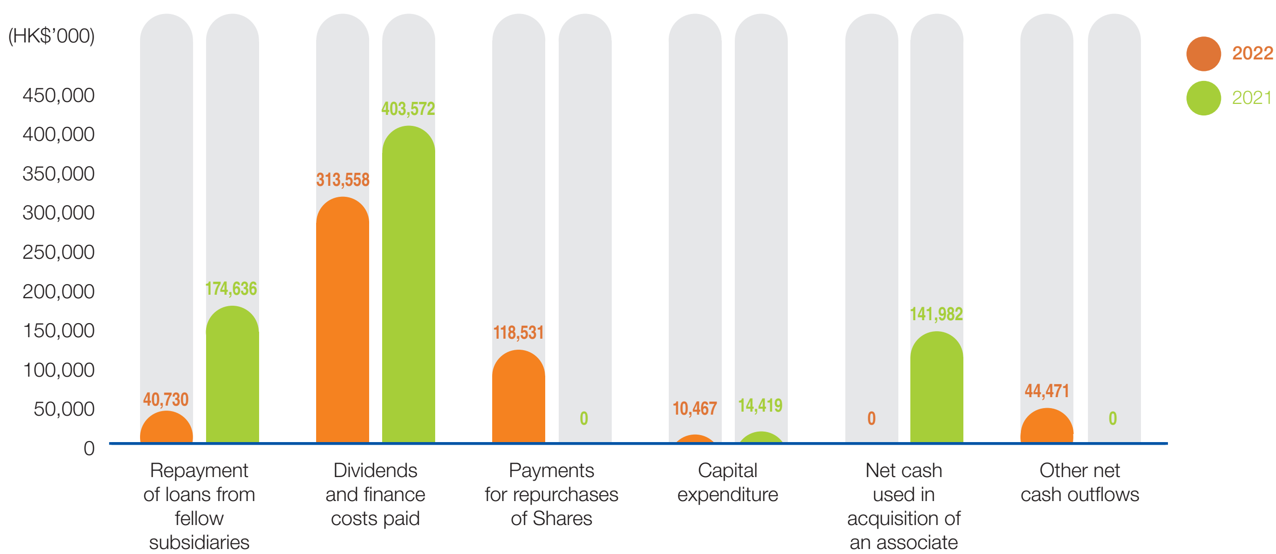
As at 31 December	2022 HK$'000	2021 HK$'000	Change HK$'000	%	Remark
Intangible assets	**108,721**	107,664	1,057	1	
Property, plant and equipment, right-of-use assets and investment properties	**416,958**	455,774	(38,816)	(9)	
Investments in joint ventures	**527,896**	499,999	27,897	6	
Investments in associates	**154,716**	237,786	(83,070)	(35)	
Other non-current assets	**94,380**	105,431	(11,051)	(10)	
Inventories	**304,765**	443,548	(138,783)	(31)	
Trade receivables – net	**694,242**	793,340	(99,098)	(12)	
Other receivables	**995,456**	878,326	117,130	13	
Cash (including restricted bank deposits and current deposits and cash and cash equivalents)	**5,933,120**	6,219,741	(286,621)	(5)	(a), (b)
Other current assets	**4,239**	615	3,624	589	
Total assets	**9,234,493**	9,742,224	(507,731)	(5)	
Deferred income tax liabilities	**67,336**	63,308	4,028	6	
Trade payables, other payables and contract liabilities	**1,008,620**	1,201,099	(192,479)	(16)	
Current income tax liabilities	**21,046**	30,933	(9,887)	(32)	
Short-term borrowings	**—**	42,807	(42,807)	(100)	
Lease liabilities	**15,911**	9,481	6,430	68	
Non-controlling interests	**318,993**	333,579	(14,586)	(4)	
Total liabilities and non-controlling interests	**1,431,906**	1,681,207	(249,301)	(15)	
Net assets attributable to equity holders	**7,802,587**	8,061,017	(258,430)	(3)	

(a) MAJOR SOURCES AND USE OF CASH

CASH INFLOWS



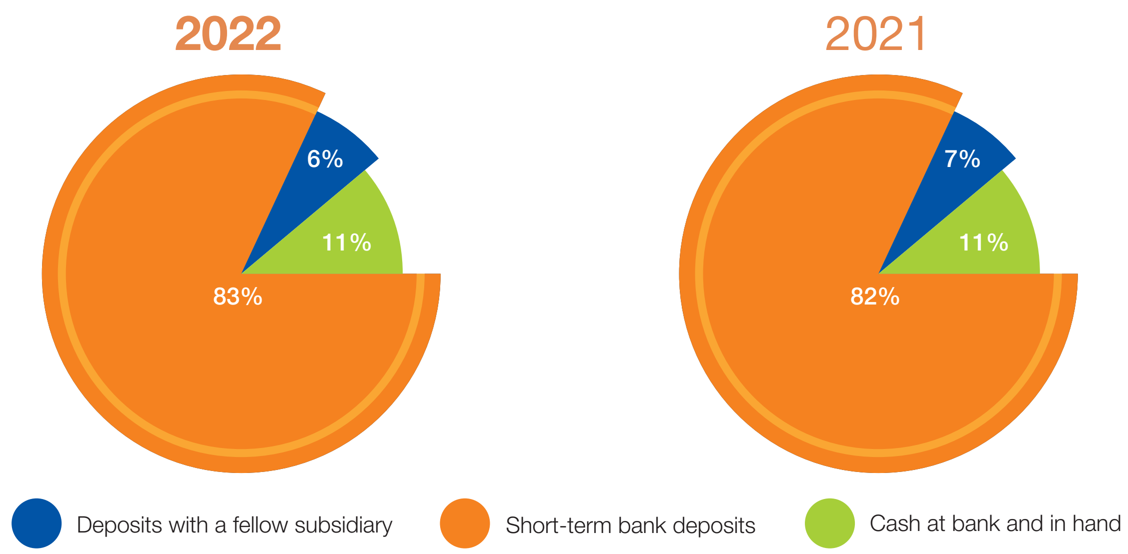
CASH OUTFLOWS



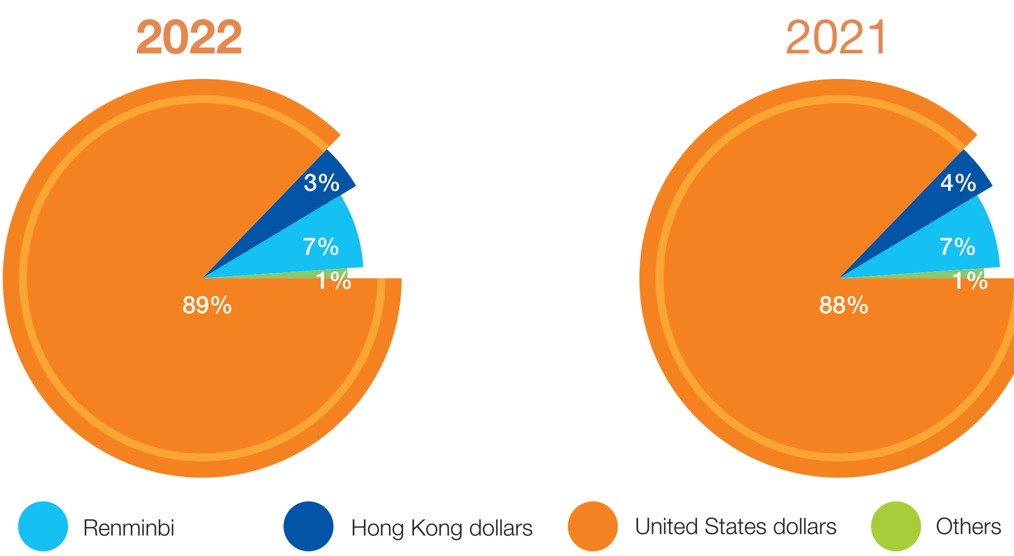
Cash (including restricted bank deposits and current deposits and cash and cash equivalents) decreased by HK$286,621,000 in aggregate during the year. Sources of cash principally included net cash generated from operating activities of HK$62,765,000, dividends and interest received of HK$108,410,000, net proceeds from disposal of property, plant and equipment of HK$39,000, net proceeds from dissolution of financial assets at fair value through other comprehensive income of HK$1,453,000 and net cash received from disposal of an associate of HK$68,469,000. Use of cash principally included repayment of loans from fellow subsidiaries of HK$40,730,000, dividends and finance costs paid of HK$313,558,000, payments for repurchases of Shares HK$118,531,000, capital expenditure of HK$10,467,000 and other net cash outflows of HK$44,471,000.

(b) ANALYSIS OF CASH

CLASSIFIED BY NATURE



CLASSIFIED BY CURRENCY



CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's main sources of liquidity comprises cash, bank balances and non-committed unutilised banking facilities. The liquidity is primarily for financing of general working capital requirements, dividend payments and future capital expenditure. As at 31 December 2022, deposits and cash and cash equivalents held by the Group accounted for 75% (2021: 75%) of the Group's total current assets.

As at 31 December 2022, the Group's total assets decreased by 5% to HK$9,234,493,000 (2021: HK$9,742,224,000). Total liabilities decreased by 17% to HK$1,112,913,000 (2021: HK$1,347,628,000). The Group remained cautious about potential credit risks that surrounded the shipping services industry. All business units focused on internal management, receivables management, working capital management and costs control.

Net asset value attributable to shareholders was HK$7,802,587,000 (2021: HK$8,061,017,000). Net asset value per share, calculated based on the 1,481,693,429 Shares outstanding at the end of the year (2021: 1,532,955,429 Shares), was HK$5.27 (2021: HK$5.26), which increased slightly as compared to the end of 2021.

As at 31 December 2022, the Group's total short-term borrowings were nil (2021: HK$42,807,000). For the maturity profile, please refer to the table below. The Group's total cash on hand (representing total restricted bank deposits and current deposits and cash and cash equivalents) decreased by 5% to HK$5,933,120,000 (2021: HK$6,219,741,000) and non-committed unutilised standby banking facilities increased by 11% to HK$767,627,000 (2021: HK$688,846,000) respectively. The gearing ratio, which represented total borrowings over total assets, was nil (2021: 0.4%).

Debt Analysis

	31 December 2022 HK$'000	%	31 December 2021 HK$'000	%
Classified by maturity:				
— repayable within one year	–	–	42,807	100
Classified by type of loan:				
— unsecured	–	–	42,807	100
Classified by currency:				
— Renminbi	–	–	42,807	100

The Group had restricted bank deposits of HK$5,597,000 (2021: HK$6,115,000) representing deposits placed to meet the statutory requirement of its insurance brokerage business in the PRC.

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

TREASURY POLICY

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

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

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

The Group maintained a healthy cash position. As at 31 December 2022, the Group had net cash, which represented total restricted bank deposits and current deposits and cash and cash equivalents, less short-term borrowings, of HK$5,933,120,000 (2021: HK$6,176,934,000). To enhance the Group's finance income and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mixture of stable and conservative financial products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions in Hong Kong, the PRC, Singapore, Japan, Germany and the United States. During the year, the Group strengthened its funds management and had actively negotiated with banks to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved a 1.62% rate of return on the Group's cash for the year (2021: 0.75%), representing an increase of 87 basis points year-on-year. The Group had no financial instruments for interest rate hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, sales to the largest customer and aggregate sales to the five largest customers accounted for 11% and 27% respectively (2021: 8% and 23% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 9% and 18% respectively (2021: 5% and 20% respectively) of the total cost of sales of the Group.

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

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

EMPLOYEES

As at 31 December 2022, excluding joint ventures and associates, the Group had 851 (2021: 847) employees, of which 179 (2021: 176) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK$405,348,000 (2021: HK$427,291,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

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

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

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

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

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

REVIEW OF BUSINESS OPERATIONS

In 2022, the global energy landscape has been disrupted due to geopolitical shocks, repeated epidemics and accelerating monetary tightening policies in developed countries. As a result, inflationary pressures soared while the growth momentum of the global economy continued weakening. According to the "World Economic Outlook" released by the International Monetary Fund in January 2023, the global economy achieved a growth rate of 3.4% in 2022, a year-on-year slowdown of 2.6 percentage points. As overseas demand weakened, China's economy has also been under severe pressure. Nevertheless, the central government has launched a series of measures to stabilize the economy in a timely manner to restore China's economic stability, and the economy has been gradually recovering since the second half of the year. The gross domestic product of the PRC rose 3.0% year-on-year, showcased that the PRC has achieved a decisive victory over the pandemic, also succeeded in strengthening the development of global trade, ensuring the smoothness of global supply chains, and stabilizing the global economy.

Regarding the shipping market, despite the appalling political and economic concerns in and outside the country, China's foreign trade has withstood all the unexpected shocks and constantly elevated from a high base value in 2021. According to the data from the Ministry of Transport of the PRC, the cargo throughput of the ports in China has reached 15.685 billion tonnes in 2022, representing a year-on-year increase of 0.9%, and total container throughput reached approximately 296 million TEUs, representing a year-on-year increase of 4.7%. In 2022, China's new shipbuilding completions, new orders and orders on hand accounted for 47.3%, 55.2% and 49.0% of the total worldwide in terms of DWT respectively and maintained its world leadership in market share.

1. Core Business — Shipping Services

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

During the year, revenue from the Group's shipping services was HK$2,936,971,000 (2021: HK$3,469,996,000), representing a year-on-year decrease of 15%, which was mainly due to the decline in revenue from production and sale of coatings and ship trading agency services. Profit before income tax from shipping services was HK$367,018,000 (2021: HK$293,736,000), representing a year-on-year increase of 25%, which was mainly due to the significant increase in share of profit of Jotun COSCO.

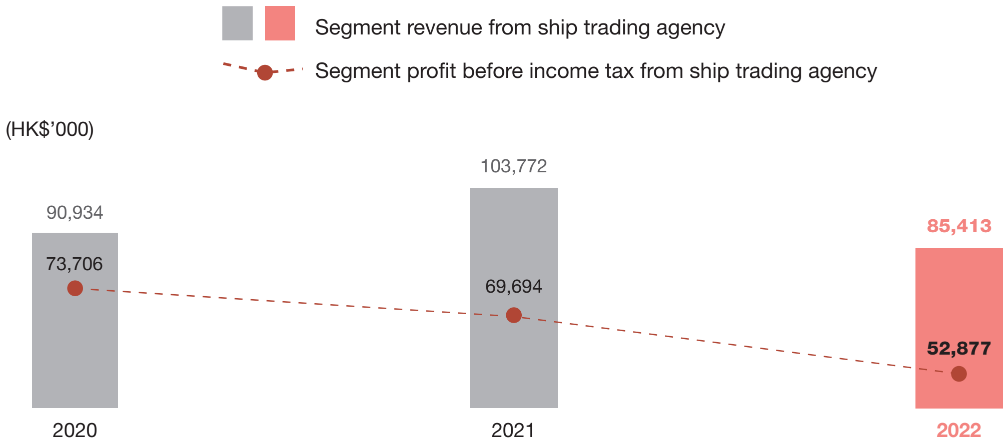
Ship Trading Agency Services

1.1 Ship Trading Agency Services

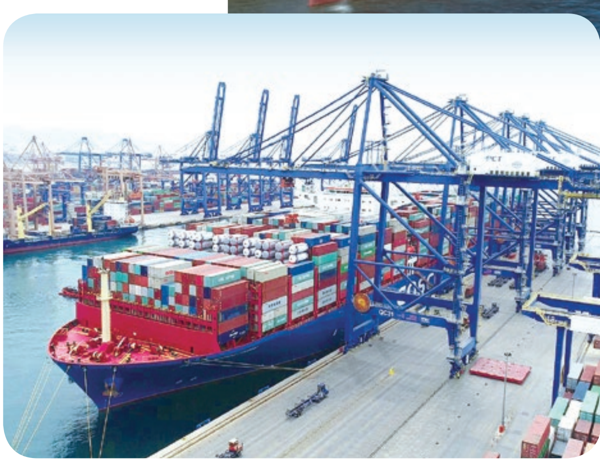
The Group's ship trading agency business is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for shipping enterprises.

During the year, revenue from the ship trading agency segment of the Group decreased by 18% to HK$85,413,000 (2021: HK$103,772,000) year-on-year. Segment profit before income tax was HK$52,877,000 (2021: HK$69,694,000), representing a year-on-year decrease of 24%. These were mainly attributable to the decrease in commission income from new build vessels as a result of the decrease in number of new build vessels delivery.

During the year, the Group's aggregate number of new build vessels delivery was 18 (2021: 26), aggregating 855,400 DWT (2021: 4,993,900 DWT). A total number of 40 (2021: 16) new build vessels have been ordered, aggregating 2,094,776 DWT (2021: 1,647,200 DWT). In addition, the sale and purchase of a total of 23 (2021: 15) second-hand vessels were recorded, aggregating 1,145,103 DWT (2021: 779,719 DWT).


Segment revenue from ship trading agency
Segment profit before income tax from ship trading agency
(HK$'000)
90,934
73,706
2020
103,772
69,694
2021
85,413
52,877
2022


COSCO SHIPPING

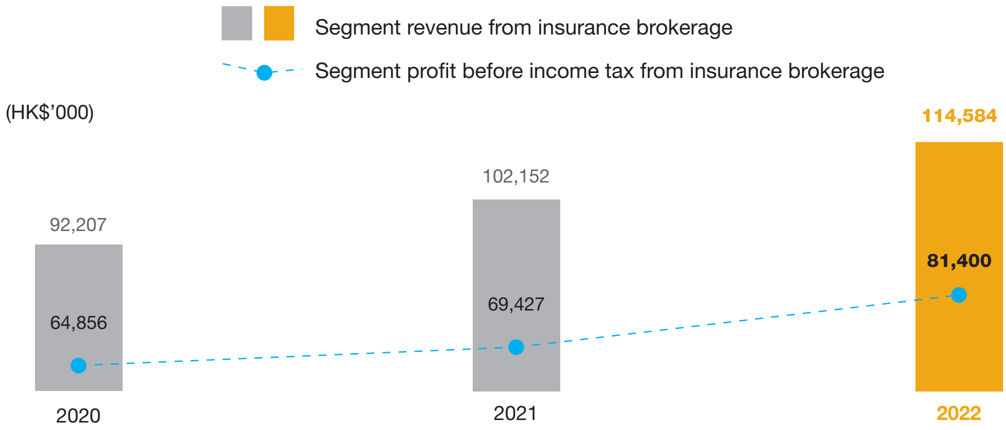


Insurance Brokerage Services

1.2 Insurance Brokerage Services

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

During the year, revenue from insurance brokerage segment of the Group was HK$114,584,000 (2021: HK$102,152,000), representing a year-on-year increase of 12%. Segment profit before income tax was HK$81,400,000 (2021: HK$69,427,000), representing a year-on-year increase of 17%, which was mainly attributable to the gradual expansion of business varieties and the results of business expansion in the Mainland China.

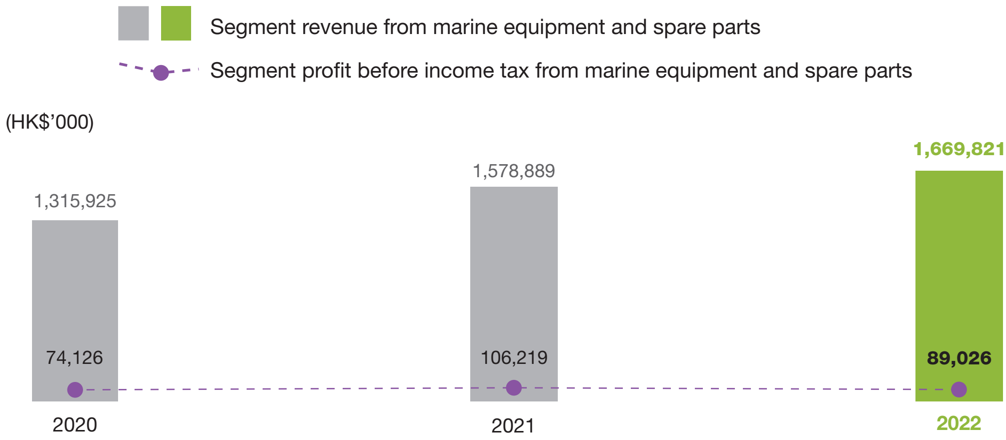

Segment revenue from insurance brokerage
Segment profit before income tax from insurance brokerage
(HK$'000)
92,207
64,856
2020
102,152
69,427
2021
114,584
81,400
2022

Supply of Marine Equipment and Spare Parts

1.3 Supply of Marine Equipment and Spare Parts

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

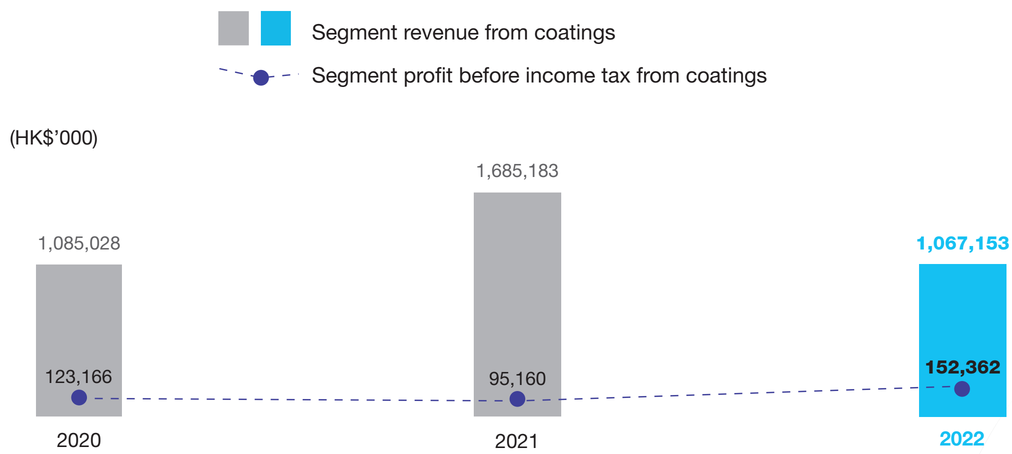
During the year, revenue from marine equipment and spare parts segment of the Group was HK$1,669,821,000 (2021: HK$1,578,889,000), representing a year-on-year increase of 6%, which was mainly due to the exploration of new customers that continued the growth momentum of the business volume in recent years. Segment profit before income tax decreased by 16% year-on-year to HK$89,026,000 (2021: HK$106,219,000), which was mainly due to the drop in gross profit margin and the exchange losses.


Segment revenue from marine equipment and spare parts
Segment profit before income tax from marine equipment and spare parts
(HK$'000)
1,315,925
74,126
2020
1,578,889
106,219
2021
1,669,821
89,026
2022

Production and Sale of Coatings

1.4 Production and Sale of Coatings

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



During the year, revenue from coatings segment of the Group was HK$1,067,153,000 (2021: HK$1,685,183,000), representing a year-on-year decrease of 37%. Segment profit before income tax was HK$152,362,000 (2021: HK$95,160,000), representing a year-on-year increase of 60%, which was mainly due to the significant increase in share of profit of Jotun COSCO.

For container coatings, during the year, the sales volume of container coatings decreased by 54% to 19,788 tonnes (2021: 42,935 tonnes) year-on-year. The sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 15,949 tonnes (2021: 17,881 tonnes), representing a year-on-year decrease of 11%, which was mainly due to the decline in market demand for new containers, superimposed on the impacts of the pandemic in Shanghai.

For marine coatings, the sales volume of Jotun COSCO's coatings for new build vessels amounted to 61,353,000 litres (2021: 45,166,000 litres), representing a year-on-year increase of 36%. Sales volume of coatings for repair and maintenance was 30,628,000 litres (2021: 27,618,000 litres), representing a year-on-year increase of 11%. The sales volume of Jotun COSCO's marine coatings amounted to 91,981,000 litres (equivalent to approximately 124,174 tonnes) (2021: 72,784,000 litres (equivalent to approximately 98,258 tonnes)), increased by 26% year-on-year. During the year, the Group's share of profit from Jotun COSCO was HK$106,720,000 (2021: HK$47,482,000), representing a year-on-year increase of 125%, which was mainly attributable to increase in sales volume and the improvement in gross profit margin.

During the year, the Group's share of profit from Nasurfar Changshu was HK$8,036,000 (2021: HK$13,920,000), representing a year-on-year decrease of 42%, which was mainly attributable to the increase in the price of imported raw materials resulting from the rise in oil prices, which affected the gross profit margin.

Trading and Supply of Marine Fuel and Related Products

1.5 Trading and Supply of Marine Fuel and Related Products

The Group's trading and supply of marine fuel and related products business is primarily engaged in the supply, trading and brokerage services of marine fuel and related products.

The Group had recorded no revenue from marine fuel and other products segment in 2021 and 2022. In view of the liquidation filed by Coastal Oil Singapore Pte. Ltd., a major supplier of Sinfeng, at the end of 2018 ("Coastal Oil's Liquidation"), the Group deliberately trimmed down Sinfeng's business as a measure of further risk control. For details of information in relation to Coastal Oil's Liquidation and the matters arising subsequent to Coastal Oil's Liquidation, please refer to the announcement of the Company dated 4 January 2019. Management is of the view that this event would not have a material impact to the Group's financial information for the year ended 31 December 2022 after taking into account of the professional opinion of Sinfeng's legal adviser in respect of the aforesaid matters.

Double Rich, in which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and marine fuel supply services in Hong Kong and also at the same time, in sourcing products such as light diesels and fuel oil, etc. Its major customers are shipowners and ship operators. On 28 June 2022, New Renown, a wholly-owned subsidiary of the Company, entered into an agreement with Chimbusco and agreed to sell its 18% equity interest in Double Rich with 31 December 2021 as the benchmark date, and the above transfer was completed on 29 December 2022. According to the agreement, any profit or loss from the date after the benchmark date to the Date of Completion would be attributable to Chimbusco. As such, the Group did not share any profit or loss of Double Rich during the year (2021: share of loss of HK$45,984,000). For details of information in relation to disposal of 18% equity interest in Double Rich, please refer to the announcement of the Company dated 28 June 2022.

During the year, loss before income tax from marine fuel and other products segment was HK$8,647,000 (2021: loss of HK$46,764,000), which mainly consisted of provision for impairment of assets held for sale of HK$8,275,000 (2021: nil).

2. General Trading

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

During the year, revenue from general trading segment of the Group was HK$1,025,568,000 (2021: HK$1,063,553,000), representing a year-on-year decrease of 4%, which was mainly due to a decrease of 26% in sales volume of asphalt to 190,717 tonnes (2021: 256,251 tonnes) year-on-year. Segment profit before income tax was HK$4,576,000 (2021: HK$18,483,000), representing a year-on-year decrease of 75%, which was mainly due to the increase in provision for impairment of trade receivables and other receivables.

During the year, the Group's share of profit from Zhejiang Four Brothers Rope was HK$3,424,000 (2021: HK$1,616,000), representing a year-on-year increase of 112%.

EVENT AFTER THE BALANCE SHEET DATE

On 3 February 2023, the Company entered into an investment and cooperation agreement (the "Agreement") with 中遠海運科技股份有限公司 (COSCO SHIPPING Technology Co., Ltd.*) ("COSCO SHIPPING Technology") in relation to the formation of 中遠海運綠色數智船舶服務有限公司 (COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.*). Pursuant to the Agreement, the registered capital of COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. is RMB50,000,000, among which, the Company shall contribute RMB25,500,000, representing for 51% and COSCO SHIPPING Technology shall contribute RMB24,500,000, representing for 49%. COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. has become a non-wholly owned subsidiary of the Company and is principally engaged in providing green, low-carbon and digital intelligence solutions for the full life cycle of the shipping industry. For details of information in relation to the formation of COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd., please refer to the announcement of the Company dated 3 February 2023.

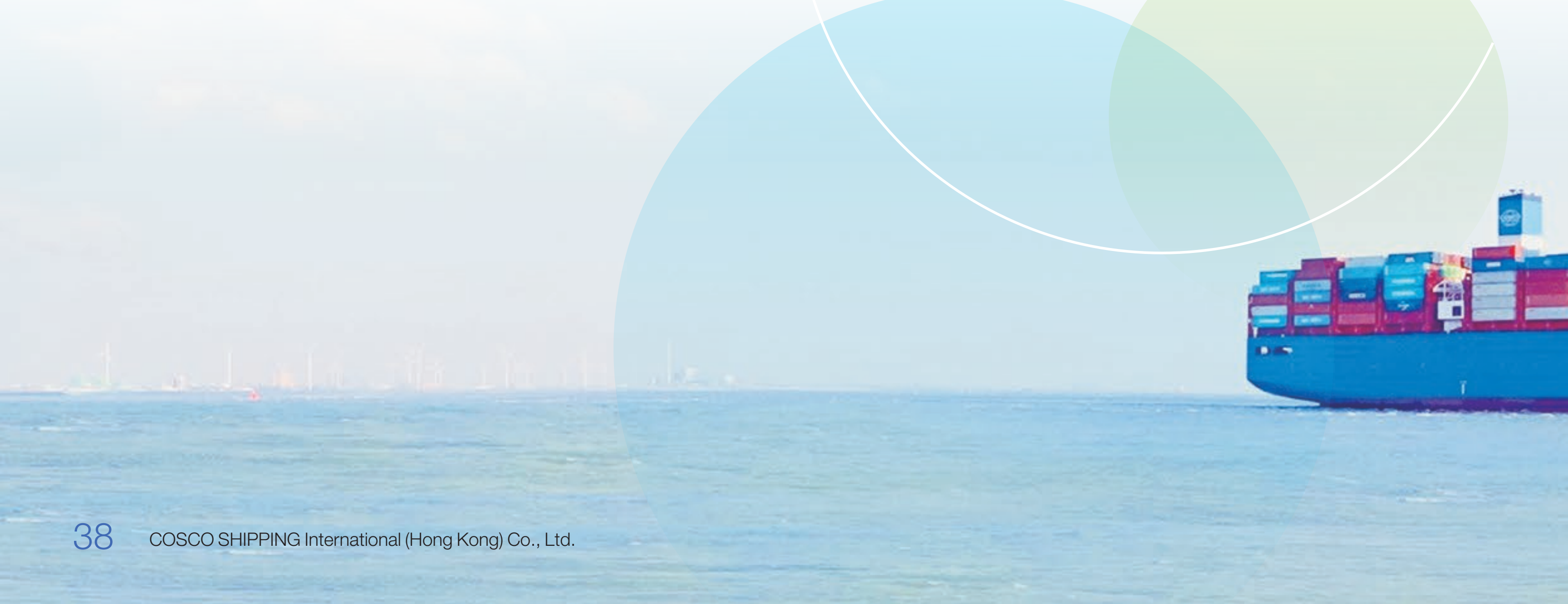
* *For identification purposes only*

Prospects

Entering 2023, the global economy will counter multiple uncertainties. Major risks such as elevated inflationary pressure, persisting geopolitical conflicts, prevailing trade protectionism, divergences of monetary policies among central banks, and the emergence of systemic credit risks may all impact the global macroeconomic environment and that the global economy will become fragile and volatile in 2023. The “World Economic Outlook” released by the International Monetary Fund in January 2023 predicted that the global economy would grow by 2.9% in 2023, a decrease of 0.5 percentage point from 2022. However, as China promptly optimised its pandemic prevention measures, China can quickly ride out the epidemic. Macroeconomic policies now put more focus on stable growth and strengthening domestic demand, in particular channeling investment in innovative technology and green transition. As such, China will once again become the main engine of global economic growth, and gradually resume normal growth momentum for the world.

In terms of the shipping market, global trade and the demand for shipping is being impacted by weakening macroeconomic environment, according to the forecast by the United Nations Conference on Trade and Development (UNCTAD), the growth of global seaborne trade volume will slow down to approximately 1.4% in 2023. At the same time, increasingly stringent environmental regulations and accelerating demand for global carbon emission reduction in the shipping industry, are promoting the transition of environmental focus from restrictions on ballast water and sulfur emissions to the reduction of greenhouse gas emissions. Green transformation and sustainable development is now a consensus, and the whole industry is accelerating toward the direction of green, low-carbon, and smart shipping. COSCO SHIPPING International will conform to the global trend and attentively intensify our competitive edges in digitization, intelligence, and environmental protection. As such, the Company and COSCO SHIPPING Technology have jointly established COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. on 14 February 2023 for the purpose of creating greater value for customers by promoting a high-quality low-carbon intelligent shipping system.

Looking into each sector, the demand for container shipping market has been deteriorating amid active destocking activities by the companies in Europe and the United States. Moreover, as the new container vessels are being delivered that coupled with the easing of port congestion and the improvement of supply chain bottlenecks, the growth of global shipping capacity will overtake the demand side, which will put huge downward pressure on freight rates. Clarksons estimates that the global container shipping demand will decline by 0.3% in 2023, while shipping capacity will grow at 6.9%. As a result, freight rates will continue sluggish. In terms of dry bulk market, the demand for bulk cargo such as iron ore and coal has been emerging with China’s reopening and the continuous recovery of the country’s economic activities, meanwhile orders on hand of bulk carriers are at low level and that the newly implemented environmental protection regulations has accelerated the demolition of the old vessels, resulting in stable capacity and it is expected that the dry bulk cargo market will gradually recover from downturn. In terms of the tankers market, reopening of China’s economic activities will support the demand for crude oil, and subsequently the demand for tanker transportation, freight rates and the rents of tankers will remain lifted. In terms of the shipbuilding market, it will be benefited from long-term positive factors such as the transition of seaborne trade structure, the acceleration of the green transformation of the industry, and the gradual clarity of international rules. However, demand will vary among ship types in accordance with the market performance.



For the ship trading agency services, focusing on the common needs of customers, the Group will continue to optimise its service quality, strengthen market research and information management, and strive to achieve new progress in business development.

For insurance brokerage services, the Group will continue to explore new business needs within and outside COSCO SHIPPING Group, develop new types of insurance and innovate cooperation models to enhance service efficiency and benefits, diversify customer channels and increase market share.

For the supply of marine equipment and spare parts, the Group will give full play to its advantages in terms of channels and expand its service offerings while focusing on digital construction, in order to improve its operational efficiency. The Group will also push forward the green and environmental-friendly spare parts business, and further improve customer satisfaction.

