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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)

2021 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Revenue increased by 32% to HK\$4,533,549,000, mainly attributable to the increase in revenues from coatings, marine equipment and spare parts and general trading segments.
- Gross profit increased by 22% to HK\$769,373,000. However, gross profit margin decreased to 17% which was mainly attributable to the decrease in gross profit margin of coatings segment.
- Operating profit increased by 109% to HK\$277,545,000.
- Profit before income tax from core business of shipping services decreased by 19% to HK\$293,736,000.
- Profit attributable to equity holders decreased by 15% to HK\$288,341,000, mainly due to a significant decrease in interest income from bank deposits and a turnaround from profit to loss in the share of results of associates.
- Basic and diluted earnings per share were 18.81 HK cents. The Board has recommended the payment of a final dividend of 9 HK cents per share. Together with the interim dividend of 10 HK cents per share, total dividends per share are 19 HK cents. The dividend payout ratio is approximately 101%.
- The Group had net cash (represented total restricted bank deposits and current deposits and cash and cash equivalents, less short-term borrowings) of HK\$6,176,934,000 as at 31 December 2021.

The board of directors (the “Board” or the “Director(s)”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2021.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	4,533,549	3,442,894
Cost of sales		<u>(3,764,176)</u>	<u>(2,814,363)</u>
Gross profit		769,373	628,531
Management fee income		77,942	117,328
Other income and gains — net	4	35,163	11,933
Selling, administrative and general expenses	5	<u>(604,933)</u>	<u>(625,292)</u>
Operating profit		277,545	132,500
Finance income	6	47,979	137,635
Finance costs	6	(7,172)	(4,939)
Finance income — net	6	40,807	132,696
Share of profits of joint ventures		63,711	108,807
Share of (losses)/profits of associates		<u>(40,889)</u>	<u>31,022</u>
Profit before income tax		341,174	405,025
Income tax expenses	7	<u>(37,568)</u>	<u>(57,489)</u>
Profit for the year		<u>303,606</u>	<u>347,536</u>
Profit attributable to:			
Equity holders of the Company		288,341	338,523
Non-controlling interests		<u>15,265</u>	<u>9,013</u>
		<u>303,606</u>	<u>347,536</u>
Earnings per share attributable to equity holders of the Company during the year			
— basic and diluted, HK cents	8	<u>18.81</u>	<u>22.08</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year	<u>303,606</u>	<u>347,536</u>
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Share of currency translation differences of joint ventures	9,483	11,136
Share of currency translation differences of associates	(350)	517
Share of cash flow hedges of an associate, net of tax	(14,166)	14,143
Currency translation differences	46,293	100,139
Items that will not be reclassified to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net	7,388	(18,961)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	<u>11,362</u>	<u>5,518</u>
Other comprehensive income for the year	<u>60,010</u>	<u>112,492</u>
Total comprehensive income for the year	<u>363,616</u>	<u>460,028</u>
Total comprehensive income attributable to:		
Equity holders of the Company	338,878	431,911
Non-controlling interests	<u>24,738</u>	<u>28,117</u>
	<u>363,616</u>	<u>460,028</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Intangible assets		107,664	109,044
Property, plant and equipment		255,817	279,908
Right-of-use assets		41,412	45,459
Investment properties		158,545	144,543
Investments in joint ventures		499,999	562,668
Investments in associates		237,786	167,403
Financial assets at fair value through other comprehensive income		62,621	57,590
Deferred income tax assets		42,810	37,931
		<u>1,406,654</u>	<u>1,404,546</u>
Current assets			
Inventories		443,548	366,348
Trade and other receivables	10	1,671,666	1,645,823
Current income tax recoverable		615	3,330
Restricted bank deposits		6,115	13,600
Current deposits and cash and cash equivalents		6,213,626	6,505,047
		<u>8,335,570</u>	<u>8,534,148</u>
Total assets		<u><u>9,742,224</u></u>	<u><u>9,938,694</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		153,296	153,296
Reserves		7,907,721	7,959,747
		<u>8,061,017</u>	<u>8,113,043</u>
Non-controlling interests		<u>333,579</u>	<u>314,671</u>
Total equity		<u><u>8,394,596</u></u>	<u><u>8,427,714</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	4,738	6,194
Deferred income tax liabilities		63,308	83,233
		<u>68,046</u>	<u>89,427</u>
Current liabilities			
Trade and other payables	11	894,585	951,298
Contract liabilities	11	306,514	358,284
Current income tax liabilities		30,933	18,038
Short-term borrowings		42,807	89,111
Lease liabilities	11	4,743	4,822
		<u>1,279,582</u>	<u>1,421,553</u>
Total liabilities		<u><u>1,347,628</u></u>	<u><u>1,510,980</u></u>
Total equity and liabilities		<u><u>9,742,224</u></u>	<u><u>9,938,694</u></u>

NOTES

1 GENERAL INFORMATION

The Group is 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 “Stock Exchange”). 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 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a state-owned enterprise in the People’s Republic of China (the “PRC”).

