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

GLOBAL OFFERING

Sole Sponsor

CICC 中金公司

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司

CLSA A CITIC Securities Company

建銀国际 CCB International

富強證券 FORTUNE (HK) SECURITIES

Joint Bookrunners and Joint Lead Managers

DBS

交銀國際 BOCOM International

農銀國際 ABC INTERNATIONAL

ICBC 工银国际

招銀国际 CMB INTERNATIONAL

光大新鴻基 EVERBRIGHT SUN HUNG KAI

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

海通國際 HAITONG

浦銀國際 SPDB INTERNATIONAL

IMPORTANT: If you are in any doubt about any of the content of this prospectus, you should seek independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**1,534,020,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**153,404,000 Shares (subject to adjustment)**
Number of International Placing Shares	:	**1,380,616,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$1.42 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Stock code	:	**3877**

Sole Sponsor

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the content of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the content of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the content of this prospectus or any other document referred to above.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any securities law of any state in the United States, and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities law in the United States. The Offer Shares are being offered and sold only outside of the United States in offshore transactions in reliance on Regulation S of the U.S. Securities Act.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 5 June 2019 and, in any event, not later than Friday, 14 June 2019. The Offer Price will be no more than HK$1.42 per Offer Share and is currently expected to be no less than HK$1.34 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, 14 June 2019 between the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.csscshipping.net as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and/or on behalf of the Hong Kong Underwriters, as the case may be) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information contained in this prospectus, including the risk factors set out in "Risk Factors" in this prospectus.

28 May 2019

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in South China Morning Post and in Chinese in Hong Kong Economic Times and on the websites of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.csscshipping.net****.*

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, 4 June 2019
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Tuesday, 4 June 2019
Latest time for (i) lodging **WHITE** and **YELLOW** Application Forms; (ii) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s); and (iii) giving **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, 4 June 2019
Application lists of the Hong Kong Public Offering close	12:00 noon on Tuesday, 4 June 2019
Expected Price Determination Date[5]	Wednesday, 5 June 2019
(1) Announcement of: ● the Offer Price; ● an indication of the level of interest in the International Placing; ● the level of applications in the Hong Kong Public Offering; and ● the basis of allocation of the Hong Kong Offer Shares to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.csscshipping.net**[6] from	Friday, 14 June 2019
(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.csscshipping.net**[6] (See "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus) from	Friday, 14 June 2019
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk**[7] and our Company at **www.csscshipping.net**[6] from	Friday, 14 June 2019
Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function	Friday, 14 June 2019
Despatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[8]	Friday, 14 June 2019
Despatch of **White Form** e-Refund payment instructions or refund cheques on or before[9]	Friday, 14 June 2019
Dealings in Shares on the Hong Kong Stock Exchange to commence at	9:00 a.m. on Monday, 17 June 2019

Notes:

(1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated.

(2) You will not be permitted to submit your application through the **White Form eIPO** Service Provider at the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 June 2019, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Tuesday, 4 June 2019, the dates mentioned in this section may be affected. We will make an announcement in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, 5 June 2019 and, in any event, not later than Friday, 14 June 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company by Friday, 14 June 2019, the Global Offering will not proceed and will lapse.

(6) Neither the website nor the information contained on the website forms part of this prospectus.

(7) The announcement will be available for viewing on the "Main Board — Allotment of Results" page on the Stock Exchange's website **www.hkexnews.hk**.

(8) Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, 14 June 2019 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with their respective terms, which is scheduled to be at around 8:00 a.m. on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely of their own risk.

(9) **White Form** e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

You should read carefully "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering. Information contained on our website, located at www.csscshipping.net, does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus in its entirety, including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Offer Shares.

OVERVIEW

Established in 2012, we are the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. We offer customised and flexible ship leasing solutions that suit our customers' different needs. According to the F&S Report, in terms of revenue in 2018, we ranked fourth in the global ship leasing industry with a market share of 3.9% and first in the global non-bank ship leasing industry with a market share of 14.8%.

Our core business is the provision of leasing services, which include finance lease and operating lease. Leveraging our strong expertise in the marine industry, our leasing services primarily focus on ship leasing. We also provide shipbroking and loan services to our customers. The following table sets out a breakdown of our revenue during the Track Record Period by business activity:

	Year ended 31 December					
	2016		**2017**		**2018**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Finance lease income	319,856	31.0	540,195	40.6	892,080	42.4
- Direct finance lease	*58,120*	*5.6*	*139,550*	*10.5*	*265,888*	*12.6*
- Sale-and-leaseback	*261,736*	*25.4*	*400,645*	*30.1*	*626,192*	*29.8*
Operating lease income	394,633	38.2	495,014	37.2	601,182	28.6
- Bareboat charter	*330,240*	*32.0*	*339,090*	*25.5*	*355,424*	*16.9*
- Time charter	*64,393*	*6.2*	*155,924*	*11.7*	*245,758*	*11.7*
Interest income from loan borrowings(1)(2)	164,633	16.0	262,327	19.7	508,723	24.2
- Pre-delivery loan	*80,603*	*7.8*	*185,338*	*13.9*	*151,558*	*7.2*
- Secured loan	*84,030*	*8.2*	*76,989*	*5.8*	*357,165*	*17.0*
Commission income	152,519	14.8	32,413	2.5	102,826	4.9
Total	**1,031,641**	**100.0**	**1,329,949**	**100.0**	**2,104,811**	**100.0**

Notes:

(1) Interest income from loan borrowings represents income generated from our pre-delivery loan and secured loan services. Income generated from our factoring services is categorised as other income. For the years ended 31 December 2016, 2017 and 2018, our income from factoring services was HK$1.0 million, HK$4.0 million and HK$11.9 million, respectively.

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

We have a diversified, modern and young vessel fleet. As at 31 December 2018, we owned a total of 65 vessels, including 43 vessels under finance lease arrangements and 22 vessels under operating lease arrangements, with an average age of approximately two years. Our vessel fleet as at 31 December 2018 comprised 25 bulk carriers, 14 tankers, 10 container vessels, nine special tonnage carriers and seven marine LNG/LPG units. Leveraging our unique insights into the marine industry, we carefully allocate, adjust and optimise the proportion of various types of vessels based on industry conditions and our customers' needs.

We have a comprehensive and effective risk management system that covers various types of risks involved in our business operations. For example, we have implemented risk management procedures at every major stage of our business operations, from due diligence, project assessment and approval, contract execution, release of funds to lease management. In addition, our five-category asset quality classification system, which was established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions (非銀行金融機構資產風險分類指導原則) published by the CBRC, allows us to effectively evaluate the quality of our asset portfolio. We believe that such initiatives have allowed us to closely monitor our overall risk profile, promptly identify the risks involved in our daily operations and take appropriate risk mitigation measures.

As the sole leasing company under CSSC Group, we benefit from our close relationship with CSSC Group, our Controlling Shareholder. We believe that such shareholder background has distinguished us from our competitors and enhanced our competitiveness in the global ship leasing industry.

OUR BUSINESS

Our business principally includes the provision of (i) leasing services; (ii) shipbroking services; and (iii) loan services.

Leasing Services

We provide tailored leasing services to our customers with the options of finance lease and operating lease. Finance lease refers to a leasing model whereby the lessor purchases an asset according to the lessee's specific requirements and choice of supplier or the lessor purchases an asset from the lessee, and then leases it to the lessee for periodic lease payments. Operating lease refers to a leasing model whereby the lessor grants the right to use an asset to the lessee for a specified period and in return for periodic lease payments. Leveraging our strong expertise in the marine industry, our leasing services primarily focus on ship leasing. As a leasing service provider primarily focusing on ship leasing, our business may be materially and adversely affected by the marine cycle.

Shipbroking Services

Leveraging our extensive network and substantial experience in the marine industry, we provide shipbroking services to shipbuilders incidental to the conduct of our leasing business. Our shipbroking services include identifying market opportunities for shipbuilders, recommending shipbuilders to interested purchasers, advising interested purchasers on vessel types, specifications and capabilities, providing market information to shipbuilders and interested purchasers, liaising with and serving as the channel of communication between shipbuilders and interested purchasers, negotiating the terms of shipbuilding agreements, as well as resolving issues that arise during the execution of shipbuilding agreements. If we facilitate the successful conclusion of a shipbuilding transaction, we will receive a commission, which generally represents 0.5% to 2.0% of the shipbuilding price, from the shipbuilder. During the Track Record Period, CSSC Group and its associates were the only customers in respect of our shipbroking business.

Loan Services

Our loan services mainly include pre-delivery loan, secured loan and factoring services. Our pre-delivery loan services are offered as part of our leasing services and to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. Our secured loan services are offered to customers to satisfy their funding needs and are generally secured by our customers' vessels or assets. We also provide factoring services to other financial institutions.

See "Business — Our Business" in this prospectus for further details.

OUR CUSTOMERS

Our customers generally include ship operators, shipbuilders and trading companies. For the years ended 31 December 2016, 2017 and 2018, our five largest customers accounted for 69.4%, 70.5% and 66.9% of our total revenue, respectively, and our largest customer accounted for 31.7%, 24.7% and 20.4% of our total revenue, respectively. See "Business — Our Customers" in this prospectus for further details.

The following table sets out a breakdown of our revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Ship operators	844,630	81.9	1,228,540	92.4	1,899,671	90.3
Shipbuilders	136,171	13.2	21,389	1.6	103,646	4.9
Trading companies	24,450	2.4	55,490	4.2	82,906	3.9
Others[1]	26,390	2.5	24,530	1.8	18,588	0.9
Total	**1,031,641**	**100.0**	**1,329,949**	**100.0**	**2,104,811**	**100.0**

Note:

(1) Others include a helicopter operator, a logistics company and a textile company.

OUR SUPPLIERS

Because of the nature of our business, we have no major suppliers. During the Track Record Period, we purchased vessels mainly from CSSC Group and/or its associates as well as other independent shipbuilders. See "Connected Transactions" in this prospectus for further details of our purchase of vessels from CSSC Group and/or its associates.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we possess the following competitive strengths:

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

See "Business — Our Competitive Strengths" in this prospectus for further details.

OUR DEVELOPMENT STRATEGIES

In order to achieve business growth and enhance our competitiveness, we intend to pursue the following development strategies:

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

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

See "Business — Our Development Strategies" in this prospectus for further details.

BUSINESS ACTIVITIES CONNECTED TO COUNTRIES OR PERSONS SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, our Group entered into sale-and-leaseback transactions in respect of two vessels with a customer based in Hong Kong (the "**HK Customer**"). The HK Customer then chartered the vessels to a sub-charterer incorporated in France (the "**Sub-charterer**") for the purpose of delivering certain products for a construction project in Russia. Russia is subject to various sanctions programmes administered by, among others, the United States and the European Union. The construction project is owned by a joint venture (the "**Russian Joint Venture**"), of which one of the joint venture parties (the "**Russian Joint Venture Partner**") was subject to targeted sanctions during the Track Record Period and as at the Latest Practicable Date. However, our customer in the transactions relating to these two vessels was the HK Customer, and except for this sub-chartering arrangement by the HK Customer, we are not aware of any other back-to-back transactions, payments or arrangements of any kind, in USD or otherwise, among the Russian Joint Venture Partner, the Russian Joint Venture, the Sub-charterer and the HK Customer. We do not have any other business connected with Sanctioned Persons, or in Countries subject to International Sanctions. See "Business — Business Activities Connected to Countries or Persons Subject to International Sanctions" in this prospectus for further details.

OUR RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), CSSC International and CSSC Group will together be interested in approximately 75% of our Company's total issued share capital and will be our Controlling Shareholders. Apart from our Group's business, CSSC Group has interests in other companies engaging in the provision of shipbroking and loan services, which our Directors believe do not and are unlikely to compete (either directly or indirectly) with our business because of the difference in target customers and business models. In addition, during the Track Record Period, (i) CSSC Group and/or its associates referred business opportunities to us; and (ii) CSSC Group provided guarantees in respect of our bank borrowings. See "Relationship with Controlling Shareholders" in this prospectus for further details.

Furthermore, during the Track Record Period, we entered into various transactions with CSSC Group and/or its associates, which are expected to continue after Listing and will constitute continuing connected transactions subject to the requirements under Chapter 14A of the Listing Rules. These transactions include (i) purchase of vessels and offshore equipment from CSSC Group and/or its associates; (ii) provision of shipbroking services to CSSC Group and/or its associates; (iii) procurement of travel agency services from CSSC Group and/or its associates; and (iv) leasing of properties from CSSC Group and/or its associates. See "Connected Transactions" in this prospectus for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following is (i) a summary of our results of operations for the years ended 31 December 2016, 2017 and 2018; (ii) certain selected items of our consolidated statements of financial position as at 31 December 2016, 31 December 2017 and 31 December 2018; and (iii) a summary of our consolidated statements of cash flow for the years ended 31 December 2016, 2017 and 2018. The information is derived from the information in Appendix I to this prospectus. You should read the consolidated financial information, including the notes to such financial information, included in Appendix I to this prospectus.

The following table sets out, for the years indicated, a summary of our results of operations:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue	1,031,641	1,329,949	2,104,811
Other income and other gains/(losses), net	207,700	54,635	(59,817)
Total revenue and other income	1,239,341	1,384,584	2,044,994
Expenses			
Finance costs and bank charges	(613,294)	(727,164)	(1,046,155)
(Provision for)/reversal of impairment loss on loan receivables, net	(149,521)	18,665	(52,138)
Depreciation	(115,929)	(136,524)	(150,192)
Employee benefits expenses	(27,278)	(30,197)	(51,235)
Vessel operating costs	(58,203)	(83,034)	(100,537)
Other operating expenses	(43,659)	(66,635)	(62,092)
Total expenses	(1,007,884)	(1,024,889)	(1,462,349)
Profit from operations	231,457	359,695	582,645
Share of results of associates	211,506	259,095	81,004
Gain on disposal of associates	—	—	40,766
Profit before income tax	442,963	618,790	704,415
Income tax (expenses)/credit	(10,768)	(16,198)	2,107
Profit for the year	432,195	602,592	706,522

During the Track Record Period, our other income and other gains/losses, net fluctuated, mainly due to changes in the gain or loss from foreign exchange and changes in fair value of derivative financial instruments which we purchased for risk management purposes. For the years ended 31 December 2016, 2017 and 2018, our net foreign exchange gain/(loss) amounted to HK$174.6 million, HK$(566.1) million and HK$(297.4) million, respectively. The fluctuations in our net foreign exchange gain/(loss) during the Track Record Period was mainly due to fluctuations in the exchange rate of EUR against HKD as a result of the translation difference of our bonds payable in relation to our EUR-denominated bonds (which expired in February 2018) and the receipt of EUR from our disposal of associates in September 2018. While our Directors believe that such exchange rate risk is manageable, in the event of a significant change in the exchange rate between EUR and HKD, we may record substantial foreign exchange loss, which may materially and adversely affect our results of operations and financial condition. See "Risk Factors — Risks Relating to our Business — We are exposed to foreign exchange risks" in this prospectus for details of the exchange rate risks.

The following table sets out, as at the dates indicated, certain selected items of our consolidated statements of financial position:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Non-current assets	20,873,737	25,349,910	20,986,228
Current assets	10,638,355	6,768,252	8,323,831
Non-current liabilities	19,163,970	17,887,506	15,628,073
Current liabilities	7,003,633	7,957,166	7,916,758
Net current assets/(liabilities)	3,634,722	(1,188,914)	407,073
Net assets	5,344,489	6,273,490	5,765,228

We recorded net current liabilities of HK$1,188.9 million as at 31 December 2017 primarily due to the decrease in loan receivables due within 12 months. See "Risk Factors — Risks Relating to our Business — We recorded net current liabilities during the Track Record Period" in this prospectus for the risks relating to net current liabilities and "Financial Information — Description of Selected Items of our Consolidated Statements of Financial Position" in this prospectus for details regarding the major items affecting our net current assets/liabilities during the Track Record Period.

The decrease in our net assets from HK$6,273.5 million as at 31 December 2017 to HK$5,765.2 million as at 31 December 2018 was mainly due to the declaration of dividends of HK$1,467.0 million in September 2018.

Our investments mainly consist of preferred shares, bonds and wealth management products issued by PRC banks or corporate issuers which provide fixed income and with a relatively low risk profile. We generally invest in products that provide moderate and stable return and avoid high-risk products, and we generally hold our bonds till maturity. See "Financial Information — Description of Selected Items of our Consolidated Statements of Financial Position — Assets — Investments" in this prospectus for further details.

The following table sets out, for the years indicated, a summary of our consolidated statements of cash flow:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Operating profit before changes in working capital	1,082,866	593,736	1,695,430
Net cash (used in)/generated from operating activities	(1,338,063)	1,508,046	(1,415,265)
Net cash (used in)/generated from investing activities	(5,794,779)	(5,502,244)	4,580,329
Net cash generated from/(used in) financing activities	3,085,933	1,381,353	(3,203,392)
Net decrease in cash and cash equivalents	(4,046,909)	(2,612,845)	(38,328)
Cash and cash equivalents at the beginning of the year	7,654,418	3,583,734	1,018,922
Effect of foreign exchange rate changes on cash and cash equivalents	(23,775)	48,033	(56,534)
Cash and cash equivalents at the end of the year	**3,583,734**	**1,018,922**	**924,060**

Our negative operating cash flow for the years ended 31 December 2016 and 2018 was primarily attributable to the fact that (i) our leasing and loan services require a relatively substantial initial investment at the beginning stage of the projects, whereas the lease payment obligations of our customers begin a few years later when the construction of vessels is completed and the vessels are delivered to our customers; and (ii) cash payments for new vessels under finance lease agreements were treated as cash outflows for operating activities, whereas the corresponding proceeds from bank borrowings were treated as cash inflows for financing activities. For the years ended 31 December 2016, 2017 and 2018, we made a relatively substantial initial investment for several projects, which amounted to HK$1,637.8 million, HK$2,399.0 million and HK$3,393.0 million, respectively. Some of the projects with a substantial initial investment had begun to generate operating cash flow during the Track Record Period as the relevant vessels were delivered to our customers and the lease payment obligations of our customers commenced. Going forward, the projects with a substantial initial investment will generate regular cash inflows, and we will continue to receive lease payments from other existing projects. Our future operating cash flow position is manageable since we make investment decisions based on our business plans and funding availability. As part of our risk management initiatives, we monitor our liability maturity structure, analyse the matching of maturity of our assets and liabilities as well as project and forecast our cash inflow and outflow through rolling working capital forecast on a monthly basis. In addition, we conduct liquidity stress testing for various stress scenarios from time to time, which allows us to forecast our liquidity position in different circumstances, adjust our liquidity reserves as appropriate and make necessary funding and financing arrangements. Nevertheless, our liquidity may be materially and adversely affected if there is a significant cash flow mismatch in our operating activities. In the event of a material mismatch in the time between cash inflows and cash outflows, we may obtain additional bank borrowings to meet our payment obligations. Our Directors confirm that the negative operating cash flow during the Track Record Period has no impact on our current and future liquidity as none of our financing arrangements contains covenants on the level of our operating cash flow. Our management will closely monitor our operating cash flow and ensure that we maintain a positive balance between cash inflows and cash outflows. See "Risk Factors — Risks Relating to our Business — Our cash flow position may deteriorate because of potential mismatch in the time between cash inflows and cash outflows" in this prospectus for details of the risks relating to negative operating cash flow.

Key Financial Ratios

The following table sets out our key financial ratios for the years or as at the dates indicated:

	Year ended/ As at 31 December		
	2016	**2017**	**2018**
Profitability indicators			
Return on average assets(1)	1.5%	1.9%	2.3%
Return on average net assets(2)	10.2%	10.5%	11.5%
Average yield of interest-earning assets(3)	8.4%	6.7%	8.6%
Average cost of interest-bearing liabilities(4)	2.8%	3.0%	4.4%
Net interest spread(5)	5.6%	3.6%	4.2%
Net interest margin(6)	5.3%	3.9%	4.8%
Net profit margin(7)	41.9%	45.3%	33.6%
Liquidity indicators			
Asset-liability ratio(8)	83.0%	80.5%	80.3%
Risk asset-to-equity ratio(9)	5.2 times	4.8 times	4.6 times
Gearing ratio(10)	4.3 times	3.9 times	3.9 times
Net debt-to-equity ratio(11)	3.7 times	3.8 times	3.8 times
Asset quality indicators			
Non-performing asset ratio(12)	0.3%	0.9%	0.8%
Non-performing asset provision coverage ratio(13)	835.2%	257.5%	293.7%
Overall collateral coverage ratio(14)	136%	136%	136%
Range of collateral coverage ratio	105% –325%	105% –325%	105% –325%
Value-to-loan ratio of pre-delivery loans(15)	118.0%	100.8%	—
Value-to-loan ratio of secured loans(16)	128.3%	152.1%	127.3%

Notes:

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

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

(3) Calculated by dividing interest income by the average balance of interest-earning assets. Interest income consists of finance lease income and interest income from loan borrowings. Average balance of interest-earning assets is calculated based on the average balance of the gross amount of finance lease receivables and loan borrowings before deducting provision for impairment loss at the beginning and the end of the year.

(4) Calculated by dividing finance costs and bank charges by the average balance of borrowings at the beginning and the end of the year.
(5) Calculated by subtracting the average cost of interest-bearing liabilities from the average yield of interest-earning assets. Average cost of interest-bearing liabilities is calculated by dividing finance costs and bank charges by the average balance of borrowings at the beginning and the end of the year. Average yield of interest-earning assets is calculated by dividing interest income by the average balance of interest-earning assets.
(6) Calculated by dividing net interest income by the average balance of interest-earning assets. Net interest income is interest income minus interest expenses related to interest-earning assets. Interest expenses related to interest-earning assets are finance costs and bank charges multiplied by the average balance of interest-earning assets divided by the average balance of earning assets at the beginning and the end of the year. Earning assets are total assets minus cash and cash equivalents, prepayments, deposits and other receivables, construction in progress, amount due from holding company, amount due from associates and amounts due from related companies.
(7) Calculated by dividing net profit for the year by total revenue for the year. See "Financial Information — Results of Operations" in this prospectus for more details of our net profit margin.
(8) Calculated by dividing total liabilities by total assets.
(9) 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.
(10) Calculated by dividing total borrowings by total equity.
(11) Calculated by dividing net debts by total equity. Net debts are borrowings minus cash and cash equivalents.
(12) Calculated by dividing non-performing assets by gross amount of loan receivables before deducting provision for impairment loss on loan receivables. See "Financial Information — Asset Quality" in this prospectus for more details of the non-performing asset ratio.
(13) Calculated by dividing provision for impairment loss on loan receivables by non-performing assets. See "Financial Information — Asset Quality" in this prospectus for more details of the non-performing asset provision coverage ratio.
(14) Calculated by dividing vessel value (i.e. shipbuilder's cost of shipbuilding) by the total amount of principal in respect of the vessel. See "Business — Our Business — Leasing Services — (i) Finance Lease" in this prospectus for further details.
(15) Calculated by dividing the value of collateral by the sum of the outstanding principal payments under pre-delivery loans. See "Financial Information — Results of Operations — Revenue" in this prospectus for further details. We did not have any outstanding balance of pre-delivery loans as at 31 December 2018 since we did not offer new pre-delivery loans in 2018 and our outstanding balance of pre-delivery loans as at 31 December 2017 was reclassified to secured loans in June 2018 as the vessel was completed and delivered to our customer under a sale-and-leaseback arrangement.
(16) Calculated by dividing the value of collateral by the sum of the outstanding principal payments under secured loans. See "Financial Information — Results of Operations — Revenue" in this prospectus for further details.

Changes in accounting standards

Our Group has applied HKFRS 9 "Financial Instruments" since 1 January 2018. HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments" which relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". See note 2.1.1 to the Accountant's Report in Appendix I to this prospectus for details of the changes in accounting policies.

The following table sets out the total impact on our equity due to the reclassification and remeasurement of financial instruments as at 1 January 2018:

	HK$'000
Provision of impairment under HKAS 39	341,066
Increase in provision for loan receivables	46,750
Change in provision for prepayments, deposits and other receivables	—
Others	387
Provision of impairment under HKFRS 9	388,203
Share of impact from associates to retained profits for increase in provisions under HKFRS 9	53,320
Share of impact from associates for remeasurement of financial assets	(5,718)
	47,602

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued upon exercise of the Over-allotment Option). We satisfy the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended 31 December 2018, being HK$2,104.8 million; and (ii) our expected market capitalisation at the time of Listing, being HK$8,222.3 million (based on the low-end of the indicative Offer Price range of HK$1.34 per Offer Share and 6,136,066,234 Shares expected to be in issue immediately upon completion of the Global Offering).

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on expanding our leasing business. For the period from 1 January 2019 up to the Latest Practicable Date, we had undertaken a loan project with a total contract value of US$5.3 million. As at the Latest Practicable Date, we owned a total of 71 vessels, and our committed vessel portfolio comprised 29 vessels, which are expected to be completed and begin to generate lease income to our Group before 2021. As at the Latest Practicable Date, these 100 vessels were of an aggregate value of US$5.6 billion, and 48 and 52 of them were under finance lease and operating lease arrangements, respectively.

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Company repaid guaranteed loans in a total amount of US$258.3 million.

Our Directors confirm that, except as disclosed in this prospectus, there had been no material adverse change in our financial or trading position since 31 December 2018 and up to the date of this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK$1.38 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total Listing expenses is estimated to be HK$82.4 million. For the years ended 31 December 2016, 2017 and 2018, we incurred Listing expenses of nil, nil and HK$16.4 million, respectively, which were recognised as administrative expenses in our consolidated statements of comprehensive income. We expect to incur additional Listing expenses (including underwriting commission) of HK$66.0 million, of which HK$13.9 million is expected to be recognised as administrative expenses in our consolidated statements of comprehensive income for the year ending 31 December 2019 and HK$52.1 million is expected to be accounted for as a deduction in equity directly upon Listing.

FUTURE PLANS AND USE OF PROCEEDS

Assuming that the Offer Price is HK$1.38 per Offer Share (which is the mid-point of the indicative Offer Price range of HK$1.34 to HK$1.42 per Offer Share), the net proceeds from the Global Offering are estimated to be approximately HK$2,034.6 million (after deducting the underwriting fees and estimated total expenses paid and payable for the Global Offering). We currently intend to use the net proceeds from the Global Offering in the following manner:

- approximately HK$1,220.8 million (or approximately 60% of the net proceeds from the Global Offering) will be used to strengthen the capital base of our ship leasing business, which we believe will enhance the competitiveness of our ship leasing services and our vessel portfolio. In particular, such net proceeds will be used to finance the purchase of the following vessels in our committed vessel portfolio (which are of a total contract value of

US$1,262.9 million and for which we had entered into agreements as at the Latest Practicable Date) in the next three years:

Vessel type	Number	Capacity	Amount of net proceeds intended to be used
Container vessel	3	Feeder (i.e. less than 3,000 TEU)	HK$93.6 million (or approximately 4.6% of the net proceeds from the Global Offering)
Bulk carrier	12	81,200 DWT — 208,000 DWT	HK$425.2 million (or approximately 20.9% of the net proceeds from the Global Offering)
Tanker	14	55,000 DWT — 75,000 DWT	HK$490.3 million (or approximately 24.1% of the net proceeds from the Global Offering)
Special tonnage carrier	8	8,400 DWT — 13,000 DWT	HK$211.6 million (or approximately 10.4% of the net proceeds from the Global Offering)

- approximately HK$610.4 million (or approximately 30% of the net proceeds from the Global Offering) will be used as the capital base for our sale-and-leaseback projects in respect of marine clean energy equipment (including marine LNG/LPG units). We believe that such initiatives will bring our industry resources and professionalism as a shipyard-affiliated leasing company into play, thereby strengthening our market position. In particular, such net proceeds will be used to finance the purchase of two 174,000-cubic metre FSRUs (which are equipment for the re-gasification of LNG and offshore solutions for the import of LNG) in respect of a sale-and-leaseback transaction entered into in 2017 in the next three years. These FSRUs are expected to be delivered in 2021, of a total contract value of approximately US$450.0 million (of which more than US$300.0 million will be payable by us in the next three years) and an estimated useful life of 30 years; and
- approximately HK$203.5 million (or approximately 10% of the net proceeds from the Global Offering) will be used as working capital and for general corporate purposes.