For container coatings, the Group will speed up technology improvement and optimise its products for stable quality to further reduce its product costs. The Group will also increase its efforts in market expansion and tap into potential customer resources to further enhance its market position.

For industrial heavy-duty anti-corrosion coatings, the Group will continue to drive down its product costs through technical improvement and constantly refine its products in terms of environmental-friendly level and sustainability. The Group will also launch collaborative marketing to develop new customer bases and expand the room for growth.

For marine coatings, the Group will conduct in-depth market research and push ahead IT-based data analysis with an aim to enhance customer service capabilities, improve supply chain processes, and alleviate the pressure on raw material costs. The Group will also continue to strengthen research and development on product technology to reinforce our competitive advantages.

For the trading and supply of marine fuel and related products, the Group will continue to adhere to a robust and prudent operating approach and strive to conduct risk prevention and control.

For general trading, the Group will proactively drive business transformation, enhance its service quality and expand its business scope while strengthening market expansion and customer development. The Group will also adopt effective measures to avert operation risks.

Profile of Directors and Senior Management

DIRECTORS

Mr. Zhu Jianhui

(Chairman and Managing Director)

aged 60, has been the Chairman of the Board since March 2020, the Managing Director of the Company since January 2018 and the Executive Director of the Company since August 2016. He also had been the Vice Chairman of the Board of the Company from August 2016 to March 2020. Mr. Zhu is chairman of Corporate Governance Committee, Strategic Development Committee, Risk Management Committee, member of Remuneration Committee and Nomination Committee of the Company. Mr. Zhu leads overall management and operation, strategic development and human resources management of the Company. He is also vice-chairman and non-executive director of Piraeus Port Authority S.A. (listed in Athens) and the director of Hainan Harbor & Shipping Holding Co., Ltd.. He had been the manager of China Ocean Shipping Agency Nantong (Penavico Nantong), the deputy general manager of China Ocean Shipping Agency (Shanghai), the deputy general manager of China Ocean Shipping Agency head office, the deputy general manager of COSCO Logistics Co., Ltd., the general manager of China Ocean Shipping Tally Company, the general manager of Dalian Ocean Shipping Company and director and chairman of COSCO SHIPPING (Hong Kong) Co., Limited. Mr. Zhu possesses extensive professional knowledge in ocean shipping and logistics management and also has rich experience in corporate operation and management. He graduated from Shanghai Maritime College and obtained a Master's degree. He is a senior economist.

Mr. Chen Dong

aged 48, has been the Non-executive Director since January 2018 and is member of Risk Management Committee of the Company. He is also general manager of Finance and Accounting Division of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited), director of COSCO SHIPPING (Hong Kong) Co., Limited (direct controlling shareholder) and non-executive director of COSCO SHIPPING Ports Limited (listed in Hong Kong) and China Merchants Bank Co., Ltd. (listed in Shanghai and Hong Kong), and director of COSCO SHIPPING Specialized Carriers Co., Ltd. (listed in Shanghai) and COSCO SHIPPING Bulk Co., Ltd.. Mr. Chen was the deputy head of Risk Control Section under the Planning and Finance Department, the deputy head of the Finance Section under Planning and Finance Department and senior manager of the Finance and Taxation Management Office, the assistant to the general manager of the Finance Department and the deputy general manager of the Finance Department of 中國海運(集團)總公司 (China Shipping (Group) Company). He was the non-executive director of COSCO SHIPPING Development Co., Ltd. (listed in Shanghai and Hong Kong) and non-executive director of COSCO SHIPPING Holdings Co., Ltd. (listed in Shanghai and Hong Kong). Mr. Chen has over 20 years of working experience in shipping enterprises and has extensive experience in risks control, taxation management and finance. Mr. Chen obtained a Master's degree in Economics from Shanghai University of Finance and Economics and is a senior accountant.

Ms. Meng Xin

aged 51, has been the Executive Director since November 2022 and is chairman of Environmental, Social and Governance Committee, member of Strategic Development Committee and Risk Management Committee of the Company, the chief accountant and a director of a subsidiary of the Company. She is also the chief accountant and general counsel of COSCO SHIPPING (Hong Kong) Co., Limited (direct controlling shareholder) and a chairperson of the supervisory committee of Qilu Expressway Company Limited. Ms. Meng had been the deputy head and head of Second Section under Finance Division, the head of Development Section under Market Development Division of China Ocean Shipping Agency head office, the head of Investment and Development Section under Cooperation and Development Division, the deputy general manager of Cooperation and Development Division, the deputy general manager of Corporate Planning Division, the deputy general manager and general manager of Finance Division of COSCO Logistics Co., Ltd., the general manager of Finance and Accounting Division of COSCO SHIPPING Logistics Co., Ltd., assistant to the president and the general manager of Finance and Accounting Division of COSCO SHIPPING (Hong Kong) Co., Limited, assistant to the managing director and the general manager of Finance and Accounting Division of the Company. Ms. Meng has extensive experience in financial management, investment management and capital operation. Ms. Meng graduated from Central University of Finance and Economics majoring in accounting and is a senior accountant.

Profile of Directors and Senior Management

Mr. Tsui Yiu Wa, Alec

aged 73, has been the Independent Non-executive Director of the Company since February 2004 and is chairman of Nomination Committee, member of Audit Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Tsui is director of Industrial and Commercial Bank of China (Asia) Limited and also independent non-executive director of a number of listed companies in Hong Kong, namely, Pacific Online Limited, Hua Medicine and Brii Biosciences Limited as well as two companies listed overseas including independent director of ATA Creativity Global (listed on NASDAQ) and independent non-executive director of Melco Resorts & Entertainment Limited (listed on NASDAQ). Mr. Tsui graduated from the University of Tennessee, the United States and was awarded a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering and had completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University, the United States. He was the chairman of Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000 and the adviser and council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. Mr. Tsui was the chairman and director of WAG Worldsec Corporate Finance Limited from 2006 to 2016, and previously served as the independent non-executive director of the listed companies in Hong Kong, namely, DTXS Silk Road Investment Holdings Company Limited until his retirement in May 2020 and Melco Resorts and Entertainment (Philippines) Corporation (listed in the Republic of Philippines in December 2012 and delisted in June 2019) until his resignation in November 2020.

Mr. Jiang, Simon X.

aged 69, has been the Independent Non-executive Director of the Company since April 2007 and is chairman of Remuneration Committee, member of Audit Committee, Nomination Committee and Corporate Governance Committee of the Company. He is an independent non-executive director of PetroChina Company Limited (listed in Hong Kong, Shanghai and New York) and chairman of Cyber City International Limited. Mr. Jiang is also a director of China Foundation for Disabled Persons and a senior associate at the Judge Business School of Cambridge University of England. He is currently a member of the United Nations Investments Committee. Mr. Jiang received his Bachelor's degree from Beijing Foreign Studies University, Master's degree from Australian National University and Doctorate's degree in Economics from Cambridge University of England. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, a trustee of Cambridge China Development Trust and a member of the 11th and 12th Sessions of the National Committee of the Chinese People's Political Consultative Conference. He has experience in fund management.

Mr. Kwong Che Keung, Gordon

aged 73, has been the Independent Non-executive Director of the Company since July 2020 and is chairman of Audit Committee, member of Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Kwong is also independent non-executive director of a number of listed companies in Hong Kong, namely, Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, FSE Lifestyle Services Limited, Henderson Investment Limited and Henderson Land Development Company Limited. He is also an independent non-executive director of Piraeus Port Authority S.A. (listed in Athens), a fellow subsidiary of the Company. Mr. Kwong was the managing director of the Company from 1998 to 2001. He was an independent non-executive director of Global Digital Creations Holdings Limited until his retirement in May 2020, an independent non-executive director of China Power International Development Limited until his retirement in June 2021 and an independent non-executive director of NWS Holdings Limited until his retirement in November 2022. Mr. Kwong graduated from The University of Hong Kong with a Bachelor's degree in social sciences in 1972 and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants respectively. Mr. Kwong was a partner of an international big four accounting firm from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong Limited from 1992 to 1997, during which he had also acted as the convener of both the listing committee and the compliance committee of The Stock Exchange of Hong Kong Limited. He has over 40 years of experience in accounting and auditing.

The Directors' interests in shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as at 31 December 2022 which were required to be notified the Company and the Stock Exchange, are disclosed in the section headed "Directors' Interests in Securities" of the Directors' Report.

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

Save as disclosed in the Directors' respective biographical details under "Profile of Directors and Senior Management" and other part in this annual report, the Directors (a) have not held any directorships in other listed public companies whether in Hong Kong or overseas in the past three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company as at 31 March 2023.

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

The Directors referred to under "Profile of Directors and Senior Management" (except Mr. Chen Dong and Ms. Meng Xin) received the Directors' emoluments for the year 2022 which will be determined with reference to the prevailing market conditions, director's experience, qualifications and responsibilities involved in the Company. The details of the emoluments of the Directors for the year ended 31 December 2022 on a named basis are disclosed in note 25 to the financial statements.

SENIOR MANAGEMENT

Mr. Chen Hui

aged 50, has been the Deputy General Manager of the Company since June 2022. He is also vice president of COSCO SHIPPING (Hong Kong) Co., Limited. Mr. Chen had been the deputy section chief, deputy section chief (presiding), section chief of Planning Section under Container Management Division, section chief of Planning and Scheduling Section and general manager assistant of Container Management Division of China Shipping Container Lines Co., Ltd, the deputy manager of America Container Management Center of China Shipping (North America) Holdings Co., Ltd, the deputy general manager and general manager of Container Management Center of China Shipping Container Lines Co., Ltd,the general manager and executive deputy general manager of China Shipping (South America) Holdings Co., Ltd, the executive deputy general manager of COSCO Shipping (South America) Co., Ltd. Mr. Chen has extensive experience in the operation and management of container shipping, international shipping and corporate management. Mr. Chen graduated from Shanghai Maritime College, major in Container Transportation Management.

Mr. Ma Xianghui

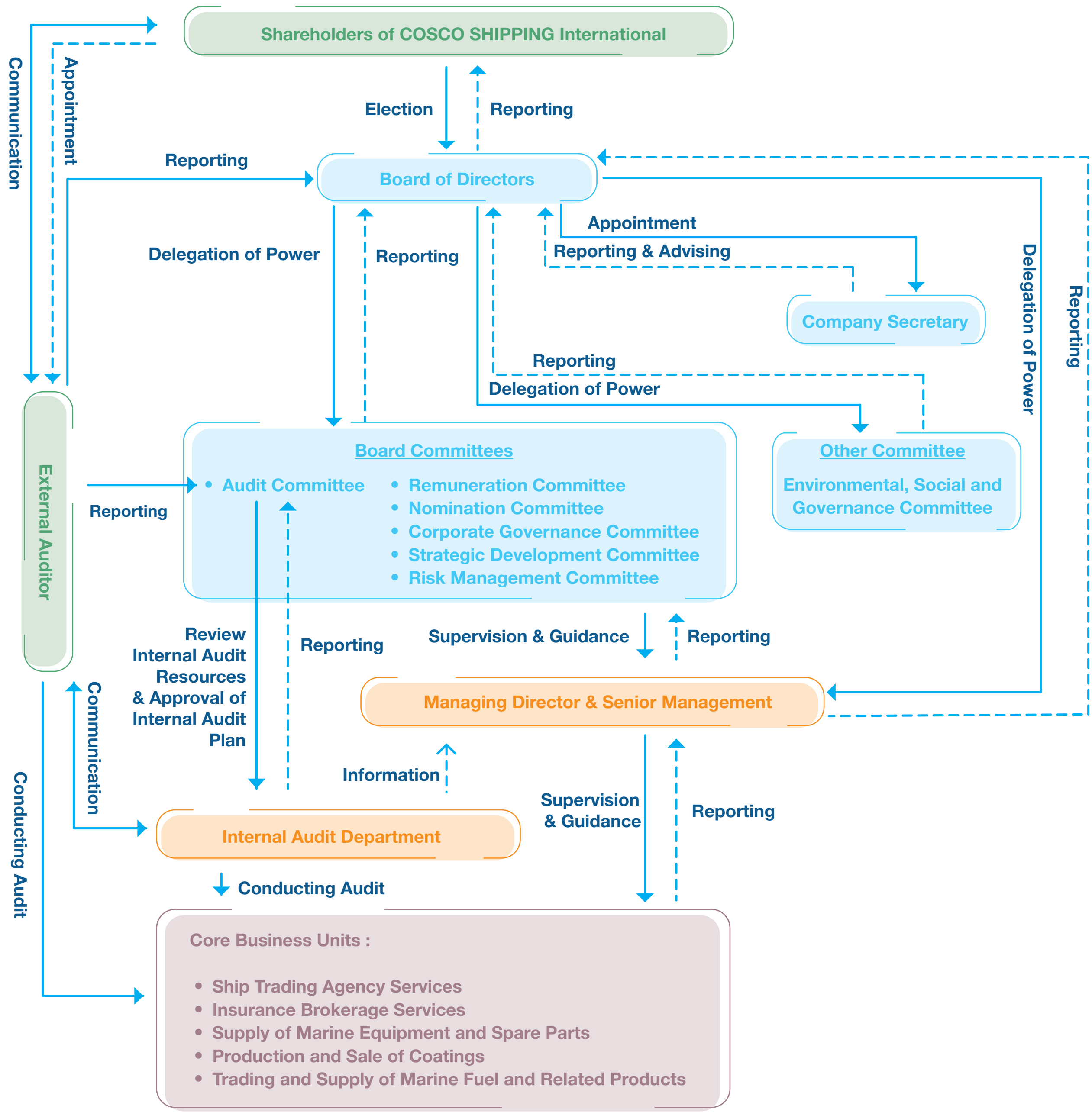
aged 48, has been the Deputy General Manager of the Company since March 2023. Mr. Ma is also the deputy general manager of COSCO SHIPPING (Hong Kong) Co., Limited. Mr. Ma had been the fund management manager of the Finance Division of China COSCO Holdings Company Limited, the general manager of Finance Division of COSCO International Holdings Limited (former name of the Company), the business manager of Strategy Implementation Management Office of China Ocean Shipping (Group) Company and China COSCO Holdings Co., Ltd., the manager of Listing Management Section and the deputy general manager of Capital Management & Operation Division of China COSCO SHIPPING Corporation Limited. Mr. Ma has extensive experience in capital operation, strategic planning and finance. Mr. Ma holds a Master degree of Economics of University of International Business and Economics. He is a fellowship member of Association of Chartered Certified Accountants (FCCA) and a senior accountant.

Ms. Chiu Shui Suet

aged 56, has been the Company Secretary of the Company since October 2005. She is also the secretary of six Board Committees of the Company and the company secretary of various subsidiaries of the Company. Ms. Chiu is in charge of corporate governance, legal, risk management, company secretarial, investor relations and related matters of the Company. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton in 1996 and completed her Postgraduate Certificate in Laws at the City University of Hong Kong in 1998. Ms. Chiu was admitted as a solicitor in Hong Kong in 2000. Besides being a member of the Law Society of Hong Kong, she is also a fellow of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute, holding Chartered Secretary and Chartered Governance Professional dual designations. Prior to joining the Company, Ms. Chiu had worked for various entities including accounting firms, legal firm and listed companies. She is well conversant with business law and company law and has extensive experience and solid knowledge in dealing with the company secretarial, corporate governance and legal matters for private and listed companies.

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

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



Comprehensive guidelines, policies and procedures including the corporate governance statement of policy, code of conduct regarding securities transactions of directors and employees, whistleblowing policy, information management method, director appointment policy, the terms of reference for board committees, board diversity policy and shareholders communication policy have been formulated by the Board to support the Group's corporate governance framework. These policies and procedures enable the Company to follow and apply the principles of the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules (the "CG Code"). These documents are reviewed regularly by the Board and the relevant board committees and are updated in line with the revised applicable legislations and rules as well as the current market practices.

The Company also maintains an employee management method providing guidance to employees on matters such as ethical standards, business conduct, employees conduct and reporting any misconduct within the Group. The employee management method applies to all employees of the Group who must ensure strict compliance with the policies therein. Through the establishment of a performance charter for the management and appropriate appraisal mechanisms, the Company has been able to align the interests of the management and all the staff with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all staff, the Company has identified, formulated and implemented a corporate culture that is considered appropriate for its special circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Group. In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in light of local and international best practices. The Company had complied with the CG Code throughout the year ended 31 December 2022, except (a) (i) Mr. Chen Dong, the Non-executive Director, was unable to attend the annual general meeting of the Company held on 31 May 2022 due to other business engagement; and (ii) Mr. Chen Dong, the Non-executive Director and Mr. Jiang, Simon X., an Independent Non-executive Director, were unable to attend the special general meeting of the Company held on 5 December 2022 due to other business engagement; a deviation from the code provision C.1.6 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings; and (b) the roles of Chairman and Managing Director are performed by the same individual, Mr. Zhu Jianhui, which deviates from code provision C.2.1 of the CG Code. However, the Board believes that the roles of Chairman of the Board and Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he acts for the benefit and in the best interests of the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategic and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management of the Company, there is no other matter deviated from the CG Code. The Company will continue to review its corporate governance policies and compliance with the Listing Rules and will continue to comply with the relevant provisions as set out in the CG Code.

THE BOARD

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

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

During the year, the Chairman has a meeting with the Independent Non-executive Directors without the presence of other Directors. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed. In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense and Directors and Officers Liability Insurance cover was arranged and subject to annual review. The overall management of the Company's business is vested in the Board. The Board is responsible for overseeing all major matters of the Company which include formulating and approving the Company's operational strategies, management policies, internal control and risk management systems, reviewing the Company's policies and practices on corporate governance, setting the objectives and targets with a view to enhance the Shareholders' value for the management, monitoring performance of the management and providing guidance to the management. The Directors have to make decisions objectively in the interests of the Company. The Board is accountable to the Shareholders, in a responsible and effective manner leading the Group.

The Board's role is to provide leadership of the Company and direction for management. It is collectively responsible and accountable to the Company's shareholders and stakeholders for the long-term success of the Group. The Board is responsible for establishing the Company's purpose, values and strategy and promoting its culture and overseeing its conduct and affairs for promoting the long-term success of the Group, as well as ensuring leadership within a framework of effective controls.

The Board sets the strategic direction of the Group and ensure that resources are aligned with strategic objectives by approving the decisions, formulating strategic plans and taking appropriate actions to achieve its strategic aspirations.

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

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

Remuneration of Directors

The Company's Human Resources Division assists Remuneration Committee to discharge its duties by providing relevant remuneration data and market conditions information for Remuneration Committee's consideration. The remuneration of Directors and the senior management of the Company is determined with reference to their expertise and experience in the industry, the Company's performance and profitability as well as remuneration benchmarks from other listed companies and the prevailing market conditions. The remuneration packages, promotions, specific adjustments in remuneration of the Executive Directors and the senior management are determined by the Remuneration Committee. The directors fees of the Non-executive Directors (including Independent Non-executive Director") are recommended by the Remuneration Committee to the Board and determined by the Board. Emoluments paid to Directors and the senior management of the Company by band for the year are disclosed in notes 24 to 25 to the financial statements of this annual report.

Nomination, Appointment and Re-election of Directors

The Company adopted the Director Appointment Policy (available on the Company's website) which provides framework and standards for the appointment of high calibre directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee is responsible for identifying and nominating suitable candidates for the Board's consideration. Pursuant to the bye-laws of the Company, any Director appointed to fill vacancy shall hold office until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting, and every Director is subject to retirement by rotation at least once every three years and shall be eligible for re-election at such annual general meeting of the Company. Any further re-appointment of an Independent Non-executive Director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the Shareholders. In addition, Nomination Committee recommended the proposal of Directors' re-election in the 2023 annual general meeting of the Company. Mr. Zhu Jianhui, being the Executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Mr. Chen Dong, being the Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Ms. Meng Xin, being the Executive Director, has entered into a letter of appointment with the Company on 24 November 2022 for a term commencing from 24 November 2022 to the conclusion of the 2024 annual general meeting. Each of the above letters of appointment is subject to termination by either party giving one month's prior notice in writing or such other shorter notice period as may be agreed by both parties. In addition to the Independent Non-executive Directors and the Non-executive Directors, all Executive Directors were appointed for a specific term and letters of appointment setting out the key terms and conditions of appointment were entered into between the Company and each of the Directors, details of which are set out in the "Directors' Report" of this annual report.

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

Board Diversity

The Company strives to maintain a diverse Board, recognizing the benefits of having a Board made up of individuals with a diverse mix of gender, social and ethnic backgrounds, knowledge, personal attribute, skills and experience. In 2022, the Board, through the Nomination Committee, conducted a review of the Board Diversity Policy to ensure that the Company continued to drive diversity to provide a range of perspectives which the Board believes contribute to the effective Board dynamics in aligning with the latest corporate governance practice. The Board Diversity Policy is available on the website of the Company, which setting out the approach to achieve diversity on the Board. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationship between Board members.

Since the publication of the mandatory requirement for appointing at least a director of different gender on the board of listed companies no later than 31 December 2024, the Board, through the Nomination Committee, has sought, identified and selected highly-qualified woman director to embrace the gender diversity in the Board. By the end of 2022, the Company made good progress in appointing female representation with one woman Director out of the six Directors. The Nomination Committee will continue to improve gender diversity on the Board as and when suitable candidates are identified and make recommendations to the Board.

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

In striving to maintain gender diversity across all workforce levels (including senior management) (excluding joint ventures and associates), the Company will maintain equal employment opportunity policies which ensure all candidates are treated in a fair and transparent manner and assessed based on their qualifications and experience with regardless of their gender. As at 31 December 2022, women represented 26% of the workforce of the Group and 33% of the Senior Management of the Company, 53% of the workforce in the headquarters and 22% of the workforce in the Company's subsidiaries. The Company considers that the gender diversity across overall workforce (including Senior Management of the Company) stands at a reasonable level as the shipping services industry is widely considered to be a male-dominated profession. The Company will continue to review the gender diversity from time to time and take necessary steps to promote diversity in alignment with the industry, culture and best market practice. For details of the hiring practices of the Company, please refer to the section headed "EMPLOYEE EMPOWERMENT" of the Environmental, Social and Governance Report.

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

Induction and Continuous Professional Development

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

Directors' Responsibilities for Financial Reporting and Disclosures

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

Management of the Company provided all members of the Board with monthly reports giving updated and understandable information of the Company's business operating performance, work done in investor relations and details of share price to enable each Director to discharge his duties.

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

Securities Transactions of Directors and Relevant Employees

The Company has adopted a Code of Conduct regarding Securities Transactions of Directors and Employees (the "Securities Code") (available on the Company's website) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. In order to ensure Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year of 2022, all Directors confirmed that they had complied with the required standards as set out in the Model Code and the Securities Code during the year.

Board Meetings

The Board met regularly and held four regular meetings in 2022. Notice of meeting was given to the Directors at least 14 days prior to each regular Board meeting. The Directors were invited to include any matters which they thought appropriate in the agenda. Agenda and board papers with adequate information were sent to all Directors at least 3 days before the meeting in order to ensure that they had sufficient time to review the board papers and prepare for the meeting. At each regular Board meeting, the Directors were properly briefed on the Company's current situation and issues arising at such meeting. Executive Director(s) and/or chairman of Board Committees and/or the senior management of the Company reported to the Board on various aspects, including the business performance, financial performance, corporate governance, risk management and internal control as appropriate, etc.. Queries raised by the Directors were responded promptly by the senior management of the Company. Directors were encouraged to make an active contribution to the Board's affairs and express their views and concerns. Sufficient time was allowed for the Directors to discuss matters about which they were concerned. For Director who was unable to attend the regular Board meeting, he was properly briefed the matters to be discussed in advance and his view expressed prior to the meeting was reported to the Board.

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

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

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

Notes:

(1) Ms. Meng Xin was appointed as Executive Director on 24 November 2022.
(2) Mr. Ma Jianhua was resigned as Executive Director on 24 November 2022.
(3) Mr. Feng Boming was resigned as Non-executive Director on 28 April 2022.

Board Committees

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

(a) Audit Committee

Members	Three Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X..
Major responsibilities	— reviewing the accounting policies and supervising the Company's financial reporting process; — monitoring the performance of both the internal and external auditors; — monitoring the effectiveness of the financial reporting, risk management and internal control systems; — ensuring compliance with applicable statutory accounting and reporting requirements; — reviewing the financial information of the Company; and — acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2022	— reviewing and making recommendations for the Board's approval on 2021 annual results announcement, the audited consolidated financial statements for the year ended 31 December 2021, 2022 interim results announcement, interim report 2022 and the unaudited condensed consolidated financial information for the six months ended 30 June 2022; — reviewing the report of external auditor; — reviewing the continuing connected transactions of the Group for the year ended 31 December 2021 and for the six months ended 30 June 2022 respectively; — reviewing the effectiveness of the risk management and internal control systems for the year ended 31 December 2021; — reviewing the compliance of code of conduct self-evaluation report of the Group for the year ended 31 December 2021; — making recommendations to the Board, subject to the Shareholders' approval at the 2022 annual general meeting, the re-appointment of PricewaterhouseCoopers as the external auditor of the Company; — reviewing the internal audit work and approve the internal audit planning for the year 2023 and external audit plan for the year ended 31 December 2022; and — reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting function, and their training programmes and budget.

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

In 2008, the Company adopted a Whistleblowing Policy (available on the Company's website), which was last updated in 2022 to strengthen protection for whistleblowers and extend the scope of whistleblowers to those who deal with the Company. Pursuant to the Whistleblowing Policy, employees of the Group and those who deal with the Company have been provided a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group in confidence and anonymity. The policy includes the establishment of an electronic reporting mailbox and a hotline. All reporting is treated as confidential and in a sensitive manner. The Board delegated the authority to the Chairman of the Audit Committee or the Audit & Supervision Division, which is responsible to review the complaint and decide how the investigation should proceed. During the year, no complaint from the employees of the Group and those who deal with the Company was received.

(b) Remuneration Committee

Members	Three Independent Non-executive Directors, namely, Mr. Jiang, Simon X. (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Kwong Che Keung, Gordon; and an Executive Director, namely, Mr. Zhu Jianhui.
Major responsibilities	— making recommendations to the Board on the policy for the remuneration of the Directors and senior management of the Company; — ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice; — determining the remuneration packages of individual Executive Directors and senior management of the Company with delegated responsibility by the Board; and — making recommendations to the Board on the remuneration of Non-executive Directors.
Major work performed during the year 2022	— reviewing and making recommendations to the Board on the Directors' fees of Independent Non-executive Directors for the year 2021; — reviewing the remuneration report of the Group including determining the salary package for senior management of the Company; and — reviewing and approving the terms set out in the letters of appointment with Directors.

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

(c) Nomination Committee

Members	Three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec (committee chairman), Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon; and an Executive Director, namely, Mr. Zhu Jianhui.
Major responsibilities	— reviewing the structure, size and composition of the Board; — making recommendations to the Board on the appointment and succession planning for the Directors; — assessing the independence of Independent Non-executive Directors; — monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Non-executive Directors; and — monitoring and reviewing the implementation of the Board Diversity Policy.
Major work performed during the year 2022	— conducting a review of the Board diversity, assessing the independence of Independent Non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the annual general meeting of 2023; and — recommending the nomination of Ms. Meng Xin as Executive Director by reviewing her experience, expertise, knowledge and skills against the needs of the Company.

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

(d) Corporate Governance Committee

Members	An Executive Director, namely, Mr. Zhu Jianhui (committee chairman); and three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon.
Major responsibilities	— formulating and reviewing the Company's policies and practices on corporate governance; — reviewing and monitoring the training and continuous professional development of Directors and/or senior management of the Company; and — reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the annual report.
Major work performed during the year 2022	— reviewing the continuous professional development of Directors, the Company's compliance status of the CG Code for the year ended 31 December 2021 and the disclosure of the corporate governance report in the annual report of 2021; and — reviewing the Company's compliance status of the CG Code for the six months ended 30 June 2022.

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

(e) Strategic Development Committee

Members	Two Executive Directors, namely, Mr. Zhu Jianhui (committee chairman) and Ms. Meng Xin.
Major responsibilities	— reviewing the annual strategic development plan of the Company and monitoring the implementation of strategies; — reviewing the major investment projects and financing proposals; — reviewing the major capital deployment and project on operation of assets; — reviewing the strategic direction of the Company's business and operational management; and — reviewing and evaluating the project evaluation system(s).
Major work performed during the year 2022	— reviewing and discussing the report on the implementation of strategic development plan for the year 2021 and the strategic development plan for 2022; and — approving the disposal of 18% equity interests in Double Rich Limited.

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

(f) Risk Management Committee

Members	Two Executive Directors, namely, Mr. Zhu Jianhui (committee chairman) and Ms. Meng Xin; and a Non-executive Director, namely, Mr. Chen Dong.
Major responsibilities	— monitoring the risk management framework to identify and deal with risks faced by the Group (including operational, regulatory and financial risks etc.); — reviewing and assessing the Group's risk management framework; and — monitoring the implementation of risk control.
Major work performed during the year 2022	— reviewing the risk management assessment report of 2022 in relation to the analysis on risks identified, improvement of internal control and risk management system and the risk management plan for 2023 covering major operational risk factors together with their prevention measures.

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

Other Committee

In addition to the above-mentioned board committees, the Company has set up an Environmental, Social and Governance Committee (the "ESG Committee") in 2021 with respective terms of reference which clearly defined its authority and duties. The Board has delegated its ESG function to the ESG Committee. The terms of reference of ESG Committee is also available on the website of the Company.

Members		The Committee members are consisting of not less than four members, including Ms. Meng Xin, an executive director, Mr. Wang Guorong, a deputy general manager, and a representative of each of Operation Management Division, Executive Division, Strategy Development Division, Human Resources Division and Public Relations Division.
Major responsibilities	—	assisting to identify, evaluate and manage the risk, opportunities and major issues in relation to ESG aspects;
	—	monitoring the implementation and effectiveness of ESG policies and practices of the Company; and
	—	organising the preparation of the ESG report annually together with reporting and making recommendations to the Board.
Major work performed during the year 2022	—	reviewing the ESG report of the Company for the year ended 31 December 2021.

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

BOARD INDEPENDENCE

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

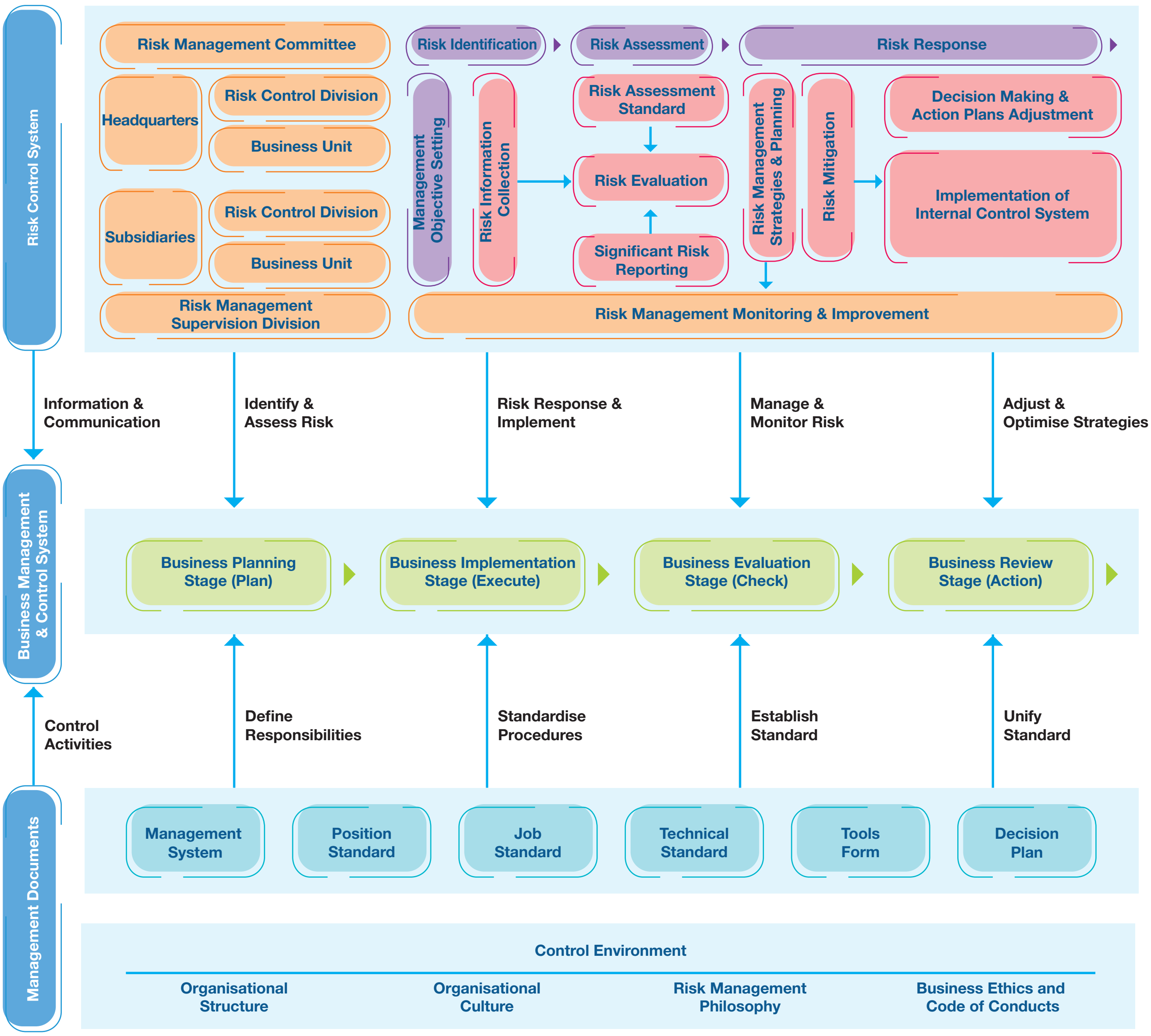
Responsibility

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

Framework and Approach

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

Risk Management Framework of the Group



Control Environment

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

Control Activities

In the Group's core shipping services business units, control activities have been built on regular top-level reviews, segregation of duties and physical controls. Currently, the key features of the internal controls system include:

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

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

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

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

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

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

Risk Management Process

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

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

Major Operational Risk Factors and Measures

The annual risk assessment is performed by means of survey, questionnaire and interview that are conducted by core divisions and business units. The questionnaire includes the assessment of two aspects regarding possibility and impact of specific risks on the company's risk register. In 2022, according to the Company's risk assessment, the identified top five risks were raw material price fluctuation risk, receivable risk, economic fluctuation risk, selling price fluctuation risk and competitor risk.