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 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 2021 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Annual improvements projects	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	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.

3 REVENUE AND SEGMENT INFORMATION

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sale of coatings	1,685,183	1,085,028
Sale of marine equipment and spare parts	1,578,889	1,315,925
Commission income from ship trading agency	103,772	90,934
Commission income from insurance brokerage	102,152	92,207
Sale of marine fuel and other products	—	70,404
Sale of asphalt and other products	<u>1,063,553</u>	<u>788,396</u>
	<u><u>4,533,549</u></u>	<u><u>3,442,894</u></u>

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 常熟耐素生物材料科技有限公司 (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	Holding of investment in an associate, Double Rich Limited (“Double Rich”), and trading and supply of marine fuel and other related products
General trading	Trading, storage, processing and supply of asphalt and other products, and holding of investments in associates, including 浙江四兄繩業有限公司 (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.

Year ended and as at 31 December 2021

	Shipping services					Total	General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products					
	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	<u>1,685,183</u>	<u>1,578,889</u>	<u>103,772</u>	<u>102,152</u>	<u>—</u>	<u>3,469,996</u>	<u>1,063,553</u>	<u>—</u>	<u>—</u>	<u>4,533,549</u>
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	<u>86,675</u>	<u>88,203</u>	<u>51,038</u>	<u>56,793</u>	<u>(46,665)</u>	<u>236,044</u>	<u>14,827</u>	<u>2,635</u>	<u>—</u>	<u>253,506</u>
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 included:										
— 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	<u>477,975</u>	<u>452,889</u>	<u>62,539</u>	<u>132,785</u>	<u>225</u>	<u>1,126,413</u>	<u>220,979</u>	<u>—</u>	<u>(122,835)</u>	<u>1,224,557</u>
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 (Reversal of provision)/provision for impairment of trade receivables, net	(3,266)	—	—	—	—	(3,266)	—	—	—	(3,266)
Government subsidy income	(884)	877	—	—	—	(7)	1,068	—	—	1,061
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	(170)	(258)	—	(97)	—	(525)	(527)	—	—	(1,052)
	<u>6,736</u>	<u>3,924</u>	<u>29</u>	<u>134</u>	<u>—</u>	<u>10,823</u>	<u>8,707</u>	<u>—</u>	<u>—</u>	<u>19,530</u>

Year ended and as at 31 December 2020

	Shipping services					Total	General trading	Others	Inter-segment elimination	Total	
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products						Total
Profit or loss items:											
Segment revenue	1,085,028	1,315,925	90,976	93,089	70,404	2,655,422	788,396	—	(924)	3,442,894	
Inter-segment revenue	—	—	(42)	(882)	—	(924)	—	—	924	—	
Revenue from external customers	<u>1,085,028</u>	<u>1,315,925</u>	<u>90,934</u>	<u>92,207</u>	<u>70,404</u>	<u>2,654,498</u>	<u>788,396</u>	<u>—</u>	<u>—</u>	<u>3,442,894</u>	
Segment operating profit/(loss)	16,726	73,295	70,397	63,974	(2,004)	222,388	12,258	2,770	—	237,416	
Finance income	479	661	1,914	974	128	4,156	268	—	(380)	4,044	
Finance costs	(240)	(1,100)	(12)	(92)	(2)	(1,446)	(3,856)	—	380	(4,922)	
Share of profits of joint ventures	106,201	1,270	1,336	—	—	108,807	—	—	—	108,807	
Share of profits of associates	—	—	71	—	29,329	29,400	1,622	—	—	31,022	
Segment profit before income tax	123,166	74,126	73,706	64,856	27,451	363,305	10,292	2,770	—	376,367	
Income tax expenses	(8,728)	(11,396)	(22,662)	(11,766)	—	(54,552)	(2,103)	—	—	(56,655)	
Segment profit after income tax	<u>114,438</u>	<u>62,730</u>	<u>51,044</u>	<u>53,090</u>	<u>27,451</u>	<u>308,753</u>	<u>8,189</u>	<u>2,770</u>	<u>—</u>	<u>319,712</u>	
Balance sheet items:											
Total segment assets	1,701,953	1,381,139	319,196	363,543	204,414	3,970,245	722,454	54,856	(162,960)	4,584,595	
Total segment assets include:											
— Joint ventures	546,340	11,434	4,894	—	—	562,668	—	—	—	562,668	
— Associates	—	—	2,341	—	156,262	158,603	8,800	—	—	167,403	
Total segment liabilities	<u>398,810</u>	<u>623,038</u>	<u>72,038</u>	<u>214,716</u>	<u>309</u>	<u>1,308,911</u>	<u>190,349</u>	<u>—</u>	<u>(162,960)</u>	<u>1,336,300</u>	
Other items:											
Depreciation and amortisation, net of amount capitalised	22,496	7,016	280	236	—	30,028	6,287	—	—	36,315	
Reversal of provision for impairment of inventories, net	(7,835)	—	—	—	—	(7,835)	—	—	—	(7,835)	
Provision for impairment of trade receivables, net	14,153	344	—	—	—	14,497	1,773	—	—	16,270	
Government subsidy income	(1,214)	(4,157)	—	(1,078)	—	(6,449)	(230)	—	—	(6,679)	
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>1,883</u>	<u>10,053</u>	<u>3,165</u>	<u>49</u>	<u>—</u>	<u>15,150</u>	<u>4,231</u>	<u>—</u>	<u>—</u>	<u>19,381</u>	

