



Interim Report  
**2022**

**CSSC (Hong Kong) Shipping Company Limited**

**中國船舶(香港)航運租賃有限公司**

(Incorporated in Hong Kong with limited liability)

Stock Code: 3877

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# Company Profile

Established in June 2012, CSSC (Hong Kong) Shipping Company Limited (the “Company” or “CSSC”, together with its subsidiaries, the “Group”), as the only red-chip listed company under China State Shipbuilding Corporation Limited# (中國船舶集團有限公司) (“China Shipbuilding Group”), is the first shipyard-affiliated leasing company in Greater China\* and one of the world’s leading ship leasing companies which offers customised and flexible ship leasing solutions to global ship operators, shippers and traders.

Leveraging its robust expertise and strong industrial background in the marine business, the Group focuses on developing ship and marine equipment leasing business. As at 30 June 2022, the vessel portfolio of the Group reached 157 vessels, enabling us to become a global leader in the ship leasing industry in terms of asset size and number of vessels. Since its inception, the Group has maintained high growth in business and efficiency. While marine business remains in the doldrums, the Group continues to implement counter-cyclical investment management measures so as to provide leasing services to leading partners in various market segments of the marine industry, thereby establishing long-term strategic cooperative relations. In the first half of the year, the global shipping market has achieved excellent performance and bulk carriers and container vessels market maintained at a high level, while the oil tanker market rebounded strongly. Leveraging on unique operating strategies, the Group fully shared the revenue generated from the prosperous shipping market, thus the asset value continued to increase. Under the new market trends, the Group enhanced the overall research and judgment on subdivided shipping markets, implemented cross-cycle investment strategies vigorously and focused on the deployment of green equipment and clean energy business, so as to maintain stable operations and sustainable high-quality development continuously.

The PRC is accelerating the establishment of a “dual circulation” development pattern which is to “form mega domestic economy loop as backbone and inter-propelled by the twin domestic and international economy loops”, striving to achieve its goal of developing into “oceanic superpower”, fully implementing national strategies such as “Carbon peaking and carbon neutrality” and the construction of the Guangdong, Hong Kong and Macao Greater Bay Area, together with the signing of the Regional Comprehensive Economic Partnership Agreement, marine business and ship leasing business will witness various significant new strategic development opportunities. The Group’s advantages of being professional in ship leasing, having leading market position with well-established and innovative business model and high-quality vessels assets are conducive for us to seize new opportunities, meet new challenges and achieve new development.

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

# For identification purpose only

\* For the purpose of this report, includes the PRC, Hong Kong, Macau and Taiwan

# Company Information

## Board of Directors

### Executive Director

Mr. Zhong Jian (*Chairman*)

### Non-Executive Directors

Mr. Li Wei

Mr. Zou Yuanjing

### Independent Non-Executive Directors

Mr. Wang Dennis

Mdm. Shing Mo Han Yvonne, *BBS, JP*

Mr. Li Hongji

## Audit Committee

Mdm. Shing Mo Han Yvonne, *BBS, JP (Chairperson)*

Mr. Wang Dennis

Mr. Li Hongji

Mr. Li Wei

Mr. Zou Yuanjing

## Remuneration Committee

Mr. Wang Dennis (*Chairperson*)

Mdm. Shing Mo Han Yvonne, *BBS, JP*

Mr. Li Hongji

## Nomination Committee

Mr. Zhong Jian (*Chairperson*)

Mr. Wang Dennis

Mdm. Shing Mo Han Yvonne, *BBS, JP*

Mr. Li Hongji

## Strategic and Investment Committee

Mr. Zhong Jian (*Chairman*)

Mr. Wang Dennis

Mr. Li Wei

Mr. Zou Yuanjing

## Company Secretary

Mr. Ding Weisong

## Assistant Company Secretary

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

## Authorised Representatives

Mr. Zhong Jian

Ms. Ng Sau Mei

## Registered Office

1801, 18/F, World-wide House

19 Des Voeux Road Central

Hong Kong

## Hong Kong Legal Adviser

King & Wood Mallesons

13/F, Gloucester Tower

The Landmark

15 Queen's Road Central

Central

Hong Kong

# Company Information

## Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17/F, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

## Auditor

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

## Principal Banks

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

## Company's Website

<http://www.csscshipping.cn>

## Stock Code

3877

## Listing Date

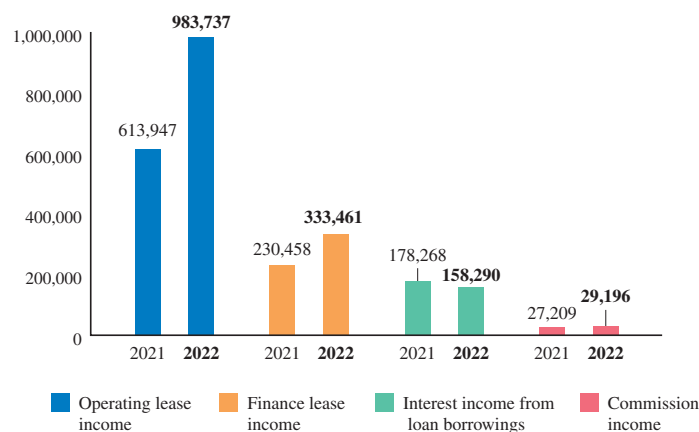
17 June 2019

# Financial Highlights

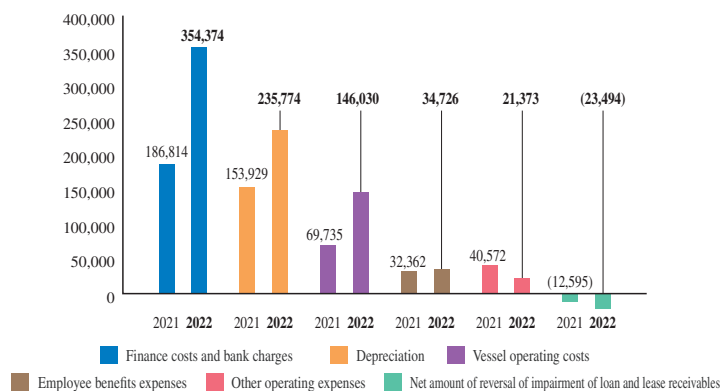
## 1. Summary of Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June		Change
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	
Revenue	1,504,684	1,049,882	43.3%
Total expenses	(768,783)	(470,817)	63.3%
Profit from operations	790,009	636,910	24.0%
Profit for the period	906,280	662,196	36.9%
Basic and diluted earnings per share (HK\$)	0.142	0.105	35.2%

**Revenue**  
(HKD'000)



**Expenses**  
(HKD'000)

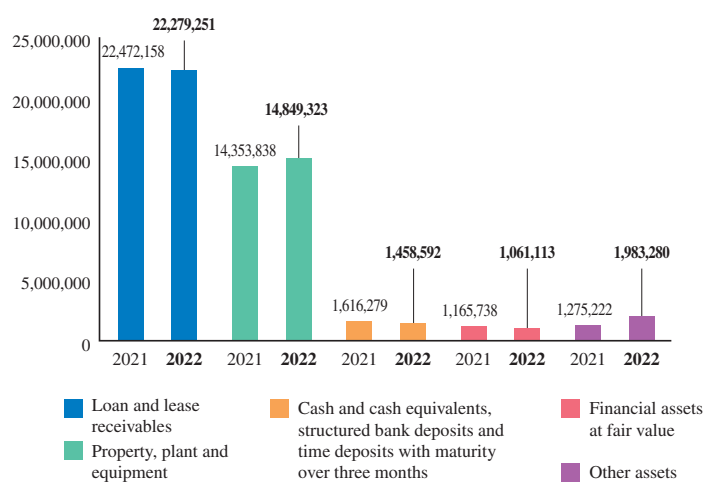


# Financial Highlights

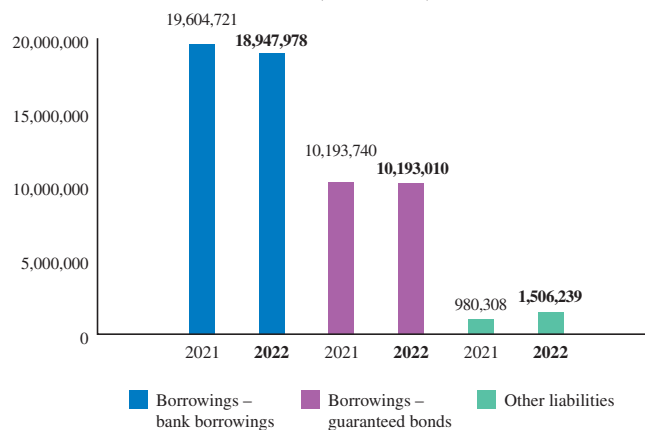
## 2. Summary of Condensed Consolidated Statements of Financial Position

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)	Change
Total assets	41,631,559	40,883,235	1.8%
Total liabilities	30,647,227	30,778,769	(0.4%)
Total equity	10,984,332	10,104,466	8.7%

**Total Assets**  
(HKD'000)



**Total Liabilities**  
(HKD'000)



# Financial Highlights

## 3. Selected Financial Ratios

	<b>Six months ended/ As at 30 June 2022</b>	Year ended/ As at 31 December 2021
<b>Profitability indicators</b>		
Return on average assets <sup>(1)</sup>	<b>4.4%</b>	3.9%
Return on average net assets <sup>(2)</sup>	<b>16.7%</b>	14.2%
Average cost of interest-bearing liabilities <sup>(3)</sup>	<b>2.4%</b>	1.9%
Net profit margin <sup>(4)</sup>	<b>60.2%</b>	56.2%
<b>Liquidity indicators</b>		
Asset-liability ratio <sup>(5)</sup>	<b>73.6%</b>	75.3%
Risk asset-to-equity ratio <sup>(6)</sup>	<b>3.7 times</b>	3.9 times
Gearing ratio <sup>(7)</sup>	<b>2.7 times</b>	2.9 times
Net debt-to-equity ratio <sup>(8)</sup>	<b>2.5 times</b>	2.8 times

Notes:

- (1) Calculated by dividing annualised net profit for the period/year by the average balance of total assets at the beginning and the end of the period/year.
- (2) Calculated by dividing annualised net profit attributable to the equity holders of the Company for the period/year by the average balance of net assets attributable to the equity holders of the Company at the beginning and the end of the period/year.
- (3) Calculated by dividing annualised finance costs and bank charges for the period/year by the average balance of borrowings at the beginning and the end of the period/year.
- (4) Calculated by dividing annualised net profit for the period/year by total revenue for the period/year.
- (5) Calculated by dividing total liabilities by total assets.
- (6) Calculated by dividing risk assets by total equity. Risk assets are total assets minus cash and cash equivalents and time deposits with maturity over three months.
- (7) Calculated by dividing total borrowings by total equity.
- (8) Calculated by dividing net debts by total equity. Net debts are borrowings minus cash and cash equivalents.



# Management Discussion and Analysis

## 1. Industry Environment

During the first half of 2022, the Russia-Ukraine conflict, pandemic prevention and control in certain areas and interest rate hike of the US dollar disrupted the rhythm of the revival of the global economy, the global economy was exposed to the risk of “stagflation” under the dual challenges of high inflation and weak growth. However, against the backdrop of mismatch of supply and demand, supply chain blockages as well as the trade turnaround between Europe and Russia since the pandemic, the global shipping market still remained at a relatively high level. During the first half of the year, the ClarkSea Index showed an upward trend and reached US\$42,099/day at the end of June 2022, representing an increase of 25.9% as compared to the beginning of the year, with an average of US\$38,884/day in the first half of the year, which was the highest since the financial crisis in 2008.

In relation to the bulk carrier market, the overall market condition during the first half of the year recorded a slight decline as compared with the average level of the second half of 2021. However, the half-year average of BDI Index was 2,286 points, representing a year-on-year increase of 2.17%, which managed to maintain at a high level as compared with its historical records. In terms of the subdivided segment of the bulk carrier market, small and medium bulk carriers had a satisfactory performance, and the average daily charter hire income of Panamax and Handysize during the first half of the year was US\$22,592/day and US\$25,363/day respectively, representing a year-on-year increase of 2.50% and 30.74% respectively, which supported the bulk carrier market to maintain at a high level in general. With regard to the container market, as affected by factors like the interest rate hike of the US dollar and the pandemic prevention and control in Shanghai, the global maritime container trading faced downward pressure in the first half of the year. However, the issues of shipping interruption as well as blockages and congestion of ports have not been significantly alleviated, which continued to support the container shipping market.