For raw material price fluctuation risk, overall profitability of the Company was affected by market price fluctuation, the rising raw material supply prices, higher production costs, and the greater difficulty in cost sharing along the supply chain. The business departments tracked and prompted the important information in the raw material market in a timely manner, and the subsidiaries paid attention to the activities of key industries and their upstream industries, assessed raw material price trends, and made procurement and distribution plans for raw materials at risk in advance to strive for stable supply, and strictly controlled the procurement progress and inventory exposure scale.

For receivable risk, customers had greater difficulty in payment as a result of changes in domestic and international macroeconomic policies, and receivables were not recovered on a timely basis due to the transactions exposed to risks of receivables not properly covered with means of recovery. The Company attached great importance to and refined its accounts receivable management processes and methods, strictly managed customer credit, increased efforts to collect high-risk accounts receivable and clear a backlog of inventory, and requested that units at all levels should strengthen control at source, make flexible assessment, and ensure accountability.

For economic fluctuation risk, as a result of the significant changes in the domestic and international political, economic and social environment, among with the high dependence of the Company's business on the macroeconomic environment, the increase in uncertainties in its future business development and strategy implementation likely adversely affected the Company's performance and financial position. The Company and its subsidiaries took a more cautious wait and see approach to policies and markets, and adhered to its strategy of steady development and sustainable operation. In order to actively respond to the impact of the pandemic on the business of the shipping service industry, the Company adjusted its business activities in a timely manner, developed contingency plans in advance, minimised losses and avoided disputes, and improved the timeliness of risk response.

For selling price fluctuation risk, market uncertainty triggered price fluctuation with slowdown in demand growth. Major competitors might reduce their prices to serve promotional purposes, thereby causing vicious price competition in the industry, and affecting the overall profitability. Each business unit timely recognised the market competition environment and the business activities of competitors or potential competitors, reviewed and analysed its own products and its operating strategies, continuously strived for excellence within and outside the COSCO SHIPPING Group, actively maintained quality customers, and reduced management costs, thus laying a good foundation for sustainable and healthy development and coping with the selling price fluctuation risk.

For competitor risk, the Company might be disadvantaged in a competitive market due to a lack of knowledge about competitors or the use of new market strategies or tactics by competitors. The management paid close attention to industry trends and used a flexible communication mechanism to keep abreast of the current market competition environment and the business updates of existing or potential competitors. All subsidiaries continued to improve service quality and production safety levels, attracted customers with better value-added services and improved product competitiveness.

Internal Audit and Control Effectiveness

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

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

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

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

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

EXTERNAL AUDITOR

During the year, the remuneration paid or payable to the Company's external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group were approximately HK$3,199,000 and HK$1,552,000 respectively. These amounts excluded remuneration paid or payable to other external auditors of subsidiaries of the Company which were included in Auditor's remuneration disclosed in note 23 to the financial statements.

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

COMPANY SECRETARY

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

During the year, the Company Secretary has attended no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

In order to ensure the Shareholders are provided with comprehensive, equal and timely access to balanced and understandable information about the Company, the Shareholders Communication Policy (available on the Company's website) was adopted and the Board is responsible to review the policy on a regular basis in order to ensure its implementation and effectiveness. The Shareholders Communication Policy was updated in 2022 to reflect the latest developments in the communication practices of the Company with its Shareholder(s).

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

The Board believes that the general meetings provide an opportunity for communication between the Shareholders and the Board members. During the year, an annual general meeting of the Company was held on 31 May 2022 (the "2022 AGM"). Shareholders were given at least 20 clear business days' notice of the 2022 AGM. Besides, a special general meeting of the Company was held on 5 December 2022 (the "2022 SGM"). Shareholders were given at least 10 business days' notice of the 2022 SGM. The Chairman and the chairmen of relevant committees attended the 2022 AGM. The representative from PricewaterhouseCoopers, the external auditor of the Company attended the 2022 AGM to answer questions if necessary about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. The representatives of the independent financial adviser and the legal adviser attended the 2022 SGM to answer questions if necessary about the New Master Supply Agreement and the New Financial Services Master Agreement and the annual caps in relation thereto and all transactions contemplated thereunder. Q&A sessions had been provided to the Shareholders to raise their concern at the 2022 AGM and the 2022 SGM respectively. The chairman of each of the 2022 AGM and the 2022 SGM explained the detailed procedures for conducting a poll at such meetings. At the 2022 AGM, separate resolution for each substantially separate issue was proposed in order to avoid bundling resolutions. The poll voting results of the 2022 AGM and the 2022 SGM were published on the websites of the Stock Exchange and the Company on the same day after the meeting.

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

Shareholders’ Rights

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

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

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

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

Shareholders’ Enquiries

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

Procedures for Shareholders to make proposals at general meeting

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

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

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

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

CONSTITUTIONAL DOCUMENTS

To conform to the current requirements of the Listing Rules, including but not limited to the Core Shareholder Protection Standards as set out in Appendix 3 to the Listing Rules, the Board has made certain amendments to the bye-laws of the Company during the year ended 31 December 2022.

For details of the amendments to the bye-laws of the Company, please refer to the Company's announcement dated 20 April 2022, circular dated 25 April 2022 and the amended bye-laws dated 31 May 2022.

Saved as disclosed above, there was no change to the memorandum of association and bye-laws of the Company during the year ended 31 December 2022.

INFORMATION DISCLOSURE

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

By order of the Board

CHIU Shui Suet
Company Secretary

Hong Kong, 28 March 2023

Investor Relations

INVESTOR RELATIONS MANAGEMENT STRATEGY

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

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

COMPREHENSIVE INVESTOR RELATIONS MAINTENANCE

In 2022, global market was extremely volatile as impacted by unstable pandemic situation and the divergence of monetary policies among central banks. Hong Kong as an international financial center is sensitive with capital flows and has experienced relatively large fluctuation during the year. Hang Seng Index dropped significantly from 23,397 in year end 2021 to the lowest point of 14,597 on 31 October 2022, representing as much as 38% decline.

Entering into 2023, extraordinary risks are accumulating as a result of unstable geopolitical conditions, persistent high inflation circumstances, the implementation of tightening policy in developed countries and turmoil financial system, money flows is becoming more unpredictable. Adhering to excellent corporate governance and investor communications strategies, the Company is committed to responding promptly to investors' enquiries, to ensure investors' full understanding of the Company's operations and strategic direction, and actively promote our corporate culture which places emphasis on shareholders returns, as well as the investment value and prospects of COSCO SHIPPING International to the potential investors.

The Company performs regular analysis of shareholders structure, measuring the shareholding distribution between institutional and retail shareholders as well as their investment orientations and origins and closely monitoring the changes of their equity interests, in order to identify the Company's position in the capital market and facilitate daily maintenance of investor relations management. According to the Bloomberg Terminal, as at the end of 2022, the top 10 institutional shareholders' shareholding in COSCO SHIPPING International accounted for 2.33% (as at the end of 2021: 2.43%) of the total issued share capital of the Company. These institutional shareholders are based in Hong Kong, the United States, Singapore, Malaysia and Europe, all of which focus on long-term value investing and are large investment institutions with high reputation in the industry.

DIVERSIFIED, REAL-TIME AND TRANSPARENT COMMUNICATION CHANNELS

COSCO SHIPPING International is committed to maintaining high standards of corporate governance and transparency through applying high standards of disclosure all along and releasing corporate information timely and accurately. Among which, the annual report is one of important channels for shareholders and investors to understand the development of the Company. By upholding the principles of easy-to-read, complement the corporate culture and economical, the Company spares no effort in preparing its annual report, which allows investors to understand our corporate structure, business scopes, key figures and messages at a glance. As time progresses, the Company adheres to a diversified and real-time communications culture to allow the capital market to have immediate access to the latest updates of the Company through comprehensive channels, including the Company's website, WeChat, corporate periodicals, etc.. Since 2014, in advance of the regulatory requirements, the Company has included Environmental, Social and Governance Report in its annual reports, with an aim to further enhance the transparency of the Company and be responsible to all of our stakeholders.

KEY CONCERNS BY SHAREHOLDERS AND INVESTORS IN 2022

- Core business — The performance of the five segments of shipping services
- The threats and opportunities of the Company's business that arisen from the new environmental regulations in shipping industry
- The planning of the Company's share repurchase
- The utilisation plan of the large sum of idle cash on hand and potential investment direction
- The possibility of special dividend
- The details and benefits of the continuing connected transactions

SHARE PRICE PERFORMANCE

On the last trading day of 2022, the closing share price of COSCO SHIPPING International was HK$2.52 (2021: HK$2.38) per share issued of ordinary shares outstanding of 1,481,693,429 shares (2021: 1,532,955,429 shares). The market capitalisation of the Company was HK$3,733,867,000 (2021: HK$3,648,434,000). During the year, the highest share price was HK$2.80 and the lowest share price was HK$1.99. The daily average trading volume and daily average trading turnover were 783,000 shares (2021: 587,000 shares) and HK$1,848,000 (2021: HK$1,506,000), respectively.

DIVIDEND POLICY

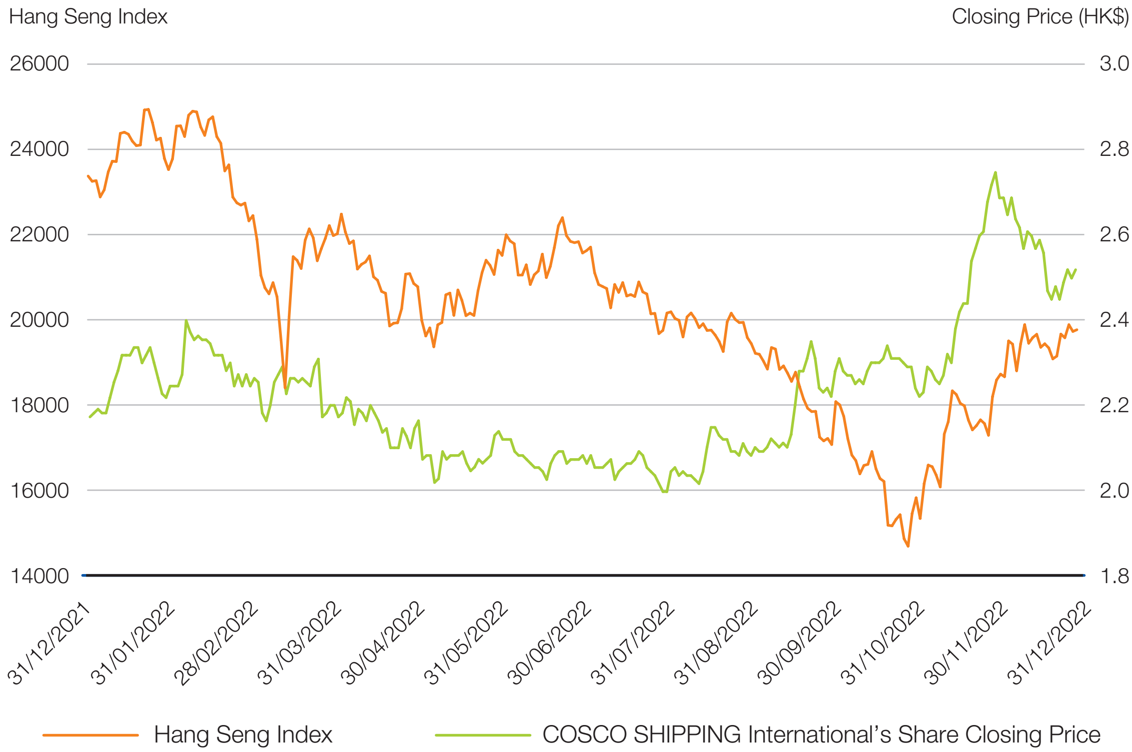
COSCO SHIPPING International's annual dividend payout ratio is not less than 50% of net profit prior to obtaining practical progress in major investment projects in the future. In case the Company publishes major transaction announcement in relation to investment project, the annual dividend payout ratio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

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

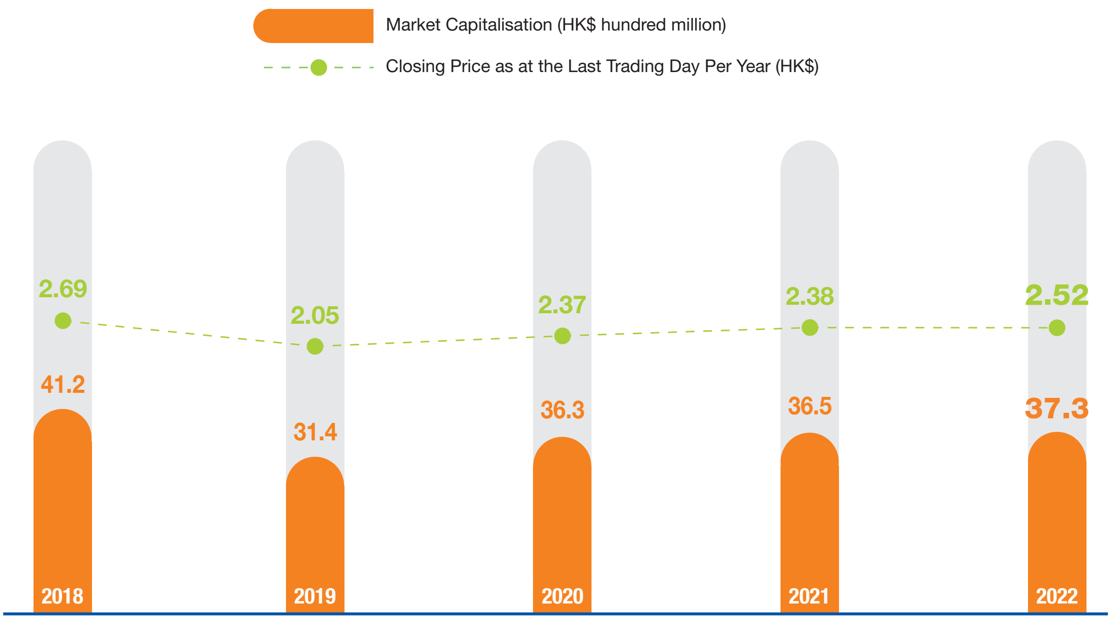
The basic and diluted earnings per share of the Company for 2022 were 22.71 HK cents (2021: 18.81 HK cents). The Board proposed the 2022 final dividend of 11.5 HK cents (2021: 9HK cents) per share. Together with the interim dividend of 11HK cents (2021: 10 HK cents) per share paid, annual dividends per share for 2022 were 22.5 HK cents (2021: 19HK cents).

The annual dividend payout ratio of 2022 was 99% (2021: 101%).

COSCO SHIPPING INTERNATIONAL'S SHARE PRICE PERFORMANCE VS HANG SENG INDEX IN 2022



PERFORMANCE OF SHARE PRICE AND MARKET CAPITALISATION FOR THE PAST FIVE FINANCIAL YEARS



A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended and as at 31 December	2018	2019	2020	2021	2022
Total number of shares issued (million)	1,533	1,533	1,533	1,533	**1,482**
Closing price[Note 1] (HK$)	2.69	2.05	2.37	2.38	**2.52**
Market capitalisation[Note 1] (HK$ hundred million)	41.2	31.4	36.3	36.5	**37.3**
Basic earnings per share (HK cents)	18.67	21.57	22.08	18.81	**22.74**
Price/earnings ratio[Note 1] (times)	14.4	9.5	10.7	12.7	**11.1**
Dividends per share (HK cents)	14.0	16.5	22.0	19.0	**22.5**
Dividend payout ratio[Note 2] (%)	75	76	99.6	101	**99**
Net assets value per share (HK$)	5.12	5.17	5.29	5.26	**5.27**
Return on total assets (%)	3.0	3.6	3.5	2.9	**3.7**
Return on shareholders' equity (%)	3.6	4.2	4.2	3.6	**4.4**
Cash-to-shareholders' equity ratio (%)	81	80	80	77	**76**
Current ratio (times)	7.8	7.5	6.0	6.5	**7.6**
Liquidity ratio (times)	7.5	7.2	5.7	6.2	**7.3**
Interest coverage (times)	103.2	97.6	83.0	48.6	**212.1**

Notes:

1 As at the last trading day per year
2 Excluding special dividend

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This report ("Report") presents the environmental, social and governance ("ESG") performance of COSCO SHIPPING International and its subsidiaries (the "Group"), and the joint venture, Jotun COSCO, with the goal of meeting stakeholder expectations.

a. Reporting Period and Boundary

This report covers from 1 January to 31 December 2022 (the "reporting period"). It encompasses the sustainability performance of our main business divisions, including ship trading agency, insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings, and trading of other shipping-related products and services. Except specified, the general disclosure in this report reflects the ESG-related strategies, policies, objectives, management approach and initiatives adopted by the Group. The key performance indicators ("KPIs"), which cover all the Group's subsidiaries, are presented in aggregate numbers. Although the joint venture Jotun COSCO's environmental and social data are not consolidated, this report also includes information on its pertinent ESG activities. Overall, the reporting boundary remains the same as the prior year.

b. Reporting Standards and Principles

This report is prepared in accordance to the Environmental, Social and Governance Reporting Guide (the "ESG Guide") under Appendix 27 of the Main Board Listing Rules published by The Stock Exchange of Hong Kong Limited (the "HKEX"). In order to define the report content and quality of information presented in this report, we followed the principles set forth in the ESG Guide. These principles include:

Materiality	Quantitative	Balance	Consistency
To ensure that ESG issues identified remain relevant and material to our business operations and stakeholders, stakeholder engagement and materiality reviews are conducted.	To assess the progress of our ESG initiatives and targets, quantitative metrics are regularly collected and monitored.	To present an unbiased snapshot of our sustainability performance, this report highlights both our achievements and areas for improvement.	To compare ESG performance in a meaningful manner using consistent methodologies. In the case of any change in methodology or scope of data compilation, remarks are provided.

As a responsible corporate citizen, we strive to consistently improve our sustainable operating environment and practices with the objective of maximising long-term shareholder returns and contributing back to the communities in which we operate.

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

2.1 Sustainability Vision

Sustainability is an integral part of our business concept and daily operations. While we are conscious of the difficulties our sector faces, we also recognise the expectations of our stakeholders, including regulators, in terms of sustainability performance. Thus, we are working towards the integration our strategy and operations with our sustainability vision, in order to seize the potential presented by the sustainability transition.

As the COSCO Kansai Companies accounted for more than 90% of the Group's energy consumption, we established the following sustainability-related goals for the COSCO Kansai Companies and sought to achieve them by 2030, relative to 2020 baseline:

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

Working towards the above targets, the COSCO Kansai Companies has gradually increased the proportion of water-based coatings used in production to more than 50% over the past 3 years in an effort to reduce overall VOC emissions. In accordance with the aforementioned sustainability-related aims, the Group will regularly measure and monitor its energy usage and pertinent emissions while also looking for ways to increase the overall cost and production efficiency.

2.2 Environmental, Social and Governance Structure

The Group maintains abreast of the rising expectations regarding the current ESG Guide issued by HKEX, which places a significant emphasis on the participation of the Board in the governance of ESG issues. We continue to be firmly rooted in the Group's environmental and social objectives and outlined specific roles for the Board and the governance structure within the Group, establishing a strong foundation for our long-term success in sustainable development.

2.3 Board Statement

The Board recognises the importance of implement effective sustainability practice and actively incorporate ESG factors into its critical business decisions. The Board is ultimately accountable for our ESG strategy and reporting, while overseeing the management approach and strategy for various ESG issues. An ESG Committee is in place to support the Board in monitoring the Group's ESG-related strategies, policies and development plans. The ESG Committee consists of an Executive Director, a Deputy General Manager and a representative from each of Operation Management Division, Executive Division, Strategy Development Division, Human Resources Division and Public Relations Division.

The ESG Committee meets at least once a year or as needed to identify and address ESG-related opportunities, topics and risks. It will also develop the Group's ESG vision, strategies and targets in order to steer the Group's ESG direction and assess the performance. In light of the tightening regulatory requirements, the ESG Committee is responsible for overseeing the preparation of ESG reports and the Group's adherence to pertinent laws and regulations. The ESG Committee updates the Board annually on its work, progress and/or recommendations regarding ESG-related matters.

2.4 Environmental, Social and Governance Management Approach

Several ESG factors are taken into consideration when developing the Group's various strategies in order to support sustainable development for the Group. Due to the diverse nature of the Group's business operations, our policies are tailored to the business models of subsidiaries, and their ESG risk assessments are conducted independently. As the business environment evolves swiftly, we continue to enhance our policies to ensure their applicability by reassessing our management approach and keeping abreast of the most recent market trends, industry development, and regulatory needs.

The Group's subsidiaries have created their own environmental policies in accordance with the Environmental Management System Certification's management measures from the International Organisation for Standardisation ("ISO"). This is in response to the growing public concern for environmental protection and tightening ecological restrictions. In addition to receiving accreditation from reputable bodies, we are devoted to minimising the environmental impacts of our activities. To lower our VOC emission, we continue to invest in and modernise our equipment. In response to the regional contingency plan of Qingdao, Jotun COSCO has developed "One Factory One Policy" (一廠一策), which defines the emergency procedures for combating air pollution.

To address the issue from a societal viewpoint, we are committed to supporting occupational health and safety ("OHS") and product quality in our operations, with the goal of maintaining the highest OHS and quality standards. Our accreditations for Quality Management System Certification (ISO9001), Environmental and Energy Management System Certification (ISO14001), and Occupational Health and Safety Management Systems (ISO45001:2018) have all been maintained.

With a vast network of subsidiaries, the Group works to improve its internal coordination in order to promote its sustainable growth. While the Group continues to play a strategic role in formulating the overall sustainability and development plan, subsidiaries are required to provide their annual quantitative performance data and highlights of their management approach, practices, and initiatives to the headquarters for review every year. The status of strategy implementations and other ESG-related matters are tracked and reported to promote efficiency.

3. DETERMINING MATERIALITY

3.1 Stakeholder Engagement

Stakeholder feedbacks are essential to our future success. We appreciate the views of our stakeholder groups that are impacted by our operations and/or potentially influenced by our operations, as well as those external organisations with expertise in areas that we deem significant. We communicate with them across multiple platforms and collect their thoughts and ideas on a regular basis. These viewpoints are vital for our ongoing evaluation as well as the formulation of corporate strategies and plans for sustainable development.

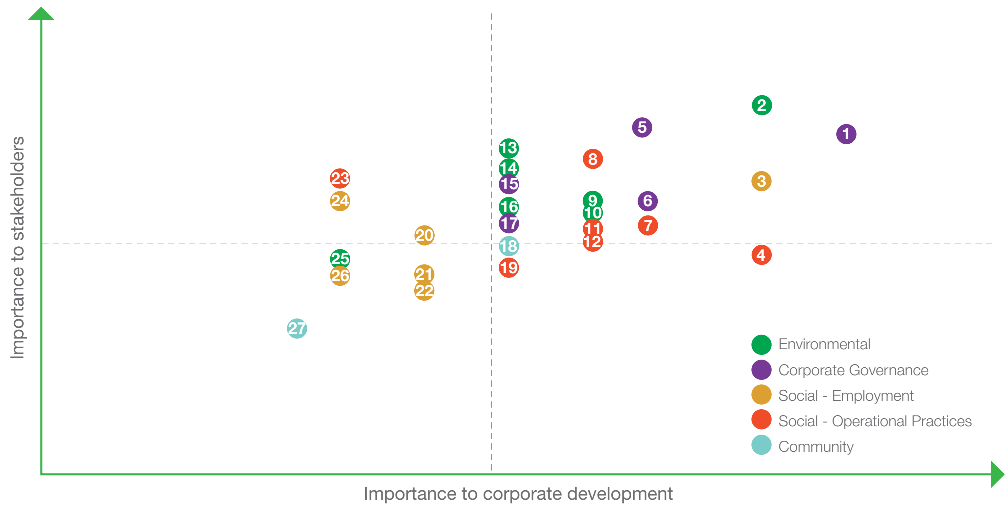
The following is a summary of the communication channels that correlate to the specified stakeholders in our everyday operations:

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

3.2 Materiality Assessment

Reviewing the ESG material issues based on previous external professional consultancy results, the ESG materiality assessment results remain applicable to those from last year. These 27 material topics, covering environmental, social, community, and corporate governance, reflected our ESG considerations in managing our company and were carefully considered in preparing and compiling of this Report. These are summarised in the following materiality matrix.

2022 Materiality Matrix of ESG Topics of COSCO SHIPPING International



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

4. ENVIRONMENTAL PROTECTION

The Group embeds environmental sustainability with the goal of reducing the negative environmental impacts resulting from our operation. In order to promote a greener and healthier shipping industry, we consistently go beyond the legal requirements and take an active role in reducing carbon emissions, optimising resource use, and protecting biodiversity. In addition to introducing goods with more environmentally friendly features and considerations, we continue to explore and adopt cutting-edge technology. We also try to create a greener workplace and improve our employees' understanding of sustainability and resource conservation through a variety of training.

The Group adheres rigorously to all relevant environmental laws and regulations, including but not limited to:

- Environmental Protection Law of the People's Republic of China;
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution;
- Water Pollution Prevention and Control Law of the People's Republic of China;
- Law of the People's Republic of China on the Promotion of Clean Production;

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

To ensure that our subsidiaries uphold the operating standards and invest more in continuous performance improvement, the Group developed a set of policies in accordance with ISO14001 requirements and implemented a comprehensive environmental management system to achieve our internal environmental goals. Both COSCO Kansai Companies and Jotun COSCO maintained their ISO14001 environmental management system certifications in 2022. Moreover, the Group has also established a thorough internal risk control system and management framework to ensure that all risks are appropriately managed at operational levels. This system uses a top-down approach to identify all environmental hazards that arise from our daily activities.

To further enhance our performance, the Group also conduct third-party audits on our operations on a regular basis and identify areas for improvement in a variety of environmental issues, including wastewater management, exhaust gas management and noise control. As stipulated in their operating permits, COSCO Kansai Companies have taken additional steps in response to the tighter pollution discharge limits.

During the year 2022, there were no cases of non-compliance related to our operational practices.

4.1 Environmental-conscious Operations

4.1.1 Air Emission Reduction

In the form of benzene, toluene, xylene volatiles, and particulate matter, the Group's principal air emissions are VOCs created by its coating production division. As national and municipal emission regulations become more stringent, we continue to explore various initiatives, such as product development, material selection, production methods, and efficiency improvement, to enhance our control and monitoring of VOC emissions. For example, our success in minimising VOC emissions has been greatly contributed by our transition from solvent-based to water-based coatings.

Apart from the switching of coatings, COSCO Kansai Companies were outfitted with numerous exhaust gas after-treatment facilities in an effort to build a more comprehensive emission control mechanism. Examples include the bag-type dust collector and the integrated exhaust gas treatment unit with spray filter, primary and medium filters, zeolite channel, and catalytic oxidation, which aids to capture VOCs and particles from production exhaust. Coupled with the forklift induction automatic access control systems and activated carbon absorbers, COSCO Kansai Companies can maintain a VOC level below the criteria of "Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises (工業企業揮發性有機物排放控制標準)". This year, COSCO Kansai Companies also installed an online monitoring system for the regenerative thermal oxidisers ("RTO") waste gas incineration device This advanced system enables real-time monitoring of exhaust gas emissions after incineration, which further enhances the control over these gases emissions.

COSCO Kansai Companies embraced employees' recommendations from the "Implementation Award Measures for Reasonable Recommendations (合理化建議獎勵實施辦法)" initiative to minimise further our greenhouse gases ("GHG") emission. The operation mode of our chiller system and water machine system was improved by adjusting their running time in response to the cooling water temperature resulting in a greater electricity savings and better energy efficiency. We will continue to encourage our employees to come up with innovative suggestions to assist the Group in lowering its energy consumption.

Our factories are subject to periodic inspection, upholding the guidelines established by the People's Republic of China Government. In 2022, all factories of COSCO Kansai Companies have passed the inspection by the Ministry of Ecology and Environment of the People's Republic of China for compliance with VOC emission standards.

4.1.2 Waste Management

Given the nature of the coating industry, the Group is conscientious of the waste generated during production and seeks to enhance its waste management continuously. By providing factories with clear and adequate instructions on the handling, disposal, and recycling of hazardous waste, COSCO Kansai Companies have formulated a hazardous waste management plan. Recyclable packaging drums were also introduced to help cut down waste from packaging.

COSCO Kansai Companies and Jotun COSCO developed advanced production methods to actively recycle and reuse resources and waste, including residues from exhaust gas treatment, wastes from production workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging, in order to minimise our carbon footprint. Emulsion recycling was launched by the Production Department of COSCO Kansai Companies in 2021. After a series of tests, we created an extrusion device that could extract uncontaminated residue emulsions from liner bags. The extracted emulsions will be recycled and repackaged for our own use, thereby reducing our paint-related hazardous waste. Jotun COSCO has in place the Hazardous Waste Label Use and Packaging Standards (危險廢物標籤使用及包裝標準), General Guidelines for Warehouse Storage of Hazardous Chemicals (危險化學品倉庫儲存通則) and JCMC-P09-S02 RTO downtime emergency operation guidance (JCMC-P09-S02 RTO 宕機應急作業指導) in place. These policies and guidelines help avoid employees from having unnecessary contacts with hazardous substances by facilitating the detection and improving the treatment of hazardous waste.

In order to prevent mistreatment and unintended contact, COSCO Kansai Companies has established a specific on-site warehouse with anti-seepage and corrosion prevention design for hazardous waste storage, with qualified third-parties engaged for disposing of hazardous waste. Meanwhile, non-hazardous waste is handled monthly and kept in a separate warehouse. Our Safety Management Department monitors the entire waste management procedure to ensure that these treatments adhere to all relevant laws and regulations.

Moreover, COSCO Kansai Companies control hazardous waste generation from the source and reformed treatment methods. The production department applies the same cleaning methods to similar products for recycling. In 2022, a total of 61 tonnes of solvents were recovered. During the production process, standardised operations reduced leakage and the use of waste rags. The consumption of waste rags in 2022 is 16.6% lower than that of the previous year. During the year, 200-litre raw material barrels were recycled for finished product packaging. A total of 3,210 raw material barrels were recycled during the year, including emulsion-lining bags, sample cans from the Quality Control Department, and treated uncontaminated barrel lids as ordinary industrial wastewater containers. By applying the above-refined classification measures, the amount of hazardous waste generated in 2022 was reduced by 67.8 tonnes from the previous year.

In October 2022, Jotun COSCO organised a training session on environmental protection and waste disposal. This session was designed to help its employees better comprehend the Group's objectives and get acquainted with current waste handling procedures.

4.1.3 Wastewater Management

Water stress is a growing problem in many nations throughout the globe, it is everyone's obligation to protect this precious resource. Although we do not use and discharge a substantial quantity of fresh water and wastewater in the production of coatings, we are committed to controlling our freshwater consumption and wastewater discharge responsibly.

We carry out quarterly wastewater analysis to make sure the quality of the discharged wastewater conforms with the criteria specified in the applicable standards, such as "Integrated Wastewater Discharge Standard (污水綜合排放標準)". Along with managing our wastewater before discharging it into the environment, we hired qualified service providers to support our wastewater treatment.

4.1.4 Resources Optimisation

The Group is committed to ensuring the efficient use of multiple resources for a more sustainable operation in our production facilities. In our coating production industry, energy-saving technologies are being utilised more often. COSCO Kansai Companies have devised the "Energy Resource Conservation Control Procedure (能源資源節約控制程序)" to provide employees with clear instructions on how to accomplish the efficient use of production-related resources, including water, electricity, and stream. This year, COSCO Kansai Companies replaced old equipment with new and domestically manufactured equipment. The mixer in the production facility was changed from 55kW fixed speed to variable speed, which enables the optimisation of the mixing speed for different products while reducing energy usage by 20kW per hour compared with the fixed speed configuration. To reduce energy consumption of lighting, energy-saving light-emitting diode (LED) lamps were also installed this year in the production warehouse and office areas to lower our electricity consumption. In terms of transportation, COSCO Kansai Companies also develops schedules for vehicle usage to reduce the transportation of empty vehicles, and perform regular maintenance to minimise exhaust emissions. On the other hand, Jotun COSCO has eliminated diesel-powered forklifts and gasoline lawn mowers and installed motion sensors for lighting systems in the employee washrooms as well as air compressors that recycle residual heat for operational use, in order to reduce its overall energy consumption. Correspondingly, we adopted machinery driven by renewable energy sources such as solar and wind energy in order to progressively phase out conventional electrical machinery powered by fossil-fuel. Employees are incentivised to maximise the use of available resources, while a reward and responsibility structure is in place to promote joint efforts.

For our non-production sector, we are committed to fostering a green office and working environment via a variety of resource-saving initiatives. In order to reduce unnecessary electricity usage, COSCO Kansai companies regulates air conditioners to maintain an optimal indoor temperature and perform routine checks to turn off any unused electrical appliances. To promote green commuting, we also encourage employees to use public transportation and consider environmental implications when arranging international business trips. Where feasible, employees are also encouraged to use digital communication technology as an alternative to business trips. For the purpose of identifying potential areas for energy reduction, we kept full records of the fuel used by our vehicles and other energy sources. Educational posters are placed prominently across our offices to enhance employees' awareness and encourage ethical consumption practices.

4.2 Biodiversity and Marine Environment Conservation

As one of the leading shipping service providers in the world, the Group is dedicated to protecting the maritime environment and biodiversity through different approaches, as this is where our company generates value for our clients.

Our products strictly adhere to all relevant laws and regulations, including the Performance Standard for Protective Coatings (PSPC) by the International Maritime Organisation ("IMO"), the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the "AFS Convention"), the International Convention for the Prevention of Pollution from Ships (MARPOL). Since the adoption of GB 30981 Limit of Harmful Substances of Industrial Protective Coatings in 2020, it has been our primary focus. We organised seminars to inform our research and development ("R&D") teams about the restrictions and reviewed the formulation of our goods to guarantee they are complied with standards.