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

	2021	2020
	HK\$'000	HK\$'000
Profit before income tax for reportable segments	312,219	373,597
Profit before income tax for others	<u>2,635</u>	<u>2,770</u>
Profit before income tax for all segments	314,854	376,367
Elimination of segment income from corporate headquarters	(660)	(534)
Corporate finance income	43,675	133,591
Corporate finance costs	(16)	(17)
Corporate net exchange gains/(losses)	31,046	(25,884)
Corporate expenses, net of income	<u>(47,725)</u>	<u>(78,498)</u>
Profit before income tax for the Group	341,174	405,025
Income tax expenses for all segments	(61,348)	(56,655)
Corporate income tax credit/(expenses)	<u>23,780</u>	<u>(834)</u>
Profit after income tax for the Group	<u><u>303,606</u></u>	<u><u>347,536</u></u>

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

	2021	2020
	HK\$'000	HK\$'000
Total assets for reportable segments	4,671,628	4,692,699
Total assets for others	60,134	54,856
Elimination of inter-segment receivables	<u>(122,835)</u>	<u>(162,960)</u>
Total assets for all segments	4,608,927	4,584,595
Corporate assets (mainly deposits and cash and cash equivalents)	5,499,674	5,512,941
Elimination of receivables between corporate headquarters and segments	<u>(366,377)</u>	<u>(158,842)</u>
Total assets for the Group	<u><u>9,742,224</u></u>	<u><u>9,938,694</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total liabilities for reportable segments	1,347,392	1,499,260
Elimination of inter-segment payables	<u>(122,835)</u>	<u>(162,960)</u>
Total liabilities for all segments	1,224,557	1,336,300
Corporate liabilities	489,448	333,522
Elimination of payables between corporate headquarters and segments	<u>(366,377)</u>	<u>(158,842)</u>
Total liabilities for the Group	<u><u>1,347,628</u></u>	<u><u>1,510,980</u></u>

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\$1,043,496,000 (2020: HK\$915,904,000) and HK\$3,490,053,000 (2020: HK\$2,526,990,000) 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\$667,686,000 (2020: HK\$814,109,000) and HK\$633,537,000 (2020: HK\$494,916,000) respectively.

4 OTHER INCOME AND GAINS — NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income/(expenses):		
— Rental income	3,518	3,212
— Direct operating expenses for generating rental income	(66)	(42)
— Dividend income from financial assets at FVOCI	<u>2,635</u>	<u>2,770</u>
Other income — net	<u><u>6,087</u></u>	<u><u>5,940</u></u>
Other gains/(losses):		
— Net gains on disposal of property, plant and equipment	26	168
— Fair value (losses)/gains on investment properties	(688)	11,868
— Provision for impairment of trade receivables, net (<i>note 10(b)</i>)	(1,061)	(16,270)
— Reversal of provision for impairment of inventories, net	3,266	7,835
— Net exchange gains/(losses)	24,969	(13,245)
— Government subsidy income [#]	674	12,235
— Others	<u>1,890</u>	<u>3,402</u>
Other gains — net	<u><u>29,076</u></u>	<u><u>5,993</u></u>
Other income and gains — net	<u><u>35,163</u></u>	<u><u>11,933</u></u>

[#] During the year ended 31 December 2020, government subsidy income of HK\$9,550,000 was recognised in respect of Employment Support Scheme granted by the Government of the Hong Kong Special Administrative Region.

5 SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Selling expenses	212,010	177,418
Depreciation of property, plant and equipment	4,675	5,816
Amortisation of intangible assets	1,591	1,368
Depreciation of right-of-use assets	6,876	9,479
Expenses related to short-term leases	31,955	27,784
Employee benefit expenses included in administrative and general expenses	282,682	338,423
Auditors' remuneration	3,446	5,535
Others	<u>61,698</u>	<u>59,469</u>
	<u>604,933</u>	<u>625,292</u>

6 FINANCE INCOME — NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from:		
— a fellow subsidiary	3,056	551
— bank deposits	<u>44,923</u>	<u>137,084</u>
Total finance income	<u>47,979</u>	<u>137,635</u>
Interest expenses on:		
— loans from fellow subsidiaries	(2,847)	(1,932)
— lease liabilities	(368)	(322)
Other finance charges	<u>(3,957)</u>	<u>(2,685)</u>
Total finance costs	<u>(7,172)</u>	<u>(4,939)</u>
Finance income — net	<u>40,807</u>	<u>132,696</u>