In respect of the oil tanker market, the Russia-Ukraine conflict caused the oil tanker market to rebound strongly in the first half of the year, the average value of Baltic Exchange Dirty Tanker Index (BDTI) in the first half of the year was 1,092 points, representing a year-on-year increase of 80.1%. The average value of Baltic Exchange Clean Tanker Index (BCTI) in the first half of the year was 1,049 points, representing a year-on-year increase of 105.3%. However, the oil tanker market still remained at its historic low point. In terms of vessel types, the markets of small and medium oil tankers and refined oil tankers performed relatively better. As at June 2022, the one-year freight rates of Aframax oil tankers and medium-range product tankers (MR) recorded significant increases as compared to the beginning of the year.

In terms of offshore clean energy, the market was still in a stage of strong expansion. After the outbreak of the Russia-Ukraine conflict, Europe strived to reduce the dependence of Russian energy, leading to the sharp increase in the demand for liquefied natural gas (LNG) import. From January to May 2022, the LNG import from Europe recorded a year-on-year increase of 59% and the maritime trading of LNG enjoyed positive development. Overall, the revenue from spot freight and the rents of very large gas carriers (VLGC) in the first half of the year remained stable, which was mainly benefitted from the strong export from the Middle East and US and the new round of capacity expansion of propane dehydrogenation (PDH) of China, and the long-haul trade between China and US also supported the growth of global maritime trading of liquefied petroleum gas (LPG).

# Management Discussion and Analysis

## 2. Overall Operation of the Group

In the first half of 2022, the scale of operating carrier fleet of the Group recorded a year-on-year steady growth. By seizing the favorable opportunities brought by the strong recovery of oil tanker transportation and the burgeoning dry bulk cargo market, the investment gain and operating results of assets including jointly-operated oil tanker fleet and self-operated bulk carrier fleet achieved excellent performance. While the long-term leasing business maintained stable growth, the benefits from the prosperous shipping market were fully shared, enabling the operating results to maintain rapid growth at a high level. For the six months ended 30 June 2022, the Group recorded a revenue of HK\$1,504.7 million, representing a year-on-year increase of 43.3%; profit for the period was HK\$906.3 million, representing a year-on-year increase of 36.9%; and operating profit was HK\$790.0 million, representing a year-on-year increase of 24.0%. The consolidated profit attributable to equity holders of the Group for the first half of 2022 increased by approximately 35.3% as compared to the corresponding period in 2021. For the six months ended 30 June 2022, the Group's return on average net assets and return on average assets were 16.7% and 4.4% respectively, representing an increase of 2.6 percentage points and 0.3 percentage points as compared to the corresponding period of 2021 respectively.

## 3. Performance Highlights

### (1) The fleet size grew steadily and the long-term leasing assets achieved steady operation

As at 30 June 2022, the size of the Group's (including its joint ventures and associates) vessel portfolio reached 157 vessels, of which the number of vessels in operation increased from 114 as at 30 June 2021 to 132 as at 30 June 2022, representing a year-on-year increase of 15.8%; 25 vessels were under construction, with an average age of 3.3 years. During the first half of 2022, the Group seized the development opportunities in the shipping market and continued to increase investment in clean energy equipment and subdivided vessel types with good market potential such as feeder container vessels, automobile ro-ro transportation vessels and semi-submerged vessels, so as to further optimize the deployment of resources. During the first half of the year, the Group had 9 newly-signed vessels with a contract amount of US\$492 million. At the same time, the Group optimized the structure of maturity of cash flows, increased the proportion of short-term repayments and managed the performance risk by targeting at the characteristics of the burgeoning shipping market and increase in vessel prices; 10 vessels were sold and repurchased by vessel owners with a contract amount of US\$140 million.

In terms of contract value, marine clean energy equipment, container vessels, tankers, bulk carriers and special tonnage carriers accounted for 35.7%, 21.0%, 19.6%, 13.8% and 9.9% of the Group's entire vessel portfolio respectively. The proportion of high technology vessels including marine clean energy equipment was high, and mainstream vessel types including container vessels, oil tankers and bulk carriers were high-quality and balanced. The vessels were in good technical condition, seaworthy and liquid, and its capital market value had a more sufficient coverage ratio than its carrying value, which provided strong support to the medium to long-term sustainable development of the Group.

# Management Discussion and Analysis

## 3. Performance Highlights *(Continued)*

### (1) The fleet size grew steadily and the long-term leasing assets achieved steady operation

*(Continued)*

In the first half of 2022, the Group (including its joint ventures and associates) entered into 12 ship leasing contracts with a contract value of US\$486 million and completed 10 ship leasing contracts. All ship assets were under leasing, the Group (including its joint ventures and associates) was implementing 132 ship leasing contracts, including 60 finance lease contracts and 72 operating lease contracts. Among these 132 lease contracts in progress, 104 lease contracts were entered into for a term of more than one year with an average remaining lease term of approximately 7.34 years, the utilisation rate of operating vessel portfolio reached 100% and the cash collection rate of charter hire was 100%. Long-term leased assets with good performance were a strong guarantee for the Group to generate stable and hefty revenue and profits.

### (2) The profits of self (jointly)-operated carrier fleet increased significantly, which contributed to substantial and flexible revenue in the market

Benefitting from the strong recovery of oil tanker transportation market, continuous prosperity of dry bulk transportation market as well as flexible and reasonable leasing arrangements, the Group's (including its joint ventures and associates) self-operated bulk carrier fleet continued to perform well and the investment gain arising from the jointly-operated oil tankers increased significantly. In the first half of 2022, the investment gain from the Group's jointly-operated oil tanker fleet increased significantly. The investment gain attributable to the Group amounted to HK\$91.9 million in aggregate, representing a significant year-on-year increase of HK\$102.1 million. Of which, the fleet operating income of eight 50,000-ton product oil/chemical tankers (in which 50% of equity interest was owned by the Company) amounted to HK\$221.5 million and the investment gain attributable to the Group amounted to HK\$37.4 million, representing a year-on-year increase of HK\$38.0 million, the fleet operating income of six 75,000-ton product oil tankers (in which 50% of equity interest was owned by the Company) amounted to HK\$228.7 million and the investment gain attributable to the Group amounted to HK\$54.5 million, representing a year-on-year increase of HK\$64.1 million. In addition, four super large liquefied gas carriers (in which 50% of equity interest was owned by the Group) performed stably, the fleet operating income of which amounted to HK\$309.1 million and the investment gain attributable to the Group amounted to HK\$43.5 million, which was basically the same as compared with the corresponding period of 2021. For self-operated carrier fleet, the fleet operating income of eight bulk carriers (including six 64,000-ton bulk carriers and two 82,000-ton bulk carriers) was HK\$288.3 million and net profit was HK\$171.3 million, representing a year-on-year increase of 95.2%. The above income was calculated based on the market rate of charter hire.

On 1 January 2022, the Regional Comprehensive Economic Partnership (RCEP) took effect officially, which brought new opportunities to the regional economic cooperation and trading in the Eastern Asian regions. In order to capture market opportunities, in May 2022, the Group jointly established CA SHIPPING with Asean Seas Line and invested to build 2+2 1100TEU feeder container vessels, which enabled the Group to tap into the untapped self-operated container vessel segment. This vessel type enjoyed more apparent advantages in terms of oil consumption and capacity and was the mainstream vessel type of routes in the Asian regions. This vessel type had certain pricing and delivery advantages, which were of great significance for the Group to share ripple and periodic dividends of the shipping sector.

# Management Discussion and Analysis

## 3. Performance Highlights *(Continued)*

### (3) Adhered to the development direction of green shipping and strengthened the complete industrial chain layout of clean energy

Green shipping is a major development direction of the Group which has clear strategic layout and systematic asset deployment. During the first half of the year, the Group continued to make efforts in the clean energy sector and executed one 174,000-cubic LNG carrier, self-operated four LNG carriers and one 86,000-cubic very large gas carriers (VLGC) was newly delivered and started the charter services. Such vessel type upgraded the green motor system and was the first time to use liquefied petroleum gas (LPG) as the main fuel in the world, which followed the principle of “environmentally friendly with low emission” to the greatest extent. As of 30 June 2022, the Group had 20 clean energy equipment vessels in its vessel portfolio which accounted for 35.7% of the contract value and generated income of HK\$745.9 million, representing a year-on-year increase of 83.5%. On 28 June 2022, the Group, PetroChina International (Hong Kong) Corporation Limited and COSCO SHIPPING Energy Transportation Co., Ltd. jointly signed the Cooperative Principle Agreement of the Leasing of LNG Vessels (《LNG船舶租賃合作原則協定》), which achieved strategic cooperation on the industrial chain of LNG transportation and laid down a solid cooperative foundation for the Group to promote the strategies in relation to the clean energy industry in depth.

The Group treats the development of green finance and serving green shipping as its responsibilities and takes the initiative to establish a green shipping and finance lease alliance in the Greater Bay Area, which called for the strengthening of exchanges and cooperation in the field of shipping, manufacturing, finance and leasing. The Group will promote the wide application of low-carbon and environmental-friendly vessels and equipment by leveraging on the innovative pilot implementation and trial policies on green finance in the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will provide special finance leases to support green shipping and establish a resource sharing mechanism in the industry, so as to facilitate the healthy development of green shipping.

The Group pays close attention to the development of policies on carbon emission of International Maritime Organization and the European Union, and researches on the demand for upgrading of self-operated and joint-operated assets and equipment according to the requirements of Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) as well as the iteration of relevant equipment and technologies. Currently, the Group is performing dual fuel conversion on four jointly-operated VLGC. After the completion of conversion, the economic and environmental advantages of vessel operation will be maximized and it will put the Group’s operational philosophy of green development and social responsibilities into practice.

# Management Discussion and Analysis

## 3. Performance Highlights *(Continued)*

### **(4) The risk prevention and control system has been gradually improving and asset quality has continued to improve**

In the first half of 2022, the Group completed the first phase construction of integration of internal control and informatization, which significantly improved the management efficiency of internal control as well as the standardization and effectiveness of business operation. With the assistance of the information system, each major risk is followed up dynamically, quantitatively and immediately. In the first half of the year, the Group successfully reversed impairment losses of HK\$23.5 million through proactive risk response and handling, with no new non-performing project was identified during the same period. As at 30 June 2022, the Group's assets were in good operating condition, and the utilization rate of vessel assets and overall recovery rate of charter hire were both 100.0%.

### **(5) Market-oriented reforms will stimulate endogenous motivation to become a benchmark for the reform of state-owned enterprises**

In the first half of 2022, the professional manager reform of the Group has been completed in stages and five senior management including the general manager were all in place. Special management systems matching the operation responsibilities, performance assessment and remuneration or incentive have been formulated. In order to follow the orientation of market-oriented reforms, the Board optimized and adjusted the authorization and decision-making proposal of the management to improve the decision-making efficiency in the management of investments in core business. Professional manager reform will enhance the Group's modern corporate system, improve the market-oriented operating mechanism and stimulate the vitality of the management, so as to better push the Group forward to achieve high-quality development.

On 4 April 2022, the Group granted share options to certain senior management and core technical employees again under the share option scheme adopted in 2021, which further deepened the reform of medium to long-term incentive and restraint mechanisms and stimulated the endogenous motivation of the enterprise.

In view of the remarkable results and outcomes of the reform, the Group was awarded the "benchmark" rating, the top rating in the reform assessment of the "double-hundred action" for state-owned enterprises for 2021.

# Management Discussion and Analysis

## 4. Outlook

Currently, the inflation risk of advanced economies will still last and major central banks around the globe will continue to tighten the monetary policies, which will increase the risk of economic recession and the “stagflation” risk. This will probably restrain the growth of global shipping demand and further restrict the new shipbuilding market. However, on the other hand, since the outbreak of the pandemic, the layout of global maritime trading has experienced significant changes. In particular, the outbreak of the Russia-Ukraine conflict during this year affected global maritime trading materially and the layout of maritime trading was reconstructed and rebuilt rapidly. Europe reduced the dependence on Russian energy substantially, which opened huge windows for the LNG marine market. The change in crude oil importers will increase the shipping distance and the import shortage of natural gas and crude oil will also increase coal imports to Europe temporarily. The restructuring of grain and grain trade will also lengthen the shipping distance, providing a driving force for the development of the shipping market.