To go above and beyond compliance, COSCO Kansai Companies provides tin-free proof coating products with extensive and thorough material safety data sheets (MSDS) for shipping companies' careful evaluation and confident usage. Whereas the Sea Quantum, introduced by Jotun COSCO, was acknowledged as one of the top green anti-fouling coatings worldwide. Jotacote Universal S120, a solvent-free and VOCs-free universal primer was a product introduced in 2020 that aimed to cause zero impact on the marine environment.

To show our dedication to biodiversity protection, both COSCO Kansai Companies and Jotun COSCO signed the "Responsibility for Prevention and Control of Soil Pollution (土壤污染防治責任書)" and hired third party consultant to develop corporate land use survey plans and conduct ground-water quality monitoring. Besides, Jotun COSCO also performed assessments regarding the "JCMC Soil Self-Testing Scheme (中遠佐敦土壤自行監測方案)" to keep track of any possible concerns about soil contamination.

4.3 Green Products and Service Innovations

As one of the leading shipping services providers, we are committed to providing our clients with environmentally friendly options that will promote sustainable growth in the shipping sector.

With the use of cutting-edge technology, Jotun COSCO introduced Hull Performance Solutions, which is supported by sophisticated big data analysis, real-time ship hull monitoring system and high-tech antifouling coating technology to optimise hull performance. Since 2011, more than 2,000 vessels have used the solution, resulting in a decrease of more than 60 million tonnes of CO_2. The Hull Skating Solutions was introduced by Jotun COSCO in 2020, using the most advanced antifouling coating technology, big data applications and underwater cleaning robotics to generate considerable energy savings and lessen carbon footprint.

In our insurance brokerage services area, we also provide environmental liability insurance and professional consultation services, which assist our clients in pursuing continual environmental performance improvement. Furthermore, we organised seminars for ship owners to understand the evolution of global regulations and industry best practices, presented by the Protection and Indemnity Club and attorneys.

With continuous improvement in R&D and innovation capabilities, and the strength of coating technology and green sustainable development for many years, COSCO Kansai Companies is delighted to be recognised as the fourth batch of national-level specialised, refined, differential and innovative little giant enterprise by the Ministry of Industry and Information Technology of the People's Republic of China this year. Taking pride in this recognition, COSCO Kansai Companies will continue to further develop technologies and patents, while fostering the exchange of ideas across the peers to facilitate industry upgrade.

4.4 Climate-related Risk Adaption

The threats of climate change is imminent, and we continue to assess its effects on our operations and strengthen our internal capacity to adapt the escalating climate-related risks, especially in the face of extreme weather conditions such as frequent typhoons, seasonal storms and abnormal precipitations. The Group has considered its potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and identified the following climate-related risks that are relevant to our operations:

Types of Climate Risk	Specific risk	Description of the risk
Physical risk (Acute)	Extreme weather conditions (e.g. typhoons, flooding)	The increasingly frequent extreme weather may damage the assets and facilities of the production plants, while putting the safety of employees at risk.
Physical risk (Chronic)	Sustained high temperatures	Prolonged high temperature results in greater amount of electricity consumed. It may also negatively impact the health of employees, reducing the productivity at production plants.
Transition risk	Regulatory compliance risk	In light of stricter environmental regulations and the impact of carbon taxes on businesses, the Group needs to be fully aware of these issues in order to avoid violating laws.
Transition risk	Reputational risk	It is possible that the Group's reputation may be affected by customer actions or perceptions regarding its contributions to the transition to a low-carbon economy. It is essential that the Group's business model aligns with the low-carbon economy or it may be perceived negatively by customers.

To mitigate the identified climate-related risks, COSCO Kansai Companies and Jotun COSCO have devised a set of emergency management plans and a natural catastrophe contingency plan. Conducting yearly emergency exercises, we also aim to heighten the awareness of our employees in the production facilities and encourage efficient internal communication in the event of various natural catastrophes. Our Tianjin plant, for instance, has formulated flood prevention and severe cold weather reaction plan, while our Zhuhai plant has developed storm, flood and heatstroke response plans. Furthermore, COSCO Kansai Companies have also established emergency response teams to ensure successful execution of strategies and constant monitoring of climate conditions.

Meanwhile, when it comes to transition risks, the Group keeps abreast of the latest regulatory developments in terms of our production standards and other applicable laws and regulations to avoid any non-compliance. In an effort to contribute to a greener production environment and comply with relevant regulations, COSCO Kansai Companies and Jotun COSCO are working towards low-emission production.

5. ENSURING OUR HEALTH AND SAFETY

The Group places high priority on the health and safety of its employees. We have developed a set of safety production and supervision management rules based on two fundamental principles, namely "Share Responsibilities in One Post, Joint Management and Accountability for Delinquency (一崗雙責、齊抓共管、失職追責)" and "Safety as an Essential Component in Managing the Industry, Business, and Production and Operation" (管行業必須管安全、管業務必須管安全、管生產經營必須管安全). We encourage both employees and departments to be accountable. The promotion of a safe workplace culture is the responsibility of every employee; meanwhile, the protection of employee health and the product safety is the responsibility of every department. The Group's headquarters and the heads of the relevant divisions will supervise the safety issues in production.

We abide by all applicable safety rules and ordinances in Mainland China and Hong Kong, including but not limited to the following:

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

During the reporting period, we did not breach any applicable occupational health and safety laws or regulations.

5.1 Safety Committee

"Safety First, Precaution as Crucial and Consolidated Governance" (安全第一、預防為主、綜合治理) has been our motto to promote workplace occupational health and safety. For this purpose, we formulated a Safety Committee in 2006. Led by the Group's director who holds accountable, the committee also comprises of the general managers from multiple divisions, such as human resources, finance & accounting and audit & supervision who serve as members to oversee production safety issues.

The Safety Committee is charged with the following responsibilities:

1. Oversee the safety-related issues, formulate overall production safety plan and provide safety production guidance for the Group;
2. Review and determine the Group-level annual production safety goals, make recommendations on major production safety measures and resolve major production safety issues; and
3. Oversee and advise the Group on key progress in executing the safety production plan.

5.2 Production Safety Management

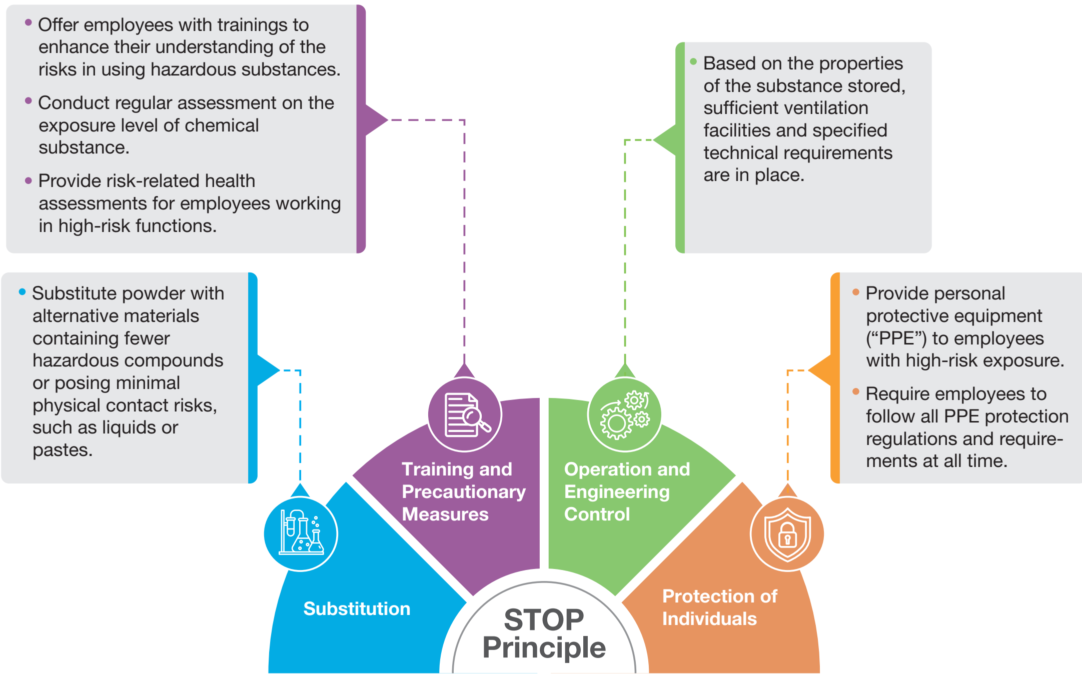
The Group believes that a comprehensive production safety management system is pivotal to achieving sustainable economic success. We continually assess our OHS performance and preserve the long-term safety objective of obtaining "zero casualties." Every year, we review and make improvement of our internal OHS goals. We assess and, if necessary, adjust our internal OHS targets each year. In 2022, the Group's headquarter completed the revision of the "Regulations on the Management of Potential Hazards in Production Safety Accidents (Combined Use)" (生產安全事故隱患排查治理管理規定（並用）), and established the "Regulations on the Management of Safety Production Risks (Combined Use)" (安全生產風險管理規定（並用）), to ensure that the Group effectively manages its potential safety hazards, and the risk management and control are in place. We reached our 2022 targets this year, with zero significant fires, traffic accidents, equipment accidents, and work-related deaths, as well as an annual work-related injury rate of below 5%.

The operations of COSCO Kansai Companies and Jotun COSCO, which are primarily involved in production activities, are highly vulnerable to safety risks. The "Occupational Health and Safety Management Procedure" developed by COSCO Kansai Companies outlines who is responsible for safety production across various divisions to facilitate effective execution of safety policies and standards. It also gives instructions on how to carry out the proper OHS practices for different business activities. COSCO Kansai Companies conduct regular OHS risk identification with the goal of identifying and controlling OHS risks at an early stage. Furthermore, the local government and appointed third parties make frequent visits and perform safety inspections at our production facilities. Once the inspections are completed, the government authority would provide us with their recommendations and necessary actions, requiring the facilities to remediate any dangerous areas.

This year, the laboratory waste gas treatment process of Shanghai factory has been improved according to the requirements of the Jinshan District Ecological Environment Bureau, using RTO incineration disposal to replace activated carbon absorption, and thus the waste gas treatment is more environmentally friendly. Meanwhile, for Zhuhai factory, to comply with the national requirements of "Four Items Clearing" (四項清零), new explosion-proof walls were installed in the factory, and the factory inspection room was relocated under the guidance of the Zhuhai Emergency Management Bureau.

To ensure that our daily procedures adhere to international standards, COSCO Kansai Companies and Jotun COSCO have certified their production facilities with the most recent ISO 45001:2018 standards. We also developed an OHS manual to avoid and manage preventable workplace incidents. The management examines and evaluates possible OHS risks before establishing preventative measures in the OHS manual. We compiled an OHS risk control guide that outlined precautions to take in order to shield employees from being exposed to dangers including chemicals, dust, noise, high temperature, unsanitary conditions and physical lifting.

Employees at production plants are more likely to be exposed to chemicals and harmful substances. To minimise the negative health effects on our employees, we implement the "STOP" principle in addition to providing suitable personal protection equipment.



5.2.1 Production Safety at Production Plants

The Group places additional emphasis on the safety of employees at production plants. The "Chemical Safety Technical Standard" developed by Jotun COSCO gives thorough information on chemical dangers and documents the possible risks of chemicals utilised in our industrial activities to the environment and people. To guarantee that hazardous chemicals and poisonous substances are handled properly, employees are given clear instructions on the production operations in accordance with norms, such as minimising exposure to xylene and ethylbenzene. Furthermore, we demand that our plants have thorough control measures that monitors high-degree engineering control and personal protection. We also developed emergency response plans for dealing with various incidents, including first aid for chemical contact, fire protection, chemical leakage, and waste management. To ensure proper paint transportation, we developed our operational specifications in accordance with international standards, such as International Maritime Dangerous Goods Code (IMDG Code) of the United Nations, International Air Transport Association and IMO.

Meanwhile, COSCO Kansai Companies established an internal safety investigation team to undertake quarterly safety inspections. It consists of experts from related fields such as electrical, mechanical, and operational. The team notifies the appropriate management departments when any safety risks are found and make sure the proper follow-up steps are made to resolve the issues. To further ensure production safety, our top management also oversees routine safety inspections at the sites. More than 400 OHS inspections have been undertaken by COSCO Kansai Companies plants throughout the year. By addressing all 549 identified danger areas throughout the course of the year, we have achieved a 100% correction rate.

The concentration of VOC in our production region has garnered our attention and input for ongoing improvement. External specialists were also recruited to investigate their production processes in Jotun COSCO. The degree of VOC was one of the graded criteria and was measured in detail. We attentively considered the advice offered by the experts to enhance the quality of the working environment further. This year, Jotun COSCO applied for and successfully completed the Chengyang District and Qingdao Health Enterprise Review. We cleaned up the old organic exhaust ducts in the production workshop uniformly. This significantly improves the discharge efficiency of VOC in the workshop and lowers occupancy.

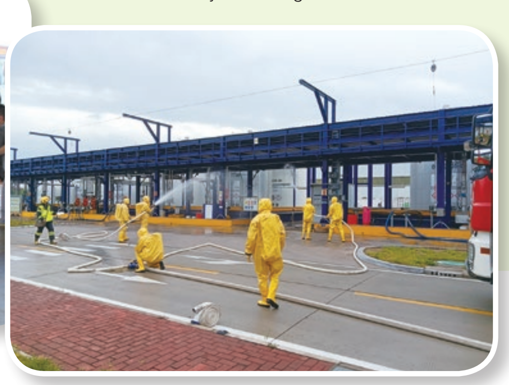
Conversely, COSCO Kansai Companies acquired a large number of explosion-proof trucks with better protective features. As these trucks do not ignite while operating, explosion or fire risks within our factories are eradicated. Meanwhile, we require all employees to hold relevant certificates or attend training before operating any machineries, including but not limited to the certificates for electricians, electric welders as well as the operation of trucks.

Jotun COSCO continued to organise "Safety Day" in its Qingdao factory. This year's comprehensive emergency drill was the largest in recent years. Relevant government organisations, including the Fire Department, Police Department, the sub-unit of the Ministry of Ecology and Environment in the high-tech zone, etc., also participated in this emergency drill. Given the scale of this emergency drill, the local television station in Qingdao also reported on the exercise. Apart from the emergency drill, various interesting activities ranging from safety knowledge game competitions to team-building activities were also held. These programme provided our employees with a more thorough understanding of safety, while allowing them to learn in a fun and engaging environment.

Emergency Drill Briefing

Safety Knowledge Quiz


Fire Extinguishing Relay Competition


Emergency Drill

5.2.2 Safety Management Self-Assessment System

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

The SMSA mainly aids in monitoring the 10 key safety management aspects, including governance structure, risk and environmental factors control, laws and regulations and management policy, training and education, production facilities, operation safety, product safety and hazard notification, OHS hazards, accident and emergency response as well as inspection and self-assessment. Using the Likelihood Exposure Consequences (LEC) method, the Group performs biannual SMSA inspections. If any possible dangers are discovered during the inspection, the relevant departments must devise corresponding corrective measures or remedial actions within the allotted period.

In the assessment of SMSA, the following rating scale is utilised:

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

The findings of the SMSA Assessment of several COSCO Kansai companies' production facilities from earlier years are summarised in the table below:

	Tianjin Plant		**Shanghai Plant**		**Zhuhai Plant**	
Year	**First half of the year**	**Second half of the year**	**First half of the year**	**Second half of the year**	**First half of the year**	**Second half of the year**
2022	139	140	140	141	140	140
Average value for the assessment from 2012 to 2022	136	137	137	137	137	137

5.2.3 Occupational Health and Safety at workplace

As a responsible employer, the Group seeks to provide a safe working environment and foster a safety culture. Our goal is to safeguard the health of employees and increase their awareness of the importance of adhering to safety operating standards. In addition to attaining ISO45001 certification in 2022, we have implemented multiple measures to guarantee the safety and health of our employees.

As prevention is better than to cure, the Group has been offering employees a diverse of comprehensive trainings and exercises (e.g. fire drills) in an effort to reduce workplace injuries and accidents and increase employee safety consciousness. The topics covered in these trainings include fire safety, use of firefighting equipment, occupational hygiene, medical emergency, safety laws and regulations, accident cases sharing, hazardous chemical safety, special equipment safety, heatstroke prevention, working at heights safety, and more. Prior to reporting for duty, we also provide new joiners with written documents outlining the OHS issues that need their additional attention.

Distributing beverages to front-line staff in hot season

Emergency drill to protect staff against heatstroke

Despite the fundamental medical care, we provide yearly physical examinations for all employees. Employees engaged in duties with higher OHS risks are provided with a specific medical assessment, aiming for early diagnosis of occupational diseases and potential injuries. When abnormal examination results obtained, responsible departments will offer the employee a follow-up examination for a refined assessment on the particular issues. Before their first day on the job, new joiners and transferred employees must complete health screenings. Employees who are leaving their jobs will also have post-employment medical exams.

This year, Jotun COSCO improved and transformed the production staff lounge, promoted health science awareness, and enhanced the monitoring of blood pressure, weight, and other major health indicators.

5.3 Non-Production Safety Management

The risks to our employees' health and safety are lower in our non-production sectors, which include ship trading agency services, insurance brokerage services, and the provision of maritime equipment and replacement parts. We adopted a number of safety measures to further minimise OHS risks in the offices throughout our non-production businesses, which aligns with our deeply ingrained philosophy of "safety first".

Across the year, non-production employees participated in "Safety Month" to strengthen their understanding of safety precautions in the case of an accident. Apart from the fire safety training, we set up a team to conduct safety checks at our offices and properties to make sure the appropriate precautions are taken.

In order to raise employee awareness of fire safety throughout the year, different business sectors organised educational events and lectures as well as carried out inspections to determine the workplace's fire risks. Also, we confirmed that fire-fighting equipment in the office area and the escape route are in good conditions.

5.4 Reporting and Investigation Mechanism

For safety-related occurrences, the Group set up a reporting and investigation mechanism. We implemented accountability system and defined the responsibilities of responsible personnel. Once any safety accidents happen, the respective employees are required to report to the head of respective departments promptly and then inform the Safety Committee Office within 60 minutes and submit a comprehensive accident report. The Safety Committee Office investigates the accident in detail and reports its findings to the Group's Safety Committee. Depending on the severity of the event, the Group sends out a dedicated investigative team for internal investigations and, if required, invites internal and external specialists to perform in-depth investigations on the underlying causes and losses of the occurrences. They also assist in identifying those who should be held responsible and provide useful advice for risk reduction.

Our accountability system states that depending on the seriousness of the incident, relevant employees may be subject to admonitory interviews or warnings. Any concealment of information, a delayed or missing report, or a failure to show an immediate and sustained improvement may result in disciplinary action against the staff.

In 2022, no notable occurrences of non-compliance with applicable laws, regulations and standards were received. The Group also maintained zero work-related fatalities (2021: Nil) and no significant production safety accidents noted.

5.5 COVID-19 Responses

As a conscientious and considerate employer, we actively sought out different pandemic prevention materials and personal protective equipment for our staff, such as gloves, masks and hand sanitisers. To maintain adequate stock levels and efficient resource distribution, we continuously checked the inventory levels of those preventive pandemic items every day. The Group arranged work and operational arrangements while staying aware of the pandemic's progression and compiling to local laws.


Distributing anti-epidemic materials to staff

In response to the epidemic's recurring and severe trend in 2022, the Company set up door-to-door services from independent nucleic acid test ("NAT") facilities to prevent cross-infection in society and, in doing so, saved all employees' working hours by eliminating the need for roundtrips for performing NATs. Apart from that, the Company provided each employee with N95 masks, antigen testing reagents, etc., once the control was loosened at the end of the year, the Company modified its home office or sick leave policies to reflect its "caring" values as far as possible.

6. EMPLOYEE EMPOWERMENT

The Group's most precious asset is its human capital, which is also one of the key elements in our long-term commercial success. As a result, we develop people-oriented strategies that are consistent with four main management principles: managing by regulations, developing an open and fair system, meritocracy and highlighting the coexistence of rights and duties.

We provide comprehensive and competitive remuneration and benefits, as well as excellent growth opportunities built on a reputable assessment and recognition system, to attract and retain talent. We are committed to cultivating future talents and creating a culture of lifelong learning.

Throughout our business, we are dedicated to quality, professionalism, and honesty. The Group strictly complies with relevant labour laws and regulations, including but not limited to:

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

In 2022, there is no non-compliance case reported regarding our employment practices.

6.1 Inclusive and Supportive Workplace

Regardless of a person's gender, age, family status, race, religion, nationality, sexual orientation or disability, we are dedicated to building an inclusive and supportive workplace where each employee is treated fairly and respectfully. Our remuneration packages are attractive that include a base salary, incentive bonuses, and a mandatory provident funds. We provide a wide range of benefits, including paid annual leave, paid sick leave, medical insurance, healthcare benefits, further educational opportunities and training subsidies. Additional leave options, such as paid wedding leave and employee paternity leave, are also available, depending on the needs of the employee.

By implementing standardised recruitment practices and comprehensive employment-related regulations, such as the "Administrative Measures on Recruitment and Employment" and the "Administrative Measures on Labour Contract", we forbid the use of child labour and forced labour in any of our businesses. To prevent any violations of legislation and policies, we regularly update and verify the personal information of our employees as well.

To demonstrate our appreciation and support for working mothers, we advocated for the United Nations Children's Fund Hong Kong ("UNICEF") and participated in the "Say Yes to Breastfeeding" campaign. Breastfeeding workspace has been set up, which includes tables, chairs, tissues, power outlets and a refrigerator for storing breast milk. The Group has received the "Welcome Breastfeeding Certificate of Appreciation" from the Hong Kong Committee for UNICEF for three consecutive years.

In addition, COSCO Kansai Companies provided female employees with training to help them understand the relevant laws and regulations that protect women's rights at the workplace. We also organised a number of activities on 8 March to celebrate International Women's Day with our female employees. Through these initiatives, we strive to create a more harmonious and inclusive workplace for our female employees.

6.2 Employee Training and Development

Providing employees with the necessary training and knowledge is always essential for the Group's sustainable development. A set of "Management Methods for Setting Up of Professional Talent Pool" (專業人才庫建設管理辦法) guideline is in place to strengthen the capabilities of our employees and equip them with relevant skills and professional knowledge. The Group provides a structured leadership development programme, which is administered and overseen by a specialised team under the leadership of the Human Resources Division. We frequently evaluate the talent pool divided by different businesses and industries. In order to foster the development of talented individuals, we have an incentive system in place to offer bonus and professional development opportunities, such as training courses, academics conferences, and exchange programmes.

We have created a thorough training and development system with four training categories to cater to the individual training needs of our staff in order to encourage continuous learning and enhance their capabilities:

- **Induction training:** All new employees get induction training to understand corporate strategic plans, policies, and logistical regulations so that they are aware of the Group's OHS standards, standard operating procedures, as well as our expectations on their workplace behaviour, improving their integration into our organisation;

- **Regular assessments:** The Human Resources Division and other divisions regularly review our business requirements to identify critical training components. We may engage relevant experts and professionals to hold training sessions and provide presentations.

- **Regular trainings:** We provide regular trainings to general employees so as to keep them abreast of the related market and regulatory information; and

- **External training programmes:** Employees are encouraged to participate in external training programmes such as certificates, diplomas, degree courses, lectures, seminars and conferences by providing training subsidies.

We regularly conduct performance evaluations to assess employee contribution and provide timely feedback in order to recognise and inspire individuals who exhibit exceptional performance. To simplify and ease the evaluation process, we employed an upgraded online performance assessment system. The system also establishes anonymous profiles to gather and incorporate comments from other team members throughout the evaluation process with the objective of providing a thorough review of participating personnel.

This year, the Group established a target of 50 training hours per employee. In order to equip employees with updated knowledge and skillsets, the Group has partnered with a third-party online training provider to provide training videos to our employees for their learning. The training platform offers a wide spectrum of content that meets the needs of employees from different departments, ranging from data security and quality assurance, to accounting and laws. Our goal is to promote life-long learning by encouraging our employees to take full advantage of this training platform to learn as much as they can.

6.3 Employee Well-being

6.3.1 Employee Communication

The Group acknowledges that maintaining open communication channels with our employees is vital to building mutual trust and respect. As such, we continuously collect the feedback and ideas of our staff through numerous communication channels. Employees are encouraged and incentivised to submit suggestions to management under our "Implementation Award Measures for Reasonable Recommendations" (合理化建議獎勵實施辦法). Considering actual benefits delivered to the Group, our recommendation team is responsible for evaluating and examining the recommendations before approving the provision of financial incentives from employees' standout suggestions. Through the application of employee observations and open communication, the programme seeks to create an open and dynamic culture that supports internal growth within the Group.

On the Group's intranet homepage, a human resources mailbox was also set up, providing a regular forum for staff to express their issues. For the formation and adaptation of follow-up activities for the wellness of all employees, the Human Resources Division assists in gathering incoming mail and transferring inquiries to relevant departments.

6.3.2 Employee Work-Life Balance

The Group is dedicated to fostering a work-life balance in the workplace and enhancing the health and well-being of its employees. To support their welfare, we offer them team building and leisure activities like sports and hobby workshops. We want to encourage employees to achieve greater morale and strengthen team cohesion, consequently enhancing their productivity and sense of belonging at work.

We created an employee association to assist in building connections among employees, which it accomplishes by organising a volunteer team and arranging various volunteer activities.

COSCO Kansai Companies organised a range of events to encourage work-life balance. This year, COSCO Kansai Companies organised an outdoor fitness walking exercise in Shanghai. Enjoying the views of Shanghai, employees were encouraged to have fun during the exercise while their attention to their health conditions was also raised.

Fitness walking exercise in Shanghai

7. BUSINESS DEVELOPMENT AND COLLABORATION

As the cornerstones of our sustainable economic growth, the Group values cooperation with its business partners as well as the quality of our goods and services as fundamentals of our sustainable business development. We strive to establish a responsible supply chain and ensure client satisfaction with the goods and services we offer. Relevant rules and standards overseeing our company conducts and operations are in place to safeguard business ethics in our operations and limit potential risks to a minimum. This helps to maintain a high degree of integrity.

7.1 Supply Chain Management

7.1.1 Sustainable Procurement

We want to create a green and responsible supply chain with carefully chosen suppliers that fulfil our high standards for sustainability in order to uphold our responsibility as corporate citizens. To facilitate the selection and assessment of suppliers while taking into account their effects on the environment and society, a set of standardised procurement methods was established. We select suppliers in accordance with the guidelines set out in the "Procurement Management Measures" and the "Supplier Management Measures" which require that potential suppliers satisfy the Group's requirements in relation to areas environmental protection, health and safety. We also have additional sustainable procurement policies in place to facilitate the selection and engagement with suppliers, such as the "Tendering Procurement Management Measures", "Non-tendering Procurement Management Measures", "Centralised Procurement Management Measures", "Special Affiliated Enterprises Management Measures" and "Procurement, Outsourcing and Supplier Management Supervision Measures".

Our internal procurement guidelines enable us to make cautious supplier choices for our coating company, in addition to our initial screening with relevant accreditations like ISO9001, ISO14001, and ISO45001 at the early selection stage. The contracts also include pertinent clauses to further guarantee supplier compliance. Only selected suppliers are added in the Group's procurement supplier database where purchasing units reach out to the suppliers that fulfil the specific requirements. In 2022, a total of 22 suppliers were admitted according to the "Supplier Evaluation Procedure" at COSCO Kansai Companies. When onboarding a new supplier, a comprehensive evaluation of the supplier's technical capabilities, product performance, enterprise scale, payment terms, etc., will be performed. In the event that a supplier scores over 60 points, they will be considered a qualified supplier. They will be included in the Group's supplier master database as soon as appropriate management approves their inclusion.

We regularly assess the selected suppliers' compliance status and update the database once every three years to remove suppliers who do not adhere to relevant rules and regulations in order to maintain our sustainability performance and reputation across the supply chain. We will terminate contracts and relationship with the concerned suppliers if there is any violation of the safety standards. When they have appropriately addressed and remedied the issues, we will evaluate the effectiveness of their actions and their willingness to resume a cooperation.

Along with the basic processes for supplier selection, we also tailor and apply special management practices to our suppliers whose supply of goods or services are especially crucial to our business operations. For instance, the "Asphalt Supplier Management System" has been put in place to assess the sustainability performance of asphalt suppliers, including their environmental assessment and fire prevention measures.

7.1.2 Supplier Monitoring and Supervision Mechanism

A comprehensive set of quantitative indicators, including fundamental capability, cost competitiveness, delivery fulfilment, quality control, customer service, business innovation, safety and environmental protection, are used to evaluate and review suppliers' performance through our supplier monitoring mechanism on an annual basis. On the basis of assessment findings, we give suppliers with preventative and improvement recommendations and oversee their implementation in an effort to improve the quality of their products and services. Suppliers who violate professional standards for safety and environmental protection, as well as those who engage in bribery and other commercial misconduct, will face penalties and the prompt termination of their contractual obligations. In addition, COSCO Kansai Companies employ quality assurance systems as part of supplier screening and admission. About 5 to 10% of a supplier's score depends on whether it provides system certification that includes environmental and social considerations.

The supplier rating scale has been designed to rate and categorise suppliers based on their assessment results as part of our supplier monitoring process to give priority to suppliers with exceptional sustainability performance.

Below is the rating scale of our supplier evaluation:

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

Between October and November 2022, the Supplier Purchasing Department of COSCO Kansai Companies took charge of organising the Technology Centres, Production Management Departments, Quality Control Departments, and Warehousing Departments to conduct annual supplier evaluations. According to the assessment results, there were 227 qualified suppliers, 82 alternative suppliers, and 24 unqualified suppliers. Suppliers with a comprehensive score of less than 60 would be placed on the "Unqualified Supplier List", their SAP master data would be frozen, and their names and contact details would be removed from the list. Higher-rated vendors are given preference for partnership or extensions. Suppliers that skip the yearly inspection, fail it, or stop working with the Group for three years in a row will not be included in the database. Moreover, the Group plays a proactive role in promoting the localisation of the supply chain to shorten delivery times, decrease transportation-related environmental impacts, and promote local economic growth.

7.2 Product Quality and Responsibility

We pledge to provide our consumers with high-quality, healthy, and safe goods and services as one of the market leaders in our sector. We strictly monitor the application of technical standards and ensure the quality of the product and service throughout the lifecycle of our products, from the sourcing of raw materials, production, sales, and marketing, to recall, return, and replacement. This is done in accordance with both internal policies and international standards on product safety and quality.

Internal policies on "Health, Safety, Environment, and Quality" (HSEQ) have been created with a focus on subsidiaries engaged in chemical manufacture in accordance with international standards. To monitor and assess the quality of our coating products, we have implemented a rigorous set of control measures. For intermediate and finished items, tests and inspections are done to see whether they conform to our quality control standards. We have been complying with the following technical standards established by the Ministry of Emergency Management of the People's Republic of China to ensure the safety and environmental responsibility of our products:

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

Raising awareness and cultivating technical information exchange on product responsibility among suppliers, customers, and the industry are equally important to developing a responsible market, alongside obeying our internal rules and following industry standards. In order to understand the user experience and identify areas for development, COSCO Kansai Companies and Jotun COSCO continue to communicate with customers on a regular basis to share comments and technical questions about our products.

We went a step further and kept looking for ways to effectively use the most recent technology to consistently provide creative solutions to fulfil consumer request. To reduce the frequency of ship maintenance, we endeavour to reduce the risk of corrosion based on a better understanding of the coating requirements for each type of new ship. Jotun COSCO used the most advanced coating techniques in the world and drew inspiration from the examples of auto-cargo ships from other nations. In retaining our leading position in the rapidly developing market for auto-cargo ships, we will keep up with the current market.

7.3 Customer Care

7.3.1 Customer Satisfaction

The Group believes customer feedback is a major determinant in its ongoing business improvement. The quality of service provided by sales and technical service staff, delivery, ordering, and invoicing, as well as the overall experience in touch with us, are all aspects of the customer experience that we closely monitor via surveys.

To address consumers' concerns about our goods and services, we have established procedures for processing complaints. The "Administrative Procedure for Customer Feedback" was established by COSCO Kansai Companies and Jotun COSCO to make sure that complaints are handled fairly, consistently, and quickly. Following receiving complaints, relevant individuals are assigned to look into the situation and take the corresponding action to prevent the reoccurrence of the same problems. Our "Process for Paint Return", on the other hand, outlines the management's awareness of the return of items that are not eligible as well as the steps that must be followed to remedy the problems. By keeping abreast of customer satisfaction with complaint resolution, we increased our tracking of complaint feedback and improved the response to customer complaints. We also conducted a detailed analysis of the causes of complaints, and in addition, we improved product and service quality in a timely manner. Meanwhile, cases of complaints are used for publicity and training purposes for relevant departments.

There were no unresolved service-related complaints or product recalls due to safety or health concerns throughout the reporting period.

We continue to develop and maintain strong connections with our customers, allowing us to have a better understanding of their requirement and offer products and services with positive feedback. This year, COSCO Kansai Companies continued to leverage video conferencing systems to conduct technical knowledge sharing and promote new products with customers. In the meantime, we also leveraged the fast dissemination feature of new media and conducted regular technical lectures via online live broadcasting platforms, introducing our products and its application, in order to facilitate idea exchange among industry stakeholders. As part of our commitment to providing complete risk management advice from an insurance viewpoint, our insurance brokerage services also organised two online seminars for ship owners regarding hull insurance and protection & indemnity insurance.

In 2022, employees in our insurance brokerage services learnt "Customer Service from Aranya". During the course of the activity, which began at the end of March and lasted for more than five months, various exchange meetings were held to share reading experiences. The learning outcomes were demonstrated through presentations in which the participants combined their unique skills and professional knowledge. The participants shared their insights and experiences in learning the Aranya's customer service spirit, continuously improving service quality through continuous learning, and truly achieving the goal of "sincere service, reliable protection".