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2020: 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% (2020: 17% to 35%) during the year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax		
— current year		
— Hong Kong profits tax	19,647	13,206
— PRC enterprise income tax	38,006	22,024
— other overseas taxation	5,364	3,429
— (over-provision)/under-provision in prior years		
— Hong Kong profits tax	(1,055)	17
— PRC enterprise income tax	(66)	2
— other overseas taxation	—	415
Deferred income tax (credit)/charge — net	<u>(24,328)</u>	<u>18,396</u>
Income tax expenses	<u><u>37,568</u></u>	<u><u>57,489</u></u>

8 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\$288,341,000 (2020: HK\$338,523,000) and the 1,532,955,429 shares in issue during the year (2020: 1,532,955,429 shares).

There were no potential dilutive ordinary shares in existence for both years.

9 DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend paid of HK\$0.10 (2020: HK\$0.065) per ordinary share	153,296	99,642
Final dividend proposed of HK\$0.09 (2020: HK\$0.155) per ordinary share	<u>137,966</u>	<u>237,608</u>
	<u><u>291,262</u></u>	<u><u>337,250</u></u>

At the board meeting held on 25 March 2022, the directors of the Company proposed a final dividend of HK\$0.09 per ordinary share for the year ended 31 December 2021. These proposed dividends have not been recognised as a liability in the financial statements for the year ended 31 December 2021, but will be reflected as an appropriation of retained profits for the year ending 31 December 2022.

10 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	824,509	753,857
Less: provision for impairment (<i>note (b)</i>)	<u>(31,169)</u>	<u>(30,293)</u>
Trade receivables, net (<i>note (a)</i>)	793,340	723,564
Bills receivable, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	<u>878,326</u>	<u>922,259</u>
	<u><u>1,671,666</u></u>	<u><u>1,645,823</u></u>

Notes:

- (a) The ageing analysis of trade receivables (including amounts due from related parties which are trading in nature) based on invoice date and after provision for impairment is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – 90 days	520,484	520,124
91 – 180 days	203,010	158,613
Over 180 days	<u>69,846</u>	<u>44,827</u>
	<u><u>793,340</u></u>	<u><u>723,564</u></u>

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) Movements on the provision for impairment of trade receivables are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	30,293	12,863
Currency translation differences	668	1,401
Provision for impairment, net (<i>note 4</i>)	1,061	16,270
Amount written off	<u>(853)</u>	<u>(241)</u>
At 31 December	<u><u>31,169</u></u>	<u><u>30,293</u></u>

11 TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND LEASE LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	414,931	517,385
Bills payables, other payables, accrued liabilities, amounts due to related parties and dividend payable to non-controlling interests	<u>479,654</u>	<u>433,913</u>
	894,585	951,298
Contract liabilities (<i>note (b)</i>)	306,514	358,284
Lease liabilities (<i>note (c)</i>)	<u>9,481</u>	<u>11,016</u>
	<u><u>1,210,580</u></u>	<u><u>1,320,598</u></u>

Notes:

- (a) The ageing analysis of trade payables (including amounts due to related parties which are trading in nature) based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – 90 days	317,566	369,966
91 – 180 days	35,242	43,798
Over 180 days	<u>62,123</u>	<u>103,621</u>
	<u><u>414,931</u></u>	<u><u>517,385</u></u>

- (b) Revenue recognised in the current reporting year related to brought-forward contract liabilities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u><u>293,513</u></u>	<u><u>338,359</u></u>

- (c) Maturity analysis of lease liabilities is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	4,743	4,822
From the second to fifth year inclusive	<u>4,738</u>	<u>6,194</u>
	<u><u>9,481</u></u>	<u><u>11,016</u></u>

OVERALL ANALYSIS OF RESULTS

In 2021, operating profit of the Group improved as compared to last year because of the continuous market expansion and the effective control of the COVID-19 pandemic in the PRC. On the other hand, profit attributable to equity holders of the Company decreased year on year attributable to a significant decrease in interest income from bank deposits, and a turnaround from profit to loss in the share of results of associates. During the year, profit attributable to equity holders of the Company was HK\$288,341,000 (2020: HK\$338,523,000), representing a decrease of 15% year on year. The basic and diluted earnings per share were 18.81 HK cents (2020: 22.08 HK cents), representing a decrease of 15% year on year.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue increased by 32% year on year to HK\$4,533,549,000 (2020: HK\$3,442,894,000). Revenue from the core business of shipping services increased by 31% year on year to HK\$3,469,996,000 (2020: HK\$2,654,498,000) and accounted for 77% (2020: 77%) of the Group's revenue. Against the backdrop of an increase in business volume of the shipping services business driven by the improvement of the shipping market, the Company focused on the value creation and effectiveness, resulting in a positive result in the expansion of customer base with an increase in revenue. Revenue from general trading segment increased by 35% year on year to HK\$1,063,553,000 (2020: HK\$788,396,000) and accounted for 23% (2020: 23%) of the Group's revenue.