In terms of subdivided vessel types, for new container vessels, monetary tightening around the globe will suppress the demands for consumption and shipping. However, it is difficult to eliminate the blockages and congestion of ports caused by liner transports in the short run completely, which suppresses the transportation efficiency of container fleets and supports the freight rates. With the gradual recovery of volumes after the resumption of work and production in Shanghai, the container transportation demand in Asian regions still has stronger resilience. In terms of bulk carriers, the shipping turnover of coal will increase due to the fact that the European Union is seeking substitutes from Russian imports and India is increasing its coal imports. However, the growth of iron ore shipping is weak and the maritime trading of food is limited, and the dry bulk shipping market is in a tight balance between supply and demand after taking into account the relatively limited supply of new bulk carries. In terms of oil tankers, before the ban of import of Russian oil by Europe at the end of the year, the import from regions including the US, West Africa and the Middle East will be increased to cover the shortfall arising from Russian oil. Coupled with the new shipping demands arising from the possible interruption of energy channels of Russia and Europe, the shipping distance and turnover of oil around the world will increase along with the changes in trade layout. At the same time, the industry demands will gradually recover due to factors such as the recovery of crude oil production volume, increase in potential demands for replenishment from various countries and the reconstruction of trade flows. The supply of oil tanker fleets is low which can support the continuous strong performance of the oil transportation market to a certain degree. In respect of LNG vessels, since Europe imposed import substitution of Russian piped natural gas, the shipping demand for LNG from US, the Middle East, Africa, Australia to Europe is huge, while the low-carbon development of energy around the globe will also promote the import consumption of LNG of various countries and the approval and construction of production and receiving terminals of LNG will speed up, which will maintain the market heat of LNG transportation.

# Management Discussion and Analysis

## 4. Outlook *(Continued)*

The legislation of low-carbon and zero-carbon of the international maritime industry speeds up and the demands for zero-carbon solutions of shipping and green technologies of vessels will be more imminent, from which, the main driving point of the new shipbuilding market has been “compulsorily” transitioning from the short-term demand for downstream shipping to mid-term and long-term rules and regulations gradually, which is very likely to push the new shipbuilding market to its new heights. In the future, a series of changes in “green elements” will create challenges to the shipping and shipbuilding industries, while larger market opportunities will also be provided. The vessel owners who own green vessels and green-energy reserved vessels will be the mainstay of shipping market development from now on after relevant rules and regulations including Energy Efficiency Existing Ship Index (EEXI), Carbon Intensity Indicator (CII) and Ship Energy Efficiency Management Plan (SEEMP) progressively take effect in 2023.

In the second half of the year, the Group will continue to implement cross-cycle development strategies, enhance the overall research and judgment on international politics, macro-economy, shipping market, marine laws and regulations and leading technologies, consolidate and strengthen the core advantages of “understanding ships”, as well as enhancing the investment in high-quality, green and environmentally-friendly vessels and subdivided vessel types with good market prospects, so as to optimize the deployment of vessel assets. The Group will broaden the new strategic development of “clean energy” and commence cooperation with strategic customers including major cargo owners, major traders and large energy companies alongside the whole industry chain through the cooperation model of “integration of industry and finance and integration of transportation and trading”. The Group will expand diversified businesses as appropriate to seek policy breakthroughs and increase the number of onshore RMB projects. The Group will enhance the operation and management of self-operated and jointly-operated vessels and arrange leases in a scientific and reasonable way according to market conditions, so as to strive for revenues that match the market. Also, the Group will promote the traffic management of assets steadily, so as to improve the efficiency and effectiveness of ship asset operations. At the same time, the Group will enrich and innovate financing means to control finance costs against the backdrop of continuous interest hikes of the US dollars, so as to create values for customers and partners. The Group will strictly strengthen the prevention and control of risks and evaluate the impact of each risk factor to the Group and formulate responsive measures in advance. Furthermore, the Group will continue to deepen reforms comprehensively, so as to fully unleash the dividends of reforms.

In 2022, the Group has entered the second ten-year new development stage. The Group will continue to give full play to the core advantages of “understanding ships” and further capture the ship leasing industry, so as to establish differentiated competitive advantages. The Group will continue to implement the national strategy of “Carbon peaking and carbon neutrality” and increase the investment in clean energy sector, so as to continue to develop green shipping and green finance. The Group will anchor on continuous and healthy development and promote the transformation to cross-cycle adjustment and control, seeking to build the listed flagship of a shipyard-affiliated leasing company in the PRC.

# Management Discussion and Analysis

## 5. Finance Review

### 5.1 Analysis on Consolidated Income Statement

#### 5.1.1 Revenue

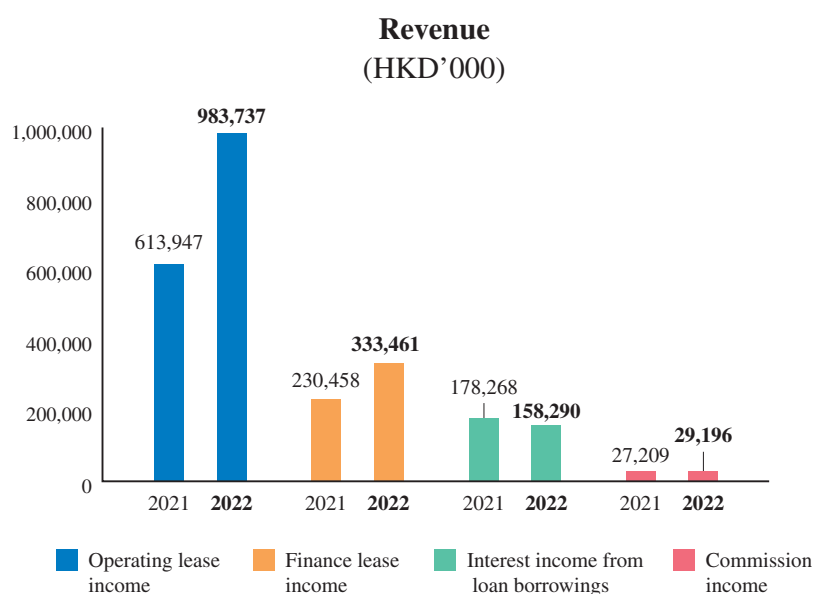
The Group's revenue comprises (i) operating lease income; (ii) finance lease income; (iii) interest income from loan borrowings; and (iv) commission income.

The Group's revenue increased by 43.3% from HK\$1,049.9 million for the six months ended 30 June 2021 to HK\$1,504.7 million for the six months ended 30 June 2022, primarily due to the increase in operating lease income and finance lease income.

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

#### Revenue

	Six months ended 30 June		Change
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	
Operating lease income	983,737	613,947	60.2%
Finance lease income	333,461	230,458	44.7%
Interest income from loan borrowings	158,290	178,268	(11.2%)
Commission income	29,196	27,209	7.3%
<b>Total</b>	<b>1,504,684</b>	<b>1,049,882</b>	<b>43.3%</b>





# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.1 Analysis on Consolidated Income Statement *(Continued)*

#### 5.1.1 Revenue *(Continued)*

##### *Operating Lease Income*

The Group's operating lease income significantly increased by 60.2% from HK\$613.9 million for the six months ended 30 June 2021 to HK\$983.7 million for the six months ended 30 June 2022 due to (i) the good performance in the self-operated bulker carrier market; and (ii) the increase in the Group's total shipping capacity since the second half of 2021 as the Group added 7 multi-purpose heavy lift carriers, 4 bulk carriers and 2 LNG green-energy vessels to its vessel portfolio under operating lease.

##### *Finance Lease Income*

The Group's recognised finance lease income was HK\$333.5 million for the six months ended 30 June 2022, compared with HK\$230.5 million for the corresponding period of the last year, representing a significant increase of HK\$103.0 million or 44.7%. The Group's finance lease income is priced on a floating rate basis with reference to LIBOR which had risen by roughly 200 basis points during the first half of 2022. With the increased LIBOR rate and the fact that the Group had entered into more new finance lease contracts during the second half of 2021 and the first half of 2022, the Group's finance lease income significantly increased when comparing to the corresponding period in 2021. The balance of finance lease receivables increased by 59.1% from HK\$8,890.7 million for the six months ended 30 June 2021 to HK\$14,146.5 million for the six months ended 30 June 2022.

##### *Interest Income from Loan Borrowings*

The Group's interest income from loan borrowings decreased by 11.2% from HK\$178.3 million for the six months ended 30 June 2021 to HK\$158.3 million for the six months ended 30 June 2022. The decrease in interest income from loan borrowings was mainly because of the continuous repayment of principal amounts by our customers during the period. The balance of loan borrowings decreased by 5.6% from HK\$7,531.4 million for the six months ended 30 June 2021 to HK\$7,107.2 million for the six months ended 30 June 2022.

##### *Commission Income*

The Group's commission income is generated from shipbroking services when the Group successfully facilitates shipbuilding transactions. The Group's commission income increased by 7.3% from HK\$27.2 million for the six months ended 30 June 2021 to HK\$29.2 million for the six months ended 30 June 2022.

# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.1 Analysis on Consolidated Income Statement *(Continued)*

#### 5.1.2 Other Income and Other Gains, Net

During the first half of 2022, the Group's other income and other gains, net decreased by 6.5% or HK\$3.7 million from HK\$57.8 million for the corresponding period last year to HK\$54.1 million for the six months ended 30 June 2022.

The main components of other income and other gains included: (i) the Group completed the sales transaction of two vessels in January 2022 and recorded a gain on assets held for sales amounting to HK\$23.5 million for the six months ended 30 June 2022; (ii) the Group recorded the interest income from private and listed bonds of HK\$18.4 million, and from bank deposits of HK\$3.9 million for the six months ended 30 June 2022 and (iii) the Group recorded the dividend income from listed preference shares of HK\$4.2 million for the six months ended 30 June 2022.

The slight decrease in other income and other gains was mainly due to the decrease in the dividend income from listed preference shares of HK\$5.7 million for the six months ended 30 June 2022 when comparing to the corresponding period last year as the Group restructured the investment portfolio since early 2021. Our management will continue to review the investment portfolio and seek the best options to improve the investment return.

# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.1 Analysis on Consolidated Income Statement *(Continued)*

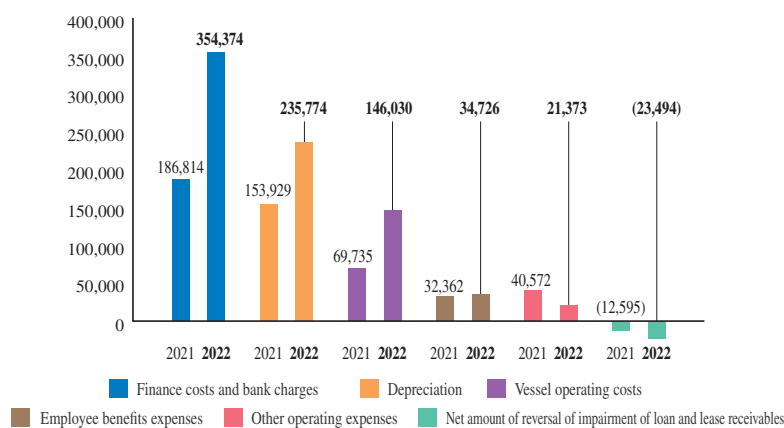
#### 5.1.3 Expenses

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

#### Expenses

	Six months ended 30 June		Change
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	
Finance costs and bank charges	354,374	186,814	89.7%
Depreciation	235,774	153,929	53.2%
Vessel operating costs	146,030	69,735	109.4%
Employee benefits expenses	34,726	32,362	7.3%
Other operating costs	21,373	40,572	(47.3%)
Net amount of reversal of impairment of loan and lease receivables	(23,494)	(12,595)	86.5%
<b>Total</b>	<b>768,783</b>	<b>470,817</b>	<b>63.3%</b>

Expenses  
(HKD'000)



# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.1 Analysis on Consolidated Income Statement *(Continued)*

#### 5.1.3 Expenses *(Continued)*

##### *Finance Costs and Bank Charges*

The Group's finance costs and bank charges during the period consisted of interests and charges on bank borrowings and bonds.

The Group's finance costs and bank charges significantly increased by 89.7% from HK\$186.8 million for the six months ended 30 June 2021 to HK\$354.4 million for the six months ended 30 June 2022. The average cost of interest-bearing liabilities was 1.9% and 2.4% for the year ended 31 December 2021 and the six months ended 30 June 2022, respectively. The significant increase was due to the substantial increase of about 200 basis points in floating rate with reference to LIBOR during the first half of 2022 when comparing to the corresponding period of last year. The Group had hedged the interest rate risks to reduce the rising interest rate.

##### *Depreciation*

The Group's depreciation expenses increased significantly by 53.2% from HK\$153.9 million for the six months ended 30 June 2021 to HK\$235.8 million for the six months ended 30 June 2022, mainly due to the increase in the Group's total shipping capacity since the second half of 2021 as the Group added 7 multi-purpose heavy lift carriers, 4 bulk carriers and 2 LNG green-energy vessels to its vessel portfolio under operating lease.