7.3.2 Customer Privacy

The Group emphasises the value of protecting customer privacy in all corporate activities while strictly adhering to all relevant local, national, and international laws and regulations, including the "Personal Data (Privacy) Ordinance" in Hong Kong. Moreover, Jotun COSCO complies with the "European Union (EU) General Data Protection Regulation (GDPR)". The "Binding Corporate Rules (BCR)" is also in place to require adherence to the same privacy protection scheme by employees.

We have implemented a variety of internal procedures to safeguard the confidentiality of information and prevent the disclosure of sensitive stakeholder data in strict accordance with international legal requirements. In our strategy for disseminating information, the "Information Management Method" upholds the four fundamental values — "Truth, Accuracy, Completeness and Timeliness" — in our approach of information dissemination. We formed the "Administrative Measures on the Protection of Trade Secrets" in accordance with the "People's Republic of China's Anti-Unfair Competition Law", the "Interim Provisions on the Protection of Trade Secrets of Central Enterprises" published by the State-owned Assets Supervision and Administration Commission of the State Council, and the "Administrative Measures on the Protection of Trade Secrets of China COSCO Shipping Corporation Limited". We have implemented "Staff Management Measures" to prevent the disclosure of customer data and agreements for strategic collaboration to any other parties.

To enhance our employees' awareness of data privacy and protection, COSCO Kansai Companies hosted a training on Network and Information Security Protection. The training focused on providing employees with knowledge and skills related to protecting the security of networks and information systems. This included topics such as identifying and preventing cyber threats, safeguarding sensitive data, and sharing of recommended best practices. The goal of the training is to equip employees with sufficient knowledge to safeguard the sensitive data of the Group, our customers and other business partners.

During the reporting period, no complaints involving invasions of consumer privacy or loss of customer data were made.

7.4 Anti-Corruption

7.4.1 Anti-Corruption Policy

The Group has zero tolerance for corruption and bribery in any form. We comply strictly to the "Criminal Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China" and the "Bidding Law of the People's Republic of China". Due to the significance of business ethics and anti-corruption, components relating to business ethics and a code of conduct have been included into the Group's risk management framework and have been closely monitored.

The Group set up the "Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International" (the "Code") to require employees to recognise and abide by the aforementioned principles in order to maintain high levels of integrity and morality. We also provide instructions on how employees should behave in certain situations that they may experience. The Code specifically states that no employee shall use their position of authority to engage in bribery or to receive improper benefits, to take advantage of any business opportunities presented by the Group, to use any assets of the Company for personal gain, or to engage in any other conduct that could jeopardise the interests of the Group. Besides that, employees are required to preserve long-lasting as well as trustworthy relationships with our clients, contractors, and suppliers. Personnel who violate the Code may face disciplinary action, up to and including termination of employment, for their actions. The Group should notify the appropriate authorities of any suspected regulatory or legal infractions and assist with ongoing investigations.

7.4.2 Whistleblowing Policy

The "Whistleblowing Policy" was established to lay out the specifics of the reporting channels for employees and those who deal with the Company to voice their concerns on any suspected corrupt behaviour anonymously. This was carried out to encourage probity, maintain transparency, and uphold accountability. The "Whistleblowing Policy" protects confidentiality by making sure that the identity of the whistleblower who make the accusation is not shared or accessible without permission. The Board is responsible for ensuring this policy is applied and enforced effectively and upholding a high corporate justice standard. Any effort to interfere with an inquiry is considered a serious disciplinary violation.

7.4.3 Anti-Corruption Supervision

The Group firmly prohibits all forms of corruption, including but not limited to accepting benefits and rebates from suppliers, collaborating with them to commit fraud, and forge sales volume. Under the tenet "whoever takes charge should be responsible (誰主管誰負責)", managers in this situation shall be accountable while the individuals who engage in the aforementioned behaviours remain liable. If any benefit-transferring behaviour is discovered, we will conduct investigation including not just the liable personnel but also the whole business unit. Restrictive indicators on management transactions, risk and internal control, as well as other requirements on employee ethics and anti-corruption, are closely monitored and assessed in our business assessment guidelines in accordance with the "Measures for Managing Performance Examination of Companies under Direct Management".

Dedicated divisions and several business units that oversee the application of anticorruption rules make significant efforts to stop any unethical business practices. The relevant concerns are supervised at the Group level by the Audit & Supervision Division of the Company's headquarters. The Audit & Supervision Division also manages special affiliated businesses per the "Measures for Managing Special Affiliated Enterprises" using various means, including special examination, efficiency monitoring, and audit on a regular or irregular basis. Implementing anti-corruption programmes is the responsibility of each business unit's representatives. While the Audit & Supervision Division is in charge of overseeing the inspection and assessment in relation to the implementation of practices, departments are responsible for directing their own suppliers to provide goods and services in compliance with the Group's procurement and supply chain management policies. In addition, it is the subsidiaries' responsibility to notify the Audit & Supervision Division of violations of company policy by employees.

Our goal is to increase staff understanding of ethical business practices. For this reason, departments and subsidiaries conduct an annual employee self-evaluation survey that looks at a variety of topics related to the Code, including integrity and fairness, accepting and disclosing interests, conflicts of interest, handling confidential information and company property, and relationships with clients, suppliers, and contractors. More than 850 person-time of the self-evaluation survey were completed during the reporting period.

The Group complies with all applicable standards, laws, and ordinances throughout the reporting period. The Group was not the subject of any legal action for engaging in corrupt conduct.

7.4.4 Anti-Corruption Training

Anti-Corruption Training is unquestionably the most essential preventative approach for enhancing employee anti-corruption understanding.

Anti-bribery and Integrity Training

Our employees of COSCO SHIPPING International received anti-bribery and integrity training delivered by the Hong Kong Independent Commission Against Corruption (ICAC) in October 2022. 64 employees, including top management, participated in this training. Provided with sampled situations and fruitful contents, employees understand the importance of corporate probity, business ethics and integrity, and the "Prevention of Bribery Ordinance", and they will continue to uphold the highest standard of ethics in their respective positions.

Anti-Corruption Seminar for COSCO Kansai Companies

In September 2022, COSCO Kansai Companies also conducted a training seminar on anti-corruption. With lecturing and educational videos, we aim to raise the awareness of bribery in workplace and the ethical standards of employees. 85 employees participated in this training seminar.

8. COMMUNITY INVESTMENT

We are dedicated to supporting and making investments in the growth and improvement of the communities in which we operate. The Group's "Donation Policy" was developed in 2014 to address the interests and local requirements of each community. The policy outlines our strategies for partnering with regional NGOs and charity organisations as well as how our philanthropic initiatives are managed. The policy includes details on the yearly charity donation budgets as well as precise criteria for deciding the scope and methodology of community investment or donation activities.

We formed volunteer teams and engaged staff members who are passionate about supporting local charities to join us in providing compassion and care to those in need. We provided volunteers with a half-day holiday or a one-day paid vacation when they contributed more than 2 but less than 4 hours or 4 or more hours on the event day, respectively, to encourage their active engagement and show our appreciation for their continued support and enthusiasm.

8.1 Contribution to Community

The team's slogan, "Our Passion to Serve", underlines the Group's commitment to investing in the community via participation in different volunteer projects. In order to maximise the Group's time and resource contributions to the community, the Group also reviews its community investment plans on a regular basis. Our contributions to the community were primarily concentrated on five key areas: charity giving, environmental protection, education, helping the underprivileged, and community support.

8.1.1 Charitable Donation

The table below lists the specific organisations to whom we made direct donations during the reporting period in order to benefit the neighbourhood:

Charitable Organisations	Donation Amount (HK$)
Sowers Action	$142,000
The Neighbourhood Advice-Action Council	$23,000
UNICEF Hong Kong	$50,000
World Wide Fund For Nature Hong Kong ("WWF")	$50,000
Total donations	$265,000

8.1.2 Environmental Conservation

As a shipping services provider, we are aware that the sea and beyond are where our main environmental obligations lie. We are aware of the rising social concerns about environmental problems, including marine pollution. We are thus committed to reducing the negative effects caused by human activity.

By contributing HK$50,000 this year, we kept up our support for WWF's worthwhile work and upgraded to Silver membership. The Company is dedicated to working with WWF and supporting its environmental preservation programmes as part of the Corporate Membership Programme to make Hong Kong become a more sustainable city. A donation was also made to the Shanghai Roots and Shoots Million Tree Planting Program in order to encourage the development of a sustainable environment in Shanghai.

Apart from the donations, we also organised exchange events to promote the importance of environmental protection and conservation. In June, Jotun COSCO launched an exchange activity on Environmental Day, to support World Environment Day with the national theme of "Work Together to Build a Clean and Beautiful World" ("共建清潔美麗世界"). Employees in the group could discuss recent environmental issues and share their thoughts regarding environmental protection. As a shipping services company, we aspire to raise the public's awareness on environmental conservation and waste reduction.

8.1.3 Education

Young people will be the backbone of our society in the future, and the Group believes everyone should have equitable educational opportunities. Through inspiring individuals and cultivating future talents, we continue investing in youth education and development, which is critical in empowering future generations.

This year, Jotun COSCO also donated a total of RMB120,000 to "Jotun COSCO Chunlei Class" in a junior secondary school to provide impoverished students with quality education. Moreover, to spread the love and care to the Chunlei Class students, our dedicated employees and their children wrote postcards to express their wishes to the students. Several of our employees provided sporting goods to students, encouraging them to lead a more balanced and healthier life outside of the classroom, while others visited Chunlei Class and encouraged students to study hard and contribute to society in the future. These warm and supportive resources will help our Chunlei Class students to have a more fulfilling life that is conducive to their future success.

8.1.4 Assistance to the Elderlies and Underprivileged Children

We value each person's individuality and recognise that each person has distinct challenges in his daily life. In light of this, we are dedicated to promoting greater social inclusion and integration to the community, by collaborating closely with local NGOs and mobilising our resources to meet a range of community needs.

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

Care to Elderlies

- One of the signature events was the "Expressive Art Workshop" with 35 elderly participants who live alone in Sham Shui Po. The workshop consisted of two parts. The first part was a sensory expression art in which the elderly participated in interactive games such as language senses, music, and physical movements to express their feelings. The second part of the workshop was the artistic creation of an "Origami Boat", which the participants folded small paper boats and equipped them with different materials based on their imagination.

  Several elderly participants described their boat as a yacht and imagined swimming in Sai Kung's clear waters, while some described their boat as a large cruise ship that they imagined themselves traveling all over the world. Through this workshop, the elderly expressed their emotions, while broadening their social circles at the same time.

- Made donation to the "West Kowloon and the Peak Cultural Tour with the Elderly" event with to promote outdoor activities for seniors. 56 elderly people to experience the newly renovated cable car, visit Victoria Peak, and explore the West Kowloon Cultural District, which enabled them to stretch their bodies and enjoy the beautiful views of Hong Kong.

- In September, we subsidised the Neighborhood Advice-Action Council by distributing materials to the elderly during Mid-Autumn Festival. Through this subsidy, we hope the elderly enjoy this great festival with their families with happiness and warmth.

Support to Underprivileged Children

Apart from caring the elderly in the community, we also donated HK$50,000 to UNICEF Hong Kong this year to support children's rights and welfare. Our contribution will aid UNICEF's efforts to ensure that children have improved access to clean water, get a high-quality education, be free from exploitation or violence and preventable diseases. Children will be the main pillar of society in the future, thus they should all receive equal care and opportunities. In the future, we will continue to contribute more in safeguarding underprivileged children.

9. AWARDS AND RECOGNITIONS

Sustainability remained a top priority for the Group, and received recognitions and rewards from various market-related parties makes us pleased and gratified.

Honoured with the 15 Years Plus Caring Company Logo

The Group has been given the "15 Years Plus Caring Company Logo" awarded by Hong Kong Council of Social Service (HKCSS) for the 1st time in recognition of our efforts and dedication to caring for the community, our employees, the environment, and society for 15 consecutive years. Since 2008, the Group has been rewarded the "caring company" logo for 15 consecutive years, highlighted our perseverance in participating in charity activities and is recognised by the public.

Outstanding Human Resource Management Award for 2022

With the goal of promoting and advancing the development of human resource management, Jotun COSCO has once again been awarded the "Outstanding Human Resource Management Award" by 51Job, one of the leading human resource service companies in China. As part of its commitment to human resource management, Jotun COSCO will continue to build a diverse and inclusive culture, cultivate talent, actively fulfil its social responsibility, build its employer brand, and enhance the development of its employees, resulting in a win-win situation for both the Company and its employees.

PERFORMANCE DATA SUMMARY — ENVIRONMENTAL

	Unit#	2022	2021	2020
GHG Emission				
Scope 1				
Total emissions Note 1	Metric tonnes	470	600	710
Petrol		70	74	71
Diesel Note 2		117	172	177
Natural gas Note 3		283	354	462
Scope 2				
Total emissions	Metric tonnes	3,970	5,423	5,218
Electricity Note 2		3,970	5,423	5,218
Scope 3				
Total emissions Note 2, 6	Metric tonnes	202	374	347
Business travel Note 4		105	225	191
Paper consumption Note 5, 6		97	149	156
Total GHG emissions Note 6				
Scope 1, 2 and 3 Note 2	Metric tonnes	4,642	6,397	6,275
GHG emissions per m^2 of floor area (Scope 1, 2 and 3)	Metric tonnes/m^2	0.10	0.14	0.14
GHG emissions per employee (Scope 1, 2 and 3)	Metric tonnes/employee	5.52	7.55	7.53
Air Emission				
VOCs and Benzene	Metric tonnes	4.14	3.98	3.91
Toluene		0.25	0.44	0.53
Xylene		0.33	0.49	0.65
Particulate matter		0.20	0.14	2.31
Other exhaust gas emission Note 7		0.36	0.48	0.1
Energy Consumption				
Indirect energy consumption				
Electricity consumption Note 2	kWh	4,897,969	6,647,174	6,409,646
Electricity consumption intensity per m^2 of floor area	kWh/m^2	106.92	145.11	142.60
Electricity consumption intensity per employee	kWh/employee	5,803.28	7,847.90	7,694.65
Direct energy consumption				
Diesel Note 2	Litre	44,342	66,545	66,620
Petrol		25,752	27,082	26,060
Natural gas	cubic meter	131,091	163,606	213,273
Water Consumption				
Total water consumption Note 8	Metric tonnes	33,971	41,806	41,463
Water consumption intensity	Metric tonnes/m^2	0.93	1.14	1.14

	Unit#	2022	2021	2020
Waste Management				
Solid wastes (hazardous)	Metric tonnes	1,063	1,464	1,439
Solid wastes (non-hazardous)		212.2	261.4	246.4
Wastewater				
Wastewater	Metric tonnes	16,626	21,520	23,726
Packaging Materials				
Coating package materials [Note 2]	Metric tonnes	4,205	6,902	5,442

1. The emission factors of Scope 1 GHG emissions applied as provided within "Appendix 2: Reporting Guidance on Environmental KPIs" of HKEX.

2. Since the production volume of COSCO Kansai Companies reduced in FY22, the amount has decreased considerably compared to FY21.

3. The GHG emission contributed by natural gas was reduced significantly in FY22 due to the maintenance of RTO equipment in COSCO Kansai Companies.

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

5. The emission factor of paper consumption in Scope 3 GHG emissions applied as provided within "Appendix 2: Reporting Guidance on Environmental KPIs" of HKEX.

6. To provide a more comparable and accurate reflection of air pollutant emission generated from the paper consumption, the figures in FY20 have been restated.

7. The FY20 figure for "Other exhaust gas emission" was restated as the disclosed emission figure of 3.91 included emission of "VOC and Benzene".

8. The members of the Group had their water supply controlled by their respective property management offices who did not provide sub-meters for the units that they occupied. Thus, the data relating to water consumption and intensity in 2022 only covers COSCO Kansai Companies.

PERFORMANCE DATA SUMMARY — SOCIAL

	Unit	2022	2021	2020
Total Workforce				
Employee	number	**851**	847	833
Employee by employment type				
Full-time (Permanent)	number	**850**	827	833
Contract or short-term employment	number	**1**	20	Nil
Employee by Gender				
Male	number	**629**	636	616
Female	number	**222**	211	217
Employee by Region				
Hong Kong	number	**179**	176	185
Mainland China	number	**642**	639	611
Overseas	number	**30**	32	37
Employee by Age Group				
Below or equal to 30	number	**55**	51	58
31 to 50	number	**606**	597	598
Over 50	number	**190**	199	177
Overall Turnover Rate of Employee				
Turnover rate	%	**4**	9	12
Turnover Rate by Gender				
Male	%	**5**	8	9
Female	%	**4**	10	15
Turnover Rate by Region				
Hong Kong	%	**3**	15	6
Mainland China	%	**5**	7	13
Overseas	%	**7**	6	3
Turnover Rate by Age Group				
Below or equal to 30	%	**7**	31	17
31 to 50	%	**4**	8	8
Over 50	%	**4**	5	18

	Unit	2022	2021	2020
Employee Development and Training				
Total training hours received	hours	**86,342**	11,449	12,254
Percentage of workforce trained by Gender Note 9				
Male	%	**96**	82	84
Female		**94**	86	96
Percentage of workforce trained by Employment Category Note 9				
Senior Management		**89**	75	86
Middle-level Management	%	**93**	91	94
General Employee		**99**	81	85
Average training hours by Gender				
Male	hours	**107**	15	15
Female		**81**	19	14
Average training hours by Employment Category				
Senior Management		**144**	23	23
Middle-level Management	hours	**127**	19	16
General Employee		**91**	15	14
Supply Chain Management				
Total number of suppliers	number	**1,613**	1,606	1,568
Number of suppliers by geographical region				
Mainland China		**823**	797	766
Hong Kong	number	**247**	243	245
Other Countries		**543**	566	557
Employee Health and Safety				
Work-related fatalities (person)	number	**Nil**	Nil	Nil
Work injury cases (case)	number	**Nil**	1	Nil
Lost days due to work injury	day	**Nil**	84	Nil

	2022	2021	2020
Community Investment			
Corporate charitable donations & sponsorships (HK$)	**$265,000**	$263,000	$269,000
Volunteer Participation			
Participants	**28**	121	91
Service hours	**168**	712	546
Beneficiaries			
Number of beneficiaries	**124**	251	177

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

APPENDIX III: HKEX ESG REPORTING GUIDE INDEX

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KPI B3.1	The percentage of employees trained by gender and employee category	Performance Data Summary — Social	98
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The board of directors of the Company (the "Director(s)" or the "Board") presents this Directors' Report (the "Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement on page 134 of this annual report. The Board has recommended the payment of a final dividend of 11.5 HK cents (2021: 9 HK cents) per share for the year ended 31 December 2022. Subject to the approval of the shareholders of the Company (the "Shareholders") in the annual general meeting to be held on 31 May 2023, approximately HK$170,395,000 will be payable on 28 June 2023 to the Shareholders whose names appear on the register of members of the Company on 12 June 2023. The proposed final dividend together with the interim dividend of 11 HK cents per share, total dividends per share for the year 2022 are 22.5 HK cents (2021: 19 HK cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of shipping services and general trading. The shipping services business, the core business of the Group which includes ship trading agency services, insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products. The Group is committed to promoting green operation and actively implementing energy saving, emission reduction and recycling by implementing practices such as turning off all non-essential lights. In addition, the Group's coating business reflects the significant environmental impacts among other businesses and therefore the coating manufacturing subsidiaries of the Company in Mainland China strictly comply with the relevant laws and regulations in the People's Republic of China (the "PRC"). Being people-oriented, the Group ensures that all staff is reasonably remunerated and maintains a good relationship with its customers and suppliers. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance of Hong Kong (Cap.622), including a fair review of the Group's business, a description of the principal risks and uncertainties facing by the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2022, an indication of likely future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Prospects", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Five-Year Financial Summary" of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2022 calculated under Companies Act of Bermuda amounted to HK$6,514,389,000 (2021: HK$6,718,133,000).

BORROWINGS

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

RESERVES

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

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "SHARE OPTION INCENTIVE SCHEME" on pages 121 to 124 and any outstanding share options granted thereunder, no equity-linked agreements which may result the Company issuing share was entered into or existed during the year.

DONATIONS

Donations made by the Group during the year amounted to approximately HK$265,000 (2021: HK$263,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 211 to 212.

DIRECTORS

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

Executive Directors

Mr. Zhu Jianhui *(Chairman and Managing Director)*
Ms. Meng Xin (appointed on 24 November 2022)
Mr. Ma Jianhua (resigned on 24 November 2022)

Non-executive Directors

Mr. Chen Dong
Mr. Feng Boming (resigned on 28 April 2022)

Independent Non-executive Directors

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

In accordance with bye-law 99 of the Company's bye-laws, every Director shall be subject to retirement by rotation at least once every three years and a retiring Director shall be eligible for re-election at such annual general meeting of the Company. In accordance with bye-law 102(B) of the Company's bye-laws, any Director appointed to fill a causal vacancy shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Pursuant to bye-law 99 and 102(B) of the Company's bye-laws, Ms. Meng Xin, Mr. Tsui Yiu Wa, Alec and Mr. Kwong Che Keung, Gordon shall retire from office at the forthcoming annual general meeting of the Company and be eligible for re-election.

Mr. Feng Boming resigned as Non-executive Director on 28 April 2022 due to change in job arrangements and Mr. Ma Jianhua resigned as Executive Director on 24 November 2022 due to retirement. Each of them confirmed that there was no disagreement with the Board needed to be brought to the attention of the Shareholders.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhu Jianhui, being the Executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Ms. Meng Xin, being the Executive Director, has entered into a letter of appointment with the Company on 24 November 2022 for a term commencing from 24 November 2022 to the conclusion of the 2024 annual general meeting. Mr. Chen Dong, being the Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Mr. Ma Jianhua, being the ex-Executive Director, has entered into a letter of appointment with the Company on 31 May 2022 for a term commencing from 31 May 2022 to the conclusion of the 2024 annual general meeting of the Company. Mr. Feng Boming, being the ex-Non-executive Director, has entered into a letter of appointment with the Company on 29 May 2020 for a term commencing from 29 May 2020 to the conclusion of the 2022 annual general meeting of the Company.

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

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

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

* *for identification purposes only*

CONNECTED TRANSACTIONS

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

A. Continuing Connected Transactions

1. (a) A master supply agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) Co., Limited, the immediate holding company of the Company, being connected person of the Company ("COSCO SHIPPING (Hong Kong)") on 18 November 2019 in relation to (1) provision of marine and general insurance brokerage services and other services by the relevant member(s) of the Group to the relevant member(s) of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), the ultimate holding company of the Company ("COSCO SHIPPING") and its subsidiaries and associates (other than the Group), being connected persons of the Company (collectively, "COSCO SHIPPING Group"); and (2) provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of the Group to the relevant member(s) of COSCO SHIPPING Group, including without limitation: (a) the provision of ship agency services in relation to shipbuilding, ship trading, chartering businesses and the sale and purchase of marine equipment and other related services; (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) radio communication, satellite communication, navigation equipment and other materials, and (iii) construction materials and facilities, chemicals and information management systems; and (c) the sale of coatings for the three financial years ending 31 December 2022 (the "Master Supply Agreement") and a supplemental master supply agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 6 September 2021 (the "Supplemental Master Supply Agreement") to revise the annual caps for the financial year ending 31 December 2021 and 2022 from HK$1,690,000,000 to HK$2,150,000,000 and from HK$1,780,000,000 to HK$2,420,000,000 respectively (collectively the "Revised Caps"). The transactions contemplated under the Master Supply Agreement and the Supplemental Master Supply Agreement are collectively called the Supply Continuing Connected Transactions. The transactions contemplated under the Master Supply Agreement and the Supplemental Master Supply Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the service fees, commission, brokerage income and the consideration for the sale of materials and products shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties. The amount of service fees payable by COSCO SHIPPING Group under the Master Supply Agreement and the Supplemental Master Supply Agreement would be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to market price of comparable services). The prices offered to COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively. For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider the certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare the services fees and selling price offered to different customers (including COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service and a similar type of materials or products (based on similar amount and similar specifications) respectively. The aggregate amount of the Supply Continuing Connected Transactions for each of the financial years ending 31 December 2020, 2021 and 2022 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Supply Caps").

* *for identification purposes only*

(b) A fuel oil master agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 November 2019 in relation to trading and supply of fuel oil and related products and services between the relevant member(s) of the Group and the relevant member(s) of COSCO SHIPPING Group, including without limitation: (a) purchase or sale of fuel oil and related products including asphalt by the relevant member(s) of the Group from or to the relevant member(s) of COSCO SHIPPING Group; and (b) provision of services by the relevant member(s) of COSCO SHIPPING Group to relevant member(s) of the Group to carry out arrangements at the instruction of and for and on behalf of the relevant member(s) of the Group from time to time to enter into fuel oil and/or related products swap contracts and/or derivatives with independent third parties to facilitate the relevant member(s) of the Group to hedge against the risk of fuel oil and/or related products price fluctuation under the fuel oil and/or related products transactions of its fuel oil business (the "Fuel Oil Financial Services") (collectively the "Fuel Oil Continuing Connected Transactions") for the three financial years ending 31 December 2022 (the "Fuel Oil Master Agreement"). The transactions contemplated under the Fuel Oil Master Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the service fees and the consideration for the sale or purchase of fuel oil and/or related products shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties and for this purpose, the following pricing policies will be followed: (i) fixed per unit consideration would be payable by or to the Group (as appropriate); (ii) in determining the market rates for sale or purchase of fuel oil and related products including asphalt, the parties would refer to the mean price of fuel oil traded through Singapore as published by S&P Global Platts or market price of fuel oil as published by the government authority or other recognised organisations of supply ports in the pricing month or at the time of quotation as reference; and (iii) the Group would also consider the prices offered to or by at least three independent third parties (based on similar quantity of fuel oil and related products) and compare to those offered to or by COSCO SHIPPING Group. In particular, the relevant sales and purchasing department (as appropriate) of the related companies within the Group will compare the selling price offered to or by different parties (both COSCO SHIPPING Group and at least three independent third parties) in respect of a similar quantity of fuel oil and related products for comparison. The relevant member(s) of COSCO SHIPPING Group would not charge member(s) of the Group any service fee in relation to the provision of the Fuel Oil Financial Services; member(s) of the Group shall only be responsible for all amounts payable to independent third parties (together with the related handling fees and other charges charged by such independent third parties) by relevant member(s) of COSCO SHIPPING Group for and on behalf of member(s) of the Group under the fuel oil and/or related products swap contracts and/or derivatives. The aggregate amount of the Fuel Oil Continuing Connected Transactions for each of the financial year ending 31 December 2020, 2021 and 2022 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Fuel Oil Caps").

(c) A master purchase agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 November 2019 in relation to the provision of shipping and other services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group, including without limitation: (a) the provision of agency services, technical services and ancillary services, including the collection of market information, technical advisory, promotion and marketing, coordination with suppliers and customers, purchase of raw materials and products from suppliers, the provision of assistance in collecting sale proceeds and the procurement or provision of certain after-sale services; (b) the provision of logistics, transportation and business travel services; (c) the sale of other materials and products including construction materials and chemicals; and (d) the solicitation and referral of businesses by COSCO SHIPPING Group to the Group, including recommending products manufactured by the Group to the customers and manufacturers of COSCO SHIPPING Group (collectively the "Purchase Continuing Connected Transactions") for the three financial years ending 31 December 2022 (the "the Master Purchase Agreement"). The transactions contemplated under the Master Purchase Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the service fees, commission and the consideration for the purchase of materials and products shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties. Part of the services provided by COSCO SHIPPING Group will be charged by adopting pre-determined formulae (for example, provision of agency services, technical services and ancillary services and solicitation and referral of businesses will be charged at certain fixed percentages of the value of the subject matter with reference to market price of comparable services) and the remaining services will be charged by COSCO SHIPPING Group at fixed per unit consideration (for example, provision of logistics, transportation and business travel services will be charged at a fixed per unit price based on the quantity of the subject matter involved and the distance of the destination and location). The prices offered by COSCO SHIPPING Group for services provided to the Group and sale of other materials and products including construction materials and chemicals to the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available from independent third party suppliers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively. In particular, the relevant purchasing department of the related companies within the Group will obtain quotations from different suppliers (both COSCO SHIPPING Group and independent third party suppliers) in respect of comparable services and a similar type of materials or products (based on similar amount and similar specifications) respectively for comparison. The aggregate amount of the Purchase Continuing Connected Transactions for each of the financial years ending 31 December 2020, 2021 and 2022 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Purchase Caps").

(d) A management services master agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 November 2019 in relation to the provision of administrative services including information technology and office communication network support, business management and manpower resources (including without limitation manpower resources with expertise and experience in the business carried on by the Group from time to time and management of human resources), technical support and other administrative and ancillary support (including without limitation sharing of office premises, office equipment, network and communication system, information technology, other technical support, system management, financial system and maintenance) by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group and sharing of office premises by the relevant member(s) of the Group (collectively the "Management Services Continuing Connected Transactions") for the three financial years ending 31 December 2022 (the "Management Services Master Agreement"). The transactions contemplated under the Management Services Master Agreement shall be conducted on normal commercial terms. The management fee shall be calculated based on either (a) the Group's prorated share of the common administrative costs which shall be determined based on the statistics of time-sharing of the workload of staff members shared by the Group and COSCO SHIPPING Group or the utilization rate of the office support functions and network systems (depending on the type of management services which are provided) and the actual costs, expenses and disbursements incurred by COSCO SHIPPING Group in the course of its provision of the administrative services to the Group; or (b) fixed per unit consideration. This shall take into account the historical usage of administrative services by the Group provided by COSCO SHIPPING Group in the past two to three years with reference to the statistics of time-sharing of the workload of staff members shared by the Group and the utilisation rate of the office support functions and network systems and sharing of office premises (depending on the type of management services which are provided) and the actual costs, expenses and disbursements incurred by COSCO SHIPPING Group in the course of its provision of the administrative services to the Group. The fixed per unit consideration (subject to annual adjustment by inflation rate depending on the type of management services which are provided) will then be used to determine the annual services fees to be paid by the Group. The Group will consider the fees offered to be charged by independent third parties of similar services and compare to those offered by COSCO SHIPPING Group. In particular, the relevant department of the related companies within the Group will obtain quotations from different service providers (both COSCO SHIPPING Group and independent third parties) in respect of similar services for comparison. The aggregate amount of the Management Services Continuing Connected Transaction for each of the financial year ending 31 December 2020, 2021 and 2022 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Management Services Caps").

(e) A master tenancy agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 November 2019 in relation to the leasing or sub-leasing of any of the properties owned by or leased to COSCO SHIPPING Group from time to time by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group (collectively the "Tenancy Continuing Connected Transactions") for the three financial years ending 31 December 2022 (the "Master Tenancy Agreement"). The transactions contemplated under the Master Tenancy Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the rent and other fees and charges payable by the Group to COSCO SHIPPING Group would be determined based on fixed per unit consideration and the Group would consider the rental offered to be charged by independent third parties of similar properties (based on similar location and similar area) and compare to those offered by COSCO SHIPPING Group. In particular, the relevant department of the related companies within the Group will obtain quotations from different parties (both COSCO SHIPPING Group and independent third parties) in respect of similar properties (based on similar location and similar area) for comparison. The aggregate amount of the Tenancy Continuing Connected Transactions for each of the financial years ending 31 December 2020, 2021 and 2022 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Tenancy Caps").

(f) A financial services master agreement was entered into between the Company and 中遠海運集團財務有限責任公司(COSCO SHIPPING Finance Co. Limited*), a subsidiary of COSCO SHIPPING, being and a connected person of the Company ("COSCO SHIPPING Finance") on 25 May 2020 in relation to the provision of a range of financial services, including the deposit services, loan services, settlement services, remittance services, entrusted loan services (as lending agent in entrusted loan arrangements among members of the Group) and acceptance bill services by COSCO SHIPPING Finance to the Group (collectively the "Financial Services Continuing Connected Transactions") for the three financial years ending 31 December 2022 (the "Financial Services Master Agreement"). The transactions contemplated under the Financial Services Master Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the terms of the transactions (including the interest receivable by the Group and the fees (including the service fees and handling charges) payable under the financial services to COSCO SHIPPING Finance) shall be at market rates or rates no less favourable than those available to independent third parties from COSCO SHIPPING Finance or from independent third parties to the relevant members of the Group (as appropriate). It was agreed that the interest payable to or receivable by the Group (as appropriate) or service fees payable by the Group for the services are (a) the interest rate for the deposit services shall be no lower than: (i) the floor rate for the same category of deposit services stipulated by the People's Bank of China from time to time; (ii) the rate for the same category of deposit services offered by independent commercial banks in the PRC; and (iii) the rate for the same category and same class of deposit services offered by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group; (b) the interest rate for the loan and entrusted loan services shall be no higher than: (i) the cap rate for the same category of loan services stipulated by the People's Bank of China from time to time; and (ii) the rate for the same category of loan services charged by independent commercial banks in the PRC of the same period; and (c) service fees of other services approved by the China Banking and Insurance Regulatory Commission shall be determined in accordance with the following pricing principles: (i) the price to be complied with the fee standards prescribed by the People's Bank of China or China Banking and Insurance Regulatory Commission; (ii) no higher than those charged by independent commercial banks in the PRC for services of similar nature; and (iii) no higher than those charged by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group for services of similar nature. The aggregate amount of the Financial Services Continuing Connected Transactions for each of the financial year ending 31 December 2020, 2021 and 2022 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO SHIPPING Group" (the "Financial Services Caps").

* *for identification purposes only*

The Master Purchase Agreement, the Management Services Master Agreement, the Master Tenancy Agreement, the Purchase Caps, the Management Services Caps and the Tenancy Caps were exempt from shareholders' approval requirement under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 18 November 2019. The Master Supply Agreement, the Fuel Oil Master Agreement, the Supply Caps and the Fuel Oil Caps were approved by the independent shareholders at the special general meeting of the Company held on 30 December 2019, details of which were disclosed in the announcement and circular of the Company dated 18 November 2019 and 9 December 2019 respectively. The Financial Services Master Agreement and the Financial Services Caps were approved by the independent shareholders at the special general meeting of the Company held on 7 July 2020, details of which were disclosed in the announcements and circulars of the Company dated 25 May 2020 and 15 June 2020 respectively. The Supplemental Master Supply Agreement and the Revised Caps were approved by the independent shareholders at the special general meeting of the Company held on 26 October 2021, details of which were disclosed in the announcement and circular of the Company dated 6 September 2021 and 28 September 2021 respectively.