Gross Profit and Gross Profit Margin

During the year, the Group's gross profit increased by 22% year on year to HK\$769,373,000 (2020: HK\$628,531,000), mainly attributable to the increase in revenue from marine equipment and spare parts and coatings segments. Gross profit margin decreased by 1 percentage point year on year to 17% (2020: 18%). The overall decrease was mainly attributable to the decrease in gross profit margin of coatings segment.

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) Co., Limited ("COSCO SHIPPING (Hong Kong)") and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.) decreased by 34% year on year to HK\$77,942,000 (2020: HK\$117,328,000) mainly due to the decrease in administrative and general expenses related to COSCO SHIPPING (Hong Kong) and its subsidiaries mentioned above.

Other Income and Gains — Net

During the year, other income and gains — net gains increased by 195% year on year to HK\$35,163,000 (2020: HK\$11,933,000) mainly due to a turnaround in net exchange gains of HK\$24,969,000 for the year, whereas net exchange losses of HK\$13,245,000 was recorded for last year.

Selling, Administrative and General Expenses

During the year, selling, administrative and general expenses decreased by 3% year on year to HK\$604,933,000 (2020: HK\$625,292,000) mainly due to the decrease in employee benefit expenses.

Operating Profit

The Group's operating profit increased by 109% year on year to HK\$277,545,000 (2020: HK\$132,500,000) due to an increase in overall gross profit and a turnaround in net exchange gains.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, decreased by 65% year on year to HK\$47,979,000 (2020: HK\$137,635,000) as a result of the decrease in interest rates of deposits.

Finance Costs

Finance costs, which mainly represented interest expenses on short-term borrowings and other financial charges, increased by 45% year on year to HK\$7,172,000 (2020: HK\$4,939,000).

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was HK\$63,711,000 (2020: HK\$108,807,000). This item primarily represented the share of profits of Jotun COSCO of HK\$47,482,000 (2020: HK\$99,518,000) and of Nasurfar Changshu of HK\$13,920,000 (2020: HK\$6,683,000), which were included in the coatings segment.

Share of (Losses)/Profits of Associates

The Group's share of losses of associates was HK\$40,889,000 (2020: share of profits of HK\$31,022,000). This item primarily represented the share of loss of Double Rich of HK\$45,984,000 (2020: share of profit of HK\$29,329,000) and the share of profit of Zhejiang Four Brothers Rope of HK\$1,616,000 (2020: nil), representing the share of profit since the subscription of 48% equity interest of Zhejiang Four Brothers Rope by the Group at the end of March 2021, which were included in the marine fuel and other products segment and general trading segment respectively.

Income Tax Expenses

During the year, the Group's income tax expenses decreased by 35% year on year to HK\$37,568,000 (2020: HK\$57,489,000). The ratio of income tax expenses to profit before income tax, excluding the share of profits/(losses) of joint ventures and associates, decreased to 12% from 22% in 2020, mainly attributable to the deferred income tax credit — net for the year.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company decreased by 15% year on year to HK\$288,341,000 (2020: HK\$338,523,000), mainly due to a significant decrease in interest income from bank deposits and a turnaround from profit to loss in the share of results of associates.

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 2021, deposits and cash and cash equivalents held by the Group accounted for 75% (2020: 76%) of the Group's total current assets.

As at 31 December 2021, the Group's total assets decreased by 2% to HK\$9,742,224,000 (2020: HK\$9,938,694,000). Total liabilities decreased by 11% to HK\$1,347,628,000 (2020: HK\$1,510,980,000). 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\$8,061,017,000 (2020: HK\$8,113,043,000). Net asset value per share, calculated based on the 1,532,955,429 shares in issue during the year (2020: 1,532,955,429 shares), was HK\$5.26 (2020: HK\$5.29), which decreased by 1% as compared to the end of 2020.

As at 31 December 2021, the Group's total short-term borrowings were HK\$42,807,000 (2020: HK\$89,111,000), which were mainly for the purpose of working capital requirement for general trading business. 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\$6,219,741,000 (2020: HK\$6,518,647,000) and non-committed unutilised standby banking facilities increased by 1% to HK\$688,846,000 (2020: HK\$682,594,000) respectively. The gearing ratio, which represented total borrowings over total assets, was 0.4% (2020: 0.9%).

Debt Analysis

	31 December 2021		31 December 2020	
	HK\$'000	%	HK\$'000	%
Classified by maturity:				
— repayable within one year	<u>42,807</u>	<u>100</u>	<u>89,111</u>	<u>100</u>
Classified by type of loan:				
— unsecured	<u>42,807</u>	<u>100</u>	<u>89,111</u>	<u>100</u>
Classified by currency:				
— Renminbi	<u>42,807</u>	<u>100</u>	<u>89,111</u>	<u>100</u>

The Group had restricted bank deposits of HK\$6,115,000 (2020: HK\$13,600,000) representing deposits placed to meet the statutory requirement of its insurance brokerage business in China.