##### *Vessel Operating Costs*

The Group's vessel operating costs represent the expenses incurred in operating vessels under operating lease arrangements, including crew expenses, vessel repair and maintenance fees, ship management fees and vessel insurances. As (i) more vessels were delivered during the second half of 2021 and their operating costs were borne by the Group (including one self-operated LNG vessel), and (ii) the COVID-19 pandemic continued to spread around the world, the crew expenses and crew travelling expenses increased significantly during six months ended 30 June 2022 when comparing to the same period of 2021. The Group's vessel operating costs significantly increased by 109.4% to HK\$146.0 million for the six months ended 30 June 2022.

##### *Employee Benefits Expenses*

The Group's employee benefits expenses consisted of (i) wages, salaries, other allowances and retirement benefit costs; and (ii) share options expenses.

The employee benefits expenses slightly increased by 7.3% or HK\$2.3 million from HK\$32.4 million for the six months ended 30 June 2021 to HK\$34.7 million for the six months ended 30 June 2022. The increase was mainly because the share-based compensation expense amounting to HK\$7.1 million was recognised for the six months ended 30 June 2022.

# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.1 Analysis on Consolidated Income Statement *(Continued)*

#### 5.1.3 Expenses *(Continued)*

##### *Net Amount of Reversal of Impairment of Loan and Lease Receivables*

The net amount of reversal of impairment of loan and lease receivables of HK\$23.5 million for the six months ended 30 June 2022 was mainly because (i) the completion of a number of finance lease projects which had made the provision for impairment in the previous years; and (ii) the continued outstanding performance of the overall shipping market led to the improvement of the charterer's ability to perform contracts and the quality of lease receivables.

#### 5.1.4 Share of Results of Joint Ventures

The Group's share of results of joint ventures significantly increased by 328.7% or HK\$102.5 million from HK\$31.2 million for the six months ended 30 June 2021 to HK\$133.7 million for the six months ended 30 June 2022.

The significant increase in the share of results of joint ventures was due to the outstanding performance in the international transportation segment of (i) refined product oil and (ii) chemical.

The reason behind was because (i) the geopolitical conflicts have led to soaring oil freight rates and (ii) the transportation demands for petrochemical products recovered in 2022. As a result, the fuel consumption of refined product oil recovered and returned to close to the pre-epidemic level in 2022 which led to the increasing demand and turnover for product oil transportation, the average daily time charter hire increased by 189.5% from USD10,500 (approximately HK\$81,700) per day for the six months ended 30 June 2021 to USD30,400 (approximately HK\$236,500) per day for the six months ended 30 June 2022.

Besides, the demand for chemical transportation also increased, the average daily time charter hire increased by 35.7% from USD14,000 (approximately HK\$108,900) per day for the six months ended 30 June 2021 to USD19,000 (approximately HK\$147,800) per day for the six months ended 30 June 2022.

# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

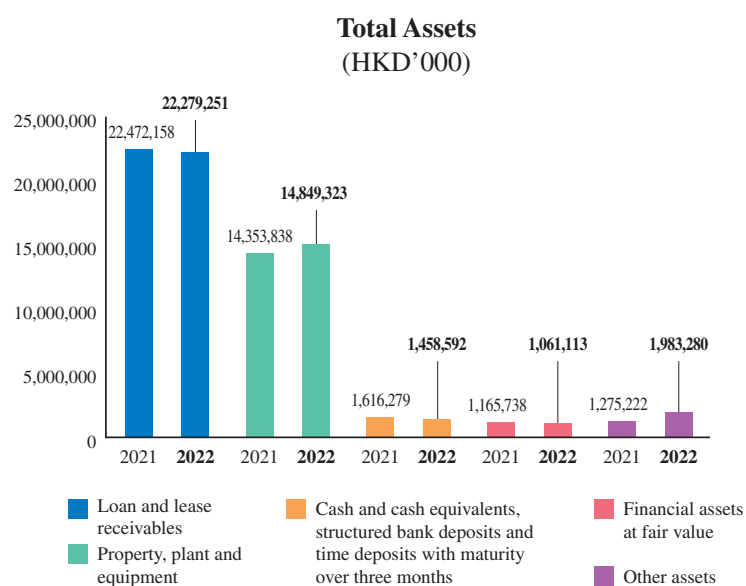
### 5.2 Analysis on Consolidated Statement of Financial Position

#### Assets

As at 30 June 2022, the total assets of the Group mainly comprised property, plant and equipment, loan and lease receivables, cash and bank deposits and financial assets at fair value, which accounted for 95.2% of the Group's total assets.

#### Total Assets

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)	Change
Loan and lease receivables	22,279,251	22,472,158	(0.9%)
Property, plant and equipment	14,849,323	14,353,838	3.5%
Cash and cash equivalents, structured bank deposits and time deposits with maturity over three months	1,458,592	1,616,279	(9.8%)
Financial assets at fair value	1,061,113	1,165,738	(9.0%)
Other assets	1,983,280	1,275,222	55.5%
<b>Total</b>	<b>41,631,559</b>	40,883,235	1.8%



# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.2 Analysis on Consolidated Statement of Financial Position *(Continued)*

#### 5.2.1 Loan and Lease Receivables

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

#### Loan and lease receivables

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)	<b>Change</b>
Lease receivables	<b>14,239,507</b>	13,901,500	2.4%
Loan borrowings	<b>7,107,188</b>	7,705,711	(7.8%)
Loans to joint ventures	<b>932,556</b>	864,947	7.8%
<b>Total</b>	<b>22,279,251</b>	22,472,158	(0.9%)

#### a) *Lease Receivables*

The Group's net lease receivables amounted to HK\$13,901.5 million and HK\$14,239.5 million as at 31 December 2021 and 30 June 2022, respectively. Such receivables increased by 2.4% or HK\$338.0 million because the Group executed several new finance lease contracts in the first half of 2022.

Finance lease receivables were secured and repayable within 15 years and bore interest at rates ranging from 3.6% to 8.0% as at 30 June 2022.

#### b) *Loan Borrowings*

Loan borrowings mainly refer to receivables from the secured loan provided by us. The Group's loan borrowings were secured and bore interest at rates ranging from 3.2% to 8.0% per annum and repayable from 2022 to 2033 as at 30 June 2022.

The Group's loan borrowings slightly decreased from HK\$7,705.7 million as at 31 December 2021 to HK\$7,107.2 million as at 30 June 2022. The slight decrease of 7.8% in loan borrowings was mainly because of the continuous repayment of principal amounts made by our customers during the period.

# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.2 Analysis on Consolidated Statement of Financial Position *(Continued)*

#### 5.2.1 Loan and Lease Receivables *(Continued)*

##### c) *Loans to Joint Ventures*

Loans to joint ventures represent the unsecured loans to joint ventures which were repayable on demand, of which HK\$402.2 million bore interest at rates ranging from 3.2% to 5.0% per annum as at 30 June 2022.

The Group's loans to joint ventures amounted to HK\$864.9 million and HK\$932.6 million as at 31 December 2021 and 30 June 2022, respectively. The increase of HK\$67.7 million in loans to joint ventures was mainly due to the further injection of funding to joint ventures for vessels under construction which was in accordance with the Group's business plan.

During the six months ended 30 June 2022, there was no major default in the repayment of loan and lease receivables from our customers and none of our loan and lease receivables was written off.

#### 5.2.2 Property, Plant and Equipment

The Group's property, plant and equipment comprise constructions in progress, vessels held for operating leases, leasehold improvements, office equipment and motor vehicles held for business purposes. As at 31 December 2021 and 30 June 2022, the Group's property, plant and equipment amounted to HK\$14,353.8 million and HK\$14,849.3 million, respectively. The slight increase of 3.5% in the Group's property, plant and equipment during the first half of 2022 was primarily because the Group continued to increase the number of vessels under operating lease arrangements.

#### 5.2.3 Financial Assets at Fair Value

Financial assets at fair value represent private and listed bonds, listed preference shares and wealth management products held by the Group. The total amount of financial assets at fair value decreased by 9.0% from HK\$1,165.7 million as at 31 December 2021 to HK\$1,061.1 million as at 30 June 2022. Such decrease was because the market value of wealth management products decreased as at 30 June 2022 when comparing to the year ended 31 December 2021. The Group will continue to maintain the suitable investment portfolio of the private and listed bonds and wealth management products in order to receive stable return.



# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

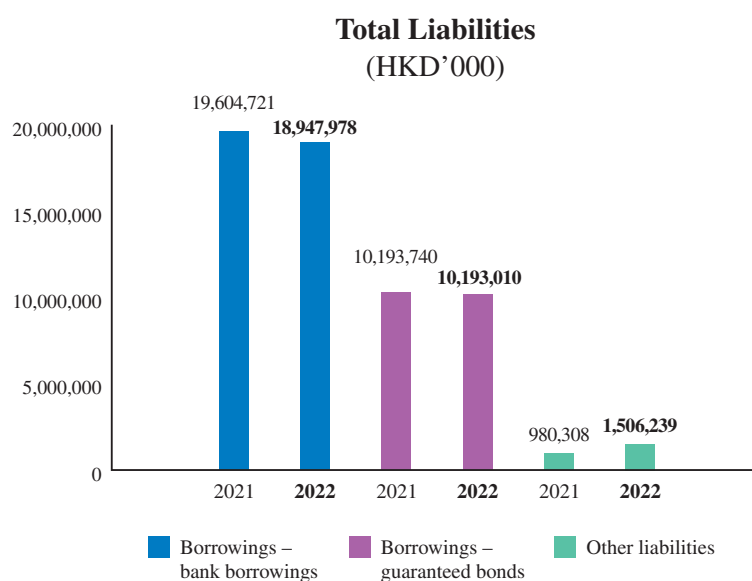
### 5.2 Analysis on Consolidated Statement of Financial Position *(Continued)*

#### Liabilities

As at 30 June 2022, the total liabilities of the Group mainly represented borrowings, including bank borrowings and guaranteed bonds, which accounted for 95.1% of its total liabilities.

#### Total liabilities

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)	Change
Borrowings – bank borrowings	18,947,978	19,604,721	(3.3%)
Borrowings – guaranteed bonds	10,193,010	10,193,740	–
Other liabilities	1,506,239	980,308	53.6%
<b>Total</b>	<b>30,647,227</b>	30,778,769	(0.4%)



# Management Discussion and Analysis

## 5. Finance Review *(Continued)*

### 5.2 Analysis on Consolidated Statement of Financial Position *(Continued)*

#### 5.2.4 Borrowings – Bank Borrowings

The Group's bank borrowings decreased by 3.3% from HK\$19,604.7 million as at 31 December 2021 to HK\$18,948.0 million as at 30 June 2022, mainly due to the repayment of borrowings during the period in 2022. The weighted average interest rates for the year ended 31 December 2021 and six months ended 30 June 2022 ranged from 0.96% to 2.27% and 1.28% to 2.97%, respectively. There was no delay in the repayment of or default in any of our bank borrowings during the period.

#### 5.2.5 Borrowings – Guaranteed Bonds

As at 30 June 2022, the Group held (i) two guaranteed bonds of US\$400,000,000 (approximately HK\$3,112,000,000) due 2025 and US\$400,000,000 (approximately HK\$3,112,000,000) due 2030 bearing interest at 2.5% and 3.0% per annum respectively; and (ii) a green and blue dual-certified bond of US\$500,000,000 (approximately HK\$3,890,000,000) due 2026 bearing interest at 2.1% per annum.

The use of funds raised by the bonds included development of the leasing business (including the green and blue vessel projects), repayment of existing debts and general corporate purposes.

## 6. Asset Quality

The Group writes off loan and lease receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activities. The Group may write off loan and lease receivables that are still subject to enforcement activities.

The Group did not write off any loan and lease receivables during the year ended 31 December 2021 and the six months ended 30 June 2022.

# Management Discussion and Analysis

## 7. Analysis of Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	1,029,943	(1,115,067)
Net cash used in investing activities	(485,679)	(1,599,606)
Net cash (used in)/generated from financing activities	(697,007)	2,154,407
Net decrease in cash and cash equivalents	(152,743)	(560,266)
Cash and cash equivalents at the beginning of the period	1,427,683	2,180,280
Effect of foreign exchange rate changes on cash and cash equivalents	(5,252)	20,202
Cash and cash equivalents at the end of the period	1,269,688	1,640,216

The net cash generated from operating activities amounted to HK\$1,029.9 million, which was mainly because the Group generated a profit before tax from operation during the six months ended 30 June 2022.

The net cash used in investing activities amounted to HK\$485.7 million, which was mainly due to the payment to shipbuilders during the six months ended 30 June 2022.