See "Future Plans and Use of Proceeds" in this prospectus for further details.

DIVIDEND

During the Track Record Period, we did not have any dividend policy or a fixed dividend payout ratio. We intend to, after the Listing, adopt a general dividend policy of declaring and paying dividends on an annual basis of approximately 30% of our distributable net profit attributable to our Shareholders, but subject to our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, our Shareholders' interests and other factors which our Directors may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Ordinance, including the approval of our Shareholders. As the payment of dividends is at the discretion of our Board, there can be no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Prospective investors should note that historical dividend payments should not be regarded as an indication of our future dividend policy. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

On 28 September 2018, our Company declared and paid an interim dividend of HK$1,467.0 million to CSSC International.

OFFER STATISTICS[1]

	Based on minimum indicative Offer Price of HK$1.34	Based on maximum indicative Offer Price of HK$1.42
Market capitalisation of our Shares[2]	HK$8,222.3 million	HK$8,713.2 million
Unaudited pro forma adjusted net tangible asset value per Share[3]	HK$1.26	HK$1.28
Price-to-book ratio[4]	1.05 times	1.10 times

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation is based on the 6,136,066,234 Shares expected to be in issue immediately upon completion of the Global Offering.

(3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after adjustments referred to in "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" in Appendix II to this prospectus and on the basis of 6,136,066,234 Shares in issue at the Offer Price immediately upon completion of the Global Offering.

(4) The price-to-book ratio is calculated by dividing the market capitalisation of our Shares by the book value. The book value is the total of our net assets as at 31 December 2018 plus gross proceeds from the Global Offering, which is calculated by multiplying the minimum and maximum indicative Offer Price per Share, respectively, by the 1,534,020,000 Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. Our major risks include:

- any significant deterioration in the quality of our loan receivables may materially and adversely affect our results of operations;
- the value of our leased assets, and the other collateral or guarantees, may not be sufficient to compensate our loss;
- fluctuations in interest rates may have an adverse impact on our business;
- any payment default on the part of our customers may have an adverse impact on our results of operations;
- our cash flow position may deteriorate because of potential mismatch in the time between cash inflows and cash outflows; and
- the marine industry is highly cyclical, which may have a material impact on our business.

In addition, the trade war between the U.S. and the PRC may have a negative impact on global economic conditions, which may reduce the demand for our leasing services. See "Risk Factors — Risks Relating to our Industry — Our business may be affected by the macro-economic environment in Hong Kong and elsewhere in the world" in this prospectus for further details.

The entire prospectus should be read carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through media relating to us and/or the Global Offering, some of which may not be consistent with the information contained in this prospectus.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or where the context so requires, any of them, that are used in connection with the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 6 May 2019 which will take effect from the Listing Date, as amended from time to time
"Audit Committee"	the audit committee of our Board
"Board of Directors" or "Board"	our board of Directors
"business day(s)"	any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
"BVI"	the British Virgin Islands
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會), which recently merged with the China Insurance Regulatory Commission and formed the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) pursuant to the Notice of the State Council regarding the Establishment of Organisations (國務院關於機構設置的通知) (Guo Fa [2018] No.6) issued by the State Council on 22 March 2018 and, if the context requires, includes its successor, the China Banking and Insurance Regulatory Commission
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCBI"	CCB International Capital Limited
"CHA Great Worldwide"	CHA Great Worldwide Holding Company Limited, a company incorporated under the laws of BVI with limited liability on 4 December 2013 and a direct wholly-owned subsidiary of our Company

"CHC Holding"	CHC Holding Company Group Limited, a company incorporated under the laws of BVI with limited liability on 4 December 2013 and a direct wholly-owned subsidiary of our Company
"CHF"	Swiss franc, the lawful currency of Switzerland and Liechtenstein
"China" or "PRC"	the People's Republic of China and, for the purpose of this prospectus only, excludes Hong Kong, Taiwan and Macau Special Administrative Region
"China United Shipbuilding"	China United Shipbuilding Company Limited (華聯船舶有限公司), a company incorporated under the laws of Hong Kong with limited liability on 30 April 1982, which is a subsidiary of CSCC Group and a connected person of our Company
"CLSA"	CLSA Limited
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance" or "Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	CSSC (Hong Kong) Shipping Company Limited (中國船舶(香港)航運租賃有限公司), a company incorporated under the laws of Hong Kong with limited liability on 25 June 2012, which is the holding company of our Group and the listing vehicle for the Listing, and the Shares of which are to be listed on the Main Board
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, for the purpose of this prospectus, refers to CSSC International and CSSC Group
"Corporate Governance Code"	the Corporate Governance Code set out as Appendix 14 to the Listing Rules
"Countries subject to International Sanctions"	countries regarding which governments such as the United States or Australia, or government organisations, such as the European Union or the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organisations within such countries
"CP Worldwide"	CP Worldwide Holding Company Limited, a company incorporated under the laws of BVI with limited liability on 24 September 2013 and 75% and 25% directly owned by our Company and a Liberian company, which is an Independent Third Party, respectively

"CSSC Capital 2015"	CSSC Capital 2015 Limited, a company incorporated under the laws of BVI with limited liability on 21 January 2015 and a direct wholly-owned subsidiary of our Company
"CSSC Group"	China State Shipbuilding Corporation* (中國船舶工業集團有限公司), a wholly state-owned limited liability company established under the laws of the PRC on 29 June 1999, and one of our Controlling Shareholders
"CSSC Guangzhou"	CSSC Financial Leasing (Guangzhou) Company Limited* (中船融資租賃(廣州)有限公司), a WFOE established under the laws of the PRC with limited liability on 28 February 2019 and a direct wholly-owned subsidiary of our Company
"CSSC International"	CSSC International Holding Company Limited, a company incorporated under the laws of Hong Kong with limited liability on 24 August 2018 and wholly owned by CSSC Group, and one of our Controlling Shareholders
"CSSC Shanghai"	CSSC Financial Leasing (Shanghai) Company Limited* (中船融資租賃(上海)有限公司), a WFOE established under the laws of the PRC with limited liability on 24 January 2014 and a direct wholly-owned subsidiary of our Company
"CSSC Shanghai Shipbuilding"	CSSC Shanghai Shipbuilding Industrial Company Limited* (中船上海船舶工業有限公司), a limited liability company established under the laws of the PRC on 29 December 1981 and wholly owned by CSSC Group, and a connected person of our Company
"CSSC Tianjin"	CSSC Financial Leasing (Tianjin) Company Limited* (中船融資租賃(天津)有限公司), a WFOE established under the laws of the PRC with limited liability on 6 November 2014 and a direct wholly-owned subsidiary of our Company
"Cyprus"	the Republic of Cyprus
"Deed of Indemnity"	the deed of indemnity dated 6 May 2019 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in "Other Information — 14. Tax, Estate Duty and Other Indemnity" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 6 May 2019 and executed by our Controlling Shareholders in favour of our Company, particulars of which are set out in "Relationship with Controlling Shareholders — Deed of Non-competition" in this prospectus
"Director(s)" or "our Directors"	director(s) of our Company
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)

"**electronic application instruction(s)**"	instruction(s) given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"EUR" or "€"	Euros, the official currency of the European Union
"Executive Director(s)"	executive director(s) of our Company
"F&S Report"	an independent research report prepared by Frost & Sullivan for the purpose of the Listing
"Fortune 2014"	Fortune 2014 Holding Company Limited, a company incorporated under the laws of BVI with limited liability on 23 June 2014 and a direct wholly-owned subsidiary of our Company
"Fortune Eris"	Fortune Eris Holding Company Limited, a company incorporated under the laws of BVI with limited liability on 15 July 2015 and a direct wholly-owned subsidiary of our Company
"Fortune Jupiter"	Fortune Jupiter Holding Company Limited, a company incorporated under the laws of BVI with limited liability on 17 September 2014 and a direct wholly-owned subsidiary of our Company
"Frost & Sullivan"	Frost & Sullivan International Limited, an independent industry consultant commissioned by us to prepare the F&S Report
"FSL"	Fortune (HK) Securities Limited
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Greater China"	for the purpose of this prospectus, includes the PRC, Hong Kong, Macau and Taiwan
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "we", "our", "our Group" or "us"	our Company and its subsidiaries, and where the context requires, in respect of the period before our Company became the holding company of any of its present subsidiaries, such present subsidiaries as if they were subsidiaries of our Company at the relevant time
"HKAS"	Hong Kong Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 153,404,000 new Shares initially being offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price, subject to any adjustment or re-allocation as described in "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters for the Hong Kong Public Offering as listed in "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 26 May 2019 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"Independent Non-executive Director(s)"	independent non-executive Director(s) of our Company
"Independent Third Party(ies)"	any entity(ies) or person(s) who, as far as our Directors are aware after having made all reasonable enquiries, is/are not connected person(s) within the meaning ascribed thereto under the Listing Rules
"International Placing"	the conditional placing for and on behalf of our Company of the International Placing Shares at the Offer Price outside of the United States in offshore transactions in reliance on Regulation S, as further described in "Structure of the Global Offering" in this prospectus
"International Placing Shares"	1,380,616,000 new Shares being initially offered by our Company for subscription under the International Placing subject to any adjustment or reallocation, and together, where relevant, with any additional Shares which may fall to be issued by our Company pursuant to the exercise of the Over-allotment Option as further described in "Structure of the Global Offering" in this prospectus
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and

	restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S. government, the European Union and its member states, the United Nations or the Government of Australia
"International Sanctions Legal Advisers"	Hogan Lovells, our legal advisers as to International Sanctions laws in connection with the Listing
"International Underwriters"	the underwriters of the International Placing who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company and the Joint Global Coordinators (for themselves and/or on behalf of the International Underwriters, as the case may be) relating to the International Placing, as further described in "Underwriting" in this prospectus
"Issuing Mandate"	the general unconditional mandate given to the Directors by our sole Shareholder relating to the issue of Shares, as further described in "Further Information about our Group — 3. Written Resolutions of our Sole Shareholder Passed on 6 May 2019" in Appendix IV to this prospectus
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, CCB International Capital Limited, Fortune (HK) Securities Limited, DBS Asia Capital Limited, BOCOM International Securities Limited, ABCI Capital Limited, ICBC International Capital Limited, CMB International Capital Limited, China Everbright Securities (HK) Limited, China Industrial Securities International Capital Limited, Haitong International Securities Company Limited, and SPDB International Capital Limited
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, CCB International Capital Limited, and Fortune (HK) Securities Limited
"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, CLSA Limited, CCB International Capital Limited, Fortune (HK) Securities Limited, DBS Asia Capital Limited, BOCOM International Securities Limited, ABCI Securities Company Limited, ICBC International Securities Limited, CMB International Capital Limited, China Everbright Securities (HK) Limited, China Industrial Securities International Capital Limited, Haitong International Securities Company Limited, and SPDB International Capital Limited
"Kylin Offshore"	Kylin Offshore Engineering Pte Ltd., a company incorporated under the laws of Singapore with limited liability on 18 September 2014 and 70% and 30% directly owned by our Company and a company incorporated under the laws of Singapore, which is an Independent Third Party, respectively

"Latest Practicable Date"	21 May 2019, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Lianhuashan Holding"	Lianhuashan Holding Company Limited, a company incorporated under the laws of BVI with limited liability on 6 June 2014 and a direct wholly-owned subsidiary of our Company
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date, expected to be on or about Monday, 17 June 2019, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Marshall Islands"	the Republic of Marshall Islands
"Mr. Hu"	Mr. Hu Kai (胡凱), an Executive Director and the general manager of our Company
"Mr. Yang"	Mr. Yang Li (楊力), an Executive Director and the chairman of our Board
"Nomination Committee"	the nomination committee of our Board
"OFAC"	Office of Foreign Assets Control of the U.S. Department of the Treasury
"Offer Price"	the final price in Hong Kong dollars per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, as further described in "Structure of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by CICC, CLSA and CCBI (on behalf of the International Underwriters other than FSL) and FSL pursuant to the International Underwriting Agreement for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 230,102,000 additional new Shares (representing in aggregate approximately

	15% of the initial Offer Shares) to cover over-allocations in the International Placing, if any, as further described in "Structure of the Global Offering" in this prospectus
"PBOC"	People's Bank of China
"per cent." or "%"	percentage or per centum
"PRC Government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
"PRC Legal Advisers"	King & Wood Mallesons, a qualified PRC law firm and the PRC legal advisers to our Company for the Listing
"Price Determination Date"	the date, expected to be on or about Wednesday, 5 June 2019 on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Friday, 14 June 2019
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Repurchase Mandate"	the general unconditional mandate given to the Directors by our sole Shareholder relating to the repurchase of Shares, as further described in "Further Information about our Group — 3. Written Resolutions of our Sole Shareholder Passed on 6 May 2019" in Appendix IV to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"S$" or "SGD"	Singapore dollars, the lawful currency of the Republic of Singapore
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC government agency responsible for matters relating to foreign exchange administration
"Sanctioned Person(s)"	certain person(s) and identity(ies) listed on the SDN List or other restricted parties lists maintained by the United States, the European Union, the United Nations or Australia
"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Ruizhou"	Shanghai Ruizhou Property Development Company Limited* (上海瑞舟房地產發展有限公司), a limited liability company established under the laws of the PRC on 17 May 1993 and 49%, 25.5% and 25.5% owned by Shanghai Shipyard Company Limited* (上海船廠船舶有限公司), CSSC Group and China Shipbuilding Trading Company* (中國船舶工業貿易公司), respectively, and a connected person of our Company
"Share(s)"	ordinary share(s) in the share capital of our Company
"Shareholder(s)"	the holder(s) of our Share(s)
"Sole Sponsor" or "CICC"	China International Capital Corporation Hong Kong Securities Limited, a corporation licenced under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities
"SPV(s)"	special purpose vehicle(s)
"sq. ft."	square feet
"sq.m."	square metres
"Stabilising Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between Stabilising Manager and CSSC International, pursuant to which the Stabilising Manager may borrow up to 230,102,000 Shares from CSSC International to cover any over-allocation in the International Placing
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended 31 December 2016, 2017 and 2018
"U.S. dollars" or "USD" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Person"	has the meaning given to such term in Rule 902(k) of Regulation S
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

"Underwriters"	collectively, the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"WFOE"	wholly foreign owned enterprises within the meaning prescribed under PRC laws and regulations
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require the Hong Kong Offer Shares to be issued in the applicant's own name
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require the Hong Kong Offer Shares to be deposited directly into CCASS
"Zhongqiao Shipping"	Zhongqiao Shipping Limited (中橋航運有限公司), a company incorporated under the laws of Hong Kong with limited liability on 3 September 2012 and a direct wholly-owned subsidiary of our Company

In this prospectus:

1. Unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.
2. Unless expressly stated or otherwise required by the context, all data are as at the Latest Practicable Date.
3. Unless otherwise specified, all references to any shareholdings in our Company assume that the Over-allotment Option has not been exercised.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translations of company names in Chinese which are marked with "" are for identification purpose only.*

This glossary contains explanations and definitions of certain technical terms used in this prospectus that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry definitions or usage of these terms.

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

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those set out in "Risk Factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- our ability to identify and successfully pursue new business development opportunities; and
- the regulatory environment and industry outlook in respect of the industry and markets in which we operate.

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would", "is/are likely to" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- our operations and business prospects;
- our ability to maintain relationships with major customers and suppliers;
- changes in laws, regulations or policies of the cities and regions where we operate and relating to any aspect of our business and/or the industry we engage in;
- competition for, among other things, financial resources and skilled personnel;
- our ability to manage and expand our business as planned;
- inflationary pressure and/or interest rate and exchange rate fluctuations;
- foreign currency restrictions;
- changes in general economic environment or market conditions in the cities and regions where we operate;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in “Risk Factors” in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, subscription, acquisition, sale or delivery made in connection with the Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of such information.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation, are set out in "Structure of the Global Offering" in this prospectus.

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and us. If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. See "Underwriting" in this prospectus for details of the Underwriters and the underwriting arrangements.

RESTRICTIONS ON THE OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Hong Kong Offer Shares to, confirm that he is aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Division of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option).

No part of the Shares or loan capital of our Company is listed or dealt in on any other stock exchange, and no such listing or permission to list is being or is proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Offer Shares are expected to commence at 9:00 a.m. on Monday, 17 June 2019. The Offer Shares will be traded in board lots of 2,000 Shares each. The stock code of the Offer Shares is 3877.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisers for the details of the settlement arrangements as such arrangements may affect their rights and interests.

SHARE REGISTER

All Shares to be issued by us pursuant to the Global Offering will be registered on our register of members to be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

STAMP DUTY

Dealings in the Shares registered in our register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares, and is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares or exercise any rights attached to them, you should consult an expert.

We emphasise that none of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, agents or advisers, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liability of, any person resulting from the subscription for, purchase, holding, disposition of, or dealing in, the Shares or the exercise of any rights in relation to the Shares.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus and the Application Forms.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, including share ownership and operating data, included in this prospectus may have been subject to rounding adjustments. In this prospectus, unless otherwise indicated or the context requires otherwise, where information is presented in thousands, millions or billions, amounts of less than one thousand, one million or one billion, as the case may be, have been rounded to the nearest hundred, hundred thousand or hundred million, respectively. Unless otherwise indicated or the context requires otherwise, amounts presented as percentages have been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB, USD and S$ amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the RMB, USD and S$ amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless otherwise indicated and save for the currency translations in "Financial Information" in this prospectus and in the Accountant's Report in Appendix I to this prospectus, the translations of RMB, USD and S$ amounts into Hong Kong dollars have been made at the rates set by the PBOC as at the Latest Practicable Date or re-calculated based on such rates at HK$1.1377 to RMB1.0, HK$7.8492 to US$1.0 and HK$5.7105 to S$1.0, respectively.

An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations and prospects. If any of these events occurs, the trading price of our Shares could significantly decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

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

We are principally engaged in the provision of leasing and loan services, and our business growth is largely dependent on our ability to effectively manage and maintain the quality of our loan receivables. As at 31 December 2018, our non-performing asset ratio was 0.8%, and we made provision for impairment loss on loan receivables of HK$440.3 million, which comprised 12-month expected credit loss of HK$32.7 million for assets under stage 1 and lifetime expected credit loss of HK$222.1 million and HK$185.5 million for assets under stage 2 and stage 3, respectively.

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

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

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

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

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

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

Our finance lease income is generally priced on a floating rate basis and with reference to LIBOR. For the years ended 31 December 2016, 2017 and 2018, our finance lease income amounted to HK$319.9 million, HK$540.2 million and HK$892.1 million, respectively, accounting for 31.0%, 40.6% and 42.4% of our total revenue, respectively. Our interest income from loan borrowings is also subject to fluctuations in interest rates. For the years ended 31 December 2016, 2017 and 2018, our interest income from loan borrowings was HK$164.6 million, HK$262.3 million and HK$508.7 million, respectively, accounting for 16.0%, 19.7% and 24.2% of our total revenue, respectively. Fluctuations in interest rates are subject to a number of factors beyond our control, such as economic environment and monetary policies. Any decrease in interest rates may reduce the amount of finance lease income and interest income from loan borrowings that we receive from our customers.

In addition, any changes in interest rates may have an impact on our borrowing and debt financing costs. For the years ended 31 December 2016, 2017 and 2018, our finance costs and bank charges amounted to HK$613.3 million, HK$727.2 million and HK$1,046.2 million, respectively. If interest rates follow a rising trend in the future, our finance costs will increase accordingly.

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

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

Credit risk is one of our major risks. We cannot assure you that all our customers will be creditworthy or that they will fulfil their payment obligations. Any adverse changes in our customers' operations, financial condition, liquidity and cash flow due to factors such as unfavourable industry or market developments as well as fluctuations in interest rates, foreign exchange rates and finance costs may affect their ability to fulfil their payment obligations to us in a timely manner. As at 31 December 2016, 31 December 2017 and 31 December 2018, our provision for impairment loss on loan receivables was HK$359.7 million, HK$341.1 million and HK$440.3 million, respectively. If our customers fail to make payment to us on time or if they default in their payments, our liquidity, cash flow, business, results of operations, financial condition and prospects may be adversely affected.

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

Our five largest customers accounted for more than 60% of our total revenue during the Track Record Period.

Our customers generally include ship operators, shipbuilders and trading companies. For the years ended 31 December 2016, 2017 and 2018, our five largest customers accounted for 69.4%, 70.5% and 66.9% of our total revenue, respectively, and our largest customer accounted for 31.7%, 24.7% and 20.4% of our total revenue, respectively. See "Business — Our Customers" in this prospectus for further details.

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

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

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

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

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

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

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

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

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

We are exposed to foreign exchange risks.

During the course of our business, we are mainly exposed to foreign currency risks as a result of fluctuations in the exchange rate of EUR, CHF, SGD and RMB. For the years ended 31 December 2016, 2017 and 2018, our net foreign exchange gain/(loss) amounted to HK$174.6 million, HK$(566.1) million and HK$(297.4) million, respectively. In the event of a significant change in the exchange rate of EUR, CHF, SGD and RMB, we may record substantial foreign exchange loss, which may materially and adversely affect our business, results of operations, financial condition and prospects.

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

During the Track Record Period, we purchased a number of derivative financial instruments to manage the fluctuations in exchange rates and interest rates. For the years ended 31 December 2016, 2017 and 2018, we had net (loss)/gain due to changes in the fair value of derivative financial instruments of HK$(141.6) million, HK$449.9 million and HK$45.8 million, respectively. See "Financial Information — Description of Selected Items of our Consolidated Statements of Financial Position — Derivative Financial Instruments" in this prospectus for further details.

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

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

Since we are principally engaged in the provision of leasing and loan services, which are capital intensive in nature, we require substantial working capital for our daily operations. During the Track Record Period, we mainly utilised cash generated from our operations and bank borrowings to maintain our cash flow and finance our capital expenditure. As at 31 December 2016, 31 December 2017 and 31 December 2018, our total bank borrowings amounted to HK$19,118.1 million, HK$19,977.8 million and HK$22,567.5 million, respectively.

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

Our indebtedness may have a negative impact on our liquidity.

As at 31 December 2016, 31 December 2017 and 31 December 2018, our total bank borrowings amounted to HK$19,118.1 million, HK$19,977.8 million and HK$22,567.5 million, respectively, whereas our gearing ratio was 4.3, 3.9 and 3.9 times, respectively.

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

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

We make provision for impairment loss on loan receivables in accordance with HKFRS. As at 31 December 2016, 31 December 2017 and 31 December 2018, our provision for impairment loss on loan receivables was HK$359.7 million, HK$341.1 million and HK$440.3 million, respectively.

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

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

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

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

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

For the years ended 31 December 2016 and 2018, we recorded net cash used in operating activities of HK$1,338.1 million and HK$1,415.3 million, respectively. See "Financial Information — Liquidity and Capital Resources — Cash Flow" in this prospectus for further details. There is no assurance that we will not record negative operating cash flow in the future. If we record negative operating cash flow in the future, the working capital for our operations may be constrained, which may materially and adversely affect our business, results of operations, financial condition and prospects.

We generated a portion of our net profit from non-recurring profit items during the Track Record Period.

For the years ended 31 December 2016, 2017 and 2018, our share of results of associates amounted to HK$211.5 million, HK$259.1 million and HK$81.0 million, respectively. See "Financial Information — Results of Operations — Share of Results of Associates" in this prospectus for further details. We cannot assure that such non-recurring gains will recur in the future. If such non-recurring gains do not recur in the future, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We recorded net current liabilities during the Track Record Period.

As at 31 December 2017, we recorded net current liabilities of HK$1,188.9 million. See "Financial Information — Net Current Assets/(liabilities)" in this prospectus for further details. Our net current liabilities may expose us to liquidity risks and constrain our operational flexibility. There is no assurance that we will not record net current liabilities or encounter any liquidity issues in the future. Any of the aforesaid circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

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

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

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

The application of HKFRS 9 requires subjective estimate of our credit risks, which may materially and adversely affect our results of operations and financial condition.

Since 1 January 2018, we have adopted HKFRS 9 for the recognition, classification and measurement of financial assets and financial liabilities, which superseded HKAS 39. We have applied HKFRS 9 to items that existed as at 1 January 2018 in accordance with the transition requirements. See note 2.1.1(i) to the Accountant's Report in Appendix I to this prospectus for further details of HKFRS 9. HKFRS 9 introduces a new impairment model for financial assets, replacing the "incurred loss" model in HKAS 39 with the "expected credit loss" model. The "expected credit loss" model requires an ongoing measurement of credit risks associated with financial assets, and therefore recognises expected credit losses earlier than under the "incurred loss" model in HKAS 39. The impact of HKFRS 9 on opening balance has caused an increase of HK$47.1 million in expected credit losses on financial assets measured at amortised cost, resulting in a net decrease of HK$47.1 million in retained earnings as at 1 January 2018.

Under HKFRS 9, our management is required to make robust estimates on expected credit losses and the point at which there is a significant increase in credit risk based on available information that our management deems reasonable and applicable, all of which involve difficult judgement. Many of these factors are beyond our control and our estimation is subjective in nature. Should the amount turn out to be insufficient to cover the losses we may actually incur in the future, our business, results of operations, financial condition and prospects may be materially and adversely affected.

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

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

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

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

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

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

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

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

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

As the sole leasing company under CSSC Group, we have been enjoying strong support from CSSC Group. See “Business — Our Competitive Strengths”, “Business — Our Development Strategies” and “Relationship with Controlling Shareholders” in this prospectus for details.

If CSSC Group ceases to support us or if its control over us changes, our business, results of operations, financial condition and prospects may be materially and adversely affected. In particular, some of our financing agreements require CSSC Group to remain as our Controlling Shareholder. In the event that CSSC Group ceases to be our Controlling Shareholder, our credit rating may decline and our finance costs may increase. Such a change of control may also trigger our prepayment obligations under some of our financing agreements, which may have a material adverse impact on our liquidity and cash flow.

Our Controlling Shareholders are able to exercise significant influence over us.

Immediately upon completion of the Global Offering, CSSC International and CSSC Group will be our Controlling Shareholders and be interested in approximately 75% of our Company's issued share capital (assuming the Over-allotment Option is not exercised). Subject to our Articles of Association and the applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise significant influence on our business and operations by, among others, controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions (including mergers and acquisitions), approving our annual budgets and taking other actions that require Shareholders' approval.

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

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

During the Track Record Period, we entered into sale-and-leaseback transactions in respect of two vessels with the HK Customer. The HK Customer then chartered the vessels to the Sub-charterer for the purpose of delivering certain products for a construction project in Russia. Russia, as well as certain industry sectors and other persons located in Russia, is subject to various sanctions programmes administered by, among others, the United States and the European Union. The construction project is owned by the Russian Joint Venture. During the Track Record Period and as at the Latest Practicable Date, the Russian Joint Venture Partner was subject to targeted sanctions. However, our customer in the transactions relating to these two vessels was the HK Customer, and except for this sub-chartering arrangement by the HK Customer, we are not aware of any other back-to-back transactions, payments or arrangements of any kind, in USD or otherwise, among the Russian Joint Venture Partner, the Russian Joint Venture, the Sub-charterer and the HK Customer. See "Business — Business Activities Connected to Countries or Persons Subject to International Sanctions" in this prospectus for further details.

We have undertaken to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions or on the SDN List. Further, we have undertaken that we will not use the proceeds from the Global Offering to pay any damages for terminating or transferring any contract that violates International Sanctions. In addition, we have undertaken not to enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of sanctions laws by the United States, the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in Countries subject to International Sanctions or with Sanctioned Persons would expose our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in Countries subject to International Sanctions and with Sanctioned Persons and our business intention relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

While we have implemented internal control measures to minimise our risk exposure to International Sanctions, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons. Furthermore, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. Our business and reputation could be adversely affected if the authorities of United States, the European Union, the United Nations, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group. For details of our business operations in the Countries subject to International Sanctions and our undertakings to the Stock Exchange and its related group companies, see "Business — Business Activities in Countries Subject to International Sanctions" in this prospectus.