Caps with COSCO SHIPPING Group

	Caps for the year ending 31 December 2020	Caps for the year ending 31 December 2021	**Caps for the year ending 31 December 2022**
Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement and the Supplemental Master Supply Agreement	HK$1,600,000,000	HK$2,150,000,000	**HK$2,420,000,000**
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	US$45,000,000	US$45,000,000	**US$45,000,000**
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$135,000,000	HK$138,000,000	**HK$140,000,000**
Aggregate amount payable by the Group to COSCO SHIPPING Group for transactions contemplated under the Management Services Master Agreement	HK$22,000,000	HK$20,000,000	**HK$21,000,000**
Aggregate amount payable by the Group to COSCO SHIPPING Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO SHIPPING Group) for transactions contemplated under the Master Tenancy Agreement	HK$30,000,000	HK$31,000,000	**HK$32,000,000**
Amount of daily cash balance(s) of all cash deposits accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services and acceptance bill services) payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	RMB725,000,000	RMB730,000,000	**RMB735,000,000**
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO SHIPPING Finance for loan transactions contemplated under the Financial Services Master Agreement*	RMB140,000,000	RMB140,000,000	**RMB140,000,000**

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

The amount of the Supply Continuing Connected Transactions, the Fuel Oil Continuing Connected Transactions, the Purchase Continuing Connected Transactions, the Management Services Continuing Connected Transactions, the Tenancy Continuing Connected Transactions and the Financial Services Continuing Connected Transactions, (collectively called the "Continuing Connected Transactions with COSCO SHIPPING Group") for the financial year ended 31 December 2022 were as follows:

Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement and the Supplemental Master Supply Agreement	HK$1,784,806,712
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	Nil
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$7,389,584
Aggregate amount payable by the Group to COSCO SHIPPING Group for transactions contemplated under the Management Services Master Agreement	HK$9,586,177
Aggregate amount payable by the Group to COSCO SHIPPING Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO SHIPPING Group) for transactions contemplated under the Master Tenancy Agreement	HK$27,686,984
Amount of daily cash balance(s) of all cash deposits accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services and acceptance bill services) payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	Not exceeded RMB735,000,000 with highest daily balance of RMB586,289,606
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO SHIPPING Finance for loan transactions contemplated under the Financial Services Master Agreement*	Not exceeded RMB140,000,000 with highest daily balance of RMB5,071,458

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

2. On 31 December 2019, a COSCO SHIPPING HK management services master agreement was entered into between the Company, COSCO SHIPPING (Hong Kong) and COSCO SHIPPING (the "COSCO SHIPPING HK Management Services Master Agreement") in relation to the provision of management services by the Company regarding the day-to-day business operations and management of COSCO SHIPPING (Hong Kong) and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.) ("COSCO SHIPPING (Hong Kong) Group") (collectively the "COSCO SHIPPING HK Management Services Continuing Connected Transactions") for the three financial years ending 31 December 2022. The management fee to be received by the Company shall be negotiated at arm's length by the Company and the relevant member of COSCO SHIPPING (Hong Kong) Group and at a price determined upon the basis of the principle of "cost-plus" which is based on the cost arising from the provision of management services to COSCO SHIPPING (Hong Kong) Group by the Company plus a margin as agreed after arm's length negotiations between the Company and the relevant members of COSCO SHIPPING (Hong Kong) Group. In determining the costs, the Company will take into account the actual costs incurred (including, among others, the cost of human resources, professional knowledge and other resources). In determining the margin, the Company will take into account the scope

and type of the services to be provided by the Company and rates that are generally accepted by the market and/or the general tax authorities and/or transfer pricing rules. The Company will refer to, among other things, the terms in relation to the provision of services of similar nature in the market by independent third parties and compare them with the terms for the provision of services by the Company (such as through conducting comparability analysis on transfer pricing) to ensure that the fees payable by the relevant members of COSCO SHIPPING (Hong Kong) Group to the Company will be calculated in accordance with the actual market circumstances and will not be less favourable than the fees receivable from an independent third party for the provision of services of similar nature. The aggregate amount of COSCO SHIPPING HK Management Services Continuing Connected Transactions for each of the financial years ending 31 December 2020, 2021 and 2022 would not exceed HK$130,000,000, HK$130,000,000 and HK$130,000,000 respectively (the "COSCO SHIPPING HK Management Services Caps"). The COSCO SHIPPING HK Management Services Master Agreement and the COSCO SHIPPING HK Management Services Caps were exempt from shareholders' approval requirement under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 31 December 2019.

The amount of the COSCO SHIPPING HK Management Services Continuing Connected Transactions for the financial year ended 31 December 2022 was HK$56,838,130.

The price and the terms of the Continuing Connected Transactions with COSCO SHIPPING Group have been determined in accordance with the pricing policies disclosed in the announcements of the Company dated 18 November 2019, 25 May 2020 and 6 September 2021 and the circulars of the Company dated 9 December 2019, 15 June 2020 and 28 September 2021. The price and the terms of the COSCO SHIPPING HK Management Services Continuing Connected Transactions have been determined in accordance with the pricing policies disclosed in the announcement of the Company dated 31 December 2019. As set out in notes 33(a)(i), 33(a)(ii), 33(a)(iii), 33(a)(iv), 33(a)(v), 33(a)(vi), 33(a)(vii), 33(b)(i), 33(b)(ii), 33(b)(iii), 33(b)(iv), 33(b)(v), 33(b)(vii) and 33(b)(viii) to the financial statements, certain related party transactions of the Group also constituted continuing connected transactions of the Group as disclosed above.

The Independent Non-executive Directors had reviewed (1) the Supply Continuing Connected Transactions; (2) the Fuel Oil Continuing Connected Transactions; (3) the Purchase Continuing Connected Transactions; (4) the Management Services Continuing Connected Transactions; (5) the Tenancy Continuing Connected Transactions; (6) the Financial Services Continuing Connected Transactions; and (7) the COSCO SHIPPING HK Management Services Continuing Connected Transactions (collectively the "Group's Continuing Connected Transactions") and were of the opinion that the Group's Continuing Connected Transactions for the financial year ended 31 December 2022 had been entered into:

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

(ii) on normal commercial terms or better; and

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

For the purposes of Rule 14A.56 of the Listing Rules in relation to the Group's Continuing Connected Transactions, the Board engaged the auditor of the Company to report on the Group's Continuing Connected Transactions for the year ended 31 December 2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the Group's Continuing Connected Transactions for the year ended 31 December 2022 in accordance with Rule 14A.56 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

B. Connected Transaction

1. Disposal of 18% Equity Interest in Double Rich

On 28 June 2022, New Renown Limited, ("New Renown"), a wholly-owned subsidiary of the Company, entered into the agreement in respect of the sales and purchase of 18% equity interest in Double Rich Limited ("Double Rich") with 中國船舶燃料有限責任公司(China Marine Bunker (PetroChina) Co., Ltd.*) ("Chimbusco"), pursuant to which New Renown agreed to sell and Chimbusco agreed to purchase 18% equity interest in Double Rich at a consideration of US$8,804,200 (approximately HK$68,779,000) (the "Disposal Transaction"). Chimbusco is indirectly owned as to 50% by COSCO SHIPPING, the ultimate holding company of the Company. Therefore, Chimbusco is an associate of the substantial shareholder of the Company and a connected person of the Company under the Listing Rules. The Disposal Transaction constitutes a connected transaction of the Company under the Listing Rules, details of which were disclosed in the announcement of the Company dated 28 June 2022. The Disposal Transaction was completed in January 2023.

2. Formation of Joint Venture

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

C. Renewal of the Existing Continuing Connected Transactions

1. The Master Supply Agreement, the Financial Services Master Agreement, the Master Purchase Agreement, the Management Services Master Agreement and the Master Tenancy Agreement expired on 31 December 2022 and it was expected that the Group would continue to enter into transactions of a nature similar to the transactions under those agreements from time to time thereafter. Therefore, in view of the above and in order to accommodate certain new businesses between certain parties, on 18 October 2022, the New Master Supply Agreement, the New Financial Services Master Agreement, the New Master Purchase Agreement, the New Management Services Master Agreement and the New Master Tenancy Agreement were entered into by the Company.

   (a) A new master supply agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) Co. Limited, the immediate holding company of the Company, being the connected person of the Company ("COSCO SHIPPING (Hong Kong)") on 18 October 2022 in relation to (1) provision of marine and general insurance brokerage services and other services by the relevant member(s) of the Group to the relevant member(s) of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited), the ultimate holding company of the Company ("COSCO SHIPPING") and its subsidiaries and associates (other than the Group), being connected persons of the Company ("COSCO SHIPPING Group"); and (2) provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of the Group to the relevant member(s) of COSCO SHIPPING Group, including without limitation: (a) the provision of ship agency services in relation to shipbuilding, ship trading, chartering businesses and the sale and purchase of marine equipment and other related services; (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) radio communication, satellite communication, navigation equipment and other materials, and (iii) construction materials and facilities, chemicals and information management systems; and (c) the sale of coatings (collectively the "New Supply Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "the New Master Supply Agreement"). The amount of service fees payable

* *for identification purposes only*

by COSCO SHIPPING Group under the New Master Supply Agreement would be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to the relevant fixed percentages at which the provision of comparable services to independent third party customers will be charged). The prices offered to COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively. For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider the certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare (for services fees) the fixed percentages of the value of the subject matter and (for prices for sale of materials and products) the selling price, in each case, offered to different customers (including COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service and a similar type of materials or products (based on similar amount and similar specifications) (as the case may be) respectively. The aggregate amount of the New Supply Continuing Connected Transactions for each of the financial years ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "New Caps with COSCO SHIPPING Group" (the "New Supply Caps").

(b) A new financial services master agreement was entered into between the Company and 中遠海運集團財務有限責任公司 (COSCO SHIPPING Finance Co. Limited*), a subsidiary of COSCO SHIPPING, being a connected person of the Company ("COSCO SHIPPING Finance") on 18 October 2022 in relation to the provision of a range of financial services, including the deposit services, loan services (except for loans to be secured by the assets of the relevant member(s) of the Group), settlement services, remittance services, entrusted loan services (as lending agent in entrusted loan arrangements among members of the Group), acceptance bill issuance services, foreign exchange services, and other services which may be provided by COSCO SHIPPING Finance as approved by China Banking and Insurance Regulatory Commission, by COSCO SHIPPING Finance to the Group (collectively the "New Financial Services Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "New Financial Services Master Agreement"). The transactions contemplated under the New Financial Services Master Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the terms of the transactions (including the interest receivable by the Group and the fees (including the service fees and handling charges) payable under the financial services to COSCO SHIPPING Finance) shall be at market rates or rates no less favourable than those offered by COSCO SHIPPING Finance to independent third parties or those offered to the relevant member(s) of the Group by independent third parties (as appropriate). It was agreed that the interest payable to or receivable by the Group (as appropriate) or service fees payable by the Group for the services are (a) the interest rate for the deposit services shall be no lower than: (i) the floor rate for the same category of deposit services stipulated by the People's Bank of China from time to time; (ii) the rate for the same category of deposit services offered by independent commercial banks in the PRC; and (iii) the rate for the same category and same term(s) of deposit services offered by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group; (b) the interest rate for the loan and entrusted loan services shall be no higher than: (i) the cap rate for the same category of loan services stipulated by the People's Bank of China from time to time; and (ii) the rate for the same category of loan services charged by independent commercial banks in the PRC of the same period; and (c) service fees of services other than deposits and loan services shall be determined in accordance with the following pricing principles: (i) the price to be complied with the fee standards prescribed by the People's Bank of China or China Banking and Insurance Regulatory

* for identification purposes only

Commission; (ii) no higher than those charged by independent commercial banks in the PRC for services of similar nature; and (iii) no higher than those charged by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group for similar services. The aggregate amount of the New Financial Services Continuing Connected Transactions for each of the financial year ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "New Caps with COSCO SHIPPING Group" (the "New Financial Services Caps").

(c) A new master purchase agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 October 2022 in relation to the provision of shipping and other services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group, including without limitation: (a) the provision of agency services, technical services and ancillary services, including the collection of market information, technical advisory, promotion and marketing, coordination with suppliers and customers, purchase of raw materials and products from suppliers, the provision of assistance in collecting sale proceeds and the procurement or provision of certain after-sale services; (b) the provision of logistics, transportation services and business travel services; (c) the sale of other materials and products including construction materials and chemicals; (d) the solicitation and referral of businesses by COSCO SHIPPING Group to the Group, including recommending products manufactured by the Group to the customers and manufacturers of COSCO SHIPPING Group; and (e) the sale of shipping related materials and products (collectively the "New Purchase Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "the New Master Purchase Agreement"). Different pricing policies will be used for different types of services to be provided by COSCO SHIPPING Group to the Group under the New Master Purchase Agreement. Part of the services provided by COSCO SHIPPING Group will be charged by adopting pre-determined formulae (for example, provision of agency services, technical services and ancillary services and solicitation and referral of businesses will be charged at certain fixed percentages of the value of the subject matter with reference to market price of comparable services) and the remaining services will be charged by COSCO SHIPPING Group at fixed per unit consideration (for example, provision of logistics, transportation and business travel services will be charged at a fixed per unit price based on the quantity of the subject matter involved and the distance of the destination and location). The prices offered by COSCO SHIPPING Group for services provided to the Group and sale of other materials and products including construction materials and chemicals to the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available from independent third party suppliers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively. In particular, the relevant purchasing department of the related companies within the Group will obtain quotations from different suppliers (including COSCO SHIPPING Group and at least three independent third party suppliers) in respect of comparable services and a similar type of materials or products (based on similar amount and similar specifications) respectively for comparison. In case, the service fees charged by COSCO SHIPPING Group at fixed per unit consideration (including premium (if any)), quotations of the fixed per unit consideration (including premium (if any)) in respect of comparable services from at least three independent third party suppliers will be obtained for comparison. The quoted fixed per unit considerations (including premium (if any)) so obtained will then be used to determine the fixed per unit consideration (including premium (if any)) at which the relevant services will be charged. The aggregate amount of the New Purchase Continuing Connected Transactions for each of the financial years ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "New Caps with COSCO SHIPPING Group" (the "New Purchase Caps").

(d) A new management services master agreement was entered into between the Company and COSCO SHIPPING (Hong Kong) on 18 October 2022 in relation to the provision of administrative services including information technology and office communication network support, business management and manpower resources (including without limitation manpower resources with expertise and experience in the business carried on by the Group from time to time and management of human resources), technical support and other administrative and ancillary support (including without limitation sharing of office premises, office equipment, network and communication system, information technology, other technical support, system management, financial system and maintenance) by the relevant member(s) of COSCO SHIPPING Group to the relevant member(s) of the Group and sharing of office premises by the relevant member(s) of the Group (collectively the "New Management Services Continuing Connected Transactions") for the three financial years ending 31 December 2025 (the "New Management Services Master Agreement"). The management fee shall be calculated based on either (aa) the Group's prorated share of the common administrative costs which shall be determined based on the statistics of time-sharing of the workload of staff members shared by the Group and COSCO SHIPPING Group or the utilisation rate of the office support functions and network systems (depending on the type of management services which are provided) and the actual costs, expenses and disbursements incurred by COSCO SHIPPING Group in the course of its provision of the administrative services to the Group; or (bb) fixed per unit consideration. This shall take into account the historical usage of administrative services by the Group provided by COSCO SHIPPING Group in the past two to three years with reference to the statistics of time-sharing of the workload of staff members shared by the Group and the utilisation rate of the office support functions and network systems and sharing of office premises (depending on the type of management services which are provided) and the actual costs, expenses and disbursements incurred by COSCO SHIPPING Group in the course of its provision of the administrative services to the Group. The fixed per unit consideration (subject to annual adjustment by inflation rate depending on the type of management services which are provided) will then be used to determine the annual services fees to be paid by the Group. The Group will consider the fees offered to be charged by independent third parties of similar services and compare to those offered by COSCO SHIPPING Group. In particular, the relevant department of the related companies within the Group will obtain quotations from different service providers (both COSCO SHIPPING Group and at least independent third parties) in respect of similar services for comparison. The aggregate amount of the New Management Services Continuing Connected Transaction for each of the financial year ending 31 December 2023, 2024 and 2025 would not exceed the relevant cap amounts set out in the table headed "New Caps with COSCO SHIPPING Group" (the "New Management Services Caps").

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

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

New Caps with COSCO SHIPPING Group

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

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

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

RELATED PARTY TRANSACTIONS

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

SHARE OPTION INCENTIVE SCHEME

The Company's share option incentive scheme has been adopted by the Shareholders at the special general meeting on 9 April 2020 (the "Share Option Incentive Scheme"). Summary of the Share Option Incentive Scheme disclosed in accordance with the Listing Rules is as follows:

1. Purposes of the Share Option Incentive Scheme

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

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

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

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

2. Participants of the Share Option Incentive Scheme

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

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

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

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

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

As at the date of the Report, a total of 23,600,000 Shares representing approximately 1.59% of the issued share of the Company may be issued upon exercise of all share options which had been granted and yet to be exercised under the Share Option Incentive Scheme.

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

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

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

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

5. Period within which the securities must be taken up under an option

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

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

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

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

6. Minimum period for which an option must be held before it can be exercised

There is and shall be a minimum period for which an option must be held before it can be exercised, details of which were disclosed in item 5 above.

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

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

8. Basis of determining the exercise price

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

9. Remaining life of the Share Option Incentive Scheme

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

Share Options

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

Category	Exercise price (HK$)	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31 December 2022	Approximate % of total number of issued Shares	Exercisable period	Notes
Directors									
Mr. Zhu Jianhui	2.26	1,000,000	–	–	–	1,000,000	0.06%	28/04/2022–27/04/2026	1, 4
Ms. Meng Xin	2.26	470,000	–	–	–	470,000	0.03%	28/04/2022–27/04/2026	1, 4
Ex-Director									
Mr. Ma Jianhua	2.26	1,000,000	–	–	–	1,000,000	0.06%	28/04/2022–27/04/2026	1, 4
		2,470,000	–	–	–	2,470,000			
Continuous contract employees	2.26	19,120,000	–	–	(1,640,000)	17,480,000	1.18%	28/04/2022–27/04/2026	1, 4
	2.184	2,280,000	–	–	–	2,280,000	0.15%	06/10/2022–05/10/2026	2, 4
	2.72	1,370,000	–	–	–	1,370,000	0.09%	07/04/2023–06/04/2027	3, 4
		25,240,000	–	–	(1,640,000)	23,600,000			

Notes:

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

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

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

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

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

6 Save as disclosed above, no share options were exercised, lapsed or cancelled under the Share Option Incentive Scheme during the year.

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

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

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2022, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

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

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

2. Long positions in the shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Nature of interest	Total number of ordinary shares of associated corporation held	Approximate percentage of the relevant class of total issued shares of associated corporation
Mr. Zhu Jianhui	COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings")	Interest of spouse	Family	26,000 (A shares)	0.0002%
	China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd.)	Interest of spouse	Family	10,000 (A shares)	0.0001%
Mr. Kwong Che Keung, Gordon	COSCO SHIPPING Ports Limited	Beneficial Owner	Personal	250,000	0.0075%

Save as disclosed above and in the sub-section headed "Share Options" of "SHARE OPTION INCENTIVE SCHEME", none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange as at 31 December 2022.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, the following persons and entities, other than Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Nature of interest	Total number of ordinary shares of the Company held (Long positions)	Approximate percentage of total issued shares number of the Company
COSCO SHIPPING	Interest of controlled corporation	Corporate interest	1,051,183,486	70.61%
中國海運集團有限公司 (China Shipping Group Company Limited*) ("China Shipping")	Interest of controlled corporation	Corporate interest	1,051,183,486	70.61%
COSCO SHIPPING (Hong Kong)	Beneficial owner	Beneficial interest	1,051,183,486	70.61%

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

* *for identification purposes only*

Save as disclosed above, as at 31 December 2022, the Company has not been notified by any person or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the 2023 AGM.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, the Company repurchased a total of 51,262,000 Shares on the Stock Exchange for an aggregate consideration of HK$118,091,720 before expenses. All the repurchased Shares were subsequently cancelled. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Month of share repurchased in 2022	No. of shares repurchased	Highest price paid (HK$)	Lowest price paid (HK$)	Aggregate consideration (before expenses) (HK$)
September	11,726,000	2.38	2.10	26,442,040
October	27,910,000	2.33	2.23	63,570,640
November	11,596,000	2.73	2.21	27,999,540
December	30,000	2.65	2.65	79,500
Total:	51,262,000			118,091,720

Save as disclosed above and in note 18 to the financial statements, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

CORPORATE GOVERNANCE

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

The Board believed that the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules during the year ended 31 December 2022, except that (a) (i) Mr. Chen Dong, the Non-executive Director, was unable to attend the annual general meeting of the Company held on 31 May 2022 due to other business engagement; and (ii) Mr. Chen Dong, the Non-Executive Director and Mr. Jiang, Simon X., the Independent Non-Executive Director were unable to attend the special general meeting of the Company held on 5 December 2022 due to other business engagement, a deviation from the code provision C.1.6 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings; and (b) the roles of Chairman and Managing Director are performed by the same individual, Mr. Zhu Jianhui, which deviates from the code provision C.2.1 of the CG Code. However, the Board believes that the roles of Chairman of the Board and Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he acts for the benefit and in the best interests of the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategic and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management of the Company, there is no other matter deviated from the CG Code. The Company will continue to review its corporate governance policies and compliance with the Listing Rules and will continue to comply with the relevant provisions as set out in the CG Code.

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of the Audit Committee include reviewing the accounting policies and the Company's financial reporting; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting, the risk management and internal control systems; ensuring compliance with applicable statutory accounting and reporting requirements. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

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

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31 December 2022, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

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

On behalf of the Board

Zhu Jianhui
Chairman and Managing Director

Hong Kong, 28 March 2023

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 133 to 209, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables *Refer to notes 2(j), 4(a) and 16 to the consolidated financial statements.* At 31 December 2022, the Group had gross trade receivables of HK$720.7 million (2021: HK$824.5 million), against which a provision for impairment of HK$26.5 million (2021: HK$31.2 million) was made. Provision for impairment of trade receivables reflects management's best estimate to determine the expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and ageing profile. The expected loss rates are based on the historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. This is a Key Audit Matter because of the magnitude of the trade receivables balance and the significant judgement applied in assessing the allowance for expected credit losses.	Our audit procedures in relation to the impairment assessment of trade receivables included: • Understood, evaluated and tested management's internal controls over credit control process and its basis and methodology of estimation of the amount of impairment provision required for trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Assessed the appropriateness of the expected credit loss provisioning methodology; • Tested, on a sample basis, the key data inputs including the ageing schedule of trade receivables; • Challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses with the involvement of our in-house valuation experts; • Tested, on a sample basis, the post-year end settlements of trade receivables by agreeing the receivables to the bank receipts as applicable; and • Assessed the adequacy of the disclosures related to the impairment assessment of trade receivables in the context of HKFRS disclosure requirements. Based on the procedures performed above, we considered that management's impairment assessment of trade receivables is supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2023

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	**108,721**	107,664
Property, plant and equipment	7	**221,838**	255,817
Right-of-use assets	8	**43,815**	41,412
Investment properties	9	**151,305**	158,545
Investments in joint ventures	10	**527,896**	499,999
Investments in associates	11	**154,716**	237,786
Financial assets at fair value through other comprehensive income	13	**53,849**	62,621
Deferred income tax assets	14(a)	**40,531**	42,810
		1,302,671	1,406,654
Current assets			
Inventories	15	**304,765**	443,548
Trade and other receivables	16	**1,689,698**	1,671,666
Current income tax recoverable		**4,239**	615
Restricted bank deposits	17	**5,597**	6,115
Current deposits and cash and cash equivalents	17	**5,927,523**	6,213,626
		7,931,822	8,335,570
Total assets		**9,234,493**	9,742,224
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**148,169**	153,296
Reserves	19	**7,654,418**	7,907,721
		7,802,587	8,061,017
Non-controlling interests		**318,993**	333,579
Total equity		**8,121,580**	8,394,596
LIABILITIES			
Non-current liabilities			
Lease liabilities	8	**6,969**	4,738
Deferred income tax liabilities	14(b)	**67,336**	63,308
		74,305	68,046
Current liabilities			
Trade and other payables	20	**703,137**	894,585
Contract liabilities	20	**305,483**	306,514
Current income tax liabilities		**21,046**	30,933
Short-term borrowings	21	**—**	42,807
Lease liabilities	8	**8,942**	4,743
		1,038,608	1,279,582
Total liabilities		**1,112,913**	1,347,628
Total equity and liabilities		**9,234,493**	9,742,224

Zhu Jianhui
Director

Meng Xin
Director

The notes on pages 139 to 209 form an integral part of these audited consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	5	**3,962,539**	4,533,549
Cost of sales		**(3,301,927)**	(3,764,176)
Gross profit		**660,612**	769,373
Management fee income	33(a)	**56,837**	77,942
Other income and (losses)/gains — net	22	**(17,272)**	35,163
Selling, administrative and general expenses	23	**(497,346)**	(604,933)
Operating profit		**202,831**	277,545
Finance income	26	**98,366**	47,979
Finance costs	26	**(2,015)**	(7,172)
Finance income — net	26	**96,351**	40,807
Share of profits of joint ventures	10	**117,529**	63,711
Share of profits/(losses) of associates	11	**8,647**	(40,889)
Profit before income tax		**425,358**	341,174
Income tax expenses	27	**(58,461)**	(37,568)
Profit for the year		**366,897**	303,606
Profit attributable to:			
Equity holders of the Company		**347,062**	288,341
Non-controlling interests		**19,835**	15,265
		366,897	303,606
Earnings per share attributable to equity holders of the Company			
— basic and diluted, HK cents	28	**22.74**	18.81

The notes on pages 139 to 209 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
Profit for the year	**366,897**	303,606
Other comprehensive (losses)/income		
Items that may be reclassified subsequently to profit or loss:		
Share of currency translation differences of joint ventures	**(22,677)**	9,483
Share of currency translation differences of associates	**—**	(350)
Share of cash flow hedges of an associate, net of tax	**—**	(14,166)
Currency translation differences	**(179,981)**	46,293
Reserves realised upon disposal of an associate	**640**	—
Items that will not be reclassified to profit or loss:		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net	**(7,322)**	7,388
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	**—**	11,362
Other comprehensive (losses)/income for the year	**(209,340)**	60,010
Total comprehensive income for the year	**157,557**	363,616
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	**166,692**	338,878
Non-controlling interests	**(9,135)**	24,738
	157,557	363,616

The notes on pages 139 to 209 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

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

The notes on pages 139 to 209 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2021		153,296	840,689	7,119,058	8,113,043	314,671	8,427,714
Profit for the year		—	—	288,341	288,341	15,265	303,606
Other comprehensive income/(losses)							
Share of currency translation differences of:							
— joint ventures	19	—	9,483	—	9,483	—	9,483
— associates	19	—	(350)	—	(350)	—	(350)
Share of cash flow hedges of an associate, net of tax	19	—	(14,166)	—	(14,166)	—	(14,166)
Currency differences on translation of:							
— subsidiaries	19	—	27,417	—	27,417	—	27,417
— joint ventures	19	—	3,626	—	3,626	—	3,626
— associates	19	—	5,777	—	5,777	—	5,777
— non-controlling interests		—	—	—	—	9,473	9,473
Fair value gains on financial assets at fair value through other comprehensive income, net	19	—	7,388	—	7,388	—	7,388
Realised upon disposal of financial assets at fair value through other comprehensive income	19	—	(1,494)	1,494	—	—	—
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	19	—	11,362	—	11,362	—	11,362
Total comprehensive income for the year ended 31 December 2021		—	49,043	289,835	338,878	24,738	363,616
Transactions with owners							
Transfer between reserves	19	—	3,652	(3,652)	—	—	—
Dividends paid	19	—	—	(390,904)	(390,904)	(5,830)	(396,734)
Total transactions with owners		—	3,652	(394,556)	(390,904)	(5,830)	(396,734)
Balance at 31 December 2021		153,296	893,384	7,014,337	8,061,017	333,579	8,394,596

The notes on pages 139 to 209 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**125,254**	101,151
Income tax paid		**(62,489)**	(47,389)
Net cash from operating activities		**62,765**	53,762
Cash flows from investing activities			
(Increase)/decrease in cash deposits with maturity over three months		**(49,831)**	371,792
Decrease in restricted bank deposits		**—**	7,764
Interest received		**47,912**	52,755
Dividends received from investments		**3,760**	2,635
Dividends received from joint ventures	10	**55,676**	138,516
Dividends received from associates	11	**1,062**	21,971
Net proceeds from disposal of property, plant and equipment		**39**	125
Net proceeds from dissolution/disposal of financial assets at fair value through other comprehensive income		**1,453**	2,356
Purchases of intangible assets	6	**(4,733)**	(89)
Purchases of property, plant and equipment	7	**(5,734)**	(14,330)
Net cash used in acquisition of an associate	11	**—**	(141,982)
Net cash received from disposal of an associate	11	**68,469**	—
Net cash from investing activities		**118,073**	441,513
Cash flows from financing activities			
Payments for repurchases of shares		**(118,531)**	—
Loans from fellow subsidiaries		**—**	126,460
Repayment of loans from fellow subsidiaries		**(40,730)**	(174,636)
Principal elements of lease payments		**(8,343)**	(7,086)
Finance costs paid		**(1,516)**	(6,838)
Dividends paid to the Company's equity holders	35(a)	**(306,591)**	(390,904)
Dividends paid to non-controlling interests		**(5,451)**	(5,830)
Net cash used in financing activities		**(481,162)**	(458,834)
Net (decrease)/increase in cash and cash equivalents		**(300,324)**	36,441
Cash and cash equivalents at the beginning of the year		**1,350,751**	1,300,353
Exchange (losses)/gains on cash and cash equivalents		**(33,591)**	13,957
Cash and cash equivalents at the end of the year	17(g)	**1,016,836**	1,350,751

The notes on pages 139 to 209 form an integral part of these audited consolidated financial statements.

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the board of directors on 28 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The amendments to existing standards that became effective in this accounting period do not have any significant impact on the Group's accounting policies and had no significant impact on the results and the financial position of the Group.

The following amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1 January 2022 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

(b) Consolidation

(i) Subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

(iii) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements

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

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

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

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

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

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

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

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

(d) Associates

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

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

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

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

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

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

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

(e) Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties

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

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

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

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

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

No depreciation is provided for construction in progress.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(i) Inventories

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

(j) Financial assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Measurement

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

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

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

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

(k) Derivative financial instruments 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 full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Derivative financial instruments and hedging activities (Continued)

Cash flow hedge that qualify for hedge accounting

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

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ("aligned time value") are recognised within other comprehensive income in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

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

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- 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 hedge 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, resulting in the recognition of a non-financial asset such as inventory. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases

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

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

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

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

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

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

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

(m) Trade and other receivables

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

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

(n) Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Non-current assets 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, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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 non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

(p) Trade and other payables

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

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

(q) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Contingent liabilities

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

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

(s) Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on deductible temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses are presented in the consolidated income statement within "Other income and (losses)/gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as securities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

On consolidation, the results and financial position of all of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement 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 draw-down 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(v) Employee benefits

(i) Pensions and retirement benefits

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

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

(ii) Share-based compensation

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

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and income recognition

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

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

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

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

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

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

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

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

(iii) Rental income

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

(iv) Dividend income

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

(v) Government subsidy income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and income recognition (Continued)

(vi) Interest income

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

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

(x) Segment reporting

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

(y) Dividend distribution

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

(z) Share capital

Ordinary shares are classified as equity.

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Market risk

(1) Foreign currency risk

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

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

Since US dollars is pegged against Hong Kong dollars, the foreign exchange risk on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents, trade and other payables and contract liabilities is not considered to be significant.

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

At 31 December 2022, if Renminbi had weakened/strengthened by 10% (2021: 5%) against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$1,833,000 (2021: HK$2,044,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables, contract liabilities and short-term borrowings.

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

(2) Interest rate risk

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets) will result in a net increase/decrease in the Group's post-tax profit by HK$29,006,000 (2021: HK$28,430,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as financial assets at FVOCI, which are required to be stated at their fair values (see fair value estimation below). To manage the price risk arising from equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The Group's equity investments in equity of other entities are publicly traded. The table below summarises the impact of increases/decreases of the market price of the Group's equity investments by 5%:

	Increase/decrease in post-tax profit		**Increase/decrease in investment revaluation reserve**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% increase/decrease in market price	**–**	–	**2,692**	3,007

(ii) Credit risk

Credit risk mainly arises from trade and other receivables, balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with acceptable credit rating, as rated by external credit agencies, and over 93% of the Group's bank balances as at 31 December 2022 were placed with state-owned and listed banks. Management considers these balances are subject to low credit risk.

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

Trade receivables and other receivables

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Credit risk (Continued)

On that basis, the expected loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount HK$'000	Expected loss allowance HK$'000
Ageing analysis as at 31 December 2022			
Current–90 days	**0.4%**	**468,485**	**1,712**
91–180 days	**0.4%**	**130,776**	**470**
181–365 days	**2.1%**	**86,555**	**1,808**
Over 1 year	**64.4%**	**34,887**	**22,471**
		720,703	**26,461**

	Expected loss rate	Gross carrying amount HK$'000	Expected loss allowance HK$'000
Ageing analysis as at 31 December 2021			
Current–90 days	0.2%	521,312	828
91–180 days	1.3%	205,594	2,584
181–365 days	7.0%	71,006	4,975
Over 1 year	85.7%	26,597	22,782
		824,509	31,169

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

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

As at 31 December 2022, the Group's provision for impairment of trade receivables amounted to HK$26,461,000 (2021: HK$31,169,000). During the year, net reversal of provision for impairment of trade receivables amounted to HK$2,346,000 (2021: net provision of HK$1,061,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

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

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

	Within 1 year HK$'000	More than 1 year HK$'000
Group		
At 31 December 2022		
Trade and other payables	**703,137**	**—**
Short-term borrowing	**—**	**—**
Lease liabilities	**9,335**	**7,289**
At 31 December 2021		
Trade and other payables	894,585	—
Short-term borrowings	43,307	—
Lease liabilities	4,909	4,794

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to equity holders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's total borrowings divided by total assets. The Group's strategy, which was unchanged from prior year, is to maintain a low gearing ratio. The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 HK$'000	2021 HK$'000
Total borrowings	**—**	42,807
Total assets	**9,234,493**	9,742,224
Gearing ratio	**—**	0.4%

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

The table below analyses financial instruments and investment properties that are carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

The following table presents the Group's financial assets and investment properties that are measured at fair value at 31 December 2021.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at FVOCI				
— equity securities	60,134	—	2,487	62,621
Investment properties				
— commercial — Hong Kong	—	—	30,700	30,700
— commercial — Overseas	—	—	33,180	33,180
— residential — Hong Kong	—	—	32,300	32,300
— residential — PRC	—	—	62,365	62,365
	60,134	—	161,032	221,166

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

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

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

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

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

There were no Level 2 financial and non-financial assets in 2022 and 2021.