The net cash used in financing activities amounted to HK\$697.0 million, which was mainly because the Group repaid a number of bank loans during the six months ended 30 June 2022.

# Management Discussion and Analysis

## 8. Fund Management

### 8.1 Bank Loans and Capital Structure

In 2022, with the continuous development of its main business, the Group's operating performance steadily improved. Benefiting from excellent international ratings and good market reputation, the Group's liquidity was solid, and its financing capabilities continued to increase and financing methods were increasingly diversified while financing costs continued to decrease. The Group kept abreast of the changes in macro situation, actively responded to the complicated financial environment at home and overseas and adjusted its financing strategies in a timely manner. The Group also rationally selected USD-denominated financing products and properly arranged the term structure, continuously improved its debt structure and maintained an obvious advantage in financing costs compared to its peers.

In 2022, high inflation rate is seen around the world. The influence of strong expectations of interest rate hikes by the Federal Reserve has led to a significant increase in USD interest rates, with the 3-month LIBOR rate rising from 0.2% at the beginning of the year to a level of 2.2% and interest rate on new bank loans has seen an upward trend. As at 30 June 2022, the average cost of interest-bearing liabilities of the Group increased to 2.4% from 1.9% as at 31 December 2021. The Group has taken effective measures to control the excessive increase in financing costs and has achieved better results, with the consolidated financing costs remaining at a lower level in the market.

In the direct financing market, the Group continued to diversify its bond portfolio and optimize its product structure by issuing products including USD long-term bonds, USD medium-term bonds, USD green and blue bonds. The relevant proceeds were used to support qualified green shipping projects such as energy efficiency upgrades, pollution prevention and control, low-carbon and clean fuels, and sustainable transportation, helping China's shipping industry achieve green and sustainable development and supporting the high-quality development of China's economy.

In the indirect financing market, the Group continued to deepen its partnership with core banks based on its existing financing channels in accordance with its strategic development needs, forming in-depth strategic partnerships with banks including the large banks and policy banks, as well as international commercial banks, and launching loan products such as sustainability-linked loan, long-term vessel project loans and syndicated loans for vessel projects. As at 30 June 2022, the Group held loan facilities of approximately HK\$17.1 billion (approximately US\$2.2 billion), utilized loan facilities of approximately HK\$9.5 billion (approximately US\$1.2 billion) and unutilized bank loan facilities of approximately HK\$7.6 billion (approximately US\$1.0 billion).

In summary, the Group has increasingly diversified its financing instruments, continued to optimize its debt structure, further reduced its reliance on a single product and market, and achieved diversification of financing products and geographical diversification of financing and continued to maintain a competitive cost advantage.

As at 30 June 2022, the Group's total assets and total liabilities were HK\$41,631.6 million and HK\$30,647.2 million, respectively, its equity attributable to owners was HK\$10,871.7 million and the gearing ratio was 2.7 times. By improving the stock fund operation, enhancing the utilisation efficiency of funds, strictly implementing funding plans and controlling the scale of interest-bearing indebtedness, the gearing ratio recorded a decrease and remained at a lower level in the industry, resulting in a healthier gearing position.

# Management Discussion and Analysis

## 8. Fund Management *(Continued)*

### 8.2 Interest Rate Risk

In terms of interest rate risk, the continuous uptrend in domestic inflation in the United States has led to significant rise in expectations for the Federal Reserve's interest rate hike, while the USD interest rate has continued to rise, the 3-month LIBOR increased sharply from 0.2% at the beginning of the year to 2.2% with an upward trend. In response to the drastic fluctuations and uncertainties in the USD interest rate market, the Group exerted greater pressure on interest rate risk management by using financial instruments such as interest rate swaps to hedge its interest rate risk exposure. In terms of interest rate structure, the Group continued to maintain its original interest rate risk management strategy and proactively managed the matching of assets and liabilities in terms of interest rate structure. The Group's financial leasing assets and bank loan liabilities are both subject to fluctuations in USD interest rate, which are offset by mutual hedging, and the related interest rate risk exposure is relatively small. Therefore, it is expected that the interest rate risk arising from the USD interest rate hike will have minimal effect on the Group.

### 8.3 Exchange Rate Risk

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

### 8.4 Liquidity Risk

During the period, the Group funded its operations and growth primarily through cash generated from operations, bank borrowings and issuance of bonds. When determining the allocation of its capital resources, the Group primarily considers its business strategies and development plans, future capital needs and projected cash flow.

During the period, the Group primarily relied on bank borrowings and issuance of bonds to finance its capital expenditure and its financial and liquidity needs derived from its growing business operation. There was no significant change in the Group's indebtedness and credit standing in the first half of 2022 and the credit ratings assigned to the Company by the credit rating agencies remained unchanged. The Group has sufficient cash flow, while the credit facilities granted by banks to the Company are sufficient to enable the Company to pay the principal in full in cash even if the convertible bonds are held to maturity by the investors.

Taking into account the historical and expected future cash flows from operations, unutilised available banking facilities of the Group and the bonds issued by the Company during the reporting period, the Directors expected that the Group will have adequate resources to meet its liabilities and commitment as and when they fall due and will be able to continue its operational existence for the foreseeable future.

# Management Discussion and Analysis

## 9. Risk Management

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, asset risk, information technology risk and reputation risk. The Group carries out risk management with the mission of sustainable development of business and enhancement of the Group's value, and has established a comprehensive risk management system. The Group has unleashed its potential in resources to improve the responsiveness in risk management for safeguarding the steady development of its business. At present, the Group has adopted a stable strategy in relation to risk appetite. With regard to the selection of industries, the Group prefers industries and fields with mature business models, economies of scale and excellent asset quality; in terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or high-quality listed companies; in terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management, and accelerate the transfer of leased assets by combining operation strategies, market environment and the features of leased properties. While realizing the steady growth of the business, the Group achieves a return on its earnings that matches the risks, and controls its risks within an acceptable range. Based on the characteristics of the leasing industry, its own risk tolerance and risk appetite, the Group has established an effective risk identification, evaluation, monitor, control and reporting mechanism, and supports the effective implementation of the Company's risk management policies through a sound management information system to actively strengthen risk assessment and management system. Meanwhile, it will strengthen the proactive response management of risks; reduce the overall business risks by carrying out asset risk management in different countries, regions and industries; strive to maximize the risk return by actively adjusting the business strategy of the industry, establishing the customer credit quantitative assessment model and debt assessment model, strengthening the customer access standards, and improving the risk assessment system; and realize the value creation of risk management by improving the business quality and resource allocation efficiency of the Group. In the first half of 2022, the Group continued to strengthen the establishment of a comprehensive risk management system and promoted the improvement of corporate risk governance structure; comprehensively assessed the Company's risk management strategy system, formulated a comprehensive risk management optimization plan for the Group's main risk categories and business segments, and established a comprehensive risk management structure that matches the business development strategies, business objectives, financial conditions and compliance management objectives.

# Management Discussion and Analysis

## 10. Human Resources

As at 30 June 2022, the Group had a total of 82 employees, approximately 35% of whom were located in Hong Kong. The Group has a team of high-quality talents with a bachelor's degree or above. As at 30 June 2022, approximately 95% of the Group's employees has a bachelor's degree or above.

For the six months ended 30 June 2022 and 30 June 2021, the remuneration of the Group's employees amounted to approximately HK\$34.7 million and HK\$32.4 million, respectively. The Group endeavors to create a competitive and fair system for remuneration and welfare. The remuneration package of the Group's employees includes basic salary, performance-related bonus and share-based payment. The Group reviews the remuneration packages and performance of its employees on an annual basis.

## 11. Pledge of Assets

As at 30 June 2022, the Group's property, plant and equipment for operating lease of HK\$3,555.2 million (31 December 2021: HK\$3,627.0 million), lease receivables of HK\$11,367.4 million (31 December 2021: HK\$10,556.3 million) and bank deposits of HK\$159.5 million (31 December 2021: HK\$114.9 million) were pledged to bank to acquire bank loans.

# Corporate Governance/Other Information

## Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of the shareholders of the Company (the “Shareholders”) and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as its own code of corporate governance. During the six months ended 30 June 2022, the Company had complied with all applicable code provisions set out in the CG Code and adopted most of the recommended best practices.

## Interim Dividend

The Board declared an interim dividend of the Company of HK\$0.03 per share for the six months ended 30 June 2022 (interim dividend of the Company for the six months ended 30 June 2021: HK\$0.03 per share). The aforesaid interim dividend will be paid on 7 October 2022 to those Shareholders whose names appear on the Company’s register of members on 29 September 2022.

## Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company (the “Director(s)”). Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the standards set out in the Model Code during the six months ended 30 June 2022.

## Audit Committee and Review of the Interim Report

The Board has established an audit committee (the “Audit Committee”) which currently comprises three independent non-executive Directors, namely Mdm. Shing Mo Han Yvonne (chairperson), Mr. Wang Dennis and Mr. Li Hongji, and two non-executive Directors, namely Mr. Li Wei and Mr. Zou Yuanjing. The primary duties of the Audit Committee are to review the financial information of the Group and monitor the financial reporting system, risk management and internal control system of the Group.

The unaudited condensed interim results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee together with the senior management and the external auditor of the Company.



# Corporate Governance/Other Information

## Changes of Information in relation to the Directors

On 4 March 2022, Mr. Hu Kai resigned as the executive Director.

Save as disclosed above, the Directors confirmed that there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2022, based on the information available to the Company, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Capacity/Nature of interests	Number of shares	Long/Short position	Approximate percentage of shareholding in the share capital of the Company (%)
Zhong Jian <sup>(1)</sup>	Beneficial owner	12,650,000	Long position	0.21

Notes:

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

Save as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company had interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or which were required to be otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Corporate Governance/Other Information

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

As at 30 June 2022, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interests	Number of shares	Long/Short position	Approximate percentage of shareholding in the share capital of the Company (%)
State-owned Assets Supervision and Administration Commission	Interest in controlled corporation <sup>(1)</sup>	4,602,046,234	Long position	75.00
China Shipbuilding Group	Interest in controlled corporation <sup>(1)</sup>	4,602,046,234	Long position	75.00
CSSC Group	Interest in controlled corporation <sup>(1)</sup>	4,602,046,234	Long position	75.00
CSSC International Holding Company Limited ("CSSC International")	Beneficial owner <sup>(1)</sup>	4,602,046,234	Long position	75.00
Central Huijin Investment Ltd.	Interest in controlled corporation <sup>(2)</sup>	522,490,000	Long position	8.52
China Re Asset Management (Hong Kong) Company Limited	Investment manager <sup>(2)</sup>	522,490,000	Long position	8.52
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司) ("China Reinsurance")	Beneficial owner <sup>(2)</sup>	522,490,000	Long position	8.52

Notes:

- (1) CSSC International is a wholly-owned subsidiary of CSSC Group, which is wholly owned by the State-owned Assets Supervision and Administration Commission. As such, by virtue of the SFO, CSSC Group, China Shipbuilding Group and the State-owned Assets Supervision and Administration Commission are deemed to be interested in the 4,602,046,234 shares held by CSSC International.
- (2) Central Huijin Investment Ltd. holds 71.56% of the equity interest in China Reinsurance. As such, by virtue of the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 522,490,000 shares held by China Reinsurance. The shares held by China Re Asset Management (Hong Kong) Company Limited are the same batch as those held by China Reinsurance.

Save as disclosed above, as at 30 June 2022, as far as the Directors are aware, no other persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

# Corporate Governance/Other Information

## Share Option Scheme

At the extraordinary general meeting of the Company held on 30 April 2021 (the “EGM”), the Shareholders approved the adoption of a share option scheme (the “Scheme”). The Scheme will be effective for a term of 10 years commencing from the date on which the Scheme is approved by the Shareholders at the EGM, unless terminated in advance by the Shareholders at a general meeting. The Company (i) has granted share options under the Scheme on 30 April 2021 to certain Directors and employees of the Group which entitle the grantees to subscribe for up to an aggregate of 143,540,000 new shares with exercise price of HK\$1.32 per share in the share capital of the Company; and (ii) has granted share options under the Scheme on 4 April 2022 to certain senior management and core technical employees of the Company which entitle the grantees to subscribe for up to an aggregate of 28,710,000 new shares with exercise price of HK\$1.15 per share in the share capital of the Company.