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, China and Singapore, 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 2021, 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\$6,176,934,000 (2020: HK\$6,429,536,000). 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, China, 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 0.75% rate of return on the Group's cash for the year, representing 53 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of December 2021. The Group had no financial instruments for interest rate hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, sales to the largest customer and aggregate sales to the five largest customers accounted for 8% and 23% respectively (2020: 7% and 22% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 5% and 20% respectively (2020: 4% and 13% 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 of the Company ("Shareholders") owning more than 5% of the Company's shares had interests in the five largest customers and suppliers.

EMPLOYEES

As at 31 December 2021, excluding joint ventures and associates, the Group had 847 (2020: 833) employees, of which 176 (2020: 185) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK\$427,291,000 (2020: HK\$455,491,000). 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.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 9 HK cents (2020: 15.5 HK cents) per share for the year ended 31 December 2021. The proposed final dividend will be payable on 28 June 2022 to shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 10 June 2022 subject to the shareholders’ approval in annual general meeting of the Company to be held on 31 May 2022 (the “AGM”). The proposed final dividend together with the interim dividend of 10 HK cents per share (2020: 6.5 HK cents), total dividends per share for the year 2021 are 19 HK cents (2020: 22 HK cents).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders’ right to attend and vote at the AGM, the Register of Members will be closed from 26 May 2022 to 31 May 2022, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited (the “Branch Share Registrar”) at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 25 May 2022.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from 7 June 2022 to 10 June 2022, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify the proposed final dividend for the year ended 31 December 2021, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 6 June 2022.

REVIEW OF BUSINESS OPERATIONS

In 2021, the global economy encountered multiple challenges, including the aggravation of supply chain bottlenecks under the haze of the COVID-19 pandemic, imbalances in energy supply and demand, and intensifying inflationary pressures. Nevertheless, the global economy continued to recover amid fluctuations as governments have implemented robust stimulus measures and encouraged vaccine popularization. According to World Economic Outlook published by the International Monetary Fund in January 2022, the global economy achieved a year-on-year growth rate of 5.9% in 2021, rebounding sharply from a year-on-year decline of 3.1% in 2020. Meanwhile, China has maintained its world-leading position in pandemic prevention and control as well as promoting stable economic development. China achieved year-on-year economic growth of 8.1% in 2021, demonstrating the strong resilience of its economy and marking a promising beginning of its "14th Five-Year Plan". The sound and steady progress of China's economy has stabilized the global industrial supply chain and laid a solid foundation for the recovery of the global economy that helped revitalizing the global economy from the pandemic.

For shipping market, according to the National Bureau of Statistics of China, China's total value of import and export in 2021 was RMB39.1 trillion, a year-on-year increase of 21.4%, of which, value of export reached RMB21.7 trillion, a year-on-year increase of 21.2%. After the outbreak of the COVID-19 pandemic, China implemented effective prevention and control policies, and the supply chain showed strong stability, which led to the rapid growth of exports, and China's foreign trade contribution has reached its new heights to the world. According to data from the Ministry of Transport of the PRC, in 2021, China's port cargo throughput reached 15.55 billion tonnes, a year-on-year increase of 6.8%, of which foreign trade cargo throughput amounted to approximately 4.7 billion tonnes, a year-on-year increase of 4.5%, and container throughput was approximately 280 million TEUs, a year-on-year increase of 7.0%. For 2021, the national accomplished shipbuilding output reached 39.703 million dead weight tonnages ("DWT"), a year-on-year increase of 3.0%; as of the end of December 2021, the volume of orders-on-hand amounted to 95.839 million DWT, an increase of 34.8% from the end of the last year.

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\$3,469,996,000 (2020: HK\$2,654,498,000), representing an increase of 31% year on year, mainly due to the increase in most of the core business segments. Profit before income tax from shipping services was HK\$293,736,000 (2020: HK\$363,305,000), representing a decrease of 19% year on year, mainly due to the turnaround from profit to loss in the trading and supply of marine fuel and related products segment, and the decline in the gross profit margin of the production and sale of coatings segment.

Excluding the impact of the turnaround from profit to loss in the trading and supply of marine fuel and related products segment, the adjusted profit before income tax of the Group's shipping services segment was HK\$340,500,000 (2020: HK\$335,854,000), representing a year-on-year increase of 1%.

1.1 Ship Trading Agency Services

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

During the year, revenue from the ship trading agency segment of the Group increased by 14% year on year to HK\$103,772,000 (2020: HK\$90,934,000). Segment profit before income tax was HK\$69,694,000 (2020: HK\$73,706,000), representing a decrease of 5% year on year.