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

At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Valuation techniques adopted is the direct comparison approach and the unobservable inputs being the price per gross floor area. The range of unobservable input at 31 December 2022 was from HK$3,771 to HK$22,006 per square foot (2021: from HK$3,595 to HK$20,026 per square foot). There is a positive correlation between the fair value price per square foot and the fair value of the investment properties.

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

(f) Valuation process

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Provision for impairment of trade receivables

Provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting periods. Details are disclosed in note 3(a)(ii).

(b) Allowances for inventory

Management of the Group estimates net realisable value of inventories at each reporting date, and makes allowances for obsolete and slow-moving inventory items.

Management analysed its inventory, on a product-by-product basis, to identify obsolete and slow-moving inventory items based on factors including the Group's future production or sale plans, technology trend and forecast market demands and future utilisation or sales patterns in respect of the Group's inventories held. Taking into account stock ageing profile, expiry dates and latest market prices of each inventory items, a provision for impairment of inventory is recorded.

(c) Income taxes

The Group is subject to income taxes in Hong Kong, the PRC, Singapore, Japan, Germany and the United States. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 REVENUE AND SEGMENT INFORMATION

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

	2022	2021
	HK$'000	HK$'000
Sale of coatings	**1,067,153**	1,685,183
Sale of marine equipment and spare parts	**1,669,821**	1,578,889
Commission income from ship trading agency	**85,413**	103,772
Commission income from insurance brokerage	**114,584**	102,152
General trading	**1,025,568**	1,063,553
	3,962,539	4,533,549

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

Reportable segments	**Business activities**
Coatings	Production and sale of coatings, and holding of investments in joint ventures, namely Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO") and Nasurfar Biomaterial Technology (Changshu) Co., Ltd. ("Nasurfar Changshu")
Marine equipment and spare parts	Trading and supply of marine equipment and spare parts, and holding of investments in joint ventures
Ship trading agency	Provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture and an associate
Insurance brokerage	Provision of insurance brokerage services
Marine fuel and other products	Trading and supply of marine fuel and other related products, and holding of investment in an associate, Double Rich Limited ("Double Rich")#
General trading	Trading, storage, processing and supply of asphalt and other products, and holding of investments in associates, including Zhejiang Four Brothers Rope Co., Ltd. ("Zhejiang Four Brothers Rope")

Others mainly comprise the holding of Group's financial assets at FVOCI.

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

On 28 June 2022, the Group entered into an agreement with the purchaser and agreed to sell the entire 18% equity interest of Double Rich held by the Group and the transaction was completed on 29 December 2022.

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31 December 2022									
	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Marine fuel and other products HK$'000	Total HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit or loss items:										
Segment revenue	1,067,153	1,669,821	85,413	115,628	–	2,938,015	1,029,229	–	(4,705)	3,962,539
Inter-segment revenue	–	–	–	(1,044)	–	(1,044)	(3,661)	–	4,705	–
Revenue from external customers	1,067,153	1,669,821	85,413	114,584	–	2,936,971	1,025,568	–	–	3,962,539
Segment operating profit/(loss)	35,700	86,332	48,598	79,626	(9,257)	240,999	(3,160)	3,256	–	241,095
Finance income	2,363	1,751	3,281	1,940	612	9,947	1,796	–	(2,176)	9,567
Finance costs	(457)	(915)	(21)	(166)	(2)	(1,561)	(2,603)	–	2,176	(1,988)
Share of profits of joint ventures	114,756	1,858	915	–	–	117,529	–	–	–	117,529
Share of profits of associates	–	–	104	–	–	104	8,543	–	–	8,647
Segment profit/(loss) before income tax	152,362	89,026	52,877	81,400	(8,647)	367,018	4,576	3,256	–	374,850
Income tax (expenses)/credit	(5,402)	(16,566)	(13,748)	(15,309)	–	(51,025)	485	–	–	(50,540)
Segment profit/(loss) after income tax	146,960	72,460	39,129	66,091	(8,647)	315,993	5,061	3,256	–	324,310
Balance sheet items:										
Total segment assets	1,581,576	1,174,174	331,531	353,340	47,886	3,488,507	857,925	53,849	(123,881)	4,276,400
Total segment assets include:										
– Joint ventures	514,195	7,858	5,843	–	–	527,896	–	–	–	527,896
– Associates	–	–	1,517	–	–	1,517	153,199	–	–	154,716
Total segment liabilities	299,752	411,173	82,609	151,862	206	945,602	205,191	–	(123,881)	1,026,912
Other items:										
Depreciation and amortisation, net of amount capitalised	16,175	5,646	510	628	–	22,959	5,625	–	–	28,584
Provision for impairment of inventories, net	1,544	–	–	–	–	1,544	–	–	–	1,544
(Reversal of provision)/provision for impairment of trade receivables, net	(14,290)	(222)	–	–	–	(14,512)	12,166	–	–	(2,346)
Provision for impairment of other receivables	–	–	116	–	–	116	19,725	–	–	19,841
Provision for impairment of assets held for sale	–	–	–	–	8,275	8,275	–	–	–	8,275
Government subsidy income	(5,630)	(2,087)	–	(704)	–	(8,421)	(326)	–	–	(8,747)
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	14,404	4,944	2,172	264	–	21,784	836	–	–	22,620

5 REVENUE AND SEGMENT INFORMATION (Continued)

Year ended and as at 31 December 2021

	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit or loss items:										
Segment revenue	1,685,183	1,578,889	103,801	103,182	–	3,471,055	1,064,621	–	(2,127)	4,533,549
Inter-segment revenue	–	–	(29)	(1,030)	–	(1,059)	(1,068)	–	2,127	–
Revenue from external customers	1,685,183	1,578,889	103,772	102,152	–	3,469,996	1,063,553	–	–	4,533,549
Segment operating profit/(loss)	34,806	105,101	66,318	68,225	(1,000)	273,450	18,799	2,635	–	294,884
Finance income	682	582	2,649	1,288	221	5,422	671	–	(1,789)	4,304
Finance costs	(1,730)	(1,144)	(23)	(86)	(1)	(2,984)	(5,961)	–	1,789	(7,156)
Share of profits of joint ventures	61,402	1,680	629	–	–	63,711	–	–	–	63,711
Share of profits/(losses) of associates	–	–	121	–	(45,984)	(45,863)	4,974	–	–	(40,889)
Segment profit/(loss) before income tax	95,160	106,219	69,694	69,427	(46,764)	293,736	18,483	2,635	–	314,854
Income tax (expenses)/credit	(8,485)	(18,016)	(18,656)	(12,634)	99	(57,692)	(3,656)	–	–	(61,348)
Segment profit/(loss) after income tax	86,675	88,203	51,038	56,793	(46,665)	236,044	14,827	2,635	–	253,506
Balance sheet items:										
Total segment assets	1,764,578	1,169,156	356,679	327,489	124,391	3,742,293	929,335	60,134	(122,835)	4,608,927
Total segment assets include:										
– Joint ventures	482,374	11,948	5,677	–	–	499,999	–	–	–	499,999
– Associates	–	–	1,547	–	76,725	78,272	159,514	–	–	237,786
Total segment liabilities	477,975	452,889	62,539	132,785	225	1,126,413	220,979	–	(122,835)	1,224,557
Other items:										
Depreciation and amortisation, net of amount capitalised	35,995	7,793	499	184	–	44,471	6,183	–	–	50,654
Reversal of provision for impairment of inventories, net	(3,266)	–	–	–	–	(3,266)	–	–	–	(3,266)
(Reversal of provision)/provision for impairment of trade receivables, net	(884)	877	–	–	–	(7)	1,068	–	–	1,061
Government subsidy income	(170)	(258)	–	(97)	–	(525)	(527)	–	–	(1,052)
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	6,736	3,924	29	134	–	10,823	8,707	–	–	19,530

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2022 HK$'000	2021 HK$'000
Profit before income tax for reportable segments	371,594	312,219
Profit before income tax for others	3,256	2,635
Profit before income tax for all segments	374,850	314,854
Elimination of segment income from corporate headquarters	(601)	(660)
Corporate finance income	88,799	43,675
Corporate finance costs	(27)	(16)
Corporate net exchange gains	6,469	31,046
Corporate expenses, net of income	(44,132)	(47,725)
Profit before income tax for the Group	425,358	341,174
Income tax expenses for all segments	(50,540)	(61,348)
Corporate income tax (expenses)/credit	(7,921)	23,780
Profit after income tax for the Group	366,897	303,606

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

	2022 HK$'000	2021 HK$'000
Total assets for reportable segments	4,346,432	4,671,628
Total assets for others	53,849	60,134
Elimination of inter-segment receivables	(123,881)	(122,835)
Total assets for all segments	4,276,400	4,608,927
Corporate assets (mainly deposits and cash and cash equivalents)	5,217,375	5,499,674
Elimination of receivables between corporate headquarters and segments	(259,282)	(366,377)
Total assets for the Group	9,234,493	9,742,224

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2022 HK$'000	2021 HK$'000
Total liabilities for reportable segments	**1,150,793**	1,347,392
Elimination of inter-segment payables	**(123,881)**	(122,835)
Total liabilities for all segments	**1,026,912**	1,224,557
Corporate liabilities	**345,283**	489,448
Elimination of payables between corporate headquarters and segments	**(259,282)**	(366,377)
Total liabilities for the Group	**1,112,913**	1,347,628

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong (principally in the PRC) are HK$1,147,473,000 (2021: HK$1,043,496,000) and HK$2,815,066,000 (2021: HK$3,490,053,000) respectively.

The total of non-current assets, other than financial assets at FVOCI and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$611,705,000 (2021: HK$667,686,000) and HK$596,586,000 (2021: HK$633,537,000) respectively.

6 INTANGIBLE ASSETS

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
Cost:			
At 1 January 2021	107,347	20,342	127,689
Currency translation differences	(68)	417	349
Additions	—	89	89
Write-offs	—	(16)	(16)
At 31 December 2021	**107,279**	**20,832**	**128,111**
Currency translation differences	**(1,395)**	**(1,321)**	**(2,716)**
Additions	**—**	**4,733**	**4,733**
At 31 December 2022	**105,884**	**24,244**	**130,128**
Accumulated amortisation and impairment:			
At 1 January 2021	5,984	12,661	18,645
Currency translation differences	—	227	227
Amortisation (note 23)	—	1,591	1,591
Write-offs	—	(16)	(16)
At 31 December 2021	**5,984**	**14,463**	**20,447**
Currency translation differences	**—**	**(784)**	**(784)**
Amortisation (note 23)	**—**	**1,744**	**1,744**
At 31 December 2022	**5,984**	**15,423**	**21,407**
Net book amount:			
At 31 December 2022	**99,900**	**8,821**	**108,721**
At 31 December 2021	101,295	6,369	107,664

6 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

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

	2022 HK$'000	2021 HK$'000
Agency service in respect of shipbuilding, ship trading and bareboat charter business	**47,148**	48,217
Provision of insurance brokerage services	**35,046**	35,046
Trading of marine equipment and spare parts	**17,706**	18,032
	99,900	101,295

The recoverable amounts of the above business units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and thereafter with long-term growth rate of 3% (2021: 3%). Management determined forecast profitability based on past performance and its expectation for market development. Future cash flows are discounted at 12% (2021: 10%) per annum. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. These assumptions have been used for the analysis of each cash generating unit within the operating segment. Management determined the long-term growth rate and discount rate for each business unit covering over the five-year forecast period to be key assumptions.

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery, equipment and motor vehicles HK$'000	Leasehold improve-ment HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost:					
At 1 January 2021	302,249	160,227	18,939	37,552	518,967
Currency translation differences	7,873	4,236	53	1,062	13,224
Additions	384	11,531	565	1,850	14,330
Disposals	(6)	(3,211)	—	(2,167)	(5,384)
Transfer to investment properties (note 9)	(579)	—	—	—	(579)
At 31 December 2021	**309,921**	**172,783**	**19,557**	**38,297**	**540,558**
Currency translation differences	**(24,254)**	**(13,226)**	**(261)**	**(3,160)**	**(40,901)**
Additions	**—**	**4,015**	**39**	**1,680**	**5,734**
Disposals	**—**	**(3,784)**	**—**	**(1,044)**	**(4,828)**
At 31 December 2022	**285,667**	**159,788**	**19,335**	**35,773**	**500,563**
Accumulated depreciation:					
At 1 January 2021	86,623	99,788	17,985	34,663	239,059
Currency translation differences	2,476	2,945	55	995	6,471
Depreciation (note 23(a))	9,588	33,489	287	1,508	44,872
Disposals	—	(3,118)	—	(2,167)	(5,285)
Transfer to investment properties (note 9)	(376)	—	—	—	(376)
At 31 December 2021	**98,311**	**133,104**	**18,327**	**34,999**	**284,741**
Currency translation differences	**(8,175)**	**(10,366)**	**(261)**	**(2,947)**	**(21,749)**
Depreciation (note 23(a))	**9,266**	**9,305**	**353**	**1,573**	**20,497**
Disposals	**—**	**(3,720)**	**—**	**(1,044)**	**(4,764)**
At 31 December 2022	**99,402**	**128,323**	**18,419**	**32,581**	**278,725**
Net book amount:					
At 31 December 2022	**186,265**	**31,465**	**916**	**3,192**	**221,838**
At 31 December 2021	211,610	39,679	1,230	3,298	255,817

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2022 HK$'000	2021 HK$'000
Leasehold properties held outside Hong Kong		
— on leases of between 10 and 50 years	**185,525**	210,709
— on leases of less than 10 years	**740**	901
	186,265	211,610

8 LEASES

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

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

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Leasehold land and buildings	**15,156**	9,340
Machinery, equipment and motor vehicles	**311**	327
Prepaid premium for land leases	**28,348**	31,745
	43,815	41,412
Lease liabilities		
Current	**8,942**	4,743
Non-current	**6,969**	4,738
	15,911	9,481

During the year, addition to the right-of-use assets was HK$15,204,000 (2021: HK$5,222,000).

8 LEASES (Continued)

(ii) Amounts recognised in the consolidated income statement

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

	2022 HK$'000	2021 HK$'000
Depreciation of right-of-use assets (note 23(b))		
Leasehold land and buildings	**8,543**	6,613
Machinery, equipment and motor vehicles	**157**	1,040
Prepaid premium for land leases	**735**	761
	9,435	8,414
Interest expense (included in finance costs) (note 26)	**534**	368
Expenses related to short-term leases	**30,088**	37,776

The total cash outflow for lease liabilities for the year ended 31 December 2022 was HK$8,343,000 (2021: HK$7,086,000), which included payments of lease liabilities to fellow subsidiaries of HK$3,863,000 (2021:HK$4,881,000). The total cash outflow for short-term leases for the year ended 31 December 2022 was HK$30,088,000 (2021: HK$37,776,000).

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

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

9 INVESTMENT PROPERTIES

	Completed commercial properties — Hong Kong HK$'000	Completed commercial properties — Overseas HK$'000	Completed residential properties — Hong Kong HK$'000	Completed residential properties — PRC HK$'000	Total HK$'000
At 1 January 2021	29,800	33,398	18,100	63,245	144,543
Currency translation differences	—	(508)	—	1,818	1,310
Transfer from property, plant and equipment (note 7)	—	—	203	—	203
Transfer from right-of-use assets	—	—	1,815	—	1,815
Fair value gains/(losses) (note 22)	900	290	820	(2,698)	(688)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties (note 19)	—	—	11,362	—	11,362
At 31 December 2021	**30,700**	**33,180**	**32,300**	**62,365**	**158,545**
Currency translation differences	**—**	**184**	**—**	**(5,242)**	**(5,058)**
Fair value losses (note 22)	**—**	**—**	**(1,100)**	**(1,082)**	**(2,182)**
At 31 December 2022	**30,700**	**33,364**	**31,200**	**56,041**	**151,305**

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

	2022 HK$'000	2021 HK$'000
Held in Hong Kong		
— on leases of over 50 years (note)	**61,900**	63,000
Held outside Hong Kong		
— on leases of between 10 and 50 years	**56,041**	62,365
— on freehold land	**33,364**	33,180
	151,305	158,545

Note:

During the year ended 31 December 2021, two residential properties in Hong Kong have been reclassified as investment properties as a result of a change in use. The properties were revalued on the date of the reclassification from property, plant and equipment and right-of-use assets to investment properties. The fair values were determined based on the valuation report prepared by management upon transfer, and were valued separately by an independent qualified valuer at year end.

9 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value.

The investment properties in Hong Kong and the PRC were revalued by Cushman & Wakefield Limited, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31 December 2022 and 2021.

The overseas investment property was revalued by Pioneer Property Consultants LLP, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31 December 2022 and 2021.

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

At each financial year end, the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

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

10 INVESTMENTS IN JOINT VENTURES

	2022 HK$'000	2021 HK$'000
At 1 January	**499,999**	562,668
Currency translation differences (note 19)	**(11,279)**	3,626
Share of profits	**117,529**	63,711
Share of other comprehensive income (note 19)	**(22,677)**	9,483
Dividends received	**(55,676)**	(139,489)
At 31 December	**527,896**	499,999

Note:

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

Particulars of the joint ventures of the Group as at 31 December 2022 are set out in note 37 to the financial statements.

Summarised financial information for a material joint venture of the Group

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

Summarised statement of financial position

	2022 HK$'000	2021 HK$'000
Non-current assets	**264,037**	331,295
Current assets		
Cash and cash equivalents	**141,887**	187,491
Other current assets	**1,847,402**	1,269,536
Total current assets	**1,989,289**	1,457,027
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	**(444,454)**	(283,576)
Other current liabilities	**(1,028,958)**	(803,331)
Total current liabilities	**(1,473,412)**	(1,086,907)
Non-current liabilities		
Deferred income tax liabilities	**(14,706)**	(10,173)
Other non-current liabilities	**(8,506)**	(7,466)
Total non-current liabilities	**(23,212)**	(17,639)
Net assets	**756,702**	683,776

10 INVESTMENTS IN JOINT VENTURES (Continued)

Summarised statement of comprehensive income

	2022 HK$'000	2021 HK$'000
Revenue	**3,557,948**	2,593,233
Depreciation and amortisation	**53,642**	55,688
Interest income	**1,698**	2,027
Interest expense	**4,038**	6,107
Profit before income tax	**272,351**	106,816
Income tax expenses	**(58,910)**	(11,851)
Profit for the year	**213,441**	94,965
Other comprehensive (losses)/income	**(44,762)**	18,565
Total comprehensive income	**168,679**	113,530

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

Reconciliation of summarised financial information

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

	2022 HK$'000	2021 HK$'000
Opening net assets at 1 January	**683,776**	842,346
Profit for the year	**213,441**	94,965
Dividends	**(95,753)**	(272,100)
Other comprehensive income		
Currency translation differences	**(44,762)**	18,565
Closing net assets at 31 December	**756,702**	683,776
Interest in joint venture (50%)	**378,351**	341,888
Goodwill	**7,097**	7,097
Carrying amount	**385,448**	348,985

The aggregate carrying amounts of individually insignificant joint ventures, perceived by management, are HK$142,448,000 (2021: HK$151,014,000). The aggregate amounts of the Group's share of these less significant joint ventures' profits for the year and other comprehensive losses are HK$10,809,000 (2021: HK$16,229,000) and HK$296,000 (2021: total comprehensive income of HK$200,000) respectively.

11 INVESTMENTS IN ASSOCIATES

	2022 HK$'000	2021 HK$'000
At 1 January	**237,786**	167,403
Currency translation differences (note 19)	**(13,931)**	5,777
Acquisition of an associate	**—**	141,982
Disposal of an associate	**(76,724)**	—
Share of profits/(losses)	**8,647**	(40,889)
Share of other comprehensive losses (note 19)	**—**	(14,516)
Dividends received	**(1,062)**	(21,971)
At 31 December	**154,716**	237,786

No summarised financial information for associates has been set out, as there were no individually significant associates, perceived by management, in 2022 and 2021.

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

On 31 March 2021, the Group completed the capital injection in Zhejiang Four Brothers Rope, a company incorporated in the PRC, by subscribing 48% equity interest of Zhejiang Four Brothers Rope, at a consideration of RMB120,000,000 (approximately HK$141,982,000).

Particulars of the associates of the Group as at 31 December 2022 are set out in note 37 to the financial statements.

12 FINANCIAL INSTRUMENTS BY CATEGORY

The Group has categorised its financial instruments as follows:

	Financial assets at amortised cost HK$'000	Financial assets at FVOCI HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
At 31 December 2022			
Financial assets at FVOCI (note 13)	**—**	**53,849**	**53,849**
Trade and other receivables excluding prepayments (note 16)	**1,689,228**	**—**	**1,689,228**
Restricted bank deposits, deposits and cash and cash equivalents (note 17)	**5,933,120**	**—**	**5,933,120**
Total	**7,622,348**	**53,849**	**7,676,197**
At 31 December 2021			
Financial assets at FVOCI (note 13)	—	62,621	62,621
Trade and other receivables excluding prepayments (note 16)	1,669,498	—	1,669,498
Restricted bank deposits, deposits and cash and cash equivalents (note 17)	6,219,741	—	6,219,741
Total	7,889,239	62,621	7,951,860

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31 December 2022	
Trade and other payables excluding non-financial liabilities (note 20)	**703,137**
Contract liabilities (note 20)	**305,483**
Lease liabilities (note 8)	**15,911**
Total	**1,024,531**
At 31 December 2021	
Trade and other payables excluding non-financial liabilities (note 20)	894,585
Contract liabilities (note 20)	306,514
Short-term borrowings (note 21)	42,807
Lease liabilities (note 8)	9,481
Total	1,253,387

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
Financial assets at FVOCI		
— Unlisted (note)	—	2,487
— Listed	53,849	60,134
	53,849	62,621

Financial assets are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Financial assets at FVOCI		
— Renminbi (note)	—	2,487
— Hong Kong dollars	53,849	60,134
	53,849	62,621

Note:

An unlisted financial asset at FVOCI, denominated in Renminbi, was dissolved during the year.

14 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the reporting date.

The movement on the net deferred income tax liabilities during the year is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**(20,498)**	(45,302)
Currency translation differences	**1,789**	(313)
Transferred to current income tax liabilities	**377**	789
(Charged)/credited to the consolidated income statement, net (note 27)	**(8,473)**	24,328
At 31 December	**(26,805)**	(20,498)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2022, the Group has unrecognised tax losses of HK$141,995,000 (2021: HK$135,215,000) to carry forward against future taxable profits, of which HK$11,337,000 (2021: HK$11,064,000) can be carried forward indefinitely. The remaining tax losses have an expiry date of up to 5 years.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances after offsetting where appropriate are as follows:

	2022 HK$'000	2021 HK$'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**31,972**	24,974
— to be recovered within 12 months	**8,559**	17,836
	40,531	42,810
Deferred income tax liabilities:		
— to be settled after more than 12 months	**(67,336)**	(63,308)
— to be settled within 12 months	**—**	—
	(67,336)	(63,308)
	(26,805)	(20,498)

14 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Accrued liabilities HK$'000	Impairment losses and others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2021	9,453	8,185	20,293	37,931
Currency translation differences	457	302	410	1,169
Credited/(charged) to the consolidated income statement	11,172	4,581	(12,043)	3,710
At 31 December 2021	**21,082**	**13,068**	**8,660**	**42,810**
Currency translation differences	**(1,633)**	**(1,216)**	**(817)**	**(3,666)**
(Charged)/credited to the consolidated income statement	**(4,740)**	**3,951**	**2,176**	**1,387**
At 31 December 2022	**14,709**	**15,803**	**10,019**	**40,531**

(b) Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2021	(1,837)	(31,867)	(49,529)	(83,233)
Currency translation differences	14	(921)	(575)	(1,482)
Transfer to current income tax liabilities	—	252	537	789
Credited to the consolidated income statement	—	791	19,827	20,618
At 31 December 2021	**(1,823)**	**(31,745)**	**(29,740)**	**(63,308)**
Currency translation differences	**(6)**	**2,641**	**2,820**	**5,455**
Transfer to current income tax liabilities	**—**	**—**	**377**	**377**
Credited/(charged) to the consolidated income statement	**—**	**1,313**	**(11,173)**	**(9,860)**
At 31 December 2022	**(1,829)**	**(27,791)**	**(37,716)**	**(67,336)**

15 INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**59,788**	86,830
Work in progress	**1,439**	4,233
Finished goods	**243,538**	352,485
	304,765	443,548

The cost of inventories recognised as expense and included in cost of sales amounted to HK$3,301,927,000 (2021: HK$3,764,176,000).

As at 31 December 2022, inventories of HK$24,919,000 (2021: HK$23,539,000) were carried at net realisable value.

16 TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables		
— third parties	**425,638**	560,563
— fellow subsidiaries (note (d))	**235,353**	214,515
— related companies (note (d))	**59,149**	41,102
— joint ventures (note (d))	**36**	7,469
— non-controlling interests (note (d))	**527**	860
	720,703	824,509
Less: provision for impairment (note (b))	**(26,461)**	(31,169)
Trade receivables — net (note (a))	**694,242**	793,340
Bills receivable		
— third parties	**307,240**	222,917
— fellow subsidiaries (note (d))	**113,182**	108,874
— related companies (note (d))	**2,344**	3,180
— a joint venture (note (d))	**6,716**	—
— non-controlling interests (note (d))	**1,298**	61
Prepayments	**470**	2,168
Deposits and other receivables		
— third parties	**550,936**	524,778
— fellow subsidiaries (note (d))	**5,989**	8,827
— a related company (note (d))	**23**	26
— joint ventures (note (d))	**476**	894
Amounts due from immediate holding company (note (d))	**—**	4,635
Amounts due from fellow subsidiaries (note (d))	**6,782**	1,966
	1,689,698	1,671,666

16 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) As at 31 December, the ageing analysis of trade receivables (net of provision for impairment) based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Current–90 days	**466,773**	520,484
91–180 days	**130,306**	203,010
Over 180 days	**97,163**	69,846
	694,242	793,340

For sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 120 days. Other than those with credit terms, all invoices are payable upon presentation.

(b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, and it was assessed an amount of HK$26,461,000 of the receivable balance was impaired as at 31 December 2022 (2021: HK$31,169,000).

Movements on the provision for impairment of trade receivables are as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**31,169**	30,293
Currency translation differences	**(2,246)**	668
(Reversal of provision)/provision for impairment, net (note 22)	**(2,346)**	1,061
Amount written off	**(116)**	(853)
At 31 December	**26,461**	31,169

(c) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	2022 HK$'000	2021 HK$'000
Renminbi	**1,055,195**	1,180,219
Hong Kong dollars	**87,473**	59,392
United States dollars	**181,601**	158,845
Others	**365,429**	273,210
	1,689,698	1,671,666

(d) Balances with immediate holding company, fellow subsidiaries, a related company, joint ventures and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills receivable, which are repayable according to the respective credit terms.

(e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. As at 31 December 2022 and 2021, the Group does not hold any collateral as security.

17 RESTRICTED BANK DEPOSITS, CURRENT DEPOSITS AND CASH AND CASH EQUIVALENTS

	2022	2021
	HK$'000	HK$'000
Restricted bank deposits (note (a))	**5,597**	6,115
Current deposits with a fellow subsidiary (note (b))	**390,025**	412,911
Short-term bank deposits	**4,907,403**	5,101,843
Cash at bank and on hand	**630,095**	698,872
Current deposits and cash and cash equivalents	**5,927,523**	6,213,626
Total deposits and cash and cash equivalents	**5,933,120**	6,219,741

Notes:

(a) Restricted bank deposits represent deposits placed to meet statutory requirement for insurance brokerage business in the PRC.

(b) Deposits with a fellow subsidiary, which is a financial institution in the PRC, bear interest at prevailing market rates.

(c) As at 31 December 2022, the Group has fiduciary funds of HK$128,360,000 (2021: HK$114,582,000) which represent clients' money kept for payment of insurance premiums to the underwriters and settlement of claims to the policyholders of insurance brokerage business. They are not available for general corporate purpose.

(d) The carrying amounts of total deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2022	2021
	HK$'000	HK$'000
Renminbi	**426,454**	420,335
Hong Kong dollars	**181,292**	265,118
United States dollars	**5,251,485**	5,451,746
Others	**73,889**	82,542
	5,933,120	6,219,741

(e) The Group's cash and cash equivalents denominated in Renminbi are mainly deposited with banks and a fellow subsidiary in the PRC. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(f) The maximum exposure to credit risk at the reporting date is the carrying amount of the balances mentioned above.

17 RESTRICTED BANK DEPOSITS, CURRENT DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

Notes: (Continued)

(g) The Group's cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2022 **HK$'000**	2021 HK$'000
Total deposits and cash and cash equivalents	**5,933,120**	6,219,741
Less: restricted bank deposits	**(5,597)**	(6,115)
cash deposits with maturity more than three months from date of placement	**(4,910,687)**	(4,862,875)
Cash and cash equivalents	**1,016,836**	1,350,751

18 SHARE CAPITAL

	2022 **Number of shares**	**2022** **HK$'000**	2021 Number of shares	2021 HK$'000
Issued and fully paid:				
At 1 January	**1,532,955,429**	**153,296**	1,532,955,429	153,296
Repurchased and cancelled (note)	**(51,262,000)**	**(5,127)**	—	—
31 December	**1,481,693,429**	**148,169**	1,532,955,429	153,296

Note:

During September to December 2022, the company repurchased and cancelled 51,262,000 ordinary shares on market. The repurchases and cancellation were approved by shareholders at last year's annual general meeting. The shares were acquired at an average price of HK$2.304 per share, with prices ranging from HK$2.10 to HK$2.73. The total amount of HK$118,531,000 paid to acquire the shares, including transaction costs of HK$439,000, has been deducted from share capital and share premium within shareholders' equity (note 19).

18 SHARE CAPITAL (Continued)

Share options

On 9 April 2020, a share option incentive scheme (the "Share Option Incentive Scheme") was adopted at the special general meeting of the Company. The purpose of the Share Option Incentive Scheme is to, inter alia, attract, retain and incentivise senior management and key personnel of the Company, promote the realisation of the long-term strategic targets of the Company, and serve as the driving force for the long-term development of the Company.

Particulars and movements of the share options granted by the Company during the year are as follows:

			Year ended 31 December 2022 Number of share options				
Date of grant	**Exercisable year**	**Exercise price**	**Outstanding as at 1 January 2022**	**Granted during the year**	**Exercised during the year**	**Lapsed/ Cancelled during the year**	**Outstanding as at 31 December 2022**
28 April 2020	Note (a)	HK$2.26	21,590,000	–	–	(1,640,000)	19,950,000
6 October 2020	Note (b)	HK$2.184	2,280,000	–	–	–	2,280,000
7 April 2021	Note (c)	HK$2.72	1,370,000	–	–	–	1,370,000
			25,240,000	–	–	(1,640,000)	23,600,000

Notes:

(a) On 28 April 2020, the Company granted an aggregate of 23,830,000 share options at an exercise price of HK$2.26 per share to 71 eligible directors of the Company and employees of the Group to subscribe for a total of 23,830,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme.

(b) On 6 October 2020, the Company granted an aggregate of 2,460,000 share options at an exercise price of HK$2.184 per share to 8 eligible employees of the Group to subscribe for a total of 2,460,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme.

(c) On 7 April 2021, the Company granted an aggregate of 1,370,000 share options at an exercise price of HK$2.72 per share to 5 eligible employees of the Group to subscribe for a total of 1,370,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme.

18 SHARE CAPITAL (Continued)

Share options (Continued)

Under the Share Option Incentive Scheme, the exercises of the share options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any share option granted. After the expiration of each vesting period, the participant may exercise the share options in three batches commencing from the third, fourth and fifth year after the date of grant respectively. During the year, none of the share options was exercised.

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

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

Expected volatility measured at the standard deviation of expected share price is based on the historical share price movement of the Company prior to the date of the grant.

There was no employee share options benefit expenses recognised during the year (2021: Nil).

As at 31 December 2022, 23,600,000 share options of the Company were outstanding (2021: 25,240,000), and no outstanding share options were vested and exercisable. The Company has no legal or constructive obligation to repurchase or settle the share options in cash.

During the year, no share options were exercised (2021: Nil), whereas 1,640,000 share options were lapsed/cancelled (2021: 2,420,000) under the Share Option Incentive Scheme.