Particulars and movements of share options granted under the Scheme during the six months ended 30 June 2022 are set out below:

Name or category of participant	Position(s) held with the Group	Number of share options					As of 30 June 2022	Date of grant	Exercise period of share options (both dates) (Note)	Exercise price of share options (HK\$)	Closing price of the shares immediately before the date of grant (HK\$)
		As of 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Forfeited during the period					
<b>Directors</b>											
Mr. Zhong Jian	Chairman and executive Director	12,650,000	-	-	-	-	12,650,000	30 April 2021	30 April 2021 to 29 April 2031	1.32	1.30
Mr. Hu Kai <sup>(1)</sup>	Former executive Director	12,650,000	-	-	-	(12,650,000)	-	30 April 2021	30 April 2021 to 29 April 2031	1.32	1.30
Sub-total		25,300,000	-	-	-	(12,650,000)	12,650,000				
<b>Other employees of the Group</b>											
Employees in aggregate		118,240,000	-	-	-	-	118,240,000	30 April 2021	30 April 2021 to 29 April 2031	1.32	1.30
		-	28,710,000	-	-	-	28,710,000	4 April 2022	4 April 2022 to 3 April 2032	1.15	1.10
Sub-total		118,240,000	28,710,000	-	-	-	146,950,000				
<b>Total</b>		<b>143,540,000</b>	<b>28,710,000</b>	<b>-</b>	<b>-</b>	<b>(12,650,000)</b>	<b>159,600,000</b>				

Notes:

(1) Mr. Hu Kai resigned as an Executive Director on 4 March 2022.

Details of the movements in the share options under the Scheme are also set out in note 19 to the condensed consolidated interim financial information.

Notes:

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

- (i) The first batch (being 33% of the share options granted) will be vested on the first trading day after 24 months from the date of grant;
- (ii) The second batch (being 33% of the share options granted) will be vested on the first trading day after 36 months from the date of grant; and
- (iii) The third batch (being 34% of the share options granted) will be vested on the first trading day after 48 months from the date of grant.

## Corporate Governance/Other Information

### Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2022 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or exercised any such right.

### Disclosure Pursuant to Rule 13.21 of The Listing Rules

- (1) On 27 June 2022, Fortune Crete Shipping Limited and Fortune Santorini Shipping Limited, being the Company's wholly-owned subsidiaries, as two borrowers (the "Borrowers"), entered into two secured loan agreements (the "Loan Agreements") with a bank as lender (the "Lender") respectively, pursuant to which, the Lender has agreed to advance to the Borrowers two secured loan facilities of up to US\$316,736,100 for the purpose of re-financing the acquisition of two vessels. The loans shall be repaid in full in 120 months from the respective utilisation date under the Loan Agreements.

Pursuant to the Loan Agreements, the loans together with accrued interest, and all other amounts accrued or outstanding under the Loan Agreements will become immediately due and payable if the Borrowers cease to be directly or indirectly controlled by China State Shipbuilding Corporation Limited\* (中國船舶集團有限公司).

On 27 June 2022, the Company as borrower, entered into a facility agreement (the "Facility Agreement") with a bank as lender, pursuant to which the lender has agreed to make available to the Company a revolving loan facility up to US\$47,000,000 for the purpose of financing the working capital of the Company including but not limited to purchase of vessels and repayment of outstanding indebtedness due to the other banks. All amounts borrowed under the Facility Agreement, including interest accrued thereon, shall be repaid or reborrowed at the end of each interest period, being either one or three months depending on the Company's choice.

Pursuant to the Facility Agreement, the Company undertakes and procures that, throughout the life of the facility, China State Shipbuilding Corporation Limited\* (中國船舶集團有限公司) shall (i) remain as the single largest shareholder of the Company (directly or indirectly); and (ii) remain wholly owned by the State owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China\* (國務院國有資產監督管理委員會).

- (2) On 13 May 2022, Fortune VGAS III Shipping III Pte. Ltd. and Fortune VGAS Shipping IV Pte. Ltd., being the Company's wholly-owned subsidiaries, as borrowers (the "Borrowers"), entered into a facility agreement (the "Facility Agreement") with a bank as lender (the "Lender"), pursuant to which, the Lender has agreed to make available to the Borrowers a secured term loan facility of up to US\$103,600,000 for the purpose of re-financing the acquisition of vessels. The loan shall be repaid in full in 120 months from the utilisation date under the Facility Agreement.

Pursuant to the Facility Agreement, the facility will be cancelled and the loan and all such outstanding interest and other amounts will become immediately due and payable if China State Shipbuilding Corporation Limited\* (中國船舶工業集團有限公司) ("CSSC Group") ceases to ultimately own at least 50.1% of the issued share capital of the Company.

# Independent Review Report



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

## Introduction

We have reviewed the interim financial information set out on pages 37 to 64 which comprises the condensed consolidated statement of financial position of CSSC (Hong Kong) Shipping Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as of 30 June 2022 and the related condensed consolidated income statement, condensed consolidated statement comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*  
11th Floor, Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

24 August 2022

### **Lam Yau Hing**

Practising Certificate No.: P06622

# Condensed Consolidated Income Statement

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	6	<b>1,504,684</b>	1,049,882
<b>Other income and other gains, net</b>		<b>54,108</b>	57,845
<b>Expenses</b>			
Finance costs and bank charges	7	(354,374)	(186,814)
Reversal of impairment of loan and lease receivables, net		23,494	12,595
Depreciation		(235,774)	(153,929)
Employee benefits expenses		(34,726)	(32,362)
Vessel operating costs		(146,030)	(69,735)
Other operating expenses		(21,373)	(40,572)
<b>Total expenses</b>		<b>(768,783)</b>	(470,817)
<b>Profit from operations</b>	8	<b>790,009</b>	636,910
Share of results of joint ventures		133,720	31,194
Share of results of associates		(9,713)	(600)
<b>Profit before income tax</b>		<b>914,016</b>	667,504
Income tax expenses	9	(7,736)	(5,308)
<b>Profit for the period</b>		<b>906,280</b>	662,196
<b>Attributable to:</b>			
Equity holders of the Company		873,357	645,671
Non-controlling interests		32,923	16,525
		<b>906,280</b>	662,196
<b>Earnings per share (HK\$)</b>	10		
Basic and diluted		<b>0.142</b>	0.105

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Profit for the period</b>	<b>906,280</b>	662,196
<b>Other comprehensive income/(expense) for the period</b>		
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of investments in subsidiaries, associates and joint ventures	<b>(58,171)</b>	18,628
– Share of other comprehensive income of joint venture, net	<b>47,208</b>	–
– Fair value change of financial assets at fair value through other comprehensive income (debts instruments)	<b>(7,766)</b>	2,340
– Reclassification of fair value change on derivative financial instruments designated as cash flow hedge to profit or loss	<b>13,462</b>	3,168
– Fair value change of derivative financial instruments (cash flow hedges)	<b>338,895</b>	134,837
<i>Items that will not be reclassified to profit or loss:</i>		
– Fair value change of financial assets at fair value through other comprehensive income (equity instruments)	<b>1,071</b>	4,389
<b>Total other comprehensive income for the period</b>	<b>334,699</b>	163,362
<b>Total comprehensive income for the period</b>	<b>1,240,979</b>	825,558
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the Company	<b>1,208,303</b>	808,922
Non-controlling interests	<b>32,676</b>	16,636
	<b>1,240,979</b>	825,558

# Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>Assets</b>			
Property, plant and equipment	12	14,849,323	14,353,838
Right-of-use assets	12	29,197	36,708
Interests in associates		58,431	70,294
Interests in joint ventures	13	766,102	586,954
Loan and lease receivables	14	22,279,251	22,472,158
Derivative financial assets		418,842	104,647
Prepayments, deposits and other receivables	15	656,145	148,146
Financial assets at fair value through profit or loss		693,375	790,174
Financial assets at fair value through other comprehensive income		367,738	375,564
Deferred tax assets		1,706	1,680
Amounts due from associates		24,182	24,674
Amounts due from fellow subsidiaries		1,711	3,050
Amounts due from joint ventures		26,964	100,520
Structured bank deposits		–	61,165
Time deposits with maturity over three months		188,904	127,431
Cash and cash equivalents		1,269,688	1,427,683
Asset held for sales	16	–	198,549
<b>Total assets</b>		<b>41,631,559</b>	<b>40,883,235</b>
<b>Liabilities</b>			
Income tax payables		31,025	40,089
Borrowings	17	29,140,988	29,798,461
Derivative financial liabilities		–	114,774
Amounts due to a non-controlling interest		87,801	88,066
Amounts due to a joint venture		242,253	259,216
Amounts due to fellow subsidiaries		17,443	17,465
Lease liabilities		31,519	38,584
Other payables and accruals		1,096,198	422,114
<b>Total liabilities</b>		<b>30,647,227</b>	<b>30,778,769</b>
<b>Net assets</b>		<b>10,984,332</b>	<b>10,104,466</b>
<b>Equity</b>			
Share capital	18	6,614,466	6,614,466
Reserves		4,257,230	3,410,040
		10,871,696	10,024,506
Non-controlling interests		112,636	79,960
<b>Total equity</b>		<b>10,984,332</b>	<b>10,104,466</b>



# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to equity holders of the Company									
	Share capital	Investment revaluation reserve	Hedging reserve	Share option reserve	Other reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>At 1 January 2022</b>	<b>6,614,466</b>	<b>9,620</b>	<b>991</b>	<b>10,335</b>	<b>23,945</b>	<b>17,931</b>	<b>3,347,218</b>	<b>10,024,506</b>	<b>79,960</b>	<b>10,104,466</b>
Profit for the period	-	-	-	-	-	-	873,357	873,357	32,923	906,280
Other comprehensive income/(expense) for the period	-	(6,695)	352,357	-	47,208	(57,924)	-	334,946	(247)	334,699
Total comprehensive income for the period	-	(6,695)	352,357	-	47,208	(57,924)	873,357	1,208,303	32,676	1,240,979
Transaction with equity holders:										
Dividends (Note 11)	-	-	-	-	-	-	(368,164)	(368,164)	-	(368,164)
Equity settled share-based payments	-	-	-	7,051	-	-	-	7,051	-	7,051
	-	-	-	7,051	-	-	(368,164)	(361,113)	-	(361,113)
<b>At 30 June 2022</b>	<b>6,614,466</b>	<b>2,925</b>	<b>353,348</b>	<b>17,386</b>	<b>71,153</b>	<b>(39,993)</b>	<b>3,852,411</b>	<b>10,871,696</b>	<b>112,636</b>	<b>10,984,332</b>
<b>At 1 January 2021</b>	<b>6,614,466</b>	<b>24,424</b>	<b>(169,868)</b>	<b>-</b>	<b>11,051</b>	<b>(64,338)</b>	<b>2,531,607</b>	<b>8,947,342</b>	<b>43,595</b>	<b>8,990,937</b>
Profit for the period	-	-	-	-	-	-	645,671	645,671	16,525	662,196
Other comprehensive income for the period	-	6,729	138,005	-	-	18,517	-	163,251	111	163,362
Total comprehensive income for the period	-	6,729	138,005	-	-	18,517	645,671	808,922	16,636	825,558
Transaction with equity holders:										
Dividends (Note 11)	-	-	-	-	-	-	(368,164)	(368,164)	-	(368,164)
Equity settled share-based payments	-	-	-	2,586	-	-	-	2,586	-	2,586
	-	-	-	2,586	-	-	(368,164)	(365,578)	-	(365,578)
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained profits	-	(17,306)	-	-	-	-	17,306	-	-	-
<b>At 30 June 2021</b>	<b>6,614,466</b>	<b>13,847</b>	<b>(31,863)</b>	<b>2,586</b>	<b>11,051</b>	<b>(45,821)</b>	<b>2,826,420</b>	<b>9,390,686</b>	<b>60,231</b>	<b>9,450,917</b>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	1,299,364	(985,503)
Interest received	22,356	29,249
Interests paid	(275,232)	(154,952)
Income tax paid	(16,545)	(3,861)
<i>Net cash generated from/(used in) operating activities</i>	<b>1,029,943</b>	(1,115,067)
<b>Cash flows from investing activities</b>		
Increase in time deposits with maturity over three months	(63,462)	(399,194)
Decrease in structured bank deposits	60,352	467,443
Payment of purchase of property, plant and equipment	(748,745)	(1,957,452)
Investment in associates	–	(18,011)
Investment in joint ventures	–	(72,260)
Dividend income received from financial assets at fair value through other comprehensive income	4,201	9,945
Decrease in amount due from fellow subsidiaries	1,330	1,258
Decrease in amount due from associates	229	748
Increase in amount due from joint ventures	73,253	–
(Increase)/decrease in loan to joint ventures	(70,214)	12,017
Proceeds from disposal of financial assets at fair value through other comprehensive income	–	355,900
Proceeds on disposal of financial assets at fair value through profit or loss	38,900	–
Proceeds from disposal of asset held for sales	217,381	–
Proceeds from disposal of property, plant and equipment	1,096	–
<i>Net cash used in investing activities</i>	<b>(485,679)</b>	(1,599,606)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	3,186,688	4,349,231
Repayment of bank borrowings	(3,859,952)	(2,214,057)
Payment of lease liabilities	(7,592)	(4,852)
Proceeds from joint venture	–	24,107
Repayment to joint venture	(16,182)	–
Proceeds from fellow subsidiaries	31	–
Repayment to fellow subsidiaries	–	(22)
<i>Net cash (used in)/generated from financing activities</i>	<b>(697,007)</b>	2,154,407
<b>Net decrease in cash and cash equivalents</b>	<b>(152,743)</b>	(560,266)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,427,683</b>	2,180,280
Effect of foreign exchange rate changes on cash and cash equivalents	(5,252)	20,202
<b>Cash and cash equivalents at the end of the period</b>	<b>1,269,688</b>	1,640,216

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 1. General Information

CSSC (Hong Kong) Shipping Company Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The Company and its subsidiaries (the “Group”) are principally engaged in provision of leasing business, ship brokerage services and financing business. The registered office is located at Room 1801, 18th Floor, Worldwide House, No. 19 Des Voeux Road Central, Central, Hong Kong.