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

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

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

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

If we become involved in material or protracted legal proceedings or other legal disputes in the future, we may need to incur substantial legal costs and our management may need to devote significant time and attention to handle such proceedings and disputes, which may divert their attention from our business operations. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may materially and adversely affect our business, results of operations, financial condition and prospects.

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

Our intellectual property rights comprise our domain name. See "Further Information about our Business — 8. Material Intellectual Property Rights" in Appendix IV to this prospectus for details of our material intellectual property rights.

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

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

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

For the years ended 31 December 2016, 2017 and 2018, our revenue amounted to HK$1,031.6 million, HK$1,329.9 million and HK$2,104.8 million, respectively, and our net profit amounted to HK$432.2 million, HK$602.6 million and HK$706.5 million, respectively.

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

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

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

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

RISKS RELATING TO THE INDUSTRY

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

The marine industry is highly cyclical. As we are a leasing service provider primarily focusing on ship leasing, our business may be materially and adversely affected by the marine cycle. The state of the marine cycle may be affected by a number of factors, such as global and regional economic and political conditions, developments in international trade, demand for and supply of marine services, number and types of vessels available globally, delivery of new buildings and retirement of older units, introduction of new marine technologies, changes in seaborne transportation and energy patterns, changes in the regulatory regimes governing the marine industry as well as vessels, fluctuations in foreign exchange and interest rates, ship financing costs, fuel prices, as well as extreme weather conditions.

We cannot predict the impact that changes in the marine cycle may have on our business. Any adverse changes in the marine cycle may significantly reduce the demand for leasing services, which may materially and adversely affect our business, results of operations, financial condition and prospects.

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

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

In particular, the trade war between the United States and China may have an adverse impact on the global economic conditions. In July 2018, the United States began implementing 25% tariffs on approximately US$34 billion worth of Chinese imports, which mainly include products from industrial sectors such as aerospace, information and communications technology, industrial machinery and automobiles. The PRC responded by imposing 25% retaliatory tariffs on approximately US$34 billion worth of U.S. imports, which include agricultural products and motor vehicles. In August 2018, the United States further implemented 25% tariff on approximately US$16 billion worth of Chinese imports, and the PRC responded by imposing 25% retaliatory tariffs on approximately US$16 billion worth of U.S. imports. In September 2018, the United States imposed additional 10% tariffs on approximately US$200 billion worth of Chinese imports, and China hit back by imposing 5% or 10% tariffs on approximately US$60 billion worth of U.S. imports. In May 2019, the United States raised tariffs to 25% on approximately US$200 billion worth of Chinese imports, and China indicated that it would increase tariffs on US$60 billion worth of U.S. imports. There remains much uncertainty as to whether the trade negotiations between the United States and China will be successful and how the trade war between the United States and China will progress. If the trade war between the United States and China continues or escalates, our business, results of operations, financial condition and prospects may be materially and adversely affected.

The global leasing industry is increasingly competitive.

The global leasing industry is becoming more competitive. According to the F&S Report, the global ship leasing industry is relatively fragmented. As at the end of 2018, there were approximately 400 ship leasing companies across the globe. See "Industry Overview" in this prospectus for further details.

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

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

The provision of leasing services in the PRC is subject to certain laws and regulations. See "Regulatory Overview — Laws and Regulations in the PRC" in this prospectus for further details.

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

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

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

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

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

Although the PRC Government has implemented measures emphasising the utilisation of market forces in the development of the Chinese economy, it still exercises significant control over economic growth through resource allocation, controlling the convertibility of Renminbi into foreign currencies, implementing monetary policies and providing preferential treatment to certain industries or companies. The Chinese government also continues to play a significant role in regulating industries by imposing industrial policies. There is no assurance that the economic, political or legal systems of China will not develop in a way that is detrimental to our operations. For example, the policies that we enjoy under the China (Shanghai) Pilot Free Trade Zone regarding our two-way cross-border RMB fund pool business may be interpreted in a more restrictive manner, and the higher level authorities, such as the PBOC, may impose more stringent requirements in relation to two-way cross-border RMB fund pool business, which may adversely affect our business in the PRC. Our business, results of operations, financial condition and prospects may also be materially and adversely affected by the political or social conditions in China, changes in laws, regulations, policies or administrative measures or the interpretation thereof, measures to control inflation or deflation, changes in the rate or method of taxation, and the imposition of additional restrictions on currency conversion and remittances abroad.

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

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

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

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

In late 2014, CSSC Shanghai, as an enterprise registered in the China (Shanghai) Pilot Free Trade Zone, began to carry on two-way cross-border RMB fund pool business, which serves as an alternative approach for our domestic subsidiaries to receive RMB funds. Such business is subject to certain laws and regulations in the PRC, including notices published by the PBOC and its local counterparts from time to time. See "Regulatory Overview — Laws and Regulations in the PRC" in this prospectus for further details. There is no assurance that the regulatory authorities in the PRC will not tighten their supervision over or discontinue the two-way cross-border RMB fund pool business, including restricting the use of RMB funds, which may have an adverse effect on our business in the PRC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), which came into effect on 1 August 2008. Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgement. However, the outcome and enforceability of any action brought under the arrangement remains uncertain. In addition, as a choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the said arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute, it may be difficult or impossible to enforce a judgement rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding tax under PRC tax laws.

Under the EIT Law, a withholding income tax at the rate of 20% is applicable to dividends derived from sources within the PRC paid by foreign-invested enterprises to their investors that are non-resident enterprises. However, pursuant to the implementation rules of the EIT Law, a reduced withholding income tax rate of 10% shall be applicable in such case. In addition, under the Arrangement between China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷稅漏稅的安排) (the "**Hong Kong Tax Treaty**"), a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiary if it holds 25% or more interest in that particular PRC subsidiary, or 10% if it holds less than 25% interest in that subsidiary. In addition, the State Administration of Taxation promulgated the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements （國家稅務總局關於執行稅收協定股息條款有關問題的通知）(the "**Circular No. 81**") on 20 February 2009. According to the Circular No. 81, if the main purpose of a transaction or an arrangement is to obtain preferential tax treatment, the PRC tax authorities will have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that we will enjoy the 5% reduced withholding tax rate in relation to the dividends payable by our PRC subsidiaries.

Moreover, due to ambiguities in the EIT Law and its implementation rules, a withholding tax at the rate of 10% may also be applicable to dividends payable to investors (excluding individual natural persons) that are non-resident enterprises to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of our Shares by such investors is also subject to a withholding tax at the rate of 10% if such gain is regarded as income derived from sources within the PRC. If we are considered as a PRC resident enterprise, it is unclear whether the dividends we pay with respect to our Shares would be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our Shares may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares and an active trading market for the Shares may not develop or be sustained.

Prior to the Global Offering, no public market for the Shares existed. Following completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for the Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that the Shares will be traded in the public market at or above the Offer Price. The Offer Price for the Shares will be determined by agreement among the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company, and may not be indicative of the market price of the Shares following completion of the Global Offering. If an active trading market for the Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of the Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The price and trading volume of our Shares may be volatile and could fluctuate significantly as a result of, among others, the following factors, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, strategic alliances or joint ventures;
- additions or departures of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation or regulatory investigations; and
- changes in general economic and stock market conditions.

Any of these broad market conditions may result in substantial and sudden changes in the price and trading volume of the Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares may fall before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period, and holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins due to adverse market conditions or other developments that could occur between the time of sale and the time when trading begins.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market upon completion of the Global Offering, or the perception that these sales could occur, may adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

Although the Shares owned by our Controlling Shareholders are subject to certain lock-up periods, we cannot assure you that our Controlling Shareholders will not dispose of their Shares following expiration of the lock-up periods. Any major disposal of our Shares by our Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that such disposals may occur) may cause the prevailing market price of our Shares to fall.

There is no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on various factors, including but not limited to our results of operations, cash flow and financial conditions, operating and capital expenditure requirements, our Articles of Association and other applicable Hong Kong laws and regulations, market conditions, our strategic plans and prospects of business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future. The dividend declared and paid by us during the Track Record Period and up to the Latest Practicable Date should not by regarded as an indication of the future dividend policy to be adopted by us.

Shareholders' interests in our Company may be diluted in the future.

Our Company may issue additional Shares and raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, (i) the percentage ownership of existing Shareholders may be reduced and they may experience subsequent dilution and reduction in their earnings per share; and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

We have considerable discretion as to how we will use the net proceeds from the Global Offering.

Our management may apply the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. Details of our current plans for the use of proceeds from the Global Offering are set out in "Future Plans and Use of Proceeds" in this prospectus. However, our management will have discretion as to the actual application of the net proceeds from the Global Offering. You are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Facts and statistics in this prospectus may come from various sources and may not be fully reliable.

Some of the facts and statistics in this prospectus are derived from various publications of government agencies or publicly available sources and obtained during communications with various government agencies or Independent Third Parties that our Directors believe are reliable. However, our Directors cannot guarantee that the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Sole Sponsor or any other party involved in the Global Offering, and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practises or other reasons, these facts and statistics maybe inaccurate or may not be comparable to official statistics. You should therefore not place undue reliance on them.

Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

You are strongly advised to read the entire prospectus carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this prospectus.

Prior to completion of the Global Offering, there may be press and media coverage regarding our Group and the Global Offering. Our Directors would like to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorised by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or the Shares. In making decisions as to whether to invest in the Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus and the Application Forms.

In preparation for Listing, we have sought and have been granted the following waivers from strict compliance with certain provisions of the Listing Rules:

CONNECTED TRANSACTIONS

We have entered into, and expect to continue to enter into, certain transactions which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. In respect of such non-exempt continuing connected transactions, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with certain requirements under Chapter 14A of the Listing Rules. See "Connected Transactions" in this prospectus for further details.

APPOINTMENT OF COMPANY SECRETARY AND ASSISTANT COMPANY SECRETARY

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is in the opinion of the Stock Exchange capable of discharging the functions of company secretary. The following academic and professional qualifications are considered acceptable by the Stock Exchange:

(a) a member of the Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (WUMP) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Ding Weisong (丁唯淞) ("**Mr. Ding**") as our company secretary. Mr. Ding is the general legal counsel of our Company and the general manager of our risk management department. Since Mr. Ding does not possess the professional or academic qualifications as stipulated in Rule 3.28 of the Listing Rules, our Company has appointed Ms. Wong Sau Ping (黃秀萍) ("**Ms. Wong**") as the assistant company secretary. Ms. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and therefore satisfies the qualification requirements under the Listing Rules. Over a period of three years from the Listing Date, our Company proposes to implement the following measures to assist Mr. Ding to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

(a) Mr. Ding will endeavour to attend relevant training courses, including seminars organised by the Stock Exchange for listed issuers from time to time and seminars on the latest development of the applicable Hong Kong laws and regulations (including the Listing Rules) organised by the Company's Hong Kong legal advisers on an invitation basis;

(b) Ms. Wong will assist Mr. Ding to enable him to acquire the relevant experience as required under Rule 3.28 of the Listing Rules to discharge the duties and responsibilities as the company secretary of our Company; and

(c) Mr. Ding will communicate regularly with Ms. Wong on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to us and our affairs. Ms. Wong will work closely with and provide assistance to Mr. Ding for the discharge of his duties as a company secretary, including organising our Company's board meetings and shareholders' meetings.

The appointment of Mr. Ding is for an initial period of three years commencing from the Listing Date on condition that Mr. Ding will be assisted by Ms. Wong.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 8.17 and 3.28 of the Listing Rules in respect of the appointment of Mr. Ding as company secretary and Ms. Wong as assistant company secretary. Provided that Mr. Ding has acquired the relevant experience under Rule 3.28 of the Listing Rules at the end of the initial three-year period, the arrangement in relation to the appointment of an assistant company secretary will no longer be necessary.

ALLOCATION OF SHARES TO A CORNERSTONE INVESTOR WHO IS CONNECTED WITH ONE OF THE UNDERWRITERS

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors. Paragraph 13(7) of Appendix 6 to the Listing Rules states that "connected clients" in relation to an exchange participant means any client who is a company which is a member of the same group of companies as such exchange participant.

Pursuant to Guidance Letter HKEx-GL85-16 issued by the Stock Exchange, the Stock Exchange will consider giving consent for allocations of shares to connected clients of the lead broker if the relevant conditions and principles set out therein are satisfied and followed. In particular, the Stock Exchange will ordinarily give its consent to connected clients if it is satisfied that: (a) the allocation to connected clients represents a genuine demand for securities in an applicant; and (b) the connected clients have not taken or will not take advantage of their position to receive an allocation for their own benefit at the expense of other placees or the public (i.e. that no actual or perceived preferential treatment has been given to such connected clients).

As part of the Global Offering, First Automobile Finance Co., Ltd.* (一汽財務有限公司) ("**First Automobile**"), one of our cornerstone investors, will subscribe for certain Offer Shares through a fund (the "**QDII Fund**") set up and maintained by China International Capital Corporation Limited (中國國際金融股份有限公司) (the "**QDII Manager**"), a PRC qualified domestic institutional investor. The QDII Fund will invest in such Offer Shares on behalf of First Automobile to fulfil the obligations of First Automobile under the cornerstone investment agreement, and hold such Offer Shares on a non-discretionary basis on behalf of First Automobile (i.e. the QDII Manager only takes orders from First Automobile and makes no decisions of its own) (the "**QDII Arrangement**"). First Automobile is a third party independent of our Company and the Sole Sponsor according to paragraph 5(1) of Appendix 6 to the Listing Rules. In respect of the Global Offering, CICC is one of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters. As CICC is a wholly-owned subsidiary of the QDII Manager, the QDII Manager is a connected client of CICC pursuant to paragraph 13(7) of Appendix 6 to the Listing Rules. As such, the participation of First Automobile as a cornerstone investor in the Global Offering through the QDII Manager is subject to a consent under paragraph 5(1) of Appendix 6 to the Listing Rules from the Stock Exchange. See "Cornerstone Investors" in this prospectus for further details.

Based on the following grounds, we have applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit the participation of First Automobile as a cornerstone investor in the Global Offering through the QDII Manager:

(a) under the QDII Arrangement, the Offer Shares to be subscribed for by First Automobile will be held by the QDII Fund on a non-discretionary basis on behalf of First Automobile. The Sole Sponsor confirms that First Automobile is an independent third party according to paragraph 5(1) of Appendix 6 to the Listing Rules;

(b) we confirm that the cornerstone investment agreement entered into between us and First Automobile does not contain any material terms which are more favourable to First Automobile than those in the other cornerstone investment agreements;

(c) our Company, CICC (in respect of the QDII Manager who is its connected client) and the Joint Bookrunners (to the best of the Joint Bookrunners' knowledge and belief) confirm that, in the case of participation as a cornerstone investor, no preferential treatment has been, nor will be, given to First Automobile by virtue of its relationship with CICC other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEx-GL51-13 issued by the Stock Exchange ("**HKEX-GL51-13**"), and details of the allocation will be disclosed in the allotment results announcement of our Company;

(d) First Automobile confirms that, to the best of its knowledge and belief, it has not received and will not receive any preferential treatment in the allocation of the Global Offering as a cornerstone investor by virtue of its relationship with CICC, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13; and

(e) the Sole Sponsor confirms that, based on (i) its discussion with our Company and the Joint Bookrunners; and (ii) the confirmations provided to the Stock Exchange by our Company, CICC, the Joint Bookrunners and First Automobile as set out in paragraphs (c) and (d) above, and to the best of its knowledge and belief, it has no reason to believe that First Automobile has received any preferential treatment in the allocation of the Global Offering as a cornerstone investor by virtue of its relationship with CICC other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13, and details of the allocation will be disclosed in the allotment results announcement of our Company.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Yang Li (楊力)	Flat A, 31/F 1 Star Street Wan Chai Hong Kong	Chinese
Mr. Hu Kai (胡凱)	Flat 07, 33/F Southorn Garden 2 O'Brien Road Wan Chai Hong Kong	Chinese
Independent Non-Executive Directors		
Dr. Wong Yau Kar David (黃友嘉), *GBS, JP*	Flat B, 12/F, South Tower 3 Residence Bel-air Island South 38 Bel-air Avenue Hong Kong	Chinese
Mdm. Shing Mo Han Yvonne (盛慕嫻), *BBS, JP*	Room 1, 19/F, Block A Nicholson Tower No. 8 Wong Nei Chung Gap Road Wan Chai Hong Kong	Chinese
Mr. Li Hongji (李洪積)	No. 30-10 III Bishui Manor Huilongguan Town Changping District Beijing PRC	Chinese

See "Directors, Senior Management and Staff" in this prospectus for further information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CLSA Limited 18/F, One Pacific Place 88 Queensway, Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

Fortune (HK) Securities Limited
43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Joint Bookrunners

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

Fortune (HK) Securities Limited
43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central, Hong Kong

ICBC International Capital Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central, Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

China Industrial Securities International Capital Limited
7/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

SPDB International Capital Limited
Suites 3207-3212, 32/F, One Pacific Place
88 Queensway, Hong Kong

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

Fortune (HK) Securities Limited
43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

DBS Asia Capital Limited
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	Bank of Communications No.188 Yincheng Middle Road Pudong New District Shanghai PRC
Company's website address	www.csscshipping.net *(Note: Content in this website does not form part of this prospectus)*

The information set forth in this section is derived from the F&S Report, which is based on information from the database of Frost & Sullivan, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, agents or advisers or any other person or party (except Frost & Sullivan) involved in the Global Offering, and no representation is given as to the completeness, accuracy or fairness of such information. Accordingly, such information should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there had been no material adverse change in the market information since the date of the F&S Report which may qualify, contradict or have an impact on the information set out in this section.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of and to prepare a report on the global ship leasing services industry. A total fee of RMB520,000 was paid to Frost & Sullivan for the preparation of the F&S Report, which we believe reflects market rates for reports of this type.

Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The F&S Report was undertaken through both primary and secondary research obtained from various sources using intelligence collection methodologies. Primary research involved discussing the status of the industry with certain leading industry participants across the industry value chain and conducting interviews with relevant parties to obtain objective and factual data and prospective predictions. Secondary research involved reviewing information integration of data and publication from publicly available sources, including official data and announcements from government agencies, and company reports, independent research reports and data based on Frost & Sullivan's own data base.

Basis and Assumptions

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the global social, economic and political environment is likely to remain stable in the forecast period; and (ii) industry key drivers are likely to drive the growth of the global ship leasing services industry in the forecast period.

OVERVIEW OF GLOBAL AND CHINA MACRO-ECONOMIC ENVIRONMENT

The global economy has experienced a recovery phase since 2008. From 2012 to 2017, the global nominal GDP increased from USD75.0 trillion to USD80.7 trillion, representing a CAGR of 1.5%. Looking forward, driven by the high growth potential of the fast-growing emerging economies such as China, India and Russia as well as economic recovery in some developed countries, the global nominal GDP is expected to grow at a faster pace in the next five years. According to the F&S Report, the global nominal GDP is expected to increase from USD82.6 trillion in 2018 to USD93.3 trillion in 2022, representing a CAGR of 3.1%. In recent years, the total volume of international trade has maintained a steady growth. According to the F&S Report, the total export volume of international merchandise experienced a stable growth from 2013 to 2018 and at a CAGR of 3.2%. Looking forward, the total export volume of international merchandise is expected to maintain a steady growth from 2019 to 2022 and at a CAGR of 3.8%. The continuous trading activities will directly stimulate the demand for the marine services and further drive the market of the ship leasing services industry.

China's economy maintained a solid growth pace from 2013 to 2018, during which the Chinese government promulgated effective stimulus policies and successfully maintained economic stability. China's nominal GDP grew from RMB59.5 trillion in 2013 to RMB90.0 trillion in 2018, representing a CAGR of 8.6%. Going forward, the Chinese government will tend to maintain consistent and stable macro-economic policies to maintain macro-economic stability. The stable development of macro-economy provides a good environment for the development of China's leasing industry. The mode of leasing is increasingly favoured by customers and has penetrate into various industries, including house leasing, car leasing, aircraft leasing and ship leasing. It is expected that the demand for leasing services in various industries, especially the marine industry, will further increase in the future. With the rapid development of China's economy and the strong support from the Chinese government, a number of Chinese companies with international investment vision and strong financial strength have sprung up in the past few decades. Chinese companies occupied 115 seats in Fortune Global 500 in 2018, second only to the United States. The economic globalisation will further drive the growth of Chinese enterprises' capital strength. The Chinese government and enterprises provide strong financial support for the shipbuilding industry which is technology-intensive and capital-intensive, thus facilitating the high-end and high-added-value development of the shipbuilding industry.

OVERVIEW OF GLOBAL MARINE INDUSTRY

The global marine industry comprises shipping industry and offshore engineering equipment industry. The shipping industry covers seaborne shipping of various cargo types, including bulk cargoes, containers, crude oil and petroleum products, which form an integral part of international trade and closely ties with national and regional economic developments. The marine industry is the bridge and hub of international trade and is closely related to the development of the world economy and the local industrial level. Over 80% of the world trade volume comes from seaborne trade. In 2017, with the recovery of the global economy leading to the revival of seaborne trade, the effective restructuring of the global marine industry and the promulgation of the marine industry environmental protection convention, the global shipbuilding industry market began to recover. Global new ship orders reached 85.7 million DWT in 2017, increasing by 195.5% from 2016, signalling a rebound of the shipbuilding industry. According to the F&S Report, the world seaborne trade is expected to grow from 11,901 million tonnes in 2018 to 14,255 million tonnes in 2022, at a CAGR of 4.6%. The growth of world seaborne trade volume provides a favourable development environment for the shipping market and will promote the development of the ship leasing market. Offshore engineering equipment industry covers large-scale operation equipment and related facilities for the exploitation, processing, storage and management of marine resources (particularly oil and gas resources). Offshore engineering equipment features high technology, capital commitment, productivity as well as added-value, includes cutting-edge marine LNG exploitation platforms such as FLNG and FSRU, and is of great significance to economic development.

INTRODUCTION OF GLOBAL MAJOR MARITIME VESSEL TYPES

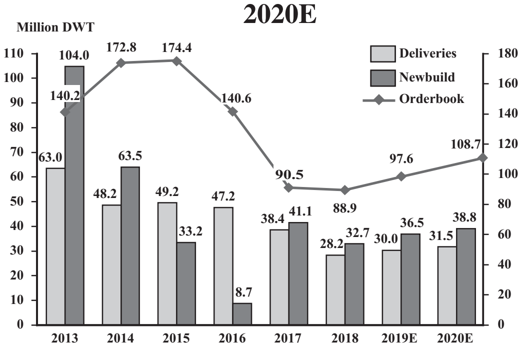
Bulk carriers, container vessels and tankers are the main types of ships in the global shipping market. From 2003 to 2007, the world's shipbuilding market experienced a prosperous stage and then began a large-scale de-capacity restructuring for many years. In 2017, with the recovery of the global economy leading to the revival of seaborne trade, the effective restructuring of the global marine industry and the promulgation of the marine industry environmental protection convention, the global shipbuilding industry began to recover. The rebound of orders for bulk carriers, container vessels and tankers reflects the recovery and sustainable development of the marine industry, which will continue to promote the development of the global ship leasing industry.

Global Bulk Carrier Market Analysis

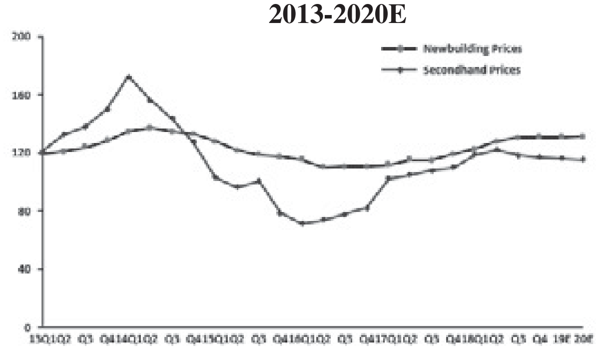
Bulk carriers refer to vessels that transport bulk dry cargoes such as coal, iron ore, grain and cement. Bulk carriers transport a relatively small range of goods which do not need to be packed into bundles, bags or boxes. Most of bulk carriers are single-deck ships that are easy to load and unload goods. Bulk carrier types can be classified according to their loaded goods, purposes of transportation and tonnages.

Since 2013, the increase in trade demand has affected the number of newbuild orders received for bulk carriers. The number of newbuild orders for bulk carriers worldwide reached 104.0 million DWT in 2013, which allowed the orderbook amount in 2014 and 2015 to experience a substantial increase. With the excess shipping capacity of bulk carriers in the market, the number of newbuild orders has demonstrated a declining trend since 2015 and dropped to 8.7 million DWT in 2016. As the number of newbuild orders received each year will affect the number of subsequent orderbook orders, the number of orderbook orders has been declining since 2016. At the same time, the cost of the newbuilding has been declining. Some bulk carriers have been scrapped and dismantled to alleviate the excess shipping capacity. In 2018, the global bulk carrier's newbuild orders increased to 41.1 million DWT. The global bulk carrier market has begun to recover. The newbuild, orderbook and deliveries of bulk carriers are expected to reach 38.8 million DWT, 108.7 million DWT and 31.5 million DWT, respectively, by 2020.

Number of bulk carrier orders (Global), 2013-2020E



Bulk carrier price index (Global), 2013-2020E



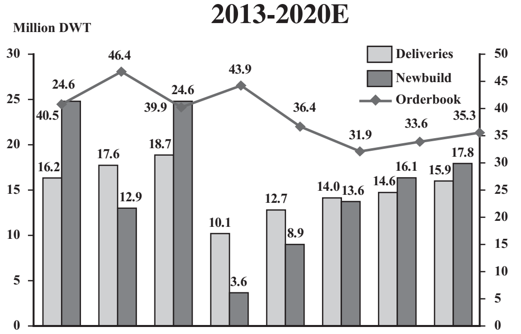
Source: F&S Report

Global Container Vessel Market Analysis

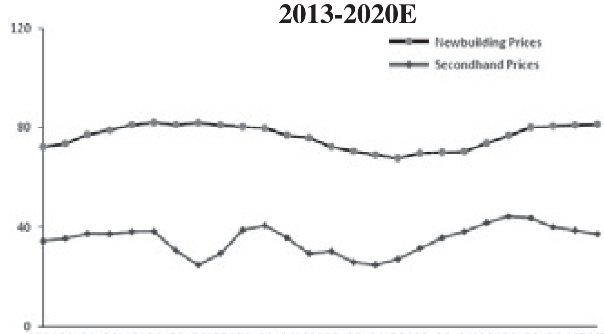
Container vessels are cargo ships that transport cargo containers. Goods are loaded into containers in advance, and the containers will be loaded onto ships. This transportation mode offers high loading efficiency and short port stop time. It can also reduce cargo damages during transportation, loading and unloading. Container vessels can be divided into full container vessels, semi-container vessels and convertible container vessels.

The global orders for container vessels reached the highest point in 2015, with newbuild amounting to 24.6 million DWT. The global container vessel deliveries maintained a growing trend from 2013, due to the impact of newbuild orders received in previous years, but began to decline in 2016. The global container vessel orderbook amount has been fluctuating in recent years, reaching 31.9 million DWT in 2018. It is estimated that by 2020, the global container vessel deliveries, newbuild and orderbook orders will reach 15.9 million DWT, 17.8 million DWT and 35.3 million DWT, respectively.