During the year, the Group's aggregate number of new build vessels delivery was 26 (2020: 35), aggregating 4,993,900 DWT (2020: 2,811,900 DWT). A total number of 16 (2020: 19) new build vessels have been ordered, aggregating 1,647,200 DWT (2020: 1,277,600 DWT). In addition, the sale and purchase of a total of 15 (2020: 29) second-hand vessels were recorded, aggregating 779,719 DWT (2020: 407,529 DWT).

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\$102,152,000 (2020: HK\$92,207,000), representing an increase of 11% year on year. Segment profit before income tax was HK\$69,427,000 (2020: HK\$64,856,000), representing an increase of 7% year on year, which was attributed to the considerable growth in business volume of Protection and Indemnity Insurance and Terminal's Property and Liabilities Insurance.

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\$1,578,889,000 (2020: HK\$1,315,925,000), representing an increase of 20% year on year. Keeping abreast of the development trend of the industry, the Group has yielded good results in expanding its business scope, and has developed the supply of special equipment spare parts with green and low-carbon competitive advantages, recording a segment profit before income tax of HK\$106,219,000 (2020: HK\$74,126,000), a year-on-year increase of 43%.

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 Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. ("COSCO Kansai (Zhuhai)"), 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) ("COSCO Kansai Paint (Shanghai)") and 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") (collectively called "COSCO Kansai Companies") 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\$1,685,183,000 (2020: HK\$1,085,028,000), representing an increase of 55% year on year. Segment profit before income tax was HK\$95,160,000 (2020: HK\$123,166,000), representing a decrease of 23% year on year, which was mainly attributable to the decrease in share of profit of Jotun COSCO.

For container coatings, while benefiting from the strong recovery of the container manufacturing market, COSCO Kansai Companies took the initiative to strengthen the scientific research and development of coatings, further improved product quality, and

strengthened marketing services. During the year, the sales volume of container coatings increased by 46% year on year to 42,935 tonnes (2020: 29,392 tonnes). The sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 17,881 tonnes (2020: 18,033 tonnes), representing a decrease of 1% year on year.

For marine coatings, affected by the slowdown in the new build vessels delivery during the year, the sales volume of Jotun COSCO's coatings for new build vessels amounted to 45,166,000 litres (2020: 46,161,000 litres), representing a decrease of 2% year on year. Sales volume of coatings for repair and maintenance was 27,618,000 litres (2020: 27,674,000 litres), maintain closely the same level year on year. The sales volume of Jotun COSCO's marine coatings amounted to 72,784,000 litres (equivalent to approximately 98,258 tonnes) (2020: 73,835,000 litres (equivalent to approximately 99,677 tonnes)), slightly decreased by 1% year on year. During the year, the Group's share of profit from Jotun COSCO was HK\$47,482,000 (2020: HK\$99,518,000), representing a decrease of 52% year on year. It was mainly attributable to the increase in raw material prices that induced pressure on the gross profit margin.

During the year, the Group's share of profit from Nasurfar Changshu was HK\$13,920,000 (2020: HK\$6,683,000), representing an increase of 108% year on year, mainly driven by the substantial increase in production and sales as a result of the successful plant expansion.

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.

During the year, no revenue from marine fuel and other products segment of the Group was recorded (2020: HK\$70,404,000), and sales volume of marine fuel products was 24,382 tonnes for 2020. In view of the liquidation filed by Coastal Oil Singapore Pte Ltd, a major supplier of Sinfeng Marine Services Pte. Ltd. ("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 2021 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. During the year, the Group's share of loss from Double Rich

was HK\$45,984,000 (2020: share of profit of HK\$29,329,000), representing a turnaround from profit to loss, which was primarily due to the decrease in gross profit for low sulphur fuel.

During the year, loss before income tax from marine fuel and other products segment was HK\$46,764,000 (2020: profit before income tax of HK\$27,451,000), which was mainly due to the results from Double Rich that turned from profit to loss.

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\$1,063,553,000 (2020: HK\$788,396,000), representing an increase of 35% year on year, which was mainly due to an increase of 15% year on year in sales volume of asphalt to 256,251 tonnes (2020: 222,618 tonnes). Segment profit before income tax was HK\$18,483,000 (2020: HK\$10,292,000), representing an increase of 80% year on year, which was mainly due to the increase in asphalt sales and share of profits of associates.

By the end of March 2021, the Group completed the capital injection in Zhejiang Four Brothers Rope, a leading rope production enterprise in the PRC, by subscribing 48% equity interest of Zhejiang Four Brothers Rope, thus providing a new source of profit. During the year, the Group's share of profit from Zhejiang Four Brothers Rope was HK\$1,616,000 (2020: nil), representing the share of profit since the subscription of 48% equity interest of Zhejiang Four Brothers Rope by the Group.

PROSPECTS

With the impact on unbalanced global economic recovery, escalation in geopolitical conflicts, ineffective climate governance, the world is entering a new era that contains turbulence and uncertainties. The real growth of the global economy in 2022 is expected to be significantly slower than that in 2021, mainly as a result of the COVID-19 pandemic will continue to hamper economic development, and the supply chain is unlikely to have effective improvement. While high inflation rate will persist for a while longer, prices of energy and food will surge sharply. Expectations of monetary policies tightening in major economies have become more apparent, leading to a tightening of global financial conditions. The World Economic Outlook published by the International Monetary Fund in January 2022 expects that the global economy will grow by 4.4% in 2022, a 1.5 percentage points slower than that in 2021. China will cooperate with other countries to overcome the pandemic, mitigate various risks, build an open global economy, and promote the stable recovery of the global economy. China will maintain its continuity, stability and sustainability of its macro policies, open up a new path for inclusive growth and sustainable development, and inject strong impetus into the revitalization of global development while maintaining its economic stability and growth.

For the shipping market, the global shipping trade volume is expected to grow by 3.4% in 2022 according to the projection by Clarksons Research. In terms of segments, for container shipping, the congestion of European and American ports is likely to last for most of 2022, and the effective shipping capacity in the market is insufficient. The global container shipping rates are expected to remain at high level as the strong momentum of the freight market and the pandemic will continue to disrupt the supply chain, and the supply and demand imbalance is difficult to solve in the short run. For bulk cargo, Clarksons expects global dry bulk shipping turnover to grow by 2.2% and the fleet capacity to grow by 1.5% in 2022. With the growth rate of demand slightly higher than the growth rate of shipping capacity supply, it is expected that the bulk shipping market will remain stable. For tanker transportation, the disturbance of the pandemic has affected the recovery of terminal consumption demand for crude oil, and at the same time, the delivery capacity is likely to exceed the dismantling capacity. Therefore, the shipping capacity supply continues to expand, and the excess supply of oil tanker capacity may take some time to be digested. For the shipbuilding market, in the short run, the overall good momentum of the international shipping market is expected to prevail, constituting certain support for the shipbuilding market. However, in consideration of the concentrated release of backlog demand in early 2021, the industry generally expects that new shipbuilding orders will be pulled back in the short term. Nonetheless, in the medium and long term, it is still backed by the demands for low-carbon shipping and ship model updates, and the shipbuilding industry is expected to develop steadily.

For the ship trading agency services, the Group will constantly pay attention to the needs of the customers, improve service standards, strengthen market research and information management, continue to strengthen team building, and build up a professional and high-quality ship broker team.

For insurance brokerage services, the Group will deeply explore the new needs and new business in the market, innovate service products, broaden its service scope, optimise customer relationships and channels, and actively provide customers with value-added services.

For the supply of marine equipment and spare parts, the Group will strive to strengthen the centralised procurement, improve the information management, raise its operational efficiency, increase its market share, expand the profit margin of the businesses, and further enhance the technical service capabilities.

For container coatings, the Group will tap the needs of customers, and ensure a steady increase in market share. The Group will also continuously improve product research and development capabilities, strengthen research on raw material substitution, strive to enhance source procurement, and continue to improve the utilisation efficiency of production resources.

For industrial heavy-duty anti-corrosion coatings, the Group will have an in-depth research on the market segmentation to seek new business breakthroughs. The Group will expand into key industries and acquire key customers. The production costs under strict control will promote sustainable growth of economic benefits.

For marine coatings, the Group will implement a sound marketing strategy, rationally expand production capacity, balance market share and profitability, continue to strengthen the management and control on safety, environmental protection and health risks, and promote the improvement of supply chain processes and control on operating costs and expenses, so as to reduce the adverse effect of rising raw material prices.

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

For general trading, the Group will proactively drive business transformation, expand its business scope and extend the comprehensive range of the shipping services of the Group. The Group will also strengthen refined management and improve its influential ability in the market.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

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 had complied with the code provisions of the Corporate Governance Code (“CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the year ended 31 December 2021, except (a) (i) Mr. Feng Boming and Mr. Chen Dong, both the Non-executive Directors, were unable to attend the annual general meeting of the Company held on 28 May 2021 due to other business engagement; and (ii) Mr. Feng Boming, the Non-executive Director, was unable to attend the special general meeting of the Company held on 26 October 2021 due to other business engagement; a deviation from the code provision A.6.7 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 A.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 2021.

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 standards set out in the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. 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 2021, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

By Order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Zhu Jianhui
Chairman and Managing Director

Hong Kong, 25 March 2022

As at the date of this announcement, the Board comprises seven directors with Mr. Zhu Jianhui¹ (Chairman and Managing Director), Mr. Ma Jianhua¹, Mr. Feng Boming², Mr. Chen Dong², Mr. Tsui Yiu Wa, Alec³, Mr. Jiang, Simon X.³ and Mr. Kwong Che Keung, Gordon³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

* *for identification purposes only*