19 RESERVES

	Share premium HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2022	167,023	138,949	676,218	148,350	34,942	(272,075)	(23)	7,014,337	7,907,721
Transfer to statutory reserves (note (b))	–	8,977	–	–	–	–	–	(8,977)	–
Share of currency translation differences of joint ventures (note 10)	–	–	–	(22,677)	–	–	–	–	(22,677)
Currency differences on translation of :									
— subsidiaries	–	–	–	(125,801)	–	–	–	–	(125,801)
— joint ventures (note 10)	–	–	–	(11,279)	–	–	–	–	(11,279)
— associates (note 11)	–	–	–	(13,931)	–	–	–	–	(13,931)
Realised upon disposal of an associate	–	(39)	–	617	–	–	23	39	640
Fair value gains on financial assets at FVOCI, net	–	–	–	–	–	(7,322)	–	–	(7,322)
Realised upon dissolution of financial assets at FVOCI	–	–	–	–	–	310	–	(310)	–
Profit attributable to equity holders of the Company (note (a))	–	–	–	–	–	–	–	347,062	347,062
Dividends paid	–	–	–	–	–	–	–	(306,591)	(306,591)
Repurchases and cancellation of issued shares	(113,404)	–	–	–	–	–	–	–	(113,404)
Balance at 31 December 2022	53,619	147,887	676,218	(24,721)	34,942	(279,087)	–	7,045,560	7,654,418
Representing:									
Reserves	53,619	147,887	676,218	(24,721)	34,942	(279,087)	–	6,875,165	7,484,023
2022 proposed final dividend	–	–	–	–	–	–	–	170,395	170,395
	53,619	147,887	676,218	(24,721)	34,942	(279,087)	–	7,045,560	7,654,418

19 RESERVES (Continued)

	Share premium HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2021	167,023	135,297	676,218	102,397	23,580	(277,969)	14,143	7,119,058	7,959,747
Transfer to statutory reserves (note (b))	–	3,652	–	–	–	–	–	(3,652)	–
Share of currency translation differences of joint ventures (note 10)	–	–	–	9,483	–	–	–	–	9,483
Share of currency translation differences of associates (note 11)	–	–	–	(350)	–	–	–	–	(350)
Share of cash flow hedges of an associate, net of tax (note 11)	–	–	–	–	–	–	(14,166)	–	(14,166)
Currency differences on translation of :									
– subsidiaries	–	–	–	27,417	–	–	–	–	27,417
– joint ventures (note 10)	–	–	–	3,626	–	–	–	–	3,626
– associates (note 11)	–	–	–	5,777	–	–	–	–	5,777
Fair value gains on financial assets at FVOCI, net	–	–	–	–	–	7,388	–	–	7,388
Realised upon disposal of financial assets at FVOCI	–	–	–	–	–	(1,494)	–	1,494	–
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties (note 9)	–	–	–	–	11,362	–	–	–	11,362
Profit attributable to equity holders of the Company (note (a))	–	–	–	–	–	–	–	288,341	288,341
Dividends paid	–	–	–	–	–	–	–	(390,904)	(390,904)
Balance at 31 December 2021	167,023	138,949	676,218	148,350	34,942	(272,075)	(23)	7,014,337	7,907,721
Representing:									
Reserves	167,023	138,949	676,218	148,350	34,942	(272,075)	(23)	6,876,371	7,769,755
2021 proposed final dividend	–	–	–	–	–	–	–	137,966	137,966
	167,023	138,949	676,218	148,350	34,942	(272,075)	(23)	7,014,337	7,907,721

Notes:

(a) Profit attributable to equity holders of the Company of HK$347,062,000 (2021: HK$288,341,000) includes net profits of HK$117,529,000 (2021: HK$63,711,000) attributable to joint ventures and net profit of HK$8,647,000 (2021: net losses of HK$40,889,000) attributable to associates.

(b) Statutory reserves represent the PRC statutory reserves of certain subsidiaries, joint ventures and associates.

(c) In 2004, part of the amount standing to the credit of the share premium account of the Company was offset against the entire accumulated losses as at 31 December 2003 of HK$1,680,335,000 and the remaining credit of the share premium account of HK$676,218,000 was transferred to contributed surplus.

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Trade payables		
— third parties	**273,563**	349,076
— fellow subsidiaries (note (b))	**67,956**	63,787
— joint ventures (note (b))	**1,445**	1,930
— non-controlling interests (note (b))	**—**	138
	342,964	414,931
Bills payable		
— third parties	**37,407**	85,289
Other payables		
— third parties	**275,935**	352,819
— fellow subsidiaries (note (b))	**17,228**	20,507
— a joint venture (note (b))	**8,418**	8,418
— non-controlling interests (note (b))	**2,674**	—
Accrued liabilities	**9,741**	9,312
Amounts due to immediate holding company (note (b))	**8,704**	—
Amounts due to fellow subsidiaries (note (b))	**66**	634
Dividend payable to non-controlling interests	**—**	2,675
	703,137	894,585
Contract liabilities — sales of goods (note (d))		
— third parties	**114,108**	108,246
— fellow subsidiaries (note (b))	**144,031**	157,453
— related companies (note (b))	**47,343**	40,814
— a joint venture (note (b))	**1**	1
	305,483	306,514
	1,008,620	1,201,099

Notes:

(a) As at 31 December, the ageing analysis of trade payables based on invoice date is as follows:

	2022 HK$'000	2021 HK$'000
Current–90 days	**270,833**	317,566
91–180 days	**43,622**	35,242
Over 180 days	**28,509**	62,123
	342,964	414,931

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(b) Balances with immediate holding company, fellow subsidiaries, related companies, joint ventures and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills payable, which are repayable according to the respective credit terms.

(c) The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	2022	2021
	HK$'000	HK$'000
Renminbi	**384,469**	558,803
Hong Kong dollars	**105,071**	124,631
United States dollars	**160,024**	153,789
Others	**53,573**	57,362
	703,137	894,585

(d) Revenue recognised in the current reporting period related to brought-forward contract liabilities:

	2022	2021
	HK$'000	HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**241,940**	293,513

21 SHORT-TERM BORROWINGS

	2022	2021
	HK$'000	HK$'000
Unsecured loans from fellow subsidiaries	**–**	42,807

Notes:

(a) As at 31 December 2021, an unsecured loan of HK$36,692,000 from a fellow subsidiary bears interest at 2.505% per annum (repayable on 18 May 2022) and was repaid in January 2022; another unsecured loan of HK$6,115,000 from a fellow subsidiary, which is a financial institution in the PRC, was interest-bearing at 3.5% per annum (repayable on 29 September 2022) and was repaid in February 2022. Balances were denominated in Renminbi.

(b) The effective interest rates of short-term borrowings during the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
Renminbi	**2.65%**	2.70%

(c) Short-term borrowings are subject to the exposure of interest rate changes at contractual repricing dates.

22 OTHER INCOME AND (LOSSES)/GAINS — NET

	2022 HK$'000	2021 HK$'000
Other income/(expenses):		
— Rental income	**3,708**	3,518
— Direct operating expenses for generating rental income	**(75)**	(66)
— Dividend income from financial assets at FVOCI	**3,760**	2,635
Other income — net	**7,393**	6,087
Other gains/(losses):		
— Net (losses)/gains on disposal of property, plant and equipment	**(25)**	26
— Net losses on dissolution of a subsidiary (note (a))	**(200)**	—
— Net losses on disposal of an associate (note (b))	**(620)**	—
— Fair value losses on investment properties (note 9)	**(2,182)**	(688)
— Reversal of provision/(provision) for impairment of trade receivables, net (note 16(b))	**2,346**	(1,061)
— Provision for impairment of other receivables	**(19,841)**	—
— (Provision)/reversal of provision for impairment of inventories, net	**(1,544)**	3,266
— Provision for impairment of assets held for sale (note (b))	**(8,275)**	—
— Net exchange (losses)/gains	**(7,217)**	24,969
— Government subsidy income (note (c))	**11,225**	674
— Others	**1,668**	1,890
Other (losses)/gains — net	**(24,665)**	29,076
Other income and (losses)/gains — net	**(17,272)**	35,163

Notes:

(a) COSCO (Beijing) Marine Electronic Equipment Limited was dissolved on 11 August 2022.

(b) On 28 June 2022, the Group entered into an agreement with the purchaser and agreed to sell the entire 18% equity interest of Double Rich held by the Group with a consideration of US$8,804,200 (approximately HK$68,779,000). As a result, the investment in an associate was reclassified as assets held for sale and a provision for impairment of HK$8,275,000 was recognised. The disposal was completed on 29 December 2022, upon completion of the disposal, Double Rich ceased to be an associate of the Group, net losses on disposal of HK$620,000 was recognised.

(c) During the year, government subsidy income included HK$4,230,000 (2021: nil) recognised in respect of Employment Support Scheme granted by the Government of the Hong Kong Special Administrative Region. The remaining amount represented other government subsidy income.

23 SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2022 HK$'000	2021 HK$'000
Selling expenses	**126,116**	212,010
Depreciation of property, plant and equipment (note 23(a))	**4,430**	4,675
Amortisation of intangible assets (note 6)	**1,744**	1,591
Depreciation of right-of-use assets (note 23(b))	**8,475**	6,876
Expenses related to short-term leases	**26,811**	31,955
Employee benefit expenses included in administrative and general expenses (note 24)	**267,282**	282,682
Auditors' remuneration	**5,332**	3,446
Others	**57,156**	61,698
Total selling, administrative and general expenses	**497,346**	604,933

(a) Depreciation of property, plant and equipment

	2022 HK$'000	2021 HK$'000
Charge for the year (note 7)	**20,497**	44,872
Charged to cost of sales	**(12,451)**	(35,619)
Charged to selling expenses	**(1,701)**	(1,724)
Capitalised in inventories	**(1,915)**	(2,854)
	4,430	4,675

(b) Depreciation of right-of-use assets

	2022 HK$'000	2021 HK$'000
Charge for the year (note 8)	**9,435**	8,414
Charged to cost of sales	**(555)**	(1,327)
Charged to selling expenses	**(405)**	(211)
	8,475	6,876

24 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses, which were included in cost of sales, selling, administrative and general expenses, are as follows:

	2022 HK$'000	2021 HK$'000
Wages, salaries and other short-term benefits, including directors' emoluments (note 25(a))	**368,061**	389,686
Retirement benefits costs — defined contribution plans (note)	**35,669**	37,037
Termination benefits	**1,618**	568
	405,348	427,291

Included in:

	2022 HK$'000	2021 HK$'000
Cost of sales	**55,075**	58,607
Selling expenses	**82,991**	86,002
Administrative and general expenses (note 23)	**267,282**	282,682
	405,348	427,291

Note:

There were no forfeited contributions (2021: Nil) utilised during the year and no forfeited contributions were available at the year-end to reduce future contributions (2021: Nil). There were no contributions (2021: Nil) payable to the funds at the year-end.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2021: one) director whose emoluments are reflected in the note 25(a). The emoluments of the remaining four (2021: four) individuals during the year are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, allowances and benefits-in-kind	**7,888**	7,513
Discretionary bonuses	**—**	—
Retirement benefits costs — defined contribution plan	**827**	814
	8,715	8,327

24 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals (Continued)

The emoluments of the individuals fell within the following bands:

Emolument band	Number of individuals 2022	2021
HK$1,500,001 — HK$2,000,000	**2**	2
HK$2,000,001 — HK$2,500,000	**2**	2

(b) Emoluments of senior management

Other than the emoluments of directors disclosed in note 25(a), the emoluments of senior management fell within the following bands:

Emolument band	Number of individuals 2022	2021
Below HK$1,000,000	**2**	4
HK$1,000,001 — HK$1,500,000	**—**	—
HK$1,500,001 — HK$2,000,000	**—**	—
HK$2,000,001 — HK$2,500,000	**1**	1

25 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Details of the emoluments of directors of the Company for the year ended 31 December 2022 are as follows. Executive directors were also key management personnel of the Company.

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Executive Director:			
Mr. Zhu Jianhui	—	5,100	5,100
Independent Non-executive Directors:			
Mr. Tsui Yiu Wa, Alec	320	—	320
Mr. Jiang, Simon X.	320	—	320
Mr. Kwong Che Keung, Gordon	320	—	320
	960	5,100	6,060

25 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31 December 2021 are as follows:

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Executive Director:			
Mr. Zhu Jianhui	—	6,200	6,200
Independent Non-executive Directors:			
Mr. Tsui Yiu Wa, Alec	320	—	320
Mr. Jiang, Simon X.	320	—	320
Mr. Kwong Che Keung, Gordon	320	—	320
	960	6,200	7,160

Note:

There were no contributions to pension schemes for directors or past directors of the Company for the year (2021: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

26 FINANCE INCOME — NET

	2022 HK$'000	2021 HK$'000
Interest income from:		
— a fellow subsidiary (note 33(a))	**6,777**	3,056
— bank deposits	**91,589**	44,923
Total finance income	**98,366**	47,979
Interest expenses on:		
— loans from fellow subsidiaries (note 33(b))	**(60)**	(2,847)
— lease liabilities (note 8)	**(534)**	(368)
Other finance charges	**(1,421)**	(3,957)
Total finance costs	**(2,015)**	(7,172)
Finance income — net	**96,351**	40,807

27 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year.

The PRC enterprise income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2021: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2021: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 35% (2021: 17% to 35%) during the year.

	2022 **HK$'000**	2021 HK$'000
Current income tax		
— current year		
— Hong Kong profits tax	**18,098**	19,647
— PRC enterprise income tax	**28,904**	38,006
— other overseas taxation	**6,420**	5,364
— over-provision in prior years		
— Hong Kong profits tax	**(38)**	(1,055)
— PRC enterprise income tax	**(2,937)**	(66)
— other overseas taxation	**(459)**	—
Deferred income tax charge/(credit) — net (note 14)	**8,473**	(24,328)
Income tax expenses	**58,461**	37,568

27 INCOME TAX EXPENSES (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates and the difference is set out below:

	2022 HK$'000	2021 HK$'000
Profit before income tax (excluding share of profits of joint ventures and associates)	**299,182**	318,352
Calculated at a tax rate of 16.5% (2021: 16.5%)	**49,365**	52,528
Effect of different tax rates in the PRC and other overseas countries	**10,446**	12,306
Income not subject to income tax	**(16,646)**	(15,763)
Expenses not deductible for tax purposes	**9,768**	8,386
Tax losses not recognised	**—**	467
Utilisation of previously unrecognised tax losses	**(1,022)**	—
Over-provision in prior years, net	**(3,434)**	(1,121)
Reversal of prior year tax loss recognised	**—**	1,584
Withholding tax		
— interest income	**27**	469
— dividend income	**89**	122
— unremitted earnings of subsidiaries, joint ventures and associates	**11,173**	5,064
— others	**—**	(25,463)
Land appreciation tax on the PRC investment properties	**(1,206)**	(769)
Special tax credit	**(99)**	(242)
Income tax expenses	**58,461**	37,568

For the year ended 31 December 2022, the Group's share of taxation of joint ventures of HK$30,865,000 (2021: HK$8,300,000) and taxation of associates of HK$1,859,000 (2021: HK$1,214,000), are included in the consolidated income statement as share of profits of joint ventures and share of profits/(losses) of associates respectively.

28 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$347,062,000 (2021: HK$288,341,000) and the weighted average number of ordinary shares outstanding during the year, adjusted for shares repurchased and cancelled during the year, of 1,526,108,930 shares (2021: 1,532,955,429 shares).

There were no potential dilutive ordinary shares in existence for both years.

29 DIVIDENDS

	2022	2021
	HK$'000	HK$'000
Interim dividend paid of HK$0.11 (2021: HK$0.10) per ordinary share	**168,625**	153,296
Final dividend proposed of HK$0.115 (2021: HK$0.09) per ordinary share	**170,395**	137,966
	339,020	291,262

At the board meeting held on 28 March 2023, the directors of the Company proposed a final dividend of HK$0.115 per ordinary share for the year ended 31 December 2022. These proposed dividends have not been recognised as a liability in the financial statements for the year ended 31 December 2022, but will be reflected as an appropriation of retained profits for the year ending 31 December 2023.

30 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2022 HK$'000	2021 HK$'000
Operating profit	**202,831**	277,545
Amortisation of intangible assets	**1,744**	1,591
Depreciation of property, plant and equipment, net of amount capitalized	**18,582**	42,018
Depreciation of right-of-use assets	**9,435**	8,414
Net losses/(gains) on disposal of property, plant and equipment	**25**	(26)
Net losses on dissolution of a subsidiary	**200**	—
Net losses on disposal of an associate	**620**	—
Fair value losses on investment properties	**2,182**	688
(Reversal of provision)/provision for impairment of trade receivables, net	**(2,346)**	1,061
Provision for impairment of other receivables	**19,841**	—
Provision/(reversal of provision) for impairment of inventories, net	**1,544**	(3,266)
Provision for impairment of assets held for sale	**8,275**	—
Dividend income	**(3,760)**	(2,635)
Operating profit before working capital changes	**259,173**	325,390
Decrease/(increase) in inventories	**105,761**	(59,392)
Increase in trade and other receivables	**(86,441)**	(5,299)
Decrease in amount due from immediate holding company	**4,635**	188
Increase in amounts due from fellow subsidiaries	**(4,816)**	(1,187)
Decrease in trade and other payables	**(160,099)**	(107,460)
Decrease in contract liabilities	**(1,028)**	(51,772)
Increase in amounts due to immediate holding company	**8,704**	—
(Decrease)/increase in amounts due to fellow subsidiaries	**(635)**	683
Cash generated from operations	**125,254**	101,151

30 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) The reconciliation of liabilities arising from financing activities is as follows:

	Short-term borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2021	89,111	11,016	100,127
Currency translation differences	1,872	(39)	1,833
Drawdown of loan from a fellow subsidiary	126,460	—	126,460
Repayment of loan from a fellow subsidiary	(174,636)	—	(174,636)
Principal elements of lease payments	—	(7,086)	(7,086)
Additions of lease	—	5,222	5,222
Finance cost on lease liabilities	—	368	368
At 31 December 2021	**42,807**	**9,481**	**52,288**
Currency translation differences	**(2,077)**	**(965)**	**(3,042)**
Repayment of loan from fellow subsidiaries	**(40,730)**	**—**	**(40,730)**
Principal elements of lease payments	**—**	**(8,343)**	**(8,343)**
Additions of lease	**—**	**15,204**	**15,204**
Finance cost on lease liabilities	**—**	**534**	**534**
At 31 December 2022	**—**	**15,911**	**15,911**

31 CAPITAL COMMITMENTS

(a) The Group had capital commitments for capital expenditure as follows:

	2022 HK$'000	2021 HK$'000
Contracted but not provided	**1,668**	3,954

(b) The Group's share of capital commitments of a joint venture in respect of fixed assets investment is as follows:

	2022 HK$'000	2021 HK$'000
Contracted but not provided	**1,456**	905

32 LEASE COMMITMENTS

(a) The aggregate future minimum lease payments under non-cancellable short-term leases in respect of land and buildings and equipment are HK$7,754,000 (2021: HK$8,804,000).

(b) The aggregate future minimum rental receivables under non-cancellable operating leases are as follows:

	2022	2021
	HK$'000	HK$'000
Within 1 year	**1,796**	2,882
Between 1 and 2 years	**1,326**	1,890
Between 2 and 3 years	**318**	724
Between 3 and 4 years	**—**	87
	3,440	5,583

The Group's operating leases were for terms ranging from one to five years.

33 MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)"), a company incorporated in Hong Kong, which owns 70.94% of the Company's shares as at 31 December 2022. The remaining 29.06% of the Company's shares is widely held. The ultimate holding company of COSCO SHIPPING (Hong Kong) is COSCO SHIPPING.

COSCO SHIPPING itself is a state-owned enterprise established and controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING, its subsidiaries (other than the Group) and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the years 2022 and 2021, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the year:

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to holding companies, fellow subsidiaries, related companies and other related parties

	Note	2022 HK$'000	2021 HK$'000
Sale of coatings to:	(i)		
— fellow subsidiaries		**312,427**	603,940
— related companies		**125,802**	161,577
— non-controlling interests		**4,002**	4,371
Sale of marine equipment and spare parts to:	(ii)		
— fellow subsidiaries		**1,296,328**	1,277,577
— related companies		**38,459**	26,307
— joint ventures		**1,252**	538
Commission income in relation to the provision of ship trading agency services to:	(iii)		
— fellow subsidiaries		**57,668**	83,371
— a joint venture		**17,313**	15,980
Commission income in relation to the provision of insurance brokerage services to:	(iv)		
— fellow subsidiaries		**71,284**	67,147
— related companies		**3,055**	2,672
— holding companies		**437**	991
— joint ventures		**4**	66
— an associate		**—**	4
Sale of ship supplies and other products to:	(v)		
— fellow subsidiaries		**796**	2,767
— a related company		**26**	1
— an associate		**110**	—
Interest income from a fellow subsidiary (note 26)	(vi)	**6,777**	3,056
Management fee income in relation to the provision of management services to:	(vii)		
— fellow subsidiaries		**20,363**	15,047
— a holding company		**36,474**	62,895

Notes:

(i) Sale of coatings to fellow subsidiaries, related companies and non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of marine equipment and spare parts to fellow subsidiaries, related companies and joint ventures was conducted on terms as set out in the agreements governing these transactions.

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, related companies and other related parties (Continued)

Notes: (Continued)

(iii) Certain subsidiaries of the Company acted as agent of fellow subsidiaries and a joint venture relating to (a) sale and purchase of new and second hand vessels; (b) bareboat charter businesses; and (c) sale and purchase of marine equipment for new shipbuilding projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above. The commissions were charged based on terms as set out in the agreements governing these transactions.

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, related companies, holding companies, joint ventures and an associate was calculated on terms as set out in the agreements governing these transactions.

(v) Sale of ship supplies and other products to fellow subsidiaries, a related company and an associate was conducted on terms as set out in the agreements governing these transactions.

(vi) Interest income was received from cash deposits placed with a fellow subsidiary and was calculated at prevailing market rates.

(vii) Management fee income is derived from provision of management services to fellow subsidiaries and a holding company and was conducted on terms as set out in the agreements governing these transactions.

(b) Purchase of goods and services from fellow subsidiaries, related companies and other related parties

	Note	2022 HK$'000	2021 HK$'000
Expenses related to short-term leases to fellow subsidiaries in relation to lease contracts for land and buildings	(i)	**23,822**	23,471
Commission expenses in relation to the sale of coatings paid to fellow subsidiaries	(ii)	**6,545**	11,899
Commission expenses in relation to the sale of marine equipment paid to a related company	(iii)	**845**	1,865
Purchase of marine equipment from related companies	(iii)	**—**	499
Purchase of raw materials from	(iv)		
— non-controlling interests		**3,888**	6,389
— a joint venture		**10,811**	—
Transportation costs paid to fellow subsidiaries	(v)	**—**	1,883
Technology usage fee paid to non-controlling interests	(vi)	**1,914**	2,649
Service fees paid to fellow subsidiaries	(vii)	**9,586**	8,583
Interest expenses to fellow subsidiaries (note 26)	(viii)	**60**	2,847

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, related companies and other related parties (Continued)

Notes:

(i) During the year, the Group leased certain office premises and other properties in Hong Kong, the PRC and other overseas countries from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid to fellow subsidiaries was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) A related company was appointed as agent to provide agency services in relation to the sale of marine equipment in the PRC and to purchase marine equipment from suppliers. Commission paid was based on a certain percentage of sales procured by the related company.

(iv) Purchase of raw materials from non-controlling interests and a joint venture was conducted on terms as set out in the agreements governing these transactions.

(v) Transportation costs paid to fellow subsidiaries were based on terms as set out in the agreements governing these transactions.

(vi) Technology usage fee paid to non-controlling interests was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(vii) Service fees were paid to fellow subsidiaries in relation to their provision of administrative services, manpower resources, technical support and other ancillary support to the Group and sharing of office premises by the Group and were conducted on terms as set out in the agreements governing these transactions.

(viii) Interest expenses were paid for loans from fellow subsidiaries at fixed interest rates of 2.505% and 3.5% per annum.

34 EVENT AFTER THE BALANCE SHEET DATE

On 3 February 2023, the Company entered into an Investment and Cooperation Agreement with COSCO SHIPPING Technology Co., Ltd.* ("COSCO SHIPPING Technology") in relation to the formation of 中遠海運綠色數智船舶服務有限公司 (COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.*). Pursuant to the Investment and Cooperation Agreement, the registered capital of COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. shall be RMB50,000,000, of which the Company and COSCO SHIPPING Technology shall contribute RMB25,500,000 and RMB24,500,000 respectively, representing 51% and 49% of the registered capital respectively. COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. has become a non-wholly-owned subsidiary of the Company.

COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. is principally engaged in providing green, low-carbon and digital intelligence solutions for the full life cycle of the shipping industry.

* *for identification purposes only*

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Intangible assets		—	126
Property, plant and equipment		2,953	3,561
Investments in subsidiaries		1,114,456	1,234,038
Investments in joint ventures		249,248	249,248
Investment in an associate		2,090	2,090
		1,368,747	1,489,063
Current assets			
Amounts due from immediate holding company		—	4,635
Amounts due from subsidiaries		617,023	603,504
Other receivables		63,596	9,750
Current deposits and cash and cash equivalents		5,124,113	5,470,497
		5,804,732	6,088,386
Total assets		7,173,479	7,577,449
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		148,169	153,296
Other reserves	(a)	729,837	843,241
Retained earnings	(a)	5,838,171	6,041,915
Total equity		6,716,177	7,038,452
LIABILITIES			
Current liabilities			
Amounts due to immediate holding company		8,704	—
Amounts due to subsidiaries		379,394	434,679
Other payables		69,204	104,318
Total liabilities		457,302	538,997
Total equity and liabilities		7,173,479	7,577,449

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2023 and was signed on its behalf.

Zhu Jianhui
Director

Meng Xin
Director

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Statement of financial position of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Other reserves HK$'000	Retained earnings HK$'000
At 1 January 2021	843,241	6,097,679
Profit for the year	—	335,140
Dividends paid	—	(390,904)
At 31 December 2021	**843,241**	**6,041,915**
Profit for the year	**—**	**102,847**
Dividends paid	**—**	**(306,591)**
Repurchases and cancellation of issued shares	**(113,404)**	**—**
At 31 December 2022	**729,837**	**5,838,171**

36 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31 December 2022 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2022	2021
Beijing COSCO SHIPPING Ship Trading Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$1,300,000	Provision of agency services in ship trading business	**100%**	100%
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$7,000,000	Sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$5,000,000	Production and sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.#	PRC, foreign equity joint venture enterprise	US$10,000,000	Production and sale of coatings	**64.71%**	64.71%
COSCO Kansai Paint (Shanghai) Co., Ltd.#	PRC, foreign equity joint venture enterprise	US$25,600,000	Production and sale of coatings	**63.07%**	63.07%
COSCO SHIPPING (Hong Kong) Insurance Brokers Limited#	Hong Kong, limited liability company	HK$5,000,000 ordinary share capital	Provision of insurance brokerages and related services	**100%**	100%
Graceful Nice Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	**100%**	100%
Raycle Match Development Ltd.#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	**100%**	100%
YUAN XIANG (HONG KONG) CO., LIMITED#	Hong Kong, limited liability company	HK$500,000 ordinary share capital	Provision of agency services in ship trading business	**100%**	100%
Yuantong Marine Service Co. Limited#	Hong Kong, limited liability company	HK$208,352,000 ordinary share capital	Trading of marine equipment and spare parts	**100%**	100%
COSCO (Beijing) Marine Electronic Equipment Limited*	PRC, wholly foreign-owned enterprise	RMB680,000	Trading of marine equipment and spare parts	**–**	100%
COSCO SHIPPING International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB480,633,044.22	Trading of asphalt, ship equipment and accessories	**100%**	100%
Hanyuan Technical Service Center GmbH	Germany, limited liability company	EUR102,259	Trading of marine equipment and spare parts	**100%**	100%
Jingzhou Federal Reserve Logistics Trading Co., Ltd.	PRC, wholly foreign-owned enterprise	RMB500,000	Storage and handling of asphalt and processing of modified asphalt	**100%**	100%
Shenzhen COSCO Insurance Brokers Limited	PRC, Sino-foreign equity joint venture enterprise	RMB50,000,000	Provision of professional services of insurance brokerages	**55%**	55%
Shin Chung Lin Corporation	Japan, limited liability company	600 ordinary shares of JPY50,000 each	Trading of marine equipment and spare parts	**100%**	100%
Sinfeng Marine Services Pte. Ltd.	Singapore, limited liability company	7,000,000 ordinary shares of US$1 each	Trading of marine fuel and other related products	**100%**	100%
Xing Yuan (Singapore) Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of S$1 each	Trading of marine equipment and spare parts	**100%**	100%
Yuan Hua Technical & Supply Corporation	United States of America, limited liability company	US$400,000	Material and spare parts supply and service support for vessels	**51%**	51%
Yuantong Marine Trade (Shanghai) Co., Ltd.	PRC, wholly foreign-owned enterprise	US$500,000	Trading of marine equipment and spare parts	**100%**	100%

Shares held directly by the Company.

* The subsidiary was dissolved on 11 August 2022.

37 JOINT VENTURES AND ASSOCIATES

Particulars of joint ventures and associates of the Group as at 31 December 2022 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2022	2021
(a) Joint ventures					
Cosbulk International Trading Co. Ltd. (Tianjin)#	PRC, Sino-foreign equity joint venture enterprise	RMB1,500,000	Vessel and equipment trade consultant	**49%**	49%
Jotun COSCO Marine Coatings (HK) Limited#	Hong Kong/PRC, limited liability company	HK$2,400 ordinary share capital	Investment holding and sale of coatings	**50%**	50%
Nasurfar Biomaterial Technology (Changshu) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	RMB182,907,725	Research and development, production and sales of biochemical products	**33%**	33%
COSCO SHIPPING (Dalian) Electronic Technology Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB1,000,000	Provision of marine electronic engineering services	**40%**	40%
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$250,000	Trading of marine equipment and provision of repair and maintenance	**25%**	25%
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$200,000	Provision of marine electronic engineering services	**25%**	25%
(b) Associates					
COSCOSHIP (QINGDAO) CO., LTD.#	PRC, Sino-foreign equity joint venture enterprise	RMB3,000,000	Vessel engineering and technical support	**20%**	20%
COSCO SHIPPING SUPPLY (GUANGZHOU) CO., LTD.	PRC, limited liability company	RMB30,442,100	Supply and storage of related materials of cargo transportation	**20%**	20%
Double Rich Limited*	Hong Kong, limited liability company	HK$88,000,000 ordinary share capital	Trading of oil products and investment holding	**–**	18%
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$663,000	Manufacture, sale and provision of after-sale service of container software and related products	**20%**	20%
Zhejiang Four Brothers Rope Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB63,076,923	Manufacturing of synthetic ropes (for marine and fishing)	**48%**	48%

Shares held directly by the Company.

* The associate was disposed on 29 December 2022. For details, please refer to note 11 and note 22(b).

List of Major Properties

As at 31 December 2022

Description	Existing use	Approximate area	Lease term	% of interest attributable to the Group
Properties held for own use				
(1) Economic Zone, Gaolan Port, Zhuhai, the PRC	Industrial	Site area 67,882.00 sq.m.	From 18 April 2006 to 17 April 2056	64.71
(2) No. 2, Industry Park, Jinshan District, Shanghai, the PRC	Industrial	Site area 61,097.30 sq.m.	From 5 July 2013 to 4 July 2063	63.07
(3) No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, the PRC	Carparking	1 car parking space	From 28 June 1998 to 27 June 2068	100
(4) Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, the PRC	Residential	Gross floor area 228.29 sq.m.	From 28 June 1998 to 27 June 2068	100
Property held for investment				
(1) 19th Floor, Nan Dao Commercial Building, 359–361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7 February 1852	100
(2) 207 Henderson Road, #01-03/#03-03 Henderson Industrial Park, Singapore 159550	Commercial	Saleable area 782 sq.m.	Freehold	100

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,962,539**	4,533,549	3,442,894	3,265,745	9,521,575
Operating profit	**202,831**	277,545	132,500	84,662	181,593
Finance income — net	**96,351**	40,807	132,696	203,857	158,704
Share of profits of joint ventures	**117,529**	63,711	108,807	48,798	9,925
Share of profits/(losses) of associates	**8,647**	(40,889)	31,022	48,431	(13,561)
Profit before income tax	**425,358**	341,174	405,025	385,748	336,661
Income tax expenses	**(58,461)**	(37,568)	(57,489)	(52,440)	(45,916)
Profit for the year	**366,897**	303,606	347,536	333,308	290,745
Profit attributable to:					
Equity holders of the Company	**347,062**	288,341	338,523	330,607	286,140
Non-controlling interests	**19,835**	15,265	9,013	2,701	4,605
	366,897	303,606	347,536	333,308	290,745

Five-Year Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Intangible assets	**108,721**	107,664	109,044	105,617	103,448
Property, plant and equipment	**221,838**	255,817	279,908	281,550	303,523
Right-of-use assets	**43,815**	41,412	45,459	39,577	—
Prepaid premium for land leases	**—**	—	—	—	29,429
Investment properties	**151,305**	158,545	144,543	121,261	107,014
Investments in joint ventures	**527,896**	499,999	562,668	437,419	396,709
Investments in associates	**154,716**	237,786	167,403	147,693	96,651
Financial assets at fair value through other comprehensive income	**53,849**	62,621	57,590	76,551	78,003
Deferred income tax assets	**40,531**	42,810	37,931	43,004	52,936
	1,302,671	1,406,654	1,404,546	1,252,672	1,167,713
Current assets	**7,931,822**	8,335,570	8,534,148	8,124,274	8,089,012
Total assets	**9,234,493**	9,742,224	9,938,694	9,376,946	9,256,725
CAPITAL AND RESERVES					
Share capital	**148,169**	153,296	153,296	153,296	153,296
Reserves	**7,654,418**	7,907,721	7,959,747	7,773,109	7,700,639
Total shareholders' equity	**7,802,587**	8,061,017	8,113,043	7,926,405	7,853,935
Non-controlling interests	**318,993**	333,579	314,671	291,814	300,765
Total equity	**8,121,580**	8,394,596	8,427,714	8,218,219	8,154,700
LIABILITIES					
Non-current liabilities					
Lease liabilities	**6,969**	4,738	6,194	1,934	—
Deferred income tax liabilities	**67,336**	63,308	83,233	67,743	64,269
	74,305	68,046	89,427	69,677	64,269
Current liabilities					
Short-term borrowings	**—**	42,807	89,111	61,399	45,652
Other current liabilities	**1,038,608**	1,236,775	1,332,442	1,027,651	992,104
	1,038,608	1,279,582	1,421,553	1,089,050	1,037,756
Total liabilities	**1,112,913**	1,347,628	1,510,980	1,158,727	1,102,025
Total equity and liabilities	**9,234,493**	9,742,224	9,938,694	9,376,946	9,256,725

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