Number of container vessel orders (Global), 2013-2020E



Container vessel price index (Global), 2013-2020E



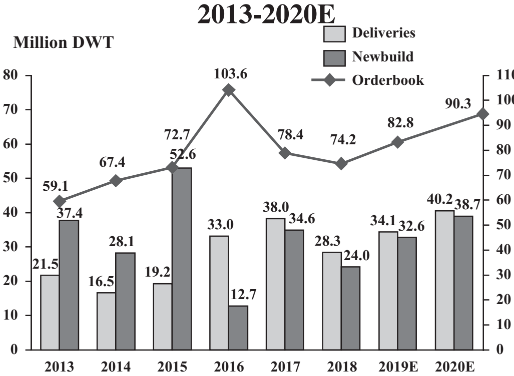
Source: F&S Report

Global Tanker Market Analysis

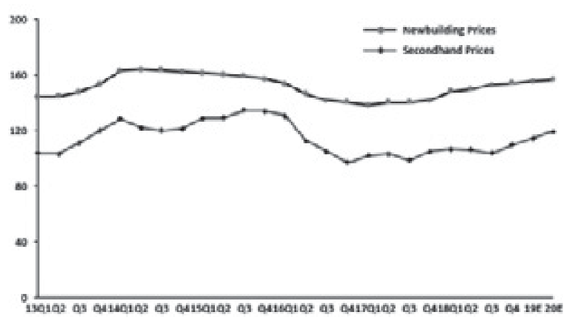
Tankers refer to ships that carry petroleum and petroleum products. Due to the volatile, combustion and explosive properties of petroleum, some newbuildings need to be equipped with inert gas explosion-proof facilities. Meanwhile, the oil cargo tanks are separated by multi-longitudinal and multi-transverse bulkheads to reduce the effect of free surface on stability. Tankers can be divided into crude oil tankers and refined oil tankers, based on the types of oil transported. Crude oil tankers can only load a single type of oil, while refined oil tankers can load multiple types of petroleum products, such as gasoline, diesel, solvent oil and lubricating oil.

The global tanker orderbook amount reached its peak at 103.6 million DWT in 2016, followed by a small decline in 2017. The global tanker deliveries have been growing since 2014, reaching 38.0 million DWT in 2017, followed by a decrease in 2018. Global tanker newbuild orders have been fluctuating in recent years. It reached its low point at 12.7 million DWT in 2016, but rebounded to 34.6 million DWT in 2017, followed by a drop in 2018. It is estimated that by 2020, the global tanker deliveries, newbuild and orderbook orders will reach 40.2 million DWT, 38.7 million DWT and 90.3 million DWT, respectively.

Number of tanker orders (Global), 2013-2020E



Tanker price index (Global), 2013-2020E



Source: F&S Report

Other Vessel Types

Apart from the three major vessel types, other vessel types of the global shipping industry include LNG carriers, LPG carriers, heavy-load carriers, multi-purpose vessels and deck carriers. In particular, the rising consumption of LNG and LPG has fostered the growing demand for related vessels. According to the F&S Report, with the recovery of the global shipping industry, the newbuilding contract value for LNG an LPG carriers reached USD12.6 billion and USD2.4 billion in 2018, respectively, increasing by 327% and 85% as compared to 2017, respectively. Meanwhile, the newbuilding contract value for multi-purpose vessels reached USD244 million in 2018, decreasing by 47% as compared to 2017.

OVERVIEW OF GLOBAL OFFSHORE CLEAN ENERGY ENGINEERING EQUIPMENT INDUSTRY

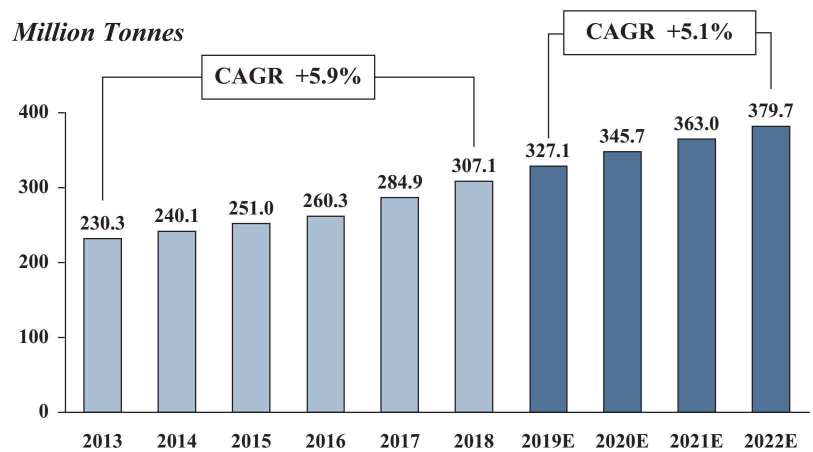
With the continuous development of the global economy, the global energy demand has increased. Clean energy has expanded its applications and is gaining popularity in the energy system because of its cleanliness and high efficiency.

Global LNG Demand

The production capacity of and consumption demand for LNG have experienced a rapid growth globally in recent years. At the same time, the producing areas of LNG are often difficult to match perfectly with the consumption areas, thus promoting the growth of import and export trade of offshore LNG resources and stimulating the demand for seaborne shipping of offshore LNG resources.

The consumption volume of gas energy resources, which is represented by LNG, is gradually taking a larger share in the global energy consumption structure. From 2013 to 2018, the global LNG consumption grew from 230.3 million tonnes to 307.1 million tonnes, at a CAGR of 5.9%. With the increasing importance of LNG in the energy system, the global LNG consumption is expected to reach 379.7 million tonnes in 2022.

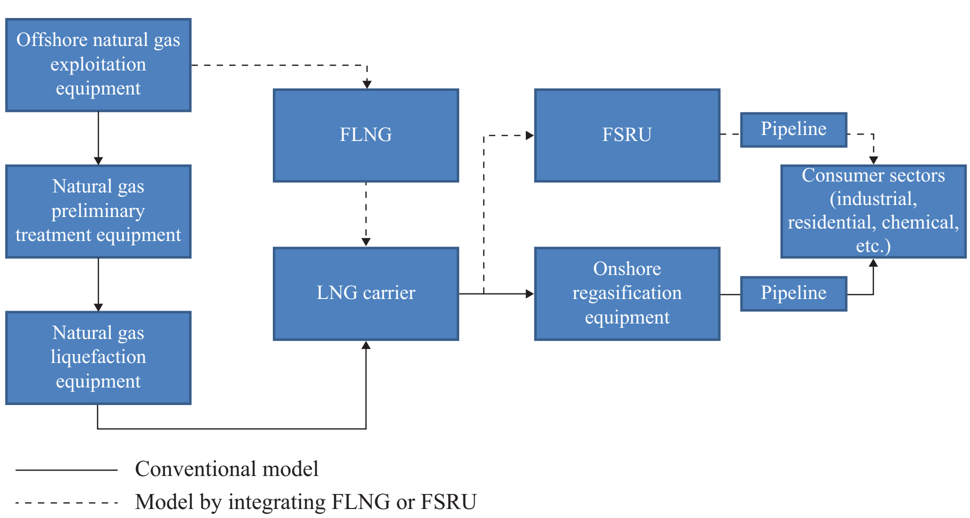
LNG consumption volume (Global), 2013-2022E



Source: F&S Report

Offshore LNG Value Chain and Engineering Equipment

Offshore LNG engineering equipment include a variety of LNG-related equipment and facilities for the exploitation, liquefaction, re-gasification and delivery of LNG. The new model which integrates FLNG and FSRU may handle the entire process more efficiently, economically and flexibly, is gaining rising awareness and is of significant importance to the exploitation of offshore LNG resources and the development of regional economy.



Source: F&S Report

In addition, the spot rate and time charter rate of a 160,000-cubic metre LNG have experienced evident decrease in the past few years, decreasing from USD127,275 per day and USD136,808 per day in 2012 to USD46,058 per day and USD40,301 per day in 2017, respectively. However, with the recovery of the global marine industry at the end of 2017, these two indicators also started to rebound significantly, reaching USD88,692 per day and USD77,396 per day in 2018, respectively. The growing trend of the rates of a 160,000-cubic metre LNG represents a prosperous outlook of the LNG vessel as well as the offshore LNG engineering equipment in the coming years.

OVERVIEW OF GLOBAL SHIP LEASING SERVICES INDUSTRY

Definition and Classification

Ship leasing services refer to the services provided by the ship's supply side (lessor) to the ship's demand side (lessee) for the transfer of right to use. The lessor of the vessel collects periodic lease payments from the lessee. After the lease expires, the ownership of the vessel is determined based on the specific leasing mode and the relevant lease agreement. Ship leasing services can be classified into financial leasing services and operating leasing services.

Ship financial leasing services refer to services whereby the lessor purchases vessels from shipyards and leases them to the lessee according to the lessee's specific requirements and choice of shipyard. According to the financial leasing agreement, the lessee pays periodic lease payments. During the lease term, the ownership of the vessel belongs to the lessor. After expiration of the lease term, upon full lease payment and fulfilment of the obligations under the financial leasing agreement by the lessee, the ownership of the ship is transferred to the lessee. Depending on whether the leased ship assets are from the lessee or not, ship financial leasing services can be divided into two modes, namely direct finance lease and sale-and-leaseback. Direct finance lease transaction is as described above. Sale-and-leaseback is a model the lessee sells the vessel to the lessor and the lessor then leases it back in return for periodic lease payment.

Ship operating leasing services refer to services whereby the lessor selects the ship based on the market demand and leases it to the lessee. Generally, the ownership of the vessel is held by the lessor during the lease term and after its expiration. The lessee pays lease payment on a regular basis. Ship operating leasing services can be further divided into bareboat charter and time charter. In a bareboat charter, the lessor provides the vessel and the lessee is responsible for the employment of the crew as well as the operation and management of the vessel; whereas in a time charter, the lessor rents the vessel to the lessee for usage for a specified period of time, and the lessor is responsible for payment of the expenses in relation to crew employment and vessel management.

Advantages of Ship Leasing Services

– **Low capital commitment**

For most shipping enterprises, traditional shipping capacity acquisition channels (such as bank loans, bond financing and equity financing) have difficulties when satisfying the need for large amounts of funds and solving the problem of long capital occupation period. Traditional shipping capacity acquisition channels affect the credit line of enterprises, which restrict shipping enterprises' ability to apply for further loans and are not conducive to the long-term and healthy development of the business. However, ship leasing services allow shipping enterprises to obtain the right to use the vessel by making periodic payment and fulfilling the relevant contractual obligations. By utilising ship leasing services to acquire shipping capacity, shipping enterprises (or the lessees) would have better capital allocation options and operating cash flow performance as they only have to pay periodic instalments for the vessels instead of a large lump-sum down payment at the initial stage. If a large amount of capital turnover is required, shipping enterprises can also enter into sale-and-leaseback transactions, which provides capital turnover for the enterprises without affecting their right to use their vessels.

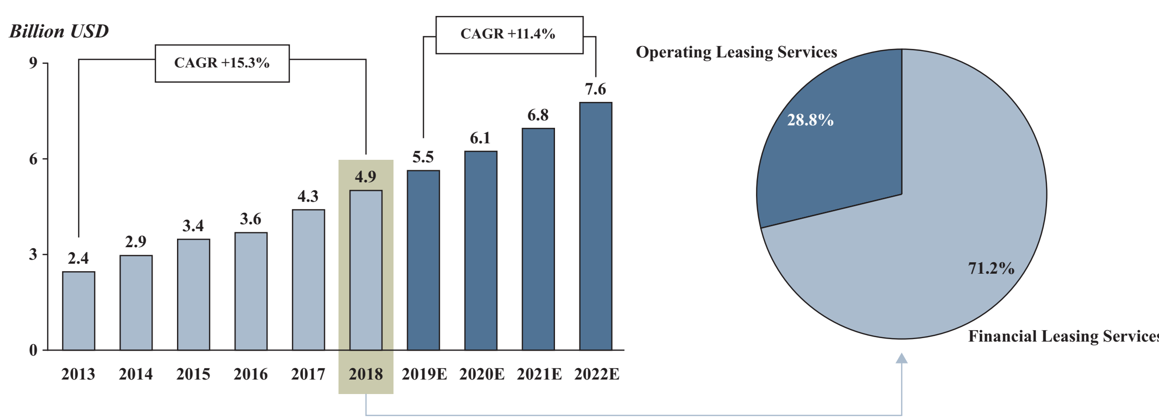
– **High flexibility**

Compared to traditional shipping capacity acquisition channels, ship leasing services take shipping cycles as well as market supply and demand into full consideration, and combine the actual operating conditions and credit background of the lessee to provide a flexible leasing plan. For financial leasing services, the lessees can fully express their business needs (including their specific requirements such as the installation or upgrade of a particular working machine) to the lessors so that the ship assets will perfectly match the lessees' business development needs. At the same time, the lessees can negotiate the best terms of the agreement with the lessors, e.g. the optimal way of payment as well as the operational obligations of both parties. In terms of operating leasing services, the lessors can take the market demand into full consideration by utilising their insights into industry trend, thereby rationally acquiring high-quality ship assets and carrying out related leasing business to capture profits by flexibly making use of the fluctuations in vessel prices.

Global Ship Leasing Services Market Size Analysis

Driven by the demand from downstream industries, the global ship leasing services industry has developed rapidly in the past few years. The market size by revenue grew from USD2.4 billion in 2013 to USD4.9 billion 2018, at a CAGR of 15.3%. In 2018, the financial leasing services sector and the operating leasing services sector accounted for 71.2% and 28.8% of the global ship leasing services industry, respectively. With the increase in global trade volume and the enhanced efforts of countries in developing their regional economy, the global maritime transportation industry will continue to develop, thereby driving the demand for ship leasing services. The global ship leasing service market is expected to grow steadily between 2019 and 2022 and reach USD7.6 billion in 2022, demonstrating a CAGR of 11.4%.

Market size by revenue of ship leasing services industry (Global), 2013-2022E



Source: F&S Report

Market Drivers and Trends

– **Increasing international trading activities**

In recent years, the total volume of international trade has maintained a steady growth. The total export volume of international merchandise experienced a stable growth from 2013 to 2018, at a CAGR of 3.2%. Looking forward, the total export volume of international merchandise is expected to maintain steady growth from 2019 to 2022, at a CAGR of 3.8%. Maritime transport is essential to the global economy as over 80% of the world's merchandise trade is transported by sea, and trading activities will directly stimulate the demand for shipping services and further drive the market of ship leasing services. For instance, the global bulk carrier trade volume reached 5.2 billion tonnes in 2018, at a CAGR of 2.6% since 2013. Moving forward, the volume is expected to reach 5.7 billion tonnes in

2022, at a CAGR of 2.3% between 2019 and 2022. Moreover, the global container trade volume reached 196 million TEUs in 2018, representing a CAGR of 3.8% since 2013. It is expected to reach 232 million TEUs in 2022, representing a CAGR of 4.4% from 2019 to 2022. In 2018, the global crude oil shipping demand was 314.1 million DWT, at a CAGR of 2.6% since 2013. It is forecasted to reach 364.3 million DWT in 2022, representing a CAGR of 3.8%. Hence, the stable and sustained growth of international trade volume has stimulated the demand for maritime transport capacity and promoted the further growth of transport vessels, thereby increasing the market demand for global ship leasing services.

– **Vigorous development of marine economy**

The development of the marine economy involves many aspects, such as port construction and related logistics infrastructure construction, offshore equipment manufacturing, marine shipbuilding industry, marine oil and gas industry, marine fishery, and sustainable development of the marine environment. The development of the marine economy not only provides strong infrastructure support for marine transportation, but also promotes the professionalism of enterprises in related fields, which better serves the international trade industry. For instance, the "13th Five-Year Plan for National Marine Economic Development" jointly promulgated by the National Development and Reform Commission and the State Oceanic Administration, includes detailed plans for promoting the optimisation and upgrading of the marine industry. Specifically, the development of the marine shipbuilding industry should focus on enhancing the independent construction capabilities of vessels as well as cultivating and improving the capability of research institutions and the level of ship design. In addition, the development of the marine transportation industry should aim to optimise the fleet structure and the layout of coastal ports. Furthermore, the development of offshore equipment manufacturing industry should focus on the development of deep-sea resources, the carrying out of independent designs and the manufacturing of key technologies and engineering equipment, particularly for breakthroughs of high-end equipment manufacturing such as LNG floating production storage and discharge devices. The plan also provides detailed guidance on expanding and upgrading the marine service industry. For instance, it encourages all types of financial institutions to develop ocean-related financial services. Based on controllable risks and sustainable business operation, bank financial institutions can choose to provide financing services for the maritime economy. The development of the marine economy will serve China's "Belt and Road" national strategy and strengthen the capacity of adopting maritime trades in China and even the entire Asia, which can further drive the development of the global shipping industry and global ship leasing services industry.

– **Huge development potential because of low penetration rate of ship leasing business**

Historically, the international ship financing market was dominated by traditional ship financing banks in the United States and Europe. However, in recent years, such banks have scaled down their ship financing business mainly because of financial difficulties and change of business strategies. In China, most of the vessels are purchased by shipping companies with funds raised through bank loans, project financing or other financing methods. In recent years, with the challenges in the global shipping industry, the ship leasing business has experienced rapid development in China and globally, because of flexible business models, controllable capital risk and reduced impact caused by cyclicality of the shipping industry. In addition, the continued strengthening of economic strength as well as the vigorous development of the financial industry and the leasing industry facilitate the development of the ship leasing industry. The global shipping finance market is also changing towards the increasing proportion of ship leasing in China. Despite the rapid development of the global ship leasing industry in recent years, its penetration rate (i.e. the total number of vessels under leasing arrangements over the total number of vessels in service) is still low. In the future, with the development of the leasing industry, the optimisation of the ship leasing business mode and the improvement of supporting services for ship leasing business, the penetration rate is expected to increase. Therefore, the global ship leasing business is in the early phase of rapid development, and will maintain rapid growth for a long time in the future. There still remains considerable growth potential for the global ship leasing industry.

Entry Barriers

– **Insufficient capital**

The ship leasing services industry is capital intensive with a long payback period. Ship financial leasing services are essentially a financial business and the amount of capital is a key factor when determining whether the business can be smoothly carried out. Thus, cost pressure restricts the business expansion capabilities of small-scale ship leasing companies or ship leasing companies with insufficient capital. Operating leasing services providers need to make a large amount of investment to purchase ships in order to achieve and maintain economies of scale, which constitutes a high financial barrier for new entrants.

– **Lack of management experience**

Due to the high degree of professionalism and market complexity in international maritime activities, the ship leasing services industry is considered as a high-risk industry. The development of ship leasing services company heavily relies on management capabilities. If the management of a ship leasing services company lacks the necessary professional knowledge and experience, it may encounter difficulties when assessing investment risks and making final decisions, thus leading to direct economic loss due to strategic mistakes. Therefore, the ship leasing services industry needs talents who are proficient in the ship leasing business and good at management. However, new entrants usually cannot form an experienced management team in a short period of time.

– **Lack of solid business network**

The ship leasing services industry connects the shipbuilding industry, the ship transportation industry, the marine engineering industry and the financial industry. Ship leasing services providers obtain funds through various financing channels to purchase ships, and these providers lease ships to the lessees through financial lease or operating lease arrangements. Therefore, the key for ship leasing providers is to establish a long-term business relationship with both upstream and downstream participants in order to maintain stable business operations, stay competitive as well as avoid the systemic risks in the ship leasing services industry. However, it is difficult for new entrants to establish a solid business network in a short period of time.

Market Development Challenges

– **Uncertainties of global macro-economy**

The development of the global ship leasing business is influenced by the macro-economic environment and market conditions in China and other parts of the world. Any adverse changes in the macro-economic environment and market conditions, such as a slowdown in economic growth and the occurrence of global financial or credit crisis, may lead to fluctuations in the interest rates, foreign exchange rates and financing costs, hence reducing the demand for financial leasing services, increasing the lessees' risk of default and increasing the financing cost of ship leasing service providers. Therefore, the uncertainties of global macro-economy pose a challenge to the development of the global ship leasing market.

– **Complexity of marine cycle**

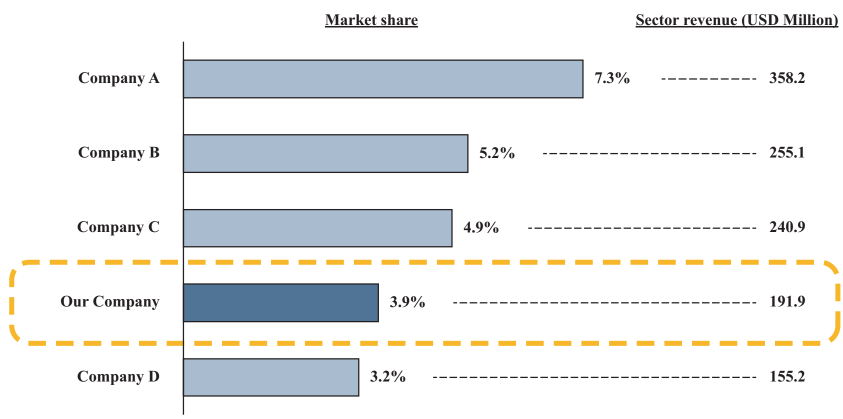
The marine industry has certain cyclicity, and the cyclicity may be influenced by a series of complex factors. Global and regional economic and political conditions, developments in international trade, demand for and supply of shipping services, number and types of vessels available globally, delivery of new buildings and the retirement of older units, developments of new marine technologies, changes in seaborne and other transportation patterns, changes in the regulatory regimes governing the marine industry and vessels, as well as fluctuations in foreign exchange rates, interest rates and ship financing costs may all affect the marine cycle. Changes in the marine cycle will have an impact on the demand for ship leasing services, and it may be difficult for ship leasing service providers to adjust their business strategies in a timely manner to deal with changes in the marine cycle, which therefore becomes a challenge to the development of the global ship leasing industry.

COMPETITIVE LANDSCAPE ANALYSIS

Global Ship Leasing Services Industry

The global ship leasing services industry is relatively fragmented. As at the end of 2018, there were approximately 400 ship leasing services companies offering diversified ship leasing services to customers. Leased vessels mainly include bulk carriers, container vessels and oil tankers. The global ship leasing service companies compete with each other in aspects such as professionalism (including sensitivity to market demand fluctuations), customer network coverage, risk assessment and management as well as asset operation. In 2018, the global top five ship leasing services providers were all Chinese enterprises and accounted for a total market share of 24.5% in terms of revenue. Our Company ranked fourth in the global ship leasing services industry with a market share of 3.9% in 2018.

Top five ship leasing services companies[(1)] by revenue (Global), 2018



Note:

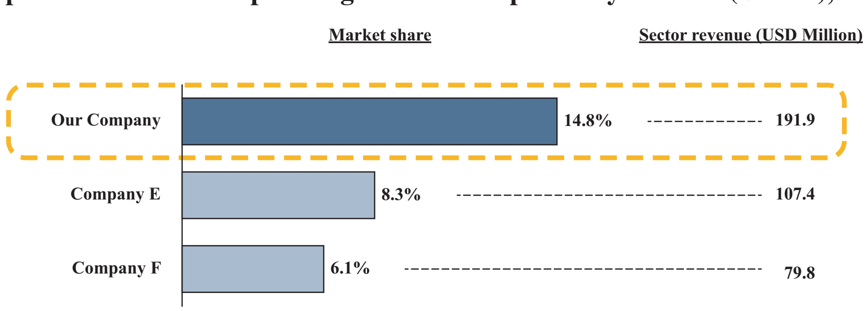
(1) Ship leasing services companies refer to the companies whose main operating business includes ship leasing services.

Source: F&S Report

Global Non-bank Ship Leasing Services Industry

The global ship leasing services industry can be further divided into non-bank ship leasing services market segment, depending on whether the parent company is a bank or not. In 2018, there were approximately 150 companies in the global non-bank ship leasing services industry, and the global top three non-bank ship leasing services companies were all based in China and accounted for a total market share of 29.2% in terms of revenue. Our Company ranked first and accounted for a market share of 14.8% in terms of revenue.

Top three non-bank ship leasing services companies by revenue (Global), 2018



Source: F&S Report

LAWS AND REGULATIONS IN THE PRC

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

Law and Regulations Relating to Financial Leasing Enterprises

Measures on Supervision of Financial Leasing Enterprises

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

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

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

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

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

Measures on the Administration of Foreign-invested Lease Industry

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

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

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

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

The Circular of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-invested Financial Leasing Companies (商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知) (the "**Circular 2013**") was promulgated by the MOFCOM and became effective on 11 July 2013. Pursuant to the Circular 2013, where foreign-invested financial leasing companies have failed to conduct substantive financial leasing business in the previous fiscal year, failed to pass the annual inspection and had violations of laws and regulations, the local authority shall order them to make rectifications and report the details of rectification to the MOFCOM. Foreign-invested financial leasing companies shall not engage in activities of taking deposits, offering loans or being entrusted to grant loans, or conduct business such as inter-bank lending and equity investment without approval from relevant authorities. In accordance with the Notice of the State Council on Issues Concerning Strengthening the Management of Local Governing Financing Platform Companies (No. 19 [2010] of the State Council (國務院關於加強地方政府融資平台公司管理有關問題的通知(國發[2010]19號)), foreign-invested financial leasing companies are not permitted to provide direct or indirect financing to local governmental financing companies which undertake public welfare project in any forms.

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

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

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

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

Guiding Opinion on Accelerating the Development of Financial Leasing Industry

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

Implementation Opinion of Shanghai Municipal People's Government on Accelerating the Development of Financial Leasing Industry

The Implementation Opinion of Shanghai Municipal People's Government on Accelerating the Development of Financial Leasing Industry (Hu Fu Ban Fa [2016] No.32) (上海市人民政府辦公廳關於加快本市融資租賃業發展的實施意見(滬府辦發[2016]32號)) (the "**Implementation Opinion of Shanghai**") was promulgated by the General Office of Shanghai Municipal People's Government on 15 August 2016 and came into effect on 1 September 2016. According to the Implementation Opinion of Shanghai, Shanghai will take the Shanghai FTZ as a pilot to establish an institutional innovation system to support the sustainable and healthy development of the financial leasing industry. The Implementation Opinion of Shanghai supports the Shanghai FTZ in conducting pilot programmes, such as supporting qualified financial leasing companies to set up professional subsidiaries and special project vehicles to carry out leasing business such as aircraft, ships and major equipment. Financial leasing companies are allowed to establish special project vehicles such as single-machine and single-ship by absolute holding. Special project vehicles belonging to the same parent company are allowed to register with the centralised residence of and in the same place as the parent company. Financial leasing companies are allowed to launch the domestic and foreign currency fund pool business by opening the main account of domestic and international foreign exchange and centralise the foreign debts of domestic member companies and the amount of external loans.

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

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

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

The Circular of Tianjin Commission of Commerce and Tianjin Market and Quality Supervision Administration on Issues Related to Financial Leasing Companies Concurrently Engage in Commercial Factoring Business (Jin Shang Liu Tong [2016] No.21) (天津市商務委、天津市市場監管委關於融資租賃企業兼營商業保理業務有關問題的通知(津商務流通[2016]21號)) was promulgated by the Tianjin Commission of Commerce and the Tianjin Market and Quality Supervision Administration on

28 July 2016. According to the circular, foreign-invested financial leasing companies concurrently engaging in commercial factoring services which relate to their primary business shall obtain approvals or complete filings in accordance with the current regulations. Financial leasing companies shall act in accordance with the provisions of Measures on Supervision of Financial Leasing Enterprises, and the commercial factoring business they conduct should relate to their primary business. When conducting commercial business, the relevant provisions of the management of commercial factoring industry shall apply as reference.

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

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

Contract Law

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

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

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

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

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

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

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

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

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

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

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

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

Administrative Measures for Entrusted Loans Undertaken by Commercial Banks

The Administrative Measures for Entrusted Loans Undertaken by Commercial Banks (Yin Jian Fa [2018] No.2) (商業銀行委託貸款管理辦法(銀監發[2018]2號)) (the "**Measures for Entrusted Loans**") were promulgated by the CBRC and came into effect on 5 January 2018. Under the Measures for Entrusted Loans, an entrusted loan refers to the loan provided by a trustor and granted by a commercial bank (trustee) on behalf of the trustor to a borrower determined by the trustor, and the purpose, amount, currency, duration and interest rate of such loan shall be determined by the trustor. The trustee shall assist in supervising the use of the loan and collecting loan repayment. Trusted loans under cash management and trusted loans under housing provident fund are not included. The commercial bank shall not accept the following funds from any trustor for entrusted loans: (i) funds of others under its management as entrusted; (ii) funds of bank loans; (iii) special funds of special purposes (unless otherwise required by relevant authorities under the State Council); (iv) other debt funds (unless otherwise required by relevant authorities under the State Council); (v) funds of which their source cannot be proved. The commercial bank shall charge an agent handling fee from the trustor under the principle that "the party that entrusts shall pay the fee". The commercial bank, the trustor and the borrower shall sign an entrusted loan contract which shall specify the purpose, amount, currency, duration, interest rate and repayment plan of the loan, as well as the rights and obligations of the trustor, the trustee and the borrower.