This interim financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors of the Company on 24 August 2022.

The financial information relating to the year ended 31 December 2021 that is included in the interim financial information for the six months ended 30 June 2022 as comparative information does not constitute the Company’s statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

## 2. Basis of Preparation

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial information is unaudited, but has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

This interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 3. Adoption of New and Amended HKFRSs

### Amended HKFRSs that are effective for annual period beginning on 1 January 2022

The interim financial information for the six months ended 30 June 2022 have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following amended HKFRSs which are effective as of 1 January 2022.

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKFRS 3 Amendments to HKAS 16	<i>Reference to the Conceptual Framework Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37 Amendments to HKFRSs Accounting Guideline 5 (Revised)	<i>Onerous Contracts – Cost of Fulfilling a Contract Annual Improvements to HKFRS Standards 2018-2020 Merger Accounting for Common Control Combination</i>

The adoption of these amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

## 4. Fair Value Estimation

The different levels of financial instruments carried at fair value have been defined as follows:

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 4. Fair Value Estimation *(Continued)*

The following table presents the Group's financial assets and financial liabilities that are measured at fair value as at 30 June 2022.

### Fair value hierarchy

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 30 June 2022 (Unaudited)</b>				
<b>Financial assets</b>				
Derivative financial assets	–	418,842	–	418,842
Financial assets at fair value through profit or loss	–	475,535	217,840	693,375
Financial assets at fair value through other comprehensive income	367,738	–	–	367,738
<b>Total financial assets at fair values</b>	<b>367,738</b>	<b>894,377</b>	<b>217,840</b>	<b>1,479,955</b>
<b>As at 31 December 2021 (Audited)</b>				
<b>Financial assets</b>				
Derivative financial assets	–	104,647	–	104,647
Financial assets at fair value through profit or loss	–	571,676	218,498	790,174
Financial assets at fair value through other comprehensive income	375,564	–	–	375,564
Structured bank deposits	–	61,165	–	61,165
<b>Total financial assets at fair values</b>	<b>375,564</b>	<b>737,488</b>	<b>218,498</b>	<b>1,331,550</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	–	114,774	–	114,774

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 4. Fair Value Estimation *(Continued)*

### **Fair value hierarchy** *(Continued)*

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and listed equity and debt instruments) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### **Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the unlisted exchangeable note is determined using binomial option pricing model

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 4. Fair Value Estimation *(Continued)*

### Fair value measurements using significant unobservable inputs (level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Fair value at		Unobservable Inputs	Range of inputs		Relationship of inputs to fair value
	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)		30 June 2022 (Unaudited)	31 December 2021 (Audited)	
Unlisted exchangeable note	217,840	218,498	Discount rate	10.41%	12.10%	The higher the discount rate, the lower the fair value
			Expected volatility	39.34%	41.50%	The lower the expected volatility, the lower the fair value.

The reconciliation of the carrying amounts of the Group's financial instruments classified as Level 3 of the fair value hierarchy is as follows:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>Unlisted exchangeable note</b>		
At beginning of period/year	218,498	217,087
Exchange differences	(658)	1,411
At end of period/year	217,840	218,498

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 4. Fair Value Estimation *(Continued)*

### Fair value measurements using significant unobservable inputs (level 3) *(Continued)*

#### **Valuation processes**

The Group has engaged the professional valuer that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This valuer reports directly to the finance department. Discussions of valuation processes and results are held between the finance department and the valuation team at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by internal credit risk management of Group.

Changes in level 3 fair values are analysed at the end of each reporting period during the half yearly valuation discussion between the finance department and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

There was no transfer among level 1, 2 and 3 during six months ended 30 June 2022.

The carrying value of the Group's financial assets and financial liabilities carried at amortised costs approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

## 5. Significant Accounting Estimates and Judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to in the preparation of the consolidation financial statements for the year ended 31 December 2021.



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 6. Segment Information and Revenue

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective: (i) leasing services, (ii) loan borrowings and (iii) shipbroking services.

The Group derives revenue from the following:

	<b>Leasing services</b> HK\$'000 (Unaudited)	<b>Loan borrowings</b> HK\$'000 (Unaudited)	<b>Shipbroking services</b> HK\$'000 (Unaudited)	<b>Total</b> HK\$'000 (Unaudited)
<b>For the six months ended 30 June 2022</b>				
Segment revenue and revenue from external customers	<b>1,317,198</b>	<b>158,290</b>	<b>29,196</b>	<b>1,504,684</b>
<b>For the six months ended 30 June 2021</b>				
Segment revenue and revenue from external customers	844,405	178,268	27,209	1,049,882

Commission income from charterer included in shipbroking services are recognised over time and commission income received from shipbuilder, including in shipbroking services segment, are recognised at point in time method during the period.

For the six months ended 30 June 2022, commission income included in shipbroking services are recognised at a point in time and over time amounting to HK\$8,211,000 and HK\$20,985,000 (2021: HK\$27,209,000 and HK\$Nil) respectively.

### Segment assets and liabilities

No assets and liabilities are included in the Group’s segment reporting that are submitted to and reviewed by CODM internally. Accordingly, no segment assets and liabilities are presented.

<b>Revenue by business activities</b>	<b>Six months ended 30 June</b>	
	<b>2022</b> HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Finance lease income	<b>333,461</b>	230,458
Operating lease income	<b>983,737</b>	613,947
Interest income from loan borrowings	<b>158,290</b>	178,268
Commission income	<b>29,196</b>	27,209
	<b>1,504,684</b>	1,049,882

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 7. Finance Costs and Bank Charges

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest and charges on borrowings	234,166	121,380
Bank charges	131	133
Interest on lease liabilities	566	1,204
Interest and charges on bonds	135,849	88,151
	<b>370,712</b>	210,868
Less: finance costs capitalised	<b>(16,338)</b>	(24,054)
	<b>354,374</b>	186,814

## 8. Profit From Operations

Profit from operations is stated after crediting/(charging) the followings:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Dividend income	4,201	9,945
Gain on disposal of asset held for sales	23,498	–
Interest income from financial assets at fair value through profit or loss	10,862	10,774
Interest income from financial assets at fair value through other comprehensive income	7,516	7,496
Loss on disposal of property, plant and equipment	(3)	–
Net realised loss from derivative financial instruments	–	(20,074)
Net gain on changes in fair value of derivative financial instrument	57,967	16,443
Net (loss)/gain on changes in fair value of financial assets at fair value through profit or loss	<b>(55,520)</b>	13,641
Net gain on de-recognition of finance lease receivables	–	12,900

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 9. Income Tax Expenses

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax		
– Hong Kong Profits Tax	3,151	4,831
– People's Republic of China ("PRC") enterprise income tax	4,665	477
	7,816	5,308
Deferred tax		
– Current period	(80)	–
Income tax expense	7,736	5,308

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the period.

PRC enterprise income tax has been calculated on the estimated assessable profit for the period at the income tax rate of the PRC entities of 25% (2021: 25%) on the estimated assessable profit for the period.

## 10. Earnings Per Share

The calculation of basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Earnings</b>		
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	873,357	645,671

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 10. Earnings Per Share (Continued)

	Six months ended 30 June	
	2022 Number '000 (Unaudited)	2021 Number '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	6,136,066	6,136,066
<b>Effect of dilutive potential ordinary shares:</b>		
Share options issued by the Company	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	6,136,066	6,136,066

The calculation of the diluted earnings per share for the six months ended 30 June 2022 and 2021 has not taken into account the effect of the share options of the Company as they are considered as anti-dilutive.

## 11. Dividend

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Dividends approved and not yet paid during the period:</b>		
Final dividend in respect of the year ended 31 December 2021 of HK6 cents (2020: HK6 cents) per ordinary share	368,164	368,164
<b>Dividends proposed:</b>		
Interim dividend of HK3 cents (2021: HK3 cents) per ordinary share	184,082	184,082

At the board meeting held on 24 August 2022, the Board has declared an interim dividend of HK3 cents (2021: HK3 cents) per share and the interim dividend is declared after the reporting period, such dividend has not been recognised as liability as at 30 June 2022.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 12. Property, Plant and Equipment and Right-of-Use Assets

	Construction in progress HK\$'000	Vessels HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
At 31 December 2021, audited						
Cost	1,936,812	13,606,460	2,465	7,855	20,709	15,574,301
Accumulated depreciation	–	(1,207,380)	(2,173)	(5,495)	(5,415)	(1,220,463)
Net book values	1,936,812	12,399,080	292	2,360	15,294	14,353,838
Opening net book values	<b>1,936,812</b>	<b>12,399,080</b>	<b>292</b>	<b>2,360</b>	<b>15,294</b>	<b>14,353,838</b>
Additions	<b>762,257</b>	<b>2,551</b>	–	<b>171</b>	<b>104</b>	<b>765,083</b>
Depreciation	–	<b>(225,772)</b>	–	<b>(584)</b>	<b>(2,561)</b>	<b>(228,917)</b>
Disposal	–	–	–	<b>(23)</b>	<b>(1,076)</b>	<b>(1,099)</b>
Transfer	<b>(655,467)</b>	<b>655,467</b>	–	–	–	–
Exchange differences	<b>(5,833)</b>	<b>(33,384)</b>	<b>(12)</b>	<b>(54)</b>	<b>(299)</b>	<b>(39,582)</b>
<b>Closing net book values</b>	<b>2,037,769</b>	<b>12,797,942</b>	<b>280</b>	<b>1,870</b>	<b>11,462</b>	<b>14,849,323</b>
At 30 June 2022, unaudited						
Cost	<b>2,037,769</b>	<b>14,223,504</b>	<b>2,367</b>	<b>7,824</b>	<b>19,292</b>	<b>16,290,756</b>
Accumulated depreciation	–	<b>(1,425,562)</b>	<b>(2,087)</b>	<b>(5,954)</b>	<b>(7,830)</b>	<b>(1,441,433)</b>
Net book values	<b>2,037,769</b>	<b>12,797,942</b>	<b>280</b>	<b>1,870</b>	<b>11,462</b>	<b>14,849,323</b>

As at 30 June 2022, the carrying amount of the Group's right-of-use assets in relation to the office amounted to HK\$29,197,000 (31 December 2021: HK\$36,708,000).

There were no addition to the right-of-use assets during six months ended 30 June 2022 and 30 June 2021.

Depreciation of the right-to-use assets during six months ended 30 June 2022 amounted to HK\$6,857,000 (2021: HK\$4,589,000).

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 13. Interests in Joint Ventures

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Interests in joint ventures	<b>766,102</b>	586,954

Details of the Group's joint ventures as at 30 June 2022 are as follows:

<b>Name</b>	<b>Place of incorporation and operation</b>	<b>Principal activities</b>	<b>Percentage of equity attributable to the Company</b>
Ocean Classic Limited	British Virgin Islands ("BVI")	Vessel owning and chartering	50%
Sino Singapore Maritime Pte. Ltd.	Singapore	Vessel owning and chartering	50%
Vista Shipping PTE. Limited	Singapore	Vessel owning and chartering	50%
Zhendui Industrial Intelligent Technology Co., Ltd.	The PRC	Marine technology	18%

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 14. Loan and Lease Receivables

	Notes	As at 30 June 2022		
		Gross amount HK\$'000 (Unaudited)	Allowance for impairment losses HK\$'000 (Unaudited)	Net carrying amount HK\$'000 (Unaudited)
Loan borrowings	(a)	7,125,447	(18,259)	7,107,188
Lease receivables	(b)	14,682,494	(442,987)	14,239,507
Loans to joint ventures	(c)	932,556	–	932,556
		<b>22,740,497</b>	<b>(461,246)</b>	<b>22,279,251</b>

	Notes	As at 31 December 2021		
		Gross amount HK\$'000 (Audited)	Allowance for impairment losses HK\$'000 (Audited)	Net carrying amount HK\$'000 (Audited)
Loan borrowings	(a)	7,732,019	(26,308)	7,705,711
Lease receivables	(b)	14,361,055	(459,555)	13,901,500
Loans to joint ventures	(c)	864,947	–	864,947
		22,958,021	(485,863)	22,472,158

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 14. Loan and Lease Receivables *(Continued)*

- (a) As at 30 June 2022, loan borrowings were secured, interest bearing at rates ranging from 3.2% to 8.0% (31 December 2021: 3.7% to 8.0%) per annum and repayable from 2022 to 2033 (31 December 2021: 2022 to 2033). The loan borrowings are secured by the respective vessel and certain shares of borrowers, which owned the vessel.