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

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

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

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

Laws and Regulations Relating to Foreign Exchange

Regulations of the PRC on Foreign Exchange Administration

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

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

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

Measures on Administration of Renminbi Settlement for Foreign Direct Investment

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

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

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

Laws and Regulations Relating to Taxation

EIT Law and the relevant Implementation Regulations

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

Value-Added Tax

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

Pursuant to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (Cai Shui [2011] No.110) (營業税改徵增值税試點方案(財税[2011]110號)) promulgated by the MOF and the State Administration of Taxation (the "**SAT**"), the State began to launch taxation reforms in a gradual manner with effect from 16 November 2011, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries. According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36) (關於全面推開營業税改徵增值税試點的通知(財税[2016]36號)) (the "**Circular No.36**"), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, the VAT pilot programme will be extended to the whole country. Business tax payers in the industries of construction, real estate and financial and life services will be included within the scope of the VAT pilot programme. Entities and individuals that engage in the sales of services, intangible assets or immovable properties in the territory of China are taxpayers of VAT and shall pay VAT instead of business tax. The VAT rate to be imposed on (i) taxable activities of taxpayers shall be 6%, except as otherwise specified below; (ii) the provision of services relating to transportation, mail, basic telecommunications, construction, sales and leasing of real estate and transfer of land use rights shall be 11%; (iii) the provision of leasing services for tangible movables assets shall be 17%; and (iv) cross-border taxable activities conducted by domestic entities and individuals shall be nil. The specific scopes shall be further provided by the MOF and the SAT. The VAT levy rate shall be 3% unless otherwise specified by the MOF and the SAT.

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

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

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

Dividends

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

Circular on the Stamp Tax Policies relating to Financial Leasing Contracts

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

Laws and Regulations Relating to Labour Protection

Labour Law of the PRC

According to the Labour Law of the PRC (中華人民共和國勞動法), which was promulgated by the Standing Committee on 5 July 1994, came into effect on 1 January 1995 and revised on 27 August 2009 and 29 December 2018, and the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which was promulgated on 29 June 2007, revised on 28 December 2012 and came into effect on 1 July 2013, written labour contracts shall be executed between an entity and its employees if an employment relationship is established. Employers are required to inform their employees about their job responsibilities, working conditions, occupational hazards, remuneration and other matters with which the employees may be concerned. Employers shall pay remuneration to employees on time and in full in accordance with the commitments set forth in their employment contracts and the relevant PRC laws and regulations.

Social Insurance and Housing Provident Fund

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

LAWS AND REGULATIONS IN HONG KONG

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

Section 5 of the Business Registration Ordinance requires every person (a company or an individual) carrying on a business in Hong Kong to register with the Inland Revenue Department and obtain a business registration certificate within one month of the commencement of the business. Business registration is a process based on application and does not involve government approval. Once the requisite criteria are met, a business registration certificate will be granted. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong and facilitate the collection of tax from businesses in Hong Kong.

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong)

Hong Kong adopts a territorial basis for taxing profits derived from a trade, profession, or business carried on in Hong Kong. Pursuant to section 14(1) of the Inland Revenue Ordinance (the "**IRO**"), profits tax shall be charged for each year of assessment on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong for that year from such trade, profession or business (excluding profits arising from the sale of capital assets).

Section 51C of the IRO further requires every person carrying on a trade, business or profession in Hong Kong to keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of his trade, business or profession to be readily ascertained. Such records have to be retained for a period of seven years after the completion of the transactions to which the records relate.

Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong)

Section 7 of the Mandatory Provident Fund Scheme Ordinance (the "**MPFSO**") requires every employer of a relevant employee to take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time. Section 7A of the MPFSO requires an employer who is employing a relevant employee to, for each contribution period occurring after that commencement (i) from the employer's own funds, contribute to the relevant registered scheme the amount determined in accordance with MPFSO; and (ii) deduct from the employee's relevant income for that period as a contribution by the employee to that scheme the amount determined in accordance with MPFSO.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees' Compensation Ordinance (the "**ECO**") establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Pursuant to the ECO, an employer is liable to pay compensation in respect of injuries sustained by its employees as a result of accidents arising out of and in the course of employment or in respect of certain occupational diseases suffered by the employees. Section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force, in relation to such employee, a policy of insurance issued by an insurer for an amount not less than that prescribed in the ECO.

OUR HISTORY AND DEVELOPMENT

Overview

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

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

Over the years, we have continued to expand our scale of operations as well as our vessel portfolio. According to the F&S Report, in terms of revenue in 2018, we ranked fourth in the global ship leasing industry with a market share of 3.9% and first in the global non-bank ship leasing industry with a market share of 14.8%.

Key Milestones

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

Year	Event
2012	• Our Company was incorporated in Hong Kong as the sole leasing company under CSSC Group.
2013	• We entered into an operating lease transaction for three 18,000-TEU container vessels with a leading global shipping group.
	• We established a joint-venture company, namely CP Worldwide, with an Independent Third Party to invest in eight 64,000-tonne bulk carriers.
	• We entered into a finance lease transaction for three 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.
2014	• CSSC Shanghai and CSSC Tianjin were established in the PRC to engage in the provision of leasing services.
	• We entered into a finance lease transaction for seven 208,000-tonne bulk carriers with certain subsidiaries of a global shipping company.
	• Kylin Offshore was incorporated in Singapore to engage in the provision of leasing and shipbroking services.
2015	• We entered into a sale-and-leaseback transaction for eight 113,000-tonne tankers with certain subsidiaries of an international shipping company engaging in the transportation of petroleum products.
	• We entered into a sale-and-leaseback transaction for a FLNG vessel with a subsidiary of a LNG shipping company, whose parent company is listed on the New York Stock Exchange.
	• We entered into an operating lease transaction for six 13,230-tonne heavy lift vessels with a subsidiary of a global corporation engaging in the transportation of heavy-lift cargoes.
2016	• The two polar class heavy-transport deck carriers that we jointly invested in with a subsidiary of an equipment manufacturer were delivered and began to serve in the world's then largest natural gas field.
	• We invested in two 85,000-cubic metre gas carriers.
2017	• We established a joint-venture company, namely Vista Shipping Limited, with an international tanker company, which is an Independent Third Party, to invest in six tankers.
	• We invested in four 81,600-tonne bulk carriers.
	• We entered into a sale-and-leaseback transaction for two 174,000-cubic metre FSRUs with certain subsidiaries of a company engaging in the operation of LNG carriers.

Year	Event
2018	● We established a joint-venture company with a subsidiary of a leading Asian-based industrial supply chain and logistics solution provider to invest in eight 55,000-tonne chemical tankers. ● We entered into an operating lease transaction for four 120,000-tonne bulk carriers with a subsidiary of a global agricultural trader. ● Our Company was included in the list of "Double-Hundred Enterprises (雙百企業)" published by the leading group for state-owned enterprise reform under the Supervision and Administration Commission of the State Council (國務院國有企業改革領導小組).

CORPORATE HISTORY AND SHAREHOLDING CHANGES OF OUR COMPANY AND MAJOR SUBSIDIARIES AND SPVS

Our Company

Our Company was incorporated in Hong Kong on 25 June 2012 as a limited liability company and with an initial share capital of HK$1,000,000 divided into 1,000,000 Shares. On the date of its incorporation, our Company was directly and wholly owned by CSSC Group. Pursuant to a share transfer deed dated 12 September 2018 and entered into between CSSC Group as transferor and CSSC International as transferee, CSSC Group transferred the entire issued share capital of our Company to CSSC International at nil consideration. Upon completion of the share transfer, our Company was directly and wholly owned by CSSC International. As at the Latest Practicable Date, the share capital of our Company was HK$4,602,046,234 divided into 4,602,046,234 Shares.

Our Company is principally engaged in the provision of leasing and shipbroking services.

Our Major Subsidiaries and SPVs

As at the Latest Practicable Date, our Company had 47 subsidiaries, 152 SPVs and three joint venture companies. See "Corporate Structure" in this section for details of our group structure.

In line with industry practise, we use SPVs for owning and leasing vessels, and each SPV generally corresponds to one vessel and one lease agreement. Each SPV is separately managed by us and its assets are separated from the assets of other SPVs and other assets of our Group.

We set out below the corporate history and shareholding changes of our major subsidiaries and SPVs (i.e. subsidiaries and SPVs which, in the opinion of our Directors, principally affected our results during the Track Record Period or formed a substantial portion of the net assets of our Group):

Zhongqiao Shipping

Zhongqiao Shipping was incorporated in Hong Kong on 3 September 2012 as a limited liability company and with a share capital of HK$10,000 divided into 10,000 shares. Since the date of its incorporation and up to the Latest Practicable Date, Zhongqiao Shipping was directly and wholly owned by our Company.

Zhongqiao Shipping is principally engaged in the provision of leasing services.

CSSC Shanghai

CSSC Shanghai was established in the PRC as a WFOE with limited liability on 24 January 2014 and with an initial registered capital of RMB100,000,000. Since the date of its establishment and up to the Latest Practicable Date, CSSC Shanghai was directly and wholly owned by our Company.

CSSC Shanghai is principally engaged in the provision of leasing services.

CSSC Tianjin

CSSC Tianjin was established in the PRC as a WFOE with limited liability on 6 November 2014 and with an initial registered capital of RMB500,000,000. Since the date of its establishment and up to the Latest Practicable Date, CSSC Tianjin was directly and wholly owned by our Company.

CSSC Tianjin is principally engaged in the provision of leasing and loan services.

Kylin Offshore

Kylin Offshore was incorporated in Singapore on 18 September 2014 as a limited liability company and with an initial share capital of S$10,000,000. Since the date of its incorporation and up to the Latest Practicable Date, Kylin Offshore was 70% and 30% directly owned by our Company and a company incorporated in Singapore, which is an Independent Third Party, respectively.

Kylin Offshore is principally engaged in the provision of leasing and shipbroking services.

Fortune 2014

Fortune 2014 was incorporated in BVI with limited liability on 23 June 2014 and is authorised to issue a maximum of 50,000 shares of USD1.00 each. Since the date of its incorporation and up to the Latest Practicable Date, Fortune 2014 was directly and wholly owned by our Company.

Fortune 2014 is an investment holding company.

Fortune Jupiter

Fortune Jupiter was incorporated in BVI with limited liability on 17 September 2014 and is authorised to issue a maximum of 50,000 shares of USD1.00 each. Since the date of its incorporation and up to the Latest Practicable Date, Fortune Jupiter was directly and wholly owned by our Company.

Fortune Jupiter is an investment holding company.

Fortune Eris

Fortune Eris was incorporated in BVI with limited liability on 15 July 2015 and is authorised to issue a maximum of 50,000 shares of USD1.00 each. Since the date of its incorporation and up to the Latest Practicable Date, Fortune Eris was directly and wholly owned by our Company.

Fortune Eris is an investment holding company.

CSSC Capital 2015

CSSC Capital 2015 was incorporated in BVI with limited liability on 21 January 2015 and is authorised to issue a maximum of 50,000 shares of no par value. Since the date of its incorporation and up to the Latest Practicable Date, CSSC Capital 2015 was directly and wholly owned by our Company.

CSSC Capital 2015 is an investment holding company.

CHA Great Worldwide

CHA Great Worldwide was incorporated in BVI with limited liability on 4 December 2013 and is authorised to issue a maximum of 50,000 shares of USD1.00 each. Since the date of its incorporation and up to the Latest Practicable Date, CHA Great Worldwide was directly and wholly owned by our Company.

CHA Great Worldwide is an investment holding company.

CHC Holding

CHC Holding was incorporated in BVI with limited liability on 4 December 2013 and is authorised to issue a maximum of 50,000 shares of USD1.00 each. Since the date of its incorporation and up to the Latest Practicable Date, CHC Holding was directly and wholly owned by our Company.

CHC Holding is an investment holding company.

CP Worldwide

CP Worldwide was incorporated in BVI with limited liability on 24 September 2013 and is authorised to issue a maximum of 50,000 shares of USD1.00 each. Since the date of its incorporation and up to the Latest Practicable Date, CP Worldwide was 75% and 25% directly owned by our Company and a company incorporated in Liberia, which is an Independent Third Party, respectively.

CP Worldwide is an investment holding company.

Lianhuashan Holding

Lianhuashan Holding was incorporated in BVI with limited liability on 6 June 2014 and is authorised to issue a maximum of 50,000 shares of USD1.00 each. Since the date of its incorporation and up to the Latest Practicable Date, Lianhuashan Holding was directly and wholly owned by our Company.

Lianhuashan Holding is an investment holding company.

MAJOR DISPOSALS DURING THE TRACK RECORD PERIOD

During the Track Record Period, we held shares in certain companies listed on the Stock Exchange. As these shares are not relevant to our core business, in order to streamline our business and optimise our asset portfolio in preparation for Listing, we transferred all such shares to CSSC International, one of our Controlling Shareholders, in 2018. The details of such share transfers are set out below:

Disposal of Shares in CSSC Offshore & Marine Engineering (Group) Company Limited

Pursuant to a sale and purchase agreement dated 12 September 2018 and entered into between our Company as vendor and CSSC International as purchaser, our Company agreed to sell and CSSC International agreed to purchase 345,940,890 H shares in CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司), a joint stock company established in the PRC and the shares of which are dually listed on the Main Board of the Stock Exchange (stock code: 317) and the Shanghai Stock Exchange (stock code: 600685), at a consideration of HK$3,498,861,672.11, which was determined with reference to the book value of the shares as at 30 June 2018 (accounted for using equity method of accounting) and after arm's length negotiations between CSSC International and us, taking into account, among others, the market value, number and shareholding percentage of the shares to be transferred, and of which our Directors believe is in the interest of our Group. The consideration was fully settled on 28 September 2018, and the disposal had been properly and legally completed.

Disposal of Shares in Bank of Tianjin Co., Ltd.

Pursuant to a sale and purchase agreement dated 12 September 2018 and entered into between Fortune Eris (our wholly-owned subsidiary) as vendor and CSSC International as purchaser, Fortune Eris agreed to sell and CSSC International agreed to purchase 303,193,000 H shares in Bank of Tianjin Co., Ltd. (天津銀行股份有限公司), a joint stock company established in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1578), at a consideration of HK$2,920,031,973.44, which was determined with reference to the book value of the shares as at 30 June 2018 (accounted for using equity method of accounting) and after arm's length negotiations between CSSC International and us, taking into account, among others, the market value, number and shareholding percentage of the shares to be transferred, and of which our Directors believe is in the interest of our Group. The consideration was fully settled on 28 September 2018, and the disposal had been properly and legally completed. We have been having board representation in the Bank of Tianjin Co., Ltd. since July 2016.

Disposal of Shares in China Development Bank Financial Leasing Co., Ltd.

Pursuant to a sale and purchase agreement dated 12 September 2018 and entered into between Fortune Eris (our wholly-owned subsidiary) as vendor and CSSC International as purchaser, Fortune Eris agreed to sell and CSSC International agreed to purchase 193,984,000 H shares in China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a joint stock company established in the PRC and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1606), at a consideration of HK$415,823,190.52, which was determined with reference to the book value of the shares as at 30 June 2018 (accounted for as amortised cost) and after arm's length negotiations between CSSC International and us, taking into account, among others, the market value, number and shareholding percentage of the shares to be transferred, and of which our Directors believe is in the interest of our Group. The consideration was fully settled on 28 September 2018, and the disposal had been properly and legally completed.

Disposal of Shares in Everbright Securities Company Limited

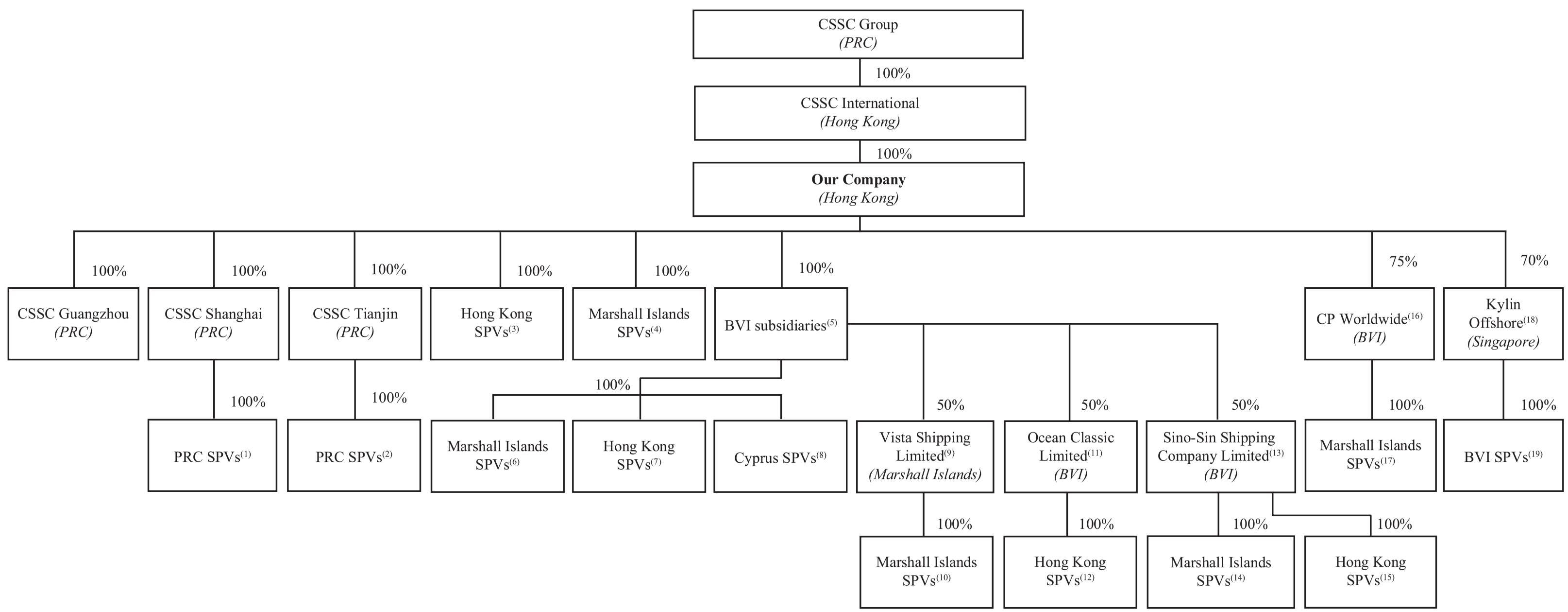
Pursuant to a sale and purchase agreement dated 12 September 2018 and entered into between Fortune Eris (our wholly-owned subsidiary) as vendor and CSSC International as purchaser, Fortune Eris agreed to sell and CSSC International agreed to purchase 6,020,000 H shares in Everbright Securities Company Limited (光大證券股份有限公司), a joint stock company established in the PRC and the shares of which are dually listed on the Main Board of the Stock Exchange (stock code: 6178) and the Shanghai Stock Exchange (stock code: 601788), at a consideration of HK$82,403,977.41, which was determined with reference to the book value of the shares as at 30 June 2018 (accounted for as amortised cost) and after arm's length negotiations between CSSC International and us, taking into account, among others, the market value, number and shareholding percentage of the shares to be transferred, and of which our Directors believe is in the interest of our Group. The consideration was fully settled on 28 September 2018, and the disposal had been properly and legally completed.

REORGANISATION

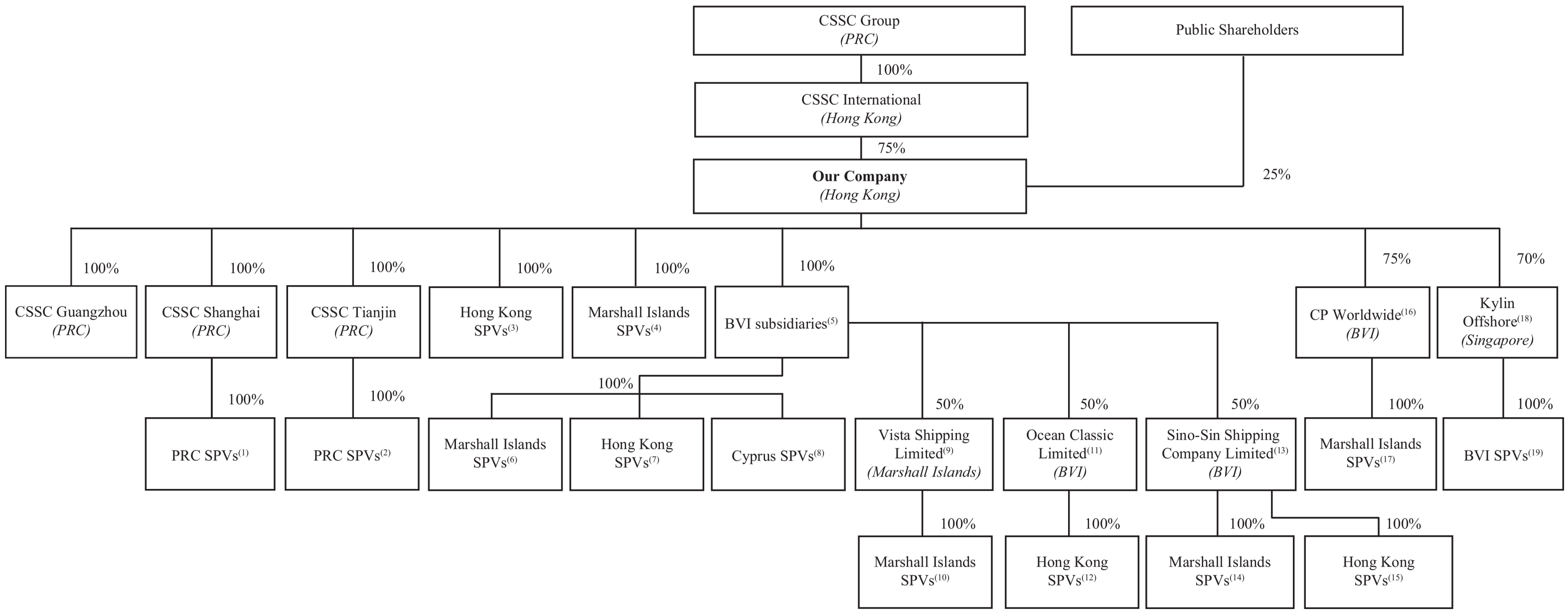
We did not undergo any reorganisation for the purpose of the Listing.

CORPORATE STRUCTURE

The following chart sets out the simplified corporate structure of our Group as at the Latest Practicable Date:



The following chart sets out the simplified corporate structure of our Group immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) There are six PRC SPVs directly and wholly owned by CSSC Shanghai, namely Shanghai Jiabojiang Ship Leasing Co., Ltd.* (上海佳駁江船舶租賃有限公司), Shanghai Jiabohe Ship Leasing Co., Ltd.* (上海佳駁河船舶租賃有限公司), Shanghai Jiabohu Ship Leasing Co., Ltd.* (上海佳駁湖船舶租賃有限公司), Shanghai Jiabohai Ship Leasing Co., Ltd.* (上海佳駁海船舶租賃有限公司), Shanghai Jiabowang Ship Leasing Co., Ltd.* (上海佳駁汪船舶租賃有限公司) and Shanghai Jiaboyang Ship Leasing Co., Ltd.* (上海佳駁洋船舶租賃有限公司).

(2) There are two PRC SPVs directly and wholly owned by CSSC Tianjin, namely CSSC Ruiyun (Tianjin) Financial Leasing Co., Ltd.* (中船瑞雲(天津)融資租賃有限公司) and CSSC Jiyun (Tianjin) Financial Leasing Co., Ltd.* (中船吉雲(天津)融資租賃有限公司).

(3) There are two HK SPVs directly and wholly owned by our Company, namely Zhongqiao Shipping and New Pearl River Shipping Limited.

(4) The are 22 Marshall Islands SPVs directly and wholly owned by our Company, namely Fortune Hefei Shipping Limited, Fortune Wuhan Shipping Limited, Fortune Nanchang Shipping Limited, Fortune Datong Shipping Limited, Fortune Changsha Shipping Limited, Fortune Nanning Shipping Limited, Fortune Hebrews Shipping Limited, Fortune Ephesians Shipping Limited, Fortune Matthew Shipping Limited, Fortune Lanzhou Shipping Limited, Fortune Lasa Shipping Limited, Fortune Wuxi Shipping Limited, Fortune Suzhou Shipping Limited, Fortune Lyra Shipping Limited, Fortune Leo Shipping Limited, Fortune Grus Shipping Limited, Fortune Aquila Shipping Limited, Fortune Colossians Shipping Limited, Fortune Philippians Shipping Limited, Fortune Qingdao Shipping Limited, Fortune Shijiazhuang Shipping Limited and Fortune Guilin Shipping Limited.

(5) There are 37 BVI subsidiaries directly and wholly owned by our Company, namely CSSC Capital 2015, CHA Great Worldwide, CHC Holding, Lianhuashan Holding, Fortune 2014, Fortune Moon Holding Company Limited, Putuoshan Holding Company Limited, Fortune Mars Holding Company Limited, Fortune Mercury Holding Company Limited, Fortune Jupiter, Fortune Saturn Holding Company Limited, Fortune Venus Holding Company Limited, Fortune Pluto Holding Company Limited, Fortune Neptune Holding Company Limited, Fortune Uranus Holding Company Limited, Fortune Zeus Holding Company Limited, Fortune Poseidon Holding Company Limited, Fortune Eos Holding Company Limited, SWS JU2000E Holdco Limited, Fortune Eris, Fortune Makemake Holding Company Limited, Fortune Haumea Holding Company Limited, Fortune Capricorn Holding Company Limited, Fortune Aries Holding Company Limited, Fortune Aquarius Holding Company Limited, Fortune Pisces Holding Company Limited, Fortune Tianxia Holding Company Limited, Fortune Baltic Holding Company Limited, Fortune CD Aurora Holding Company Limited, Fortune Aspiration Investments Company Limited, Fortune Jessica Investments Company Limited, Fortune East Sea Holding Company Limited, Fortune Ceres Holding Company Limited, Fortune Victoria Peak Holding Company Limited, Fortune Evolution Investments Company Limited, Fortune Cleanenergy Holding Company Limited and Fortune Glorious Cities Holding Company Limited.

(6) There are a total of 99 Marshall Islands SPVs directly and wholly owned by the 37 BVI subsidiaries, namely CHA First Shipping S.A., CHA Second Shipping S.A., CHC First Shipping S.A., CHC Second Shipping S.A., CHC Third Shipping S.A., Fortune Beijing Shipping Limited, Fortune Shanghai Shipping Limited, Fortune Fuzhou Shipping Limited, Fortune Guangzhou Shipping Limited, Fortune Daocheng Shipping Limited, Fortune Yading Shipping Limited, Fortune Star I Shipping Limited, Fortune Star II Shipping Limited, Fortune Maritime I Shipping Limited, Fortune Sea I Shipping Limited, Fortune Sea II Shipping Limited, Fortune Sea III Shipping Limited, Fortune January Shipping Limited, Fortune February Shipping Limited, Fortune May Shipping Limited, Fortune June Shipping Limited, Fortune July Shipping Limited, Fortune August Shipping Limited, Fortune September Shipping Limited, Fortune October Shipping Limited, Fortune November Shipping Limited, Shenjiamen Shipping S.A., Zhujiajian Shipping S.A., Fortune Spring Shipping Limited, Fortune Summer Shipping Limited, Fortune Autumn Shipping Limited, Fortune Winter Shipping Limited, Fortune Season Shipping Limited, Fortune Chile Shipping Limited, Fortune Brazil Shipping Limited, CP Jinan Shipping S.A., CP Xian Shipping S.A., CP Hangzhou Shipping S.A., CP Fuzhou Shipping S.A., Fortune Lianjiang Shipping S.A., Fortune Taizhou Shipping S.A., Earl Shipping S.A., Emma Shipping S.A., Empire Shipping S.A., Epoch Shipping S.A., Essence Shipping S.A., Excellency Shipping S.A., Elmar Shipping S.A., Elsa Shipping S.A., Eudora Shipping S.A., Ernest Shipping S.A., Fortune Qian Shipping Limited, Fortune Kun Shipping Limited, Fortune Zhen Shipping Limited, Fortune Xun Shipping Limited, Fortune Kan Shipping Limited, Fortune Li Shipping Limited, Fortune Gen Shipping Limited, Fortune Dui Shipping Limited, Fortune Qinglong Shipping S.A., Fortune Baihu Shipping S.A., SWS Fortune S.A., SWS Wealth S.A., Fortune Caribbean I Shipping Limited, Fortune Caribbean II Shipping Limited, Fortune Caribbean III Shipping Limited, Fortune Caribbean IV Shipping Limited, Fortune Caribbean V Shipping Limited, Fortune Caribbean VI Shipping Limited, Fortune Arctic I Shipping Limited, Fortune Arctic II Shipping Limited, Fortune Santorini Shipping Limited, Fortune Crete Shipping Limited, Fortune Suez I Shipping Limited, Fortune Suez II Shipping Limited, Fortune Suez III Shipping Limited, Fortune Xuanyuan Shipping Limited, Fortune Aspiration I Shipping Limited, Fortune Aspiration II Shipping Limited, Fortune Jessica Shipping Limited, Pearl River Shipping S.A., Fortune Kowloon Shipping Limited, Fortune Central Shipping Limited, Fortune Wanchai Shipping Limited, Fortune Lantau Shipping Limited, Fortune Harbin Shipping Limited, Fortune Changchun Shipping Limited, Fortune Shenyang Shipping Limited, Fortune Tsingyi Shipping Limited, Fortune Xiamen Shipping Limited, Fortune Guiyang Shipping Limited, Fortune Zibo Shipping Limited, Fortune Xuzhou Shipping Limited, Fortune Yangzhou Shipping Limited, Fortune Jinhua Shipping Limited, Fortune Dongying Shipping Limited, Fortune Zhenjiang Shipping Limited, Fortune Weihai Shipping Limited and Fortune Zhuhai Shipping Limited.

(7) There are (i) two HK SPVs directly and wholly owned by Fortune 2014 Holding Company Limited, namely Fortune Quanzhou Shipping Limited and Fortune Xiamen Shipping Limited; (ii) five HK SPVs directly and wholly owned by Fortune Venus Holding Company Limited, namely Fortune Tianhe Shipping Limited, Fortune Haizhu Shipping Limited, Fortune Liwan Shipping Limited, Fortune Nansha Shipping Limited and Fortune Ricardo Shipping Limited; (iii) three HK SPVs directly and wholly owned by Fortune CD Aurora Holding Company Limited, namely Fortune CD Astraeus Shipping Limited, Fortune CD Heracles Shipping Limited and Fortune CD Prometheus Shipping Limited; and (iv) four HK SPVs directly and wholly owned by Fortune Cleanenergy Holding Company Limited, namely Fortune Great Shipping Limited, Fortune Power Shipping Limited, Fortune Pillar Shipping Limited and Fortune Magnificent Shipping Limited.

(8) There are six Cyprus SPVs directly and wholly owned by Fortune Baltic Holding Company Limited, namely Fortune Bec I Shipping Limited, Fortune Bec II Shipping Limited, Fortune Bec III Shipping Limited, Fortune Bec IV Shipping Limited, Fortune Bec V Shipping Limited and Fortune Bec VI Shipping Limited.

(9) Vista Shipping Limited is a joint venture company, and 50% and 50% directly owned by Fortune East Sea Holding Company Limited and a company incorporated in the Marshall Islands, which is an Independent Third Party, respectively.

(10) There are six Marshall Islands SPVs directly and wholly owned by Vista Shipping Limited, namely Vista Shipholding I Limited, Vista Shipholding II Limited, Vista Shipholding III Limited, Vista Shipholding IV Limited, Vista Shipholding V Limited and Vista Shipholding VI Limited.
(11) Ocean Classic Limited is a joint venture company, and 50% and 50% directly owned by Fortune Ceres Holding Company Limited and a company incorporated in BVI, which is an Independent Third Party, respectively.
(12) There are four HK SPVs directly and wholly owned by Ocean Classic Limited, namely Gas Libra Limited, Gas Scorpio Limited, Gas Gemini Limited and Gas Aquarius Limited.
(13) Sino-Sin Shipping Company Limited is a joint venture company, and 50% and 50% directly owned by Fortune Victoria Peak Holding Company Limited and a company incorporated in Bermuda, which is an Independent Third Party, respectively.
(14) There are four Marshall Islands SPVs directly and wholly owned by Sino-Sin Shipping Company Limited, namely Harmony Shipping Company Limited, Honor Shipping Company Limited, Peace Shipping Company Limited and Valor Shipping Company Limited.
(15) There are four Hong Kong SPVs directly and wholly owned by Sino-Sin Shipping Company Limited, namely Inspiration Shipping Company Limited, Genuine Shipping Company Limited, Passion Shipping Company Limited and Guardian Shipping Company Limited.
(16) CP Worldwide is 75% directly owned by our Company and 25% owned by a Liberian company, which is an Independent Third Party.
(17) There are six Marshall Islands SPVs directly and wholly owned by CP Worldwide, namely CP Shanghai Shipping S.A., CP Guangzhou Shipping S.A., CP Tianjin Shipping S.A., CP Chongqing Shipping S.A., CP Nanjing Shipping S.A. and CP Shenzhen Shipping S.A.
(18) Kylin Offshore is 70% directly owned by our Company and 30% directly owned by a company incorporated in Singapore, which is an Independent Third Party.
(19) There are two BVI SPVs directly and wholly owned by Kylin Offshore, namely Kylin Offshore Limited and Kylin Offshore Investments Limited.

OVERVIEW

Established in 2012, we are the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. As a leading market player in the global ship leasing industry, we offer customised ship leasing solutions that suit our customers' different needs. According to the F&S Report, in terms of revenue in 2018, we ranked fourth in the global ship leasing industry with a market share of 3.9% and first in the global non-bank ship leasing industry with a market share of 14.8%.

Our core business is the provision of leasing services which include finance lease and operating lease. Leveraging our strong expertise in the marine industry, our leasing services primarily focus on ship leasing. In addition, we provide shipbroking and loan services to our customers. The following table sets out a breakdown of our revenue during the Track Record Period by business activity:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Finance lease income	319,856	31.0	540,195	40.6	892,080	42.4
- Direct finance lease	*58,120*	*5.6*	*139,550*	*10.5*	*265,888*	*12.6*
- Sale-and-leaseback	*261,736*	*25.4*	*400,645*	*30.1*	*626,192*	*29.8*
Operating lease income	394,633	38.2	495,014	37.2	601,182	28.6
- Bareboat charter	*330,240*	*32.0*	*339,090*	*25.5*	*355,424*	*16.9*
- Time charter	*64,393*	*6.2*	*155,924*	*11.7*	*245,758*	*11.7*
Interest income from loan borrowings(1)(2)	164,633	16.0	262,327	19.7	508,723	24.2
- Pre-delivery loan	*80,603*	*7.8*	*185,338*	*13.9*	*151,558*	*7.2*
- Secured loan	*84,030*	*8.2*	*76,989*	*5.8*	*357,165*	*17.0*
Commission income	152,519	14.8	32,413	2.5	102,826	4.9
Total	**1,031,641**	**100.0**	**1,329,949**	**100.0**	**2,104,811**	**100.0**

Notes:

(1) Interest income from loan borrowings represents income generated from our pre-delivery loan and secured loan services. Income generated from our factoring services is categorised as other income. For the years ended 31 December 2016, 2017 and 2018, our income from factoring services was HK$1.0 million, HK$4.0 million and HK$11.9 million, respectively.

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

We have a diversified, modern and young vessel fleet. As at 31 December 2018, we owned a total of 65 vessels, including 43 vessels under finance lease arrangements and 22 vessels under operating lease arrangements, with an average age of approximately two years. Our vessel fleet as at 31 December 2018 comprised 25 bulk carriers, 14 tankers, 10 container vessels, nine special tonnage carriers and seven marine LNG/LPG units. Leveraging our unique insights into the marine industry, we carefully allocate, adjust and optimise the proportion of various types of vessels based on industry conditions and our customers' needs.

We have a comprehensive and effective risk management system that covers various types of risks involved in our business operations. For example, we have implemented risk management procedures at every major stage of our business operations, from due diligence, project assessment and approval, contract execution, release of funds to lease management. In addition, our five-category asset quality classification system, which was established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions (非銀行金融機構資產風險分類指導原則) published by the CBRC, allows us to effectively evaluate the quality of our asset portfolio. We believe that such initiatives have allowed us to closely monitor our overall risk profile, promptly identify the risks involved in our daily operations and take appropriate risk mitigation measures.

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

OUR COMPETITIVE STRENGTHS

We believe that, as a world's leading ship leasing company, we possess unique competitive strengths that allow us to (i) leverage our established market reputation and substantial industry experience to capture business opportunities in the marine industry; (ii) achieve stability in asset quality; (iii) diversify our risk exposure and enjoy performance stability; (iv) build an experienced, committed and professional management team; and (v) benefit from various industry development opportunities as well as regional and national policies. We believe that these competitive strengths have enabled us to establish, maintain and strengthen our long-term business relationships with customers, shipbuilders, financial institutions and other business partners, thus providing a solid foundation for continuous business growth.

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

Established in 2012, we are the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. According to the F&S Report, in terms of revenue in 2018, we ranked fourth in the global ship leasing industry with a market share of 3.9% and first in the global non-bank ship leasing industry with a market share of 14.8%.

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

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

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

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

We benefit from the stable supply of high quality shipbuilding services from CSSC Group and its subsidiaries. In 2018, CSSC Group and its subsidiaries built more than 40 types of vessels and delivered 9.1 million DWT of new buildings, representing a global market share of 11.3%. In 2018, the new orders and orders in hand of CSSC Group and its subsidiaries amounted to 9.2 million DWT and 25.2 million DWT, respectively, accounting for a global market share of 11.5% and 11.9%, respectively. Based on the abovementioned parameters, CSSC Group ranked first in China and second in the world in 2018, and its products have been exported to more than 150 countries and regions. We also benefit from the technical capabilities of CSSC Group, which had seven leading research and design institutes in China's shipbuilding industry in 2018.

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

We possess unique insights into the cyclical conditions of various marine market segments. We are able to grasp industry fluctuations, which allows us to capture cyclical profits. For example, we purchased several newly-built 64,000-tonne bulk carriers in 2013 at low prices, and successfully resold two of them in 2014 at an investment return of approximately 20%. In addition, the value of the assets we held under operating lease arrangements as at 31 December 2018 increased by an average of 11.2% as compared to that at the time of purchase.

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

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

As a leading ship leasing company in Greater China, we have established a comprehensive and effective risk management system, which allows us to maintain sound operations and achieve stability in asset quality. As at 31 December 2018, our non-performing asset ratio was 0.8%, and we made provision for impairment loss on loan receivables of HK$440.3 million, which comprised 12-month expected credit loss of HK$32.7 million for assets under stage 1 and lifetime expected credit loss of HK$222.1 million and HK$185.5 million for assets under stage 2 and stage 3, respectively.

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

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

As at 31 December 2018, we owned a total of 65 vessels, comprising 25 bulk carriers, 14 tankers, 10 container vessels, nine special tonnage carriers and seven marine LNG/LPG units.

According to the F&S Report, the demand for bulk carriers, tankers and container vessels, being the three major vessel types, are primarily influenced by macro-economic and trade environment, whereas the demand for marine LNG/LPG units and special tonnage carriers, being vessels in the clean energy sector, are mainly influenced by the energy as well as oil and gas industries. We have a balanced vessel portfolio comprising different types of vessels, which creates a hedging effect among them and allows us to diversify our risk exposure and enjoy performance stability.

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

We have an experienced, committed and professional management team.

Our success is built on the leadership of our experienced, committed and professional management team. Our management team has an average of 15 years of experience in the marine industry, and possesses solid experience and strong expertise in vessel selection and combination, leasing transactions, technical review, risk management as well as lease management. In particular, each of Mr. Yang and Mr. Hu, our Executive Directors, has more than 25 years of experience in the marine industry, and their strong execution capabilities have allowed us to develop and pursue sustainable business strategies, seize market opportunities as well as anticipate and promptly respond to changes in market conditions. See "Directors, Senior Management and Staff" in this prospectus for more information on the experience and qualifications of our Directors and members of our senior management. We believe that the insight and strategic vision of our management team will continue to bring business growth and profitability, thereby solidifying our market position in the global ship leasing industry.

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

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

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

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

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

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

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

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

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

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

OUR DEVELOPMENT STRATEGIES

In order to achieve sustainable business growth and maintain our market position, we intend to pursue the following development strategies:

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

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

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

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

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

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

In order to implement the new energy "go global (走出去)" strategy and through integrating our business characteristics and resource advantages, we have established a clean energy industry working group to explore business opportunities in the clean energy sector. We strive to continue to establish our business layout in the clean energy sector, offshore equipment sector as well as natural gas affiliated chemical industry chain, bring our industry resources and professionalism as a shipyard-affiliated leasing company into play, as well as establish high-value and high-tech industry-leading entry barriers. In particular, we will apply part of the proceeds from the Global Offering to finance our sale-and-leaseback projects in respect of marine clean energy equipment (including two FSRUs). See "Future Plans and Use of Proceeds" in this prospectus for further details.

To expand our financing channels and stabilise our finance costs

Going forward, we intend to expand our financing channels, obtain more project and working capital loans and conduct financing activities according to market conditions and interest rate trends. We will obtain financing through diversified channels, including bank loans, syndicated loans and bond issuances. Over the years, we have developed a close relationship and established business cooperation in credit and settlement with various banks, including state-owned and policy-based banks as well as Chinese and foreign banks, many of which have also financed our leasing projects with long-term project loans, which effectively reduce our liquidity risks and finance costs. In addition, we have a sophisticated project financing model, quality lessees and excellent asset quality, which allow us to enjoy a stable cash flow from our leasing business. We will continue to work closely with our financing partners to expand our financing channels and stabilise our finance costs.

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

To continue to develop our non-ship leasing business

The marine industry is cyclical. In order to manage the relevant risks, we intend to strengthen our capabilities in withstanding risks through diversification of leasing business as well as upstream and downstream extension of industry chain. In this connection, we plan to develop our non-ship leasing business in areas such as ship-related equipment, marine economy (including fisheries, seawater treatment and marine tourism), manufacturing equipment, medical equipment, energy and power industry, energy-saving and environmental protection industry as well as information technology industry. We intend to identify two to three target industries as core areas for the long-term development of our non-ship leasing business.

OUR BUSINESS

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

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Finance lease income	319,856	31.0	540,195	40.6	892,080	42.4
- Direct finance lease	*58,120*	*5.6*	*139,550*	*10.5*	*265,888*	*12.6*
- Sale-and-leaseback	*261,736*	*25.4*	*400,645*	*30.1*	*626,192*	*29.8*
Operating lease income	394,633	38.2	495,014	37.2	601,182	28.6
- Bareboat charter	*330,240*	*32.0*	*339,090*	*25.5*	*355,424*	*16.9*
- Time charter	*64,393*	*6.2*	*155,924*	*11.7*	*245,758*	*11.7*
Interest income from loan borrowings(1)(2)	164,633	16.0	262,327	19.7	508,723	24.2
- Pre-delivery loan	*80,603*	*7.8*	*185,338*	*13.9*	*151,558*	*7.2*
- Secured loan	*84,030*	*8.2*	*76,989*	*5.8*	*357,165*	*17.0*
Commission income	152,519	14.8	32,413	2.5	102,826	4.9
Total	**1,031,641**	**100.0**	**1,329,949**	**100.0**	**2,104,811**	**100.0**

Notes:

(1) Interest income from loan borrowings represents income generated from our pre-delivery loan and secured loan services. Income generated from our factoring services is categorised as other income. For the years ended 31 December 2016, 2017 and 2018, our income from factoring services was HK$1.0 million, HK$4.0 million and HK$11.9 million, respectively.

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

Leasing Services

We provide tailored and flexible leasing services to our customers with the options of finance lease and operating lease. Leveraging our strong expertise in the marine industry, our leasing services primarily focus on ship leasing. As a leasing service provider primarily focusing on ship leasing, our business may be materially and adversely affected by the marine cycle. For the years ended 31 December 2016, 2017 and 2018, our lease income, comprising finance lease income and operating lease income, amounted to HK$714.5 million, HK$1,035.2 million and HK$1,493.3 million, respectively, accounting for 69.2%, 77.8% and 70.9% of our total revenue, respectively.

As at 31 December 2016, 31 December 2017 and 31 December 2018, we had undertaken a total of 31, 51 and 65 leasing projects[(1)], respectively. The following table sets out the movement in the number of our leasing projects[(1)] during the Track Record Period:

	Year ended 31 December								
	2016			2017			2018		
	Finance lease	Operating lease	Total	Finance lease	Operating lease	Total	Finance lease	Operating lease	Total
Number of contracts at the beginning of the year	7	7	14	22	9	31	39	12	51
Number of contracts beginning to generate revenue during the year	15	2	17	17	3	20	8	10	18
Number of contracts matured during the year	—	—	—	—	—	—	4	—	4
Number of contracts at the end of the year	**22**	**9**	**31**	**39**	**12**	**51**	**43**	**22**	**65**

Note:

(1) One leasing project corresponds to the leasing of one vessel.

The following table sets out the movement in the contract value of our leasing projects[(1)] during the Track Record Period:

	Year ended 31 December								
	2016			2017			2018		
	Finance lease	Operating lease	Total	Finance lease	Operating lease	Total	Finance lease	Operating lease	Total
	US$' million	US$' million	US$' million	US$' million	US$' million	US$' million	US$' million	US$' million	US$' million
Value of contracts at the beginning of the year	151.3	504.6	655.9	1,052.3	556.9	1,609.2	1,771.1	678.6	2,449.7
Value of contracts beginning to generate revenue during the year	901.0	52.3	953.3	718.8	121.7	840.5	1,481.9	365.0	1,846.9
Value of contracts matured during the year	—	—	—	—	—	—	200.6	—	200.6
Value of contracts at the end of the year	**1,052.3**	**556.9**	**1,609.2**	**1,771.1**	**678.6**	**2,449.7**	**3,052.4**	**1,043.6**	**4,096.0**

Note:

(1) One leasing project corresponds to the leasing of one vessel.

During the Track Record Period, our lease agreements (excluding agreements of a term of less than 12 months) were of an average term of approximately 9.7 years. The following table sets out a breakdown of our lease agreements (excluding agreements of a term of less than 12 months) during the Track Record Period by contract period:

	As at 31 December					
	2016		2017		2018	
	Number	Contract value	Number	Contract value	Number	Contract value
		US$' million		US$' million		US$' million
More than 1 year and less than 5 years	6	385.6	6	385.6	8	433.0
More than 5 years and less than 10 years	17	693.8	34	1,412.6	37	2,661.8
More than 10 years	3	390.0	3	390.0	9	523.2
Total	**26**	**1,469.4**	**43**	**2,188.2**	**54**	**3,618.0**

In 2015, two of our finance lease agreements of a total contract value of US$11.0 million matured. In addition, during the Track Record Period, four of our finance lease agreements of a total contract value of US$200.6 million matured. Prior to or upon expiry of the term of these lease agreements, our customers purchased the vessels at the price set out in the relevant lease agreements, and we transferred the ownership of the vessels to our customers. For the year ending 31 December 2019, it is expected that seven leasing projects with a total contract value of approximately US$258.0 million will mature. Despite our relatively short operating history and the fact that our lease agreements during the Track Record Period (excluding agreements of a term of less than 12 months) were of an average term of approximately 9.7 years, our Directors believe that we have the experience and expertise in overseeing and managing the full business cycle of our leasing projects.

As at the Latest Practicable Date, we owned a total of 71 vessels, and our committed vessel portfolio comprised 29 vessels, which are expected to be completed and begin to generate lease income to our Group before 2021. As at the Latest Practicable Date, these 100 vessels were of an aggregate vessel value (i.e. shipbuilders' cost of shipbuilding) of US$5.6 billion, and 48 and 52 of them were under finance lease and operating lease arrangements, respectively.

(i) Finance Lease

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

For the years ended 31 December 2016, 2017 and 2018, our finance lease income was HK$319.9 million, HK$540.2 million and HK$892.1 million, respectively, accounting for 31.0%, 40.6% and 42.4% of our total revenue, respectively. Our finance lease is further categorised into direct finance lease and sale-and-leaseback. The following table sets out a breakdown of our finance lease income during the Track Record Period by transaction type:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Direct finance lease	58,120	18.2	139,550	25.8	265,888	29.8
Sale-and-leaseback	261,736	81.8	400,645	74.2	626,192	70.2
Total	**319,856**	**100.0**	**540,195**	**100.0**	**892,080**	**100.0**

As at 31 December 2016, 31 December 2017 and 31 December 2018, the carrying amount of our direct finance lease and sale-and-leaseback transactions amounted to HK$6,421.5 million, HK$9,627.8 million and HK$16,789.8 million, respectively. The following table sets out, as at the dates indicated, the range of our direct finance lease and sale-and-leaseback transactions:

As at 31 December		
2016	**2017**	**2018**
HK$'000	**HK$'000**	**HK$'000**
16,166.6 - 1,139,595.6	11,372.4 - 928,526.4	1,766.3 - 7,100,727.3

The following table sets out the overall and range of collateral coverage ratio[(1)] of our finance lease transactions during the Track Record Period:

Year ended 31 December					
2016		**2017**		**2018**	
Overall collateral coverage ratio	**Range of collateral coverage ratio**	**Overall collateral coverage ratio**	**Range of collateral coverage ratio**	**Overall collateral coverage ratio**	**Range of collateral coverage ratio**
%	%	%	%	%	%
136	105 - 325	136	105 - 325	136	105 - 325

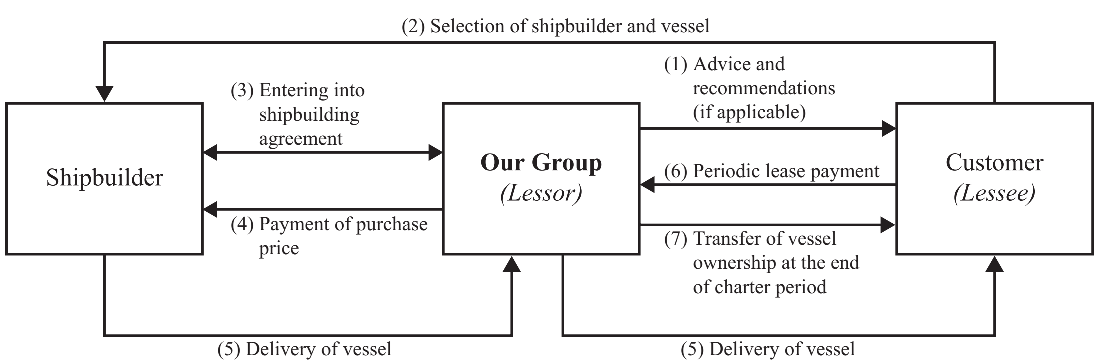
Note:

(1) Collateral coverage ratio is calculated by dividing vessel value (i.e. shipbuilder's cost of shipbuilding) by the total amount of principal in respect of the vessel.

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

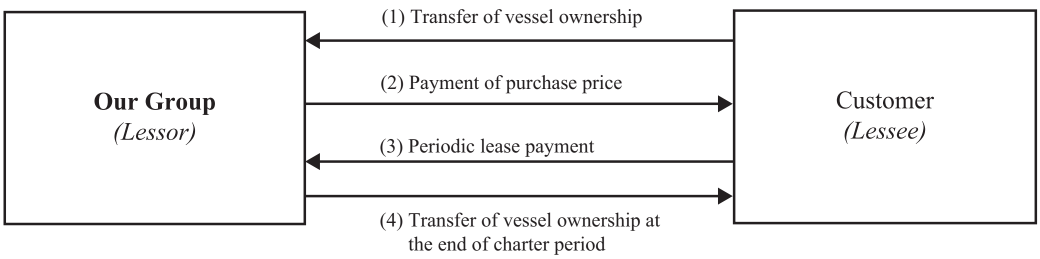
Direct finance lease

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



Sale-and-leaseback

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



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

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

	Direct finance lease agreement	Sale-and-leaseback agreement
Vessel sale :	• N/A	• The agreement will contain details in relation to the sale of the vessel by the lessee to us, including the purchase price, the payment terms as well as the delivery time and place.
Charter period :	• The agreement will specify the charter period, which generally ranges from five to 10 years.	
Charter payment :	• The lessee will, on each payment date during the charter period, pay us for the lease and use of the vessel. • The amount payable by the lessee on each payment date is generally (i) a pre-determined amount; or (ii) a pre-determined amount plus interest accrued on the outstanding principal, which is calculated with reference to the applicable interest rate (i.e. fixed rate or LIBOR plus a margin). • We generally require payment to be made on a monthly or quarterly basis.	
Vessel delivery and acceptance :	• Upon the delivery of the vessel in accordance with the shipbuilding agreement and the satisfaction of certain conditions, the lessee will be deemed to have accepted and taken delivery of the vessel.	• The ownership of the vessel will be transferred to us by the lessee on a "as is, where is and with all faults" basis. Simultaneously, the vessel will be delivered by us to the lessee on the same conditions.
Representations and warranties :	• We make no representation or warranty as to the seaworthiness, merchantability, condition, design, performance, capacity or fitness for use of the vessel.	
Insurance :	• The lessee will bear all risks arising from the use, navigation, operation, possession and/or maintenance of the vessel during the charter period. • The lessee shall, throughout the charter period, insure and keep the vessel insured against, among others, (i) fire and usual marine risks on hull and machinery; and (ii) war risks.	
Lessee's major obligations :	• The lessee shall, during the charter period: • ensure the vessel is in compliance with all applicable laws, regulations, international conventions, codes and regulations; • permit us to inspect or survey the vessel or instruct a duly authorised surveyor to carry out such inspection or survey in order to ascertain the condition of the vessel; • notify us of any accident, arrest or event resulting in a total loss of the vessel; and • inform us of any event constituting a lessee's default under the agreement.	
Lessee's purchase obligation :	• Upon expiry of the charter period, the lessee will generally be obliged to unconditionally purchase the vessel at a fixed price.	

		Direct finance lease agreement	Sale-and-leaseback agreement
Termination	:	• Upon the occurrence of a lessee's default which is continuing, we may terminate the agreement. • A lessee's default includes (i) the lessee's failure to make payment on its due date; (ii) the lessee's failure to observe or perform any of its obligations under the agreement, and such failure is not remedied within a specified time period; and (iii) the filing of a petition or the making of an order for the winding-up or dissolution of the lessee.	

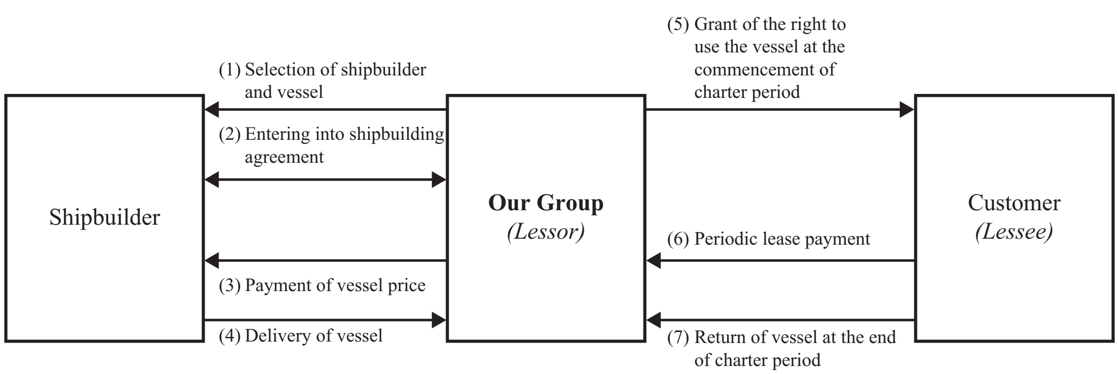
(ii) Operating Lease

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

For the years ended 31 December 2016, 2017 and 2018, our operating lease income amounted to HK$394.6 million, HK$495.0 million and HK$601.2 million, respectively, accounting for 38.2%, 37.2% and 28.6% of our total revenue, respectively. Our operating lease is further categorised into bareboat charter and time charter. The following table sets out a breakdown of our operating lease income during the Track Record Period by transaction type:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Bareboat charter	330,240	83.7	339,090	68.5	355,424	59.1
Time charter	64,393	16.3	155,924	31.5	245,758	40.9
Total	**394,633**	**100.0**	**495,014**	**100.0**	**601,182**	**100.0**

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



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

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

Major terms of operating lease agreements

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

	Bareboat charter	Time charter
Charter period :	• The agreement will specify the charter period, which generally ranges from nine to 15 years for bareboat charter and approximately six months to one year for time charter.	
Charter payment :	• The lessee will, on each payment date during the charter period, pay us for the lease and use of the vessel. • The amount payable by the lessee on each payment date is generally (i) a pre-determined amount; or (ii) calculated by multiplying the daily charter rate by the number of days in the relevant calculation period. • We generally require payment to be made on a semi-monthly or monthly basis.	
Vessel delivery and acceptance :	• Upon the shipbuilder's delivery of the vessel to us in accordance with the shipbuilding agreement and the satisfaction of certain conditions, the lessee will be deemed to have accepted and taken delivery of the vessel, whether or not it takes physical possession and/or use of the vessel.	• N/A
Representations and warranties :	• We make no representation or warranty as to the seaworthiness, merchantability, condition, design, performance, capacity or fitness for use of the vessel.	• We will keep the vessel in an efficient state in hull, machinery and equipment during the charter period.
Insurance :	• The lessee will bear all risks arising from the use, navigation, operation, possession and/or maintenance of the vessel during the charter period. • The lessee shall, throughout the charter period, insure and keep the vessel insured free of cost and expense to us and in the joint names of our Group and the lessee against, among others, (i) fire and usual marine risks on hull and machinery; and (ii) war risks.	• We will provide and pay for the insurance of the vessel.

Lessee's major obligations :	• The lessee shall, during the charter period:
	  • ensure the vessel is in compliance with all applicable laws, regulations, international conventions, codes and regulations;
	  • permit us to inspect or survey the vessel or instruct a duly authorised surveyor to carry out such inspection or survey in order to ascertain the condition of the vessel;
	  • notify us of any accident, arrest, detention or event resulting in a total loss of the vessel; and
	  • inform us of any event constituting a termination event under the lease.
		• The lessee shall comply with all requirements and supply the vessel with suitable and sufficient fuel.

		Bareboat charter	Time charter
Termination	:	• Upon the occurrence of a termination event, we may terminate the agreement and retake possession of the vessel. • A termination event includes (i) the lessee's failure to make payment on its due date; (ii) the lessee's failure to observe or perform any of its material obligations under the agreement, and such failure is not remedied within a specified time period; and (iii) the lessee becoming bankrupt, insolvent or unable to repay its debts.	• N/A

Shipbroking Services

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

During the Track Record Period, we occasionally provided loan arrangement services to CSSC Group and/or its associates. The fees we charged for such loan arrangement services were recognised as commission income during the Track Record Period. All such transactions had been completed as at the Latest Practicable Date. Going forward, we will no longer provide loan arrangement services to CSSC Group and/or its associates.

For the years ended 31 December 2016, 2017 and 2018, our commission income was HK$152.5 million, HK$32.4 million and HK$102.8 million, respectively, accounting for 14.8%, 2.5% and 4.9% of our total revenue, respectively. During the Track Record Period, CSSC Group and its associates were the only customers in respect of our shipbroking business.

Loan Services

We provide loan services in the ordinary and usual course of our business, and such loan services mainly include pre-delivery loan, secured loan and factoring services. Our Directors believe that our customers procure loan services from us instead of obtaining borrowings directly from commercial banks and financial institutions mainly because of the flexibility of our financing options, and we are not aware of any of these customers encountering any major difficulties in obtaining borrowings directly from commercial banks and financial institutions. According to Frost & Sullivan, it is not uncommon for leasing companies to provide loan services. In order to reduce the risk exposure of our loan services, we carefully select our customers based on their creditworthiness, repayment capabilities and financing needs. During the Track Record Period, there was no major default in the repayment of loan receivables from our customers, and none of our loan receivables was written off.

For the years ended 31 December 2016, 2017 and 2018, our interest income from loan borrowings was HK$164.6 million, HK$262.3 million and HK$508.7 million, respectively, accounting for 16.0%, 19.7% and 24.2% of our total revenue, respectively. The following table sets out a breakdown of our interest income from loan borrowings[(1)] during the Track Record Period by loan type:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Pre-delivery loan	80,603	49.0	185,338	70.7	151,558	29.8
Secured loan	84,030	51.0	76,989	29.3	357,165	70.2
Total	**164,633**	**100.0**	**262,327**	**100.0**	**508,723**	**100.0**

Note:

(1) Interest income from loan borrowings represents income generated from our pre-delivery loan and secured loan services. Income generated from our factoring services is categorised as other income. For the years ended 31 December 2016, 2017 and 2018, our income from factoring services was HK$1.0 million, HK$4.0 million and HK$11.9 million, respectively.

As at 31 December 2016, 31 December 2017 and 31 December 2018, the amount of receivables in respect of our loan services was HK$2,538.9 million, HK$4,831.0 million and HK$7,804.1 million, respectively. The following table sets out a breakdown of the receivables in respect of our loan services as at the dates indicated by loan type:

	As at 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Pre-delivery loan	2,012,064	74.1	4,065,559	83.2	—	—
Secured loan	592,792	21.8	474,843	9.7	7,892,193	100.0
Factoring	112,110	4.1	348,240	7.1	—	—
Gross amount	**2,716,966**	**100.0**	**4,888,642**	**100.0**	**7,892,193**	**100.0**
Impairment loss	(178,077)		(57,616)		(88,077)	
Net carrying amount	**2,538,889**		**4,831,026**		**7,804,116**	

During the Track Record Period, the interest rate we charged for our loan services generally ranged from 5% per annum to 15% per annum. According to Frost & Sullivan, the interest rate charged by our Group in respect of our loan services during the Track Record Period is in line with the industry norm.

Pre-delivery Loan Services

In general, as part of our ship leasing services, we provide pre-delivery loan services to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. The pre-delivery loans we extend are solely to finance the purchase of vessels under our finance lease transactions, and are generally secured by corporate guarantee, the assignment of shipbuilding agreement and refund guarantee rendered by our customers. A corporate guarantee is an agreement whereby a corporate entity (i.e. the guarantor) undertakes to assume responsibilities for the repayment of a loan if the borrower defaults on its repayment or upon maturity of the loan. A refund guarantee is commonly provided in new shipbuilding transactions, whereby a bank in favour of the seller undertakes that, in the event the seller fails to perform its obligations under the shipbuilding agreement, it will refund the advance instalments paid (together with interest accrued) under the relevant shipbuilding agreement to the buyer. During the Track Record Period, we provided pre-delivery loan services through nine SPVs in the Marshall Islands and a SPV in Hong Kong. As advised by our legal advisers as to Marshall Islands and Hong Kong laws, our pre-delivery loan business is in compliance with the applicable Marshall Islands and Hong Kong laws and regulations, respectively. As at 31 December 2016, 31 December 2017 and 31 December 2018, the amount of pre-delivery loans we provided to customers was HK$2,012.1 million, HK$4,065.6 million and nil, respectively.

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

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

Secured Loan Services

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

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

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

During the Track Record Period, we conducted our entrusted loan business in the PRC through CSSC Shanghai, CSSC Tianjin and certain SPVs in the PRC. According to the Measures on Supervision of Financial Leasing Enterprises (融資租賃企業監督管理辦法) (the "**Measures for Financial Leasing Enterprises**") and the Administrative Measures for Entrusted Loans Undertaken by Commercial Banks (商業銀行委託貸款管理辦法) (the "**Measures for Entrusted Loans**"), no particular licence or approval, other than business licence, is required for engaging in the provision of entrusted loan services in the PRC. As at the Latest Practicable Date, each of CSSC Shanghai, CSSC Tianjin and the SPVs engaging in entrusted loan business possessed the requisite business licence to engage in the provision of entrusted loan services as trustor in the PRC. According to the Measures for Financial Leasing Enterprises, a financial leasing company is prohibited from providing entrusted loans to third parties as trustee. However, it does not prohibit a financial leasing company from providing entrusted loans to third parties as trustor. During the Track Record Period, our PRC subsidiaries acted as trustor when providing entrusted loans to third parties, and such arrangements did not violate the Measures for Financial Leasing Enterprises. As advised by our PRC Legal Advisers, save as disclosed in "Non-compliance Matter" in this section, our entrusted loan business in the PRC is in compliance with the Measures for Financial Leasing Enterprises.

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

Factoring Services

We also provide factoring services on a recourse basis to other financial institutions (such as financial leasing companies). In a typical factoring transaction, (i) our customer sells and assigns to us, at an agreed price, the accounts receivable (which generally represents lease income in respect of the leasing of assets such as school and hospital equipment) due from its debtor, and we obtain the right to receive payment from its debtor; and (ii) our customer undertakes to unconditionally repurchase the accounts receivable at an agreed price under certain circumstances. The price at which we purchase the accounts receivable from our customers is determined based on a number of factors, such as the creditworthiness, repayment capabilities as well as business and financial conditions of our customers and their debtors. In respect of the factoring transactions, our customers are the financial institutions to which we provide factoring services.

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

Sale and assignment of accounts receivable	:	● Our customer will sell and assign its accounts receivable under certain agreements (including the principal, interest, liquidated damages and compensation) to us at an agreed price.
Factoring period	:	● The agreement will specify the factoring period, which generally ranges from 60 to 90 days from the date of payment of the consideration in respect of the assignment of accounts receivable.
Collection of accounts receivable	:	● During the factoring period, our customer is responsible for collecting the accounts receivable from the debtor on our behalf.
Repurchase of accounts receivable	:	● Our customer will undertake to unconditionally repurchase the accounts receivable at an agreed price under certain circumstances (e.g. expiry of the factoring period, our customer's debtor failing to settle its accounts receivable as and when it falls due, our customer ceasing its operations or having its business licences revoked, and the occurrence of events that have a material adverse impact on the operating or financial conditions of our customer).
Breach of contract	:	● If our customer fails to repurchase the accounts receivable in accordance with the terms of the agreement, it will be subject to the payment of liquidated damages.

During the Track Record Period, we conducted our factoring business in the PRC through CSSC Shanghai and CSSC Tianjin. According to the Interim Measures for the Administration of Commercial Factoring Business in China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區商業保理業務管理暫行辦法), a financial leasing company that conducts commercial factoring business shall obtain approval from the Management Committee of Shanghai Pilot Free Trade Zone. In January 2014, CSSC Shanghai obtained the requisite approval for engaging in factoring business relevant to its main business, and such approval remained valid and effective as at the Latest Practicable Date. According to the Notice of the Tianjin Commission of Commerce on the Generalisation of the Replicable Pilot Reform Experience of China (Shanghai) Pilot Free Trade Zone to the Financial Leasing Industry (天津市商務委關於融資租賃行業推廣中國(上海)自由貿易試驗區可複製改革試點經驗的通知), financial leasing companies are permitted to engage in factoring business relevant to their main business, and no market access thresholds should be set for existing financial leasing companies to engage in factoring business. Based on the abovementioned and as advised by our PRC Legal Advisers, it is not necessary for CSSC Tianjin to obtain any licence or approval (other than business licence) to engage in factoring business relevant to its main business. As at the Latest Practicable Date, CSSC Tianjin possessed the requisite business licence to engage in the provision of factoring services relevant to its main business in the PRC. As further advised by our PRC Legal Advisers, our factoring business in the PRC is in compliance with the Measures for Financial Leasing Enterprises.

OUR VESSEL PORTFOLIO

As at 31 December 2018, we owned a total of 65 vessels, including 43 vessels under finance lease arrangements and 22 vessels under operating lease arrangements, with an average age of approximately two years. The following table sets out certain details in relation to our vessel fleet during the Track Record Period:

	As at 31 December											
	2016				2017				2018			
	Number	Vessel value(1)	Average vessel value(1)	Range of vessel value(1)	Number	Vessel value(1)	Average vessel value(1)	Range of vessel value(1)	Number	Vessel value(1)	Average vessel value(1)	Range of vessel value(1)
		USD' million	USD' million	USD' million		USD' million	USD' million	USD' million		USD' million	USD' million	USD' million
Marine LNG/ LPG unit	2	93.2	46.6	24.0 - 69.2	3	162.7	54.2	24.0 - 69.5	7	1,579.2	225.6	24.0 - 1,200.0
Bulk carrier	13	433.4	33.3	13.0 - 54.0	24	881.7	36.7	13.0 - 54.0	25	880.8	35.2	13.0 - 54.0
Tanker	7	293.8	42.0	24.6 - 63.0	13	567.6	43.7	24.6 - 91.0	14	623.3	44.5	24.6 - 91.0
Container vessel	5	440.3	88.1	24.9 - 130.0	7	489.2	69.9	20.0 - 130.0	10	563.0	56.3	20.0 - 130.0
Special tonnage carrier	4	335.8	83.9	14.2 - 152.5	4	335.8	83.9	14.2 - 152.5	9	437.0	48.6	14.0 - 152.5
Total	**31**	**1,596.4**			**51**	**2,436.9**			65	**4,083.2**		

Note:

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

See "Our Business — Leasing Services" in this section for further details of our leasing projects during the Track Record Period.

The following table sets out certain details of the remaining economic useful life of our vessel fleet under operating lease arrangements as at 31 December 2018:

	Average remaining economic useful life	Range of remaining economic useful life
	Years	Years
Marine LNG/LPG unit	29.4	29.0 - 29.8
Bulk carrier	27.7	23.8 - 29.9
Container vessel	26.7	26.6 - 26.9
Special tonnage carrier	29.2	26.7 - 29.9

As at 31 December 2018, our committed vessel portfolio consisted of 39 vessels, which were ordered from shipbuilders. The following table sets out certain details of our committed vessel portfolio during the Track Record Period:

	As at 31 December					
	2016		2017		2018	
	Number	Vessel value(1)	Number	Vessel value(1)	Number	Vessel value(1)
		USD' million		USD' million		USD' million
Marine LNG/LPG unit	5	1,486.0	6	1,864.1	2	447.6
Bulk carrier	10	451.7	9	318.7	12	440.4
Tanker	7	329.5	3	129.8	14	506.8
Container vessel	4	128.0	4	128.0	3	96.0
Special tonnage carrier	13	321.0	13	321.0	8	219.8
Total	**39**	**2,716.2**	**35**	**2,761.6**	**39**	**1,710.5**

Note:

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

The following table further sets out the expected delivery dates of our vessels ordered directly from shipbuilders as at 31 December 2018:

	2019	2020	2021	Number	Vessel value[(1)]
					USD' million
Marine LNG/LPG unit	—	—	2	2	447.6
Bulk carrier	6	4	2	12	440.4
Tanker	4	6	4	14	506.8
Container vessel	3	—	—	3	96.0
Special tonnage carrier	8	—	—	8	219.8
Total	**21**	**10**	**8**	**39**	**1,710.5**

Note:

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

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

OUR BUSINESS PROCESS

The following diagram illustrates the major steps of our business process:

Project initiation

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

Due diligence

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

Term sheet negotiation

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

Project assessment

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

Contract negotiation and execution

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

Release of funds	● Upon fulfilment of the conditions precedent specified in the lease agreement, we will arrange for the release of funds
Lease management	● During the lease term, our asset management department monitors the project status (including our collection of lease payment as well as the condition and value of the leased vessel) on an on-going basis ● Our risk management department evaluates our risk profile on a continuous basis
Project termination	● Upon expiry of the term of the lease agreement, our asset management department may, depending on the arrangements under the relevant lease agreement, re-possess the leased vessel or arrange for the transfer of ownership of the leased vessel to the lessee

SALES AND MARKETING

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

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

Pricing

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

Seasonality

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

OUR CUSTOMERS

Our customers generally include ship operators, shipbuilders and trading companies. The following table sets out a breakdown of our revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Ship operators	844,630	81.9	1,228,540	92.4	1,899,671	90.3
Shipbuilders	136,171	13.2	21,389	1.6	103,646	4.9
Trading companies	24,450	2.4	55,490	4.2	82,906	3.9
Others[(1)]	26,390	2.5	24,530	1.8	18,588	0.9
Total	**1,031,641**	**100.0**	**1,329,949**	**100.0**	**2,104,811**	**100.0**

Note:

(1) Others include a helicopter operator, a logistics company and a textile company.

Our Major Customers

For the years ended 31 December 2016, 2017 and 2018, our five largest customers accounted for 69.4%, 70.5% and 66.9% of our total revenue, respectively, and our largest customer accounted for 31.7%, 24.7% and 20.4% of our total revenue, respectively. Our major customers are located in the PRC, Asia, United States and Europe, with whom we have maintained business relationships for three to six years. The payments made to us by our five largest customers are primarily in U.S. dollars, and by way of telegraphic transfer.

Set out below are the details of our five largest customers during the Track Record Period:

For the year ended 31 December 2016

No.	Customer	Background	Services procured from our Group	Transaction amount	Percentage of total revenue	Year of commencement of business relationship with our Group
				(HK$'000)	(%)	
1.	Customer A	A global shipping group primarily engaging in the international containerised transportation of goods and with a reported revenue of US$23.5 billion in 2018	Leasing services	327,140	31.7	2013
2.	ZPMC-Red Box Energy Services Limited	A Hong Kong logistics service provider for energy infrastructure projects and with a reported revenue of US$81.1 million in 2018	Leasing services	157,446	15.3	2014
3.	Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司)	A PRC shipbuilding company primarily engaging in the design, construction and repair of marine vessels and offshore products, and with a reported revenue of RMB9.1 billion in 2018	Shipbroking services	112,816	10.9	2013

No.	Customer	Background	Services procured from our Group	Transaction amount	Percentage of total revenue	Year of commencement of business relationship with our Group
				(HK$'000)	(%)	
4.	Golar LNG Limited	A major marine-based LNG operator with a reported revenue of US$430.6 million in 2018	Loan services	80,603	7.8	2015
5.	Oceanbulk Maritime S.A./Star Bulk Carriers Corporation	A global shipping group with a reported revenue of US$254.0 million for the first half of 2018	Leasing services	37,640	3.7	2013

For the year ended 31 December 2017

No.	Customer	Background	Services procured from our Group	Transaction amount	Percentage of total revenue	Year of commencement of business relationship with our Group
				(HK$'000)	(%)	
1.	Customer A	A global shipping group primarily engaging in the international containerised transportation of goods and with a reported revenue of US$23.5 billion in 2018	Leasing services	328,010	24.7	2013
2.	Golar LNG Limited	A major marine-based LNG operator with a reported revenue of US$430.6 million in 2018	Loan services	185,338	13.9	2015
3.	ZPMC-Red Box Energy Services Limited	A Hong Kong logistics service provider for energy infrastructure projects and with a reported revenue of US$81.1 million in 2018	Leasing services	182,590	13.7	2014
4.	STI Acquisition Holding Ltd (formerly known as Navig8 Product Tankers Inc)	A global shipping company principally engaging in the transportation of petroleum products, and has since 1 September 2017 been a subsidiary of a company listed on the New York Stock Exchange (with a reported revenue of US$585.0 million in 2018)	Leasing services	125,182	9.4	2015
5.	Oceanbulk Maritime S.A./Star Bulk Carriers Corporation	A global shipping group with a reported revenue of US$254.0 million for the first half of 2018	Leasing services	116,450	8.8	2013

For the year ended 31 December 2018

No.	Customer	Background	Services procured from our Group	Transaction amount	Percentage of total revenue	Year of commencement of business relationship with our Group
				(HK$'000)	(%)	
1.	Golar LNG Limited	A major marine-based LNG operator with a reported revenue of US$430.6 million in 2018	Leasing services	428,753	20.4	2015
2.	Customer A	A global shipping group primarily engaging in the international containerised transportation of goods and with a reported revenue of US$23.5 billion in 2018	Leasing services	329,975	15.7	2013
3.	Oceanbulk Maritime S.A./Star Bulk Carriers Corporation	A global shipping group with a reported revenue of US$254.0 million for the first half of 2018	Leasing services	262,917	12.5	2013
4.	ZPMC-Red Box Energy Services Limited	A Hong Kong logistics service provider for energy infrastructure projects and with a reported revenue of US$81.1 million in 2018	Leasing services	195,235	9.3	2014
5.	STI Acquisition Holding Ltd (formerly known as Navig8 Product Tankers Inc)	A global shipping company principally engaging in the transportation of petroleum products, and has since 1 September 2017 been a subsidiary of a company listed on the New York Stock Exchange (with a reported revenue of US$585.0 million in 2018)	Leasing services	190,343	9.0	2015

Our Directors confirm that, as at the Latest Practicable Date, save for Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司), which is a subsidiary of CSSC Group, (i) our five largest customers during the Track Record Period were Independent Third Parties; and (ii) none of our Directors, their respective close associates or Shareholders who own more than 5% of the share capital of our Company had any interest in our five largest customers. Our Directors further confirm that none of our five largest customers during the Track Record Period were our major suppliers during the Track Record Period.

BUSINESS ACTIVITIES CONNECTED TO COUNTRIES OR PERSONS SUBJECT TO INTERNATIONAL SANCTIONS

In 2015, we entered into sale-and-leaseback transactions in respect of two vessels with the HK Customer, and these transactions are expected to mature in January and April 2021, respectively. The HK Customer then chartered the vessels to the Sub-charterer for the purpose of delivering certain products for a construction project in Russia, which is owned by the Russian Joint Venture. During the Track Record Period and as at the Latest Practicable Date, the Russian Joint Venture Partner was subject to targeted sanctions. However, our customer in the transactions relating to these two vessels was the HK Customer, and except for this sub-chartering arrangement by the HK Customer, we are not aware of any other back-to-back transactions, payments or arrangements of any kind, in USD or otherwise, among the Russian Joint Venture Partner, the Russian Joint Venture, the Sub-charterer and the HK Customer. We have never received any direct or indirect payments from the Russian Joint Venture Partner or the Russian Joint Venture. According to the relevant lease agreement, the HK Customer shall not, among others, (i) utilise or employ the vessels or use the proceeds of the transactions contemplated thereunder to fund any trade, business or other activities involving or for the benefit of any party or entity listed on any sanctions list or in any other manner that would result in us being in breach of any sanctions laws; and (ii) enter into any sub-chartering arrangements in respect of the vessels for a period of more than 12 months without our prior written consent. In general, we require our customers to provide the information we need to determine whether to approve the sub-chartering arrangements, and such information includes the identities of the sub-charterers, their nature of business and the usage of the vessels. For the years ended 31 December 2016, 2017 and 2018, the amount of financing we provided to the HK Customer was HK$2,209.7 million, nil and nil, respectively, and our finance lease income attributable to the HK Customer was HK$157.4 million, HK$182.6 million and HK$195.2 million, respectively, accounting for 15.3%, 13.7% and 9.3% of our total revenue, respectively. As at 31 December 2016, 31 December 2017 and 31 December 2018, the outstanding balance of financing we provided to the HK Customer was HK$2,203.2 million, HK$1,940.2 million and HK$1,575.9 million, respectively.

Hogan Lovells, our International Sanctions Legal Advisers, performed the following procedures to evaluate our risk of exposure to penalties imposed under International Sanctions laws and regulations:

- reviewed documents provided by us about our Group, our business operations, our revenue as well as the time and charterparties with our customers for the provision of ship leasing services; in particular, our International Sanctions Legal Advisers reviewed the contracts, charter documents and other documentation related to the HK Customer, the Sub-charterer, the Russian Joint Venture and the Russian Joint Venture Partner;
- reviewed the list of vessels and the list of beneficial owners or controllers of our customers provided by us against the lists of persons and organisations subject to International Sanctions, and confirmed that they are not on such lists;
- received a written confirmation from us that except as otherwise disclosed in this prospectus, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) had, during the Track Record Period, conducted any business dealings in or with any other countries or persons that are subject to International Sanctions; and
- received a confirmation from us that in respect of the transactions with the HK Customer, our involvement was limited to the provision of financing and the leasing of two vessels, and that except for this sub-chartering arrangement by the HK Customer, we were and are not aware of any other back-to-back transactions, payments or arrangements of any kind, in USD or otherwise, among the Russian Joint Venture Partner, the Russian Joint Venture, the Sub-charterer and the HK Customer.

As advised by our International Sanctions Legal Advisers after performing the procedures set out above, our activities during the Track Record Period do not appear to implicate the restrictions under International Sanctions. Furthermore, given the scope of our Global Offering and the expected use of proceeds as set out in this prospectus, our International Sanctions Legal Advisers are of the view that the involvement by parties in the Global Offering will not implicate any applicable International Sanctions on such parties, including our Company, our investors, the Shareholders, the Stock

Exchange and its listing committee and group companies, or any person involved in the Global Offering and accordingly, the sanction risk exposure to our Company, our Shareholders and investors, and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of the Shares (including the Stock Exchange, its listing committee and group companies) is very low.

Our Directors confirm that we have not been notified that any International Sanctions will be imposed on us for the provision of financing to and the leasing of two vessels to the HK Customer, which were involved in the delivery of certain products to the construction project in Russia during the Track Record Period. None of our customers is specifically identified on the SDN List or other restricted parties lists maintained by the European Union, Australia and the United Nations and therefore would not be deemed as sanctioned targets. Such provision of financing to and leasing of vessels do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under International Sanctions.

Our Internal Control Procedures

We will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Countries subject to International Sanctions or any other government, individual or entity sanctioned by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions. Further, we have undertaken that we will not use the proceeds from the Global Offering to pay any damages for terminating or transferring any contract that violates International Sanctions.

In addition, we will not enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees and our Shareholders and investors to violate or become a target of International Sanctions by the United States, the European Union, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions we enter into in Countries subject to International Sanctions or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risks, the status of future businesses (if any) in Countries subject to International Sanctions and with Sanctioned Persons as well as our business intention (if any) relating to Countries subject to International Sanctions and with Sanctioned Persons. If we were in breach of such undertakings to the Stock Exchange, we would be subject to the risk of possible delisting of our Shares on the Stock Exchange.

We have adopted enhanced internal control and risk management measures to help us continuously monitor and evaluate our business and take measures to protect the interest of our Group and the Shareholders from sanctions risks. The following measures have been implemented as at the Latest Practicable Date:

- it is our policy that we do not embark on any business opportunities in comprehensively sanctioned countries (i.e. Cuba, Iran, North Korea, Syria and Crimea as at the Latest Practicable Date), or with Sanctioned Persons. We will check the counterparty with whom we are conducting business against the various lists of restricted parties and countries maintained by the United States, the European Union, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in Countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, we will seek advice from external international legal counsel with necessary expertise and experience in International Sanctions matters;

- all of our contractual arrangements relating to our business operations will contain clauses that (i) our Group intends to comply with any and all applicable sanctions laws and regulations; and (ii) our counterparties will comply with sanctions laws and regulations and will not take any action that will expose our Group to any risk or liability of violations of sanctions laws and regulations; and
- we will periodically review our internal control policies and procedures with respect to sanctions matters. As and when we consider necessary, we will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for us to comply with our undertakings to the Stock Exchange.

Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to International Sanctions so as to protect the interests of our Company and the Shareholders. After undertaking the relevant due diligence, and subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to International Sanctions.

OUR SUPPLIERS

Because of the nature of our business, we have no major suppliers. During the Track Record Period, we purchased vessels mainly from CSSC Group and/or its associates as well as other independent shipbuilders. See "Connected Transactions" in this prospectus for further details of our purchase of vessels from CSSC Group and/or its associates.

CASH FLOW MANAGEMENT

As a leasing company, our ability to repay our bank borrowings and to fund our vessel acquisitions depends on the level of our lease income and operating cash flow. In circumstances where our business fails to generate sufficient cash inflows to service our cash outflows, we will experience a cash flow mismatch and our liquidity position may deteriorate. See "Risk Factor — Risks Relating to our Business — Our cash flow position may deteriorate because of potential mismatch in the time between cash inflows and cash outflow" in this prospectus for further details of the risks relating to negative operating cash flow. In order to minimise our liquidity risk, we have implemented various measures to, among others, closely monitor our liquidity position and proactively manage the maturity profile of our assets and liabilities. See "Risk Management — Liquidity Risk Management" in this prospectus for further details of our liquidity management initiatives.

See "Financial Information — Liquidity and Capital Resources — Cash Flow" in this prospectus for further details of our cash flow position during the Track Record Period.

INFORMATION TECHNOLOGY

Our information technology systems are integral to our business, and are tailored to support various aspects of our operations. In particular, our information technology platform allows us to, among others, (i) monitor and manage the full cycle of our leasing business; (ii) record and manage the key information of our leasing business (e.g. customers, leased assets and lease cycles); (iii) monitor the distribution, status and quality of our assets on a real-time basis; (iv) analyse the value of our assets; and (v) evaluate the level of our risk exposure on an on-going basis. In addition, our information technology system simplifies our fund management procedures through the automatic calculation of lease payments, interests and handling fees as well as formulation of repayment plans. We believe that our information technology systems have enhanced the efficiency and effectiveness of our asset management as well as strengthened our risk management capabilities.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any failure in our information technology systems which caused material disruptions to our operations.

COMPETITION

According to the F&S Report, the global ship leasing industry is relatively fragmented, with approximately 400 ship leasing companies across the globe in 2018. The global ship leasing industry may be further segmented into the non-bank ship leasing industry, with approximately 150 non-bank ship leasing companies across the globe in 2018. According to the F&S Report, the global top five ship leasing service providers accounted for a total market share of 24.5% in terms of revenue in 2018, whereas the global top three non-bank ship leasing service providers accounted for a total market share of 29.2% in terms of revenue in 2018. According to the F&S Report, in terms of revenue in 2018, we ranked fourth in the global ship leasing industry with a market share of 3.9% and first in the global non-bank ship leasing industry with a market share of 14.8%. Ship leasing companies generally compete in terms of professionalism, customer network coverage, risk assessment and management capabilities as well as asset operation. See "Industry Overview" in this prospectus for further details.

EMPLOYEES

As at the Latest Practicable Date, we had 70 employees. The following table sets out a breakdown of our employees as at the Latest Practicable Date by geographical location and function:

	Hong Kong	PRC	Singapore	Total
Management	5	—	—	5
Business	2	8	1	11
Asset management	8	2	—	10
Risk management	1	7	—	8
Credit and structured finance	2	2	—	4
Accounting and treasury	8	4	1	13
Human resources and administration	3	15	1	19
Total	**29**	**38**	**3**	**70**

For the years ended 31 December 2016, 2017 and 2018, our staff cost amounted to HK$27.3 million, HK$30.2 million and HK$51.2 million, respectively.

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

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

We have not established any labour union. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute with our employees or disruption to our operations as a result of labour dispute nor any difficulty in the recruitment and retention of employees.

INTELLECTUAL PROPERTY

Our intellectual property rights comprise our domain name. For further details of our material intellectual property rights, see "Further Information about our Business — 8. Material Intellectual Property Rights" in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, no material claim or dispute was brought against us in relation to any infringement of intellectual property rights. Our Directors are not aware of any use by any third-party of our brand and believe that there has been no infringement of our intellectual property rights that would result in a significant potential impact on our business.

INSURANCE

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

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

For the years ended 31 December 2016, 2017 and 2018, our total insurance cost amounted to HK$2.4 million, HK$5.4 million and HK$6.1 million, respectively. Our Directors believe that our current insurance coverage is sufficient and adequate and in line with the industry norm. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance coverage.

PROPERTIES

As at the Latest Practicable Date, we leased a total of 19 properties in Hong Kong, the PRC and Singapore.

Hong Kong

As at the Latest Practicable Date, we leased seven properties in Hong Kong from China United Shipbuilding, a connected person of our Company, which are used as office premises and staff quarters. The following table sets out certain information in relation to our material leased property in Hong Kong:

No.	Location	Usage	Approximate gross floor area	Lessor	Tenancy period	Monthly rental
1.	Units 1802-03, 18/F, World-wide House, 19 Des Voeux Road Central, Hong Kong	Office	4,095 sq. ft.	China United Shipbuilding	1 June 2017 to 31 May 2020	HK$130,713.0

See "Connected Transactions" in this prospectus for further details of our leasing arrangements with China United Shipbuilding.

PRC

As at the Latest Practicable Date, we leased a total of six properties in the PRC from CSSC Shanghai Shipbuilding and Shanghai Ruizhou, both being connected persons of our Company, and five properties in the PRC from certain Independent Third Parties. The following table sets out certain information in relation to our material leased properties in the PRC:

No.	City	Location	Usage	Approximate gross floor area	Lessor	Tenancy period	Monthly rental
1.	Shanghai	Unit 15A04-05, No.1 Pudong Avenue, Pudong New District	Office	639.0 sq. m.	CSSC Shanghai Shipbuilding	1 January 2019 to 31 December 2019	RMB135,665.0
2.	Shanghai	Unit 12B01-03, 08, No.1 Pudong Avenue, Pudong New District	Office	974.4 sq. m.	Shanghai Ruizhou	1 January 2019 to 31 December 2019	RMB206,875.4

See "Connected Transactions" in this prospectus for further details of our leasing arrangements with CSSC Shanghai Shipbuilding and Shanghai Ruizhou.

Singapore

As at the Latest Practicable Date, we leased one property in Singapore from an Independent Third Party. The following table sets out certain information in relation to our leased property in Singapore:

No.	Location	Usage	Approximate gross floor area	Lessor	Tenancy period	Monthly rental
1.	Unit 29-02, The Concourse, 300 Beach Road	Office	1,259 sq. ft.	An Independent Third Party	1 June 2017 to 31 May 2019[(1)]	S$6,546.8

Note:

(1) We have entered into a new lease agreement for a term of two years commencing on 1 June 2019 and at a monthly rental of S$7,428.1.

Title Defects in relation to our Leased Properties in the PRC

As at the Latest Practicable Date, we had not been provided with valid title certificates in respect of three of our leased properties in the PRC. As advised by our PRC Legal Advisers, we may not be able to continue to use the relevant properties under certain circumstances. Given that two of the properties are merely used as registered offices and we do not conduct any business operations therein, and the other property is used as an office which can be easily relocated if necessary, our PRC Legal Advisers concur with our Directors' view that the likelihood of our business being materially affected by such title defects is remote.

As at the Latest Practicable Date, 10 of our lease agreements had not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisers, according to the

Administrative Measures on Lease of Commodity Properties (商品房屋租賃管理辦法), lease agreements shall be registered with the relevant PRC government authorities, and any non-registration of lease agreements may result in the relevant PRC government authorities ordering for rectification within a prescribed time limit and, if the relevant entity still fails to register the relevant lease agreements, imposing a fine ranging from RMB1,000 to RMB10,000 per lease agreement. As further advised by our PRC Legal Advisers, the maximum fine in relation to the non-registration of our 10 lease agreements shall be RMB100,000, and the lessors' failure to register the relevant lease agreements will not affect their validity or enforceability. As at the Latest Practicable Date, we had not received any notice or demand from the PRC government authorities requesting us to take rectification actions or imposing a fine on us. Based on the aforementioned, our PRC Legal Advisers concur with our Directors' view that the likelihood of our business being materially affected by such title defects is remote.

Our Directors are of the view that there would be no material difference in the rental that we would have to pay for our leased properties in the PRC if they were not subject to title defects.

LICENCES, PERMITS AND APPROVALS

For the material licences, permits and approvals we hold for carrying on our business operations, see "Regulatory Overview" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, permits and approvals that are material to our business operations from the relevant government authorities.

Our management reviews our business practises regularly to ensure compliance with all licencing requirements and conditions as well as the successful renewal of our licences, permits and approvals. To the best knowledge and belief of our Directors after making reasonable enquiries, as at the Latest Practicable Date, there was no major legal impediment for the renewal of our licences, permits and approvals, and no circumstances existed that would render their revocation or cancellation.

OCCUPATIONAL HEALTH, WORK SAFETY AND ENVIRONMENTAL PROTECTION

We are committed to providing a safe and healthy working environment for our employees. We have policies and guidelines to ensure and promote workplace safety. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any major accident or fatality in the course of our business operations. Our Directors are of the view that the annual cost of compliance with the applicable laws and regulations relating to occupational health and work safety was not material during the Track Record Period, and that the cost of such compliance is not expected to be material going forward.

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

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, no member of our Group and none of our Directors was engaged in any litigation, arbitration or claim which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations as a whole. Furthermore, as at the Latest Practicable Date, to the best knowledge and belief of our Directors, there was no pending or threatened litigation, arbitration or claim against any member of our Group or any of them which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations as a whole.

NON-COMPLIANCE MATTER

The following table sets out the non-compliance incident in relation to our Group's operations during the Track Record Period:

No.	Non-compliance incident	Reasons for non-compliance	Legal consequences (including potential maximum penalty and other financial liabilities)	Remedial actions
1.	During the Track Record Period, the six wholly-owned subsidiaries of CSSC Shanghai (the "**Subsidiaries**") did not carry on leasing business as their main business as required by the PRC laws and regulations in relation to financial leasing. Instead, the Subsidiaries principally engaged in the provision of loan services through entrusted banks.	When the Subsidiaries were first established, they were intended to carry on both leasing and loan businesses. However, they did not carry on leasing business as originally planned, thus resulting in the non-compliance incident. The non-compliance incident was due to the inadvertent oversight of our risk management department.	According to the PRC laws and regulations in relation to financial leasing, a financial leasing enterprise in breach of the relevant laws and regulations will be handled in accordance with the provisions therein. However, the relevant laws and regulations have not clearly set out the legal consequences or penalty to be imposed in circumstances where a financial leasing enterprise does not carry on leasing business as its main business.	On 6 September 2018, our PRC Legal Advisers, the Sole Sponsor and the PRC legal advisers to the Sole Sponsor conducted an interview with the chief section member (主任科員) of the Economic Development Office of the Bonded Area Authority of the China (Shanghai) Pilot Free Trade Zone Management Committee (中國(上海)自由貿易試驗區管理委員會保稅區管理局經濟發展處), who confirmed that CSSC Shanghai and the Subsidiaries had not violated the laws and regulations relating to financial leasing nor been penalised as a result of their failure to comply with such laws and regulations during the period from 1 January 2015 to 6 September 2018. On 8 January 2019, our PRC Legal Advisers and the PRC legal advisers to the Sole Sponsor conducted an interview with the deputy director (副主任) of the Commission of Commerce of the China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區商務委員會), who confirmed that the

No.	Non-compliance incident	Reasons for non-compliance	Legal consequences (including potential maximum penalty and other financial liabilities)	Remedial actions
				Bonded Area Authority of the China (Shanghai) Pilot Free Trade Zone Management Committee is the dispatching agency of the Shanghai Municipal Government and the authority that regulates and supervises financial leasing enterprises in the Bonded Area. As advised by our PRC Legal Advisers, the Bonded Area Authority of the China (Shanghai) Pilot Free Trade Zone Management Committee is the competent supervisory authority of CSSC Shanghai and the Subsidiaries. On 2 February 2019, CSSC Shanghai received a letter from the Economic Development Office, confirming that there was no record of the Subsidiaries being in breach of the relevant PRC laws and regulations or penalised as a result thereof during the period from 1 January 2015 to 2 February 2019. In addition, we have undertaken that the Subsidiaries will not, save and except the existing entrusted loan arrangements, carry on or conduct further

No.	Non-compliance incident	Reasons for non-compliance	Legal consequences (including potential maximum penalty and other financial liabilities)	Remedial actions
				entrusted loan business. Based on the abovementioned, our PRC Legal Advisers are of the view that the said non-compliance incident does not and will not have a material adverse effect on the business operations or financial condition of the Subsidiaries. In order to prevent the recurrence of such non-compliance incident, we will provide training in relation to PRC laws and regulations to the relevant employees from time to time. In addition, our risk management department is responsible for ensuring compliance with the relevant PRC laws and regulations as well as monitoring the development of such laws and regulations. Our Directors are of the view, and the Sole Sponsor concurs, that such internal control measures are adequate and effective.

Having considered that:

- the non-compliance incident set out in "Non-compliance Matter" in this section was unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors;
- we have implemented and will continue to implement appropriate measures to avoid the recurrence of the non-compliance incident, and will engage external legal advisers to ensure strict compliance with the relevant PRC laws and regulations; and

- we have carried out remedial actions and rectified the non-compliance incident to the greatest extent possible, and there has been no recurring of similar non-compliance incident since the implementation of the relevant remedial measures;

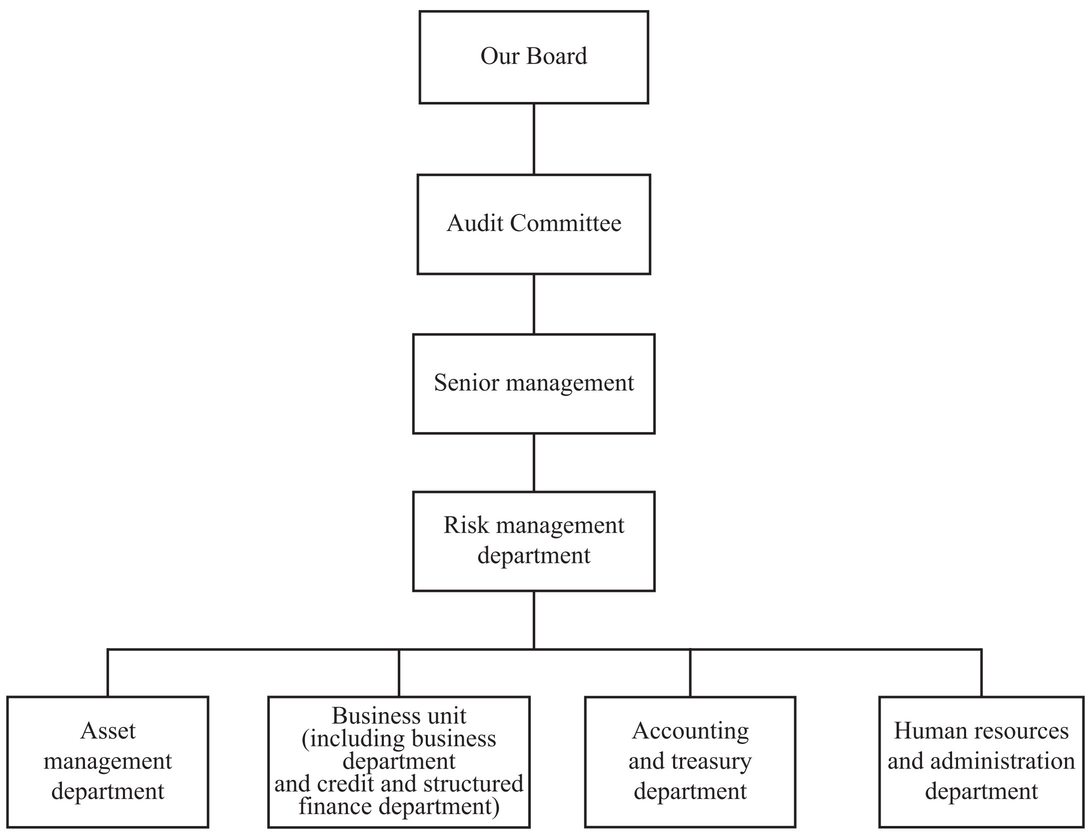
our Directors confirm, and the Sole Sponsor concurs, that the aforementioned non-compliance incident would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our Company's suitability for Listing under Rule 8.04 of the Listing Rules.

OVERVIEW

Since we are principally engaged in the provision of leasing and loan services, we are exposed to certain risks in our business operations, including credit risk, liquidity risk, market risk, legal and compliance risk as well as operational risk. In order to minimise our risk exposure and safeguard our long-term interests, we have established a comprehensive and prudent risk management system that is tailored to the characteristics of our business.

RISK MANAGEMENT STRUCTURE

The following diagram sets forth our risk management structure:



Our Board

Our Board assumes ultimate responsibility for risk management, and is mainly responsible for approving our risk management objectives and strategies, overseeing the implementation of our risk management policies as well as assessing our overall risk exposure. The Board also performs certain risk management functions through the Audit Committee.

See "Directors, Senior Management and Staff — Directors" in this prospectus for more information on the experience and qualifications of our Directors.

Audit Committee

Our Audit Committee is mainly responsible for, among others, (i) overseeing the implementation of our internal control procedures; (ii) reviewing our financial information and evaluating our financial position; (iii) monitoring our internal audit functions; and (iv) providing our Board with an independent view on our financial reporting, risk management and internal control systems.

Our Audit Committee comprises three members, namely Mdm. Shing Mo Han Yvonne (盛慕嫻), Dr. Wong Yau Kar David (黃友嘉) and Mr. Li Hongji (李洪積), all being our Independent Non-executive Directors. See "Directors, Senior Management and Staff — Directors — Independent Non-executive Directors" in this prospectus for more information on their experience and qualifications.

Senior management

Our senior management is mainly responsible for implementing our risk management strategies and policies, supervising our day-to-day risk management operations as well as overseeing the performance of risk management duties of our risk management department.

See "Directors, Senior Management and Staff — Senior Management" in this prospectus for more information on the experience and qualifications of members of our senior management.

Risk Management Department

Our risk management department is our core risk management functional department. It is primarily responsible for (i) implementing comprehensive risk management procedures and establishing business risk control and compliance management systems; (ii) assisting our business unit in developing our financing business and setting up guidelines; (iii) developing management measures and implementing rules for project review, business contract management, etc.; (iv) analysing and evaluating the major risk points of specific projects and proposing risk prevention measures; (v) coordinating with our business department to conduct preliminary investigation, evaluation, marketing and negotiation in respect of our projects; (vi) following up on our post-lease and post-loan project implementation, and reporting on the overall status of our business risks to our management on a regular basis; and (vii) developing systems for handling major risk events and emergencies.

Mr. Ding Weisong (丁唯淞), being the general manager of our risk management department, is primarily responsible for overseeing our risk management activities. See "Directors, Senior Management and Staff — Company Secretaries" in this prospectus for more information on Mr. Ding's experience and qualifications.

Asset Management Department

Our asset management department is primarily responsible for the management of our leased assets. Its major duties include (i) formulating rules and procedures in relation to asset management and fund release; (ii) monitoring, assessing and analysing the condition and value of our leased assets; (iii) overseeing and managing our operations in relation to the release of funds; (iv) monitoring our collection of lease payment; and (v) disposing of or otherwise dealing with our non-performing assets.

Business Unit

Our business unit, including our business department and credit and structured finance department, is primarily responsible for managing the cycle of our financing business. Its major duties include (i) formulating rules, guidelines and procedures in relation to our business operations and processes; (ii) conducting pre-project due diligence as well as organising and implementing the due diligence procedures for our projects; (iii) participating in our project assessment processes;

(iv) participating in contract negotiation and arranging for contract execution; (v) monitoring the status of our projects and preparing regular project reports; and (vi) issuing risk warnings and reports, tracking project implementation as well as monitoring the operation, management and financial status of relevant parties. In particular, our credit and structured finance department is responsible for, among others, assessing the economic feasibility of our ship projects as well as developing and managing our non-ship business.

Accounting and Treasury Department

Our accounting and treasury department is primarily responsible for our financial matters. Its major duties include (i) establishing our financial and accounting systems as well as formulating relevant rules, guidelines and procedures; (ii) identifying, measuring and monitoring our liquidity and market risks; (iii) implementing our risk management policies and procedures in relation to liquidity and market risks; (iv) fund management; (v) overseeing and managing our day-to-day fund flow; and (vi) performing and monitoring our financial transactions.

Human Resources and Administration Department

Our human resources and administration department is primarily responsible for managing the administrative affairs of our business, including assisting in the internal review and approval of projects, submitting project materials and communicating internal approvals.

CREDIT RISK MANAGEMENT

Credit risk, being one of the major risks in our business operations, refers to the risk of losses when the lessees or counterparties fail to perform their payment obligations as and when they when due. We have adopted various policies and procedures to identify, manage and mitigate our credit risk. In particular, we assess the creditworthiness of the lessees on an on-going basis and closely monitor their payment records. Furthermore, we have established an asset quality classification system, which allows us to evaluate the quality of our asset portfolio and take appropriate risk mitigation measures in a timely manner.

Project Risk Management

We have implemented credit risk management measures at each major stage of our business process, from due diligence, project assessment and approval, contract execution, release of funds to lease management.

Due Diligence

Our business unit is responsible for conducting due diligence investigations against the parties to the proposed transaction, including the lessees and their guarantors, as well as the leased assets. We first formulate a comprehensive and detailed due diligence plan, which sets out the methods, procedures, content and focuses of our due diligence. Our due diligence on the parties to the proposed transaction includes (i) business due diligence, which mainly focuses on the background, shareholding structure, business model, operating conditions as well as industry outlook of the lessees and their guarantors; (ii) financial due diligence, which involves reviewing the recent financial statements of the lessees and their guarantors and analysing their business performance, financial condition as well as cash flow and liquidity position; and (iii) legal due diligence investigations on the leased assets' ownership, title, condition, value and transferability.

We generally conduct our due diligence investigations by (i) obtaining information through public sources (such as the Internet and newspapers) and official channels (such as publications, reports and other documents issued by government authorities) or from the lessees; (ii) conducting due diligence interviews with the management of the lessees; (iii) conducting on-site investigations; (iv) conducting due diligence interviews with the lessees' customers, advisers and banks; (v) consulting with experts to obtain professional opinion and advice; and (vi) engaging third party consultants to conduct additional investigations, appraisals and valuations. We also verify the accuracy of the information provided to us by the lessees. Based on the information obtained during the due diligence process, we conduct a credit assessment to evaluate the creditworthiness of the lessees.

Project Assessment and Approval

We have standard policies and procedures in relation to project assessment and approval. After conducting due diligence investigations, the project manager prepares a preliminary project assessment report and submits a project approval application to our risk management department. Our risk management, asset management and accounting and treasury departments then review the application from different perspectives, which allows us to make a well-informed decision as to whether to proceed with the transaction. For example, our risk management department evaluates the overall risk profile of the project and, in particular, the lessees' repayment capabilities and likelihood of breach of contract, our asset management department focuses on the risks associated with the acquisition or construction of assets, and our accounting and treasury department considers the funding requirements and commercial benefits of the proposed transaction. Our risk management department compiles a formal project assessment report based on the analysis from different departments, and submits the same to our senior management or our Board for consideration and approval, depending on the importance of the project.

Contract Execution

After the lease agreements and other transaction documents are finalised, they will be subject to final review and approval by our business unit, risk management department and accounting and treasury department. We also have internal procedures for the signing of legal documents.

Release of Funds

We have standard policies and procedures for the release of funds. After collecting all relevant documents, our business unit submits a fund release application to our risk management and asset management departments. Our risk management department is responsible for reviewing the fund release application as well as the legal compliance of the relevant documents, whereas our asset management department is responsible for reviewing the title certificates and insurance policies in relation to the assets as well as the security documents. After our risk management and asset management departments review the fund release conditions within their respective scope of review, our accounting and treasury department arranges for fund release in accordance with the terms of the relevant lease agreements.

Lease Management

During the lease term, our business department monitors the project status on an on-going basis and prepares regular project reports. Our asset management department also monitors our collection of lease payment and prepares regular reports on the condition and value of the leased assets as well as the collateral that secures the leases. Our risk management department reviews the reports prepared by our business and asset management departments, evaluates our risk profile on a continuous basis and provide recommendations where necessary.

Asset Portfolio Risk Management

We have an asset quality classification system that allows us to evaluate the quality of our assets under finance projects. Our asset quality classification system was established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions (非銀行金融機構資產風險分類指導原則) published by the CBRC, under which our finance assets are classified into five categories, namely "normal", "special mention", "substandard", "doubtful" and "loss". The following table sets out the details of our asset quality classification system:

Asset category	Details
Normal	Leased assets are classified as "normal" if the lessees (i) are able to perform their contractual obligations; (ii) have maintained a normal credit history; and (iii) have acceptable repayment capabilities.
Special mention	Leased assets are classified as "special mention" if the lessees are able to repay the principal and interest but there exist certain circumstances that may weaken their repayment capabilities.
Substandard[1]	Leased assets are classified as "substandard" if (i) the lessees are unable to fully repay the principal and interest; and (ii) we may incur a certain amount of loss even if we enforce our security rights.
Doubtful[1]	Leased assets are classified as "doubtful" if (i) the lessees are unable to repay the principal and interest in full; and (ii) we will incur significant loss even if we enforce our security rights.
Loss[1]	Leased assets are classified as "loss" if, after taking all possible measures and necessary legal actions, we can recover little or nothing.

Note:

(1) Assets that are classified as "substandard", "doubtful" and "loss" are regarded as non-performing assets.

We evaluate the classification of our leased assets in accordance with our asset quality classification system on an annual basis, during which we generally take into consideration factors such as the lessees' ability and willingness to make lease payment, credit history as well as operating and financial conditions. Where necessary, we may re-classify our leased assets and take appropriate measures to mitigate our potential loss. In addition, our risk management department is responsible for preparing annual credit asset risk analysis report, which summarises the condition of our credit assets, identifies risk indicators and provides recommendations.

As part of our asset portfolio management procedures, we closely monitor, assess and analyse the condition and value of our leased assets. In addition, we generally engage third party valuers to evaluate the value of our leased assets on a bi-annual or annual basis.

We assess the recoverability of our assets and make provision for impairment loss on loan receivables on a case-by-case basis. The amount of provision for impairment loss on loan receivables is determined based on our internal provisioning policies and guidelines, taking into account considerations such as the operating and financial conditions of the lessees, the lessees' creditworthiness and payment history, the nature and characteristics of the industry in which the lessees operate, general economic and market conditions as well as the value of the underlying collateral and guarantees. As at 31 December 2016, 31 December 2017 and 31 December 2018, our provision for impairment loss on loan receivables based on our five-category asset quality classification was HK$359.7 million, HK$341.1 million and HK$440.3 million, respectively.

Since 1 January 2018, we have been measuring changes in credit quality of our loan receivables based on the three-stage model prescribed by HKFRS 9. Under the three-stage model, (i) financial instruments that do not have significant increase in credit risk since initial recognition or have low credit risk at the reporting date are classified as "stage 1"; (ii) financial instruments that have significant increase in credit risk since initial recognition but are not yet deemed to be credit-impaired are classified as "stage 2"; and (iii) financial instruments that are credit-impaired are classified as "stage 3". As at 31 December 2018, our provision for impairment loss on loan receivables based on the three-stage model was HK$440.3 million, which comprised 12-month expected credit loss of HK$32.7 million for assets under stage 1 and lifetime expected credit loss of HK$222.1 million and HK$185.5 million for assets under stage 2 and stage 3, respectively.

Management of Non-performing Assets

We undertake various measures to recover our non-performing assets, including issuing payment demands, negotiating a new repayment schedule with defaulting lessees, taking possession or disposing of our leased assets, enforcing our security rights and initiating legal proceedings against defaulting lessees. As at 31 December 2016, 31 December 2017 and 31 December 2018, our non-performing asset ratio was 0.3%, 0.9% and 0.8%, respectively.

In respect of non-performing assets that cannot be recovered, we write them off in accordance with our internal policies. During the Track Record Period, we did not have any impairment loss on loan receivables.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk that funds are not readily available to meet liabilities as they fall due, and may arise from the mismatch of balance or maturity of assets and liabilities.

We prudently manage our balance sheet and have adopted a