A maturity profile of the loan borrowings as at the end of the reporting periods, based on the maturity date, net of provision, is as follows:

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Within 1 year	<b>874,657</b>	661,369
After 1 year but within 2 years	<b>619,224</b>	664,939
After 2 years but within 5 years	<b>1,870,403</b>	2,021,243
Over 5 years	<b>3,742,904</b>	4,358,160
	<b>7,107,188</b>	7,705,711

- (b) Based on the due date, the ageing analysis of the operating lease receivables, net of ECL allowance, were within 0 to 90 days past due. Details of the lease receivables as at the end of the reporting periods are as follows:

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Gross investment in finance leases	<b>18,738,174</b>	17,398,578
Less: unearned finance income	<b>(4,148,663)</b>	(3,175,366)
Net investments in finance leases	<b>14,589,511</b>	14,223,212
Operating lease receivables	<b>92,983</b>	137,843
Lease receivables	<b>14,682,494</b>	14,361,055
Less: accumulated allowance for impairment	<b>(442,987)</b>	(459,555)
Lease receivables – net	<b>14,239,507</b>	13,901,500



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 14. Loan and Lease Receivables (Continued)

(b) (Continued)

As at 30 June 2022, the Group's finance lease receivables were secured, interest bearing at rates ranging from 3.6% to 8.0% (31 December 2021: 3.6% to 7.3%) per annum. The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of the reporting periods:

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Gross investment in finance leases		
Within 1 year	2,431,264	2,216,550
After 1 year but within 2 years	2,647,913	2,002,087
After 2 year but within 3 years	1,869,895	2,465,102
After 3 year but within 4 years	1,698,048	1,577,208
After 4 years but within 5 years	2,345,293	2,015,361
Over 5 years	7,745,761	7,122,270
	<b>18,738,174</b>	17,398,578

(c) As at 30 June 2022, except for loans to joint ventures of HK\$402,226,000 (31 December 2021: HK\$403,441,000) which were unsecured, interest bearing at rates ranging from 3.2% to 5.3% (31 December 2021: 3.1% to 3.2%) per annum and repayable on demand. The remaining balances were unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's loan and lease receivables approximate their fair values and are mainly denominated in Renminbi ("RMB") and US dollar ("USD").

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 15. Prepayments, Deposits and Other Receivables

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Prepayments	634,397	127,019
Interest receivables	11,659	11,526
Other receivables	10,089	9,601
	<b>656,145</b>	148,146

As at 30 June 2022, included in prepayments of HK\$591,747,000 (2021: HK\$119,105,000) represents an amount of prepayment to fellow subsidiaries for acquisition of vessels for finance lease purposes.

## 16. Asset Held for Sale

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Vessel	–	198,549

In December 2021, the Group intended to sell two vessels which were under operating lease arrangements. These vessels were consequently present as asset held for sale in the condensed consolidated financial statements. The sales transaction was completed in January 2022 at a consideration of US\$29,000,000.

## 17. Borrowings

	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Bank borrowings (note (a))	18,947,978	19,604,721
Guaranteed bonds (note (b))	10,193,010	10,193,740
	<b>29,140,988</b>	29,798,461

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 17. Borrowings (Continued)

- (a) The Group's bank borrowings repayable based on the scheduled repayment terms set out in the loan agreements were as follows:

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Within 1 year	<b>10,742,142</b>	11,132,698
After 1 year but within 2 years	<b>1,135,248</b>	1,130,646
After 2 years but within 5 years	<b>3,399,164</b>	3,374,365
Over 5 years	<b>3,671,424</b>	3,967,012
	<b>18,947,978</b>	19,604,721

As at 30 June 2022, the Group's secured bank borrowings of HK\$9,453,219,000 (31 December 2021: HK\$9,623,851,000) were secured by lease receivables of approximately HK\$11,367,441,000 (31 December 2021: HK\$10,566,329,000), certain of shares of the subsidiaries, deposits of approximately HK\$159,554,000 (31 December 2021: HK\$114,942,000), general assignments, bareboat charterer assignments, intra group loan assignments and property, plant and equipment of approximately HK\$3,555,207,000 (31 December 2021: HK\$3,627,047,000). Among which, HK\$1,169,564,000 (31 December 2021: HK\$1,432,612,000) were guaranteed by corporate guarantee from the intermediate holding company.

As at 30 June 2022, the Group's bank borrowings of HK\$9,494,759,000 (31 December 2021: HK\$9,980,870,000) were unsecured and guaranteed by the Company.

As at 30 June 2022, the Group's bank borrowings bear interest at weighted average interest rates ranging from 1.28% to 2.97% (31 December 2021: 0.96% to 2.27%) per annum.

For the six months ended 30 June 2022, the interest rates of some of these bank borrowings amounting to HK\$833,257,000 were replaced from London Interbank Offered Rate ("LIBOR") to Secured Overnight Financing Rate ("SOFR") plus fixed spread adjustment. Since the Group applied the practical expedient upon the modification of these bank borrowings provided that the "economically equivalent" criterion is met, there is no impact on the financial position and performance of the Group.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 17. Borrowings (Continued)

- (b) In February 2020, the Group issued two guaranteed bonds of US\$400,000,000 (approximately HK\$3,112,000,000) due 2025 and US\$400,000,000 (approximately HK\$3,112,000,000) due 2030 bearing interest at 2.5% and 3.0% respectively.

In July 2021, the Group issued guaranteed bonds of US\$500,000,000 (approximately HK\$3,890,000,000) due 2026 bearing interest at 2.1%.

All the guaranteed bonds were guaranteed by the Company and listed on The Stock Exchange of Hong Kong Limited. The guaranteed bonds were repayable as follows:

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Within 1 year	<b>79,010</b>	49,190
After 1 year but within 2 years	–	–
After 2 years but within 5 years	<b>7,002,000</b>	7,023,150
Over 5 years	<b>3,112,000</b>	3,121,400
	<b>10,193,010</b>	10,193,740

## 18. Share Capital

Ordinary shares, issued and fully paid:

	<b>Numbers of shares (‘000)</b>	<b>Share capital HK\$'000</b>
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	6,136,066	6,614,466

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 19. Share-Based Employee Compensation

The Company has adopted share option scheme (the “Scheme”), which was approved by the shareholders on the extraordinary general meeting held on 30 April 2021.

Pursuant to which, the maximum number of shares to be issued upon the exercise of the share options shall not in aggregate exceed 613,606,623 shares, representing approximately 10% of the total number of issued shares of the Company as at the date of approval of the Scheme at the extraordinary general meeting.

Participants of the Scheme shall be employees of the Company and include executive directors and senior management members (the “Grantees”) of the Company, as well as core technical personnel and backbone management whom the board of directors considers will have a direct impact on the Company’s overall operating performance and sustainable development.

On 30 April 2021 (the “First Grant Date”) and 4 April 2022 (the “Second Grant Date”), the Company granted 143,540,000 and 28,710,000 share options to certain of its directors and employees for nil consideration at an exercise price of HK\$1.32 and HK\$1.15 per share respectively. The options shall be vested to the Grantees during the period and in the respective proportions as follows:

- (i) The first batch (being 33% of the share options granted) will be vested on the first trading day after 24 months from the respective grant date;
- (ii) The second batch (being 33% of the share options granted) will be vested on the first trading day after 36 months from the respective grant date; and
- (iii) The third batch (being 34% of the share options granted) will be vested on the first trading day after 48 months from the respective grant date.

The options are exercisable within a period of ten years from the respective grant date. Each option gives the holder the right to subscribe for one ordinary share in the Company.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company’s ordinary shares.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 19. Share-Based Employee Compensation *(Continued)*

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2022		2021	
	Number '000	Weighted average exercise price HK\$	Number '000	Weighted average exercise price HK\$
Outstanding at 1 January	143,540	1.32	–	–
Granted	28,710	1.15	143,540	1.32
Forfeited	(12,650)	1.32	–	–
Outstanding at 30 June	159,600	1.29	143,540	1.32

As at 30 June 2022, the outstanding share options had a weighted average remaining contractual life of 9.0 years (2021: 9.3 years). None of the share options were exercisable as at 30 June 2022.

The fair values of options granted were determined using the Binomial Option Pricing Model that takes into account of factors specific to the share incentive plans. The following principal assumptions were used in the valuation at the respective grant date:

	The First Grant Date	The Second Grant Date
Share price at date of grant	HK\$1.32	HK\$1.15
Exercise price at date of grant	HK\$1.32	HK\$1.15
Expected volatility	44.20%	43.93%
Expected option life	10 years	10 years
Dividend yield	8.58%	7.50%
Risk-free interest rate	1.15%	2.24%
Post-vesting forfeiture rate	14.16% to 25.44%	12.81%
Fair value per share option at the grant date	HK\$0.277 to HK\$0.303	HK\$0.298
Fair value of share options granted to director, Mr. Zhong Jian	HK\$0.277	N/A
Fair value of share options granted to director, Mr. Hu Kai	HK\$0.277	N/A
Fair value of share options granted to other employees	HK\$0.303	HK\$0.298

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 19. Share-Based Employee Compensation *(Continued)*

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Binomial Option Pricing Model. No special features pertinent to the options granted were incorporated into measurement of fair value.

In total, HK\$7,051,000 (2021: HK\$2,586,000) of employee compensation expenses has been recognised in profit or loss for the six months ended 30 June 2022 and the corresponding amount of which has been credited to “Share option reserve”. No liabilities were recognised in connection with share-based payment transactions.

## 20. Capital Commitments

As at 30 June 2022, capital commitments outstanding contracted but not provided for are as follows:

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Contracted for in respect of construction of vessels	<b>10,322,585</b>	9,415,309

## 21. Provision and Contingencies

The financial guarantees issued by the Group as at 30 June 2022 are analysed as below:

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Guarantees provided in respect of bank loans of:		
– Joint ventures	<b>3,100,218</b>	3,173,075

Among the guarantees provided in respect of the joint ventures' bank loan, HK\$1,092,669,000 (31 December 2021: HK\$1,105,112,000) were jointly and severally guaranteed by the joint venture partners.

Among the guarantees provided in respect of the joint ventures' bank loan, HK\$1,251,024,000 (31 December 2021: HK\$1,289,138,000) were counter-guaranteed by the joint venture partners

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the condensed consolidated statement of financial position.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 22. Related Party Transactions

The directors of the Company regard CSSC International Holding Company Limited as the immediate holding company, which owns approximately 75% of the Company's issued ordinary shares as at 30 June 2022. The parent company of the Group is China State Shipbuilding Corporation Limited\* (中國船舶集團有限公司) ("China Shipbuilding Group"), a state-owned enterprise established in the PRC. China Shipbuilding Group itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties including China Shipbuilding Group and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and China Shipbuilding Group as well as their close family members.

For the six months ended 30 June 2022 and 2021, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include its bank deposits and the corresponding interest income, bank borrowings and corresponding interest expenses and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in these interim financial information, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2022.

### 22.1 Transaction with related parties

The Group entered into the following related party transactions during the six months ended 30 June 2022 and 2021:

#### *Transactions with fellow subsidiaries:*

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Commission income	20,825	9,121
Purchase of vessels and offshore equipment	(942,131)	(2,663,121)
Rental and utilities expenses	(7,016)	(6,704)

\* For identification purpose only.



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2022

## 22. Related Party Transactions *(Continued)*

### 22.1 Transaction with related parties *(Continued)*

#### *Transactions with joint ventures:*

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest income	3,695	2,485

These transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

### 22.2 Key management personnel compensations

Key management includes executive directors and senior management. The compensations paid or payable to key management for employee services are shown below:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Wages, salaries and bonuses	7,341	5,295
Retirement benefit costs	1,183	1,139
Share-based payments	2,447	421
	10,971	6,855



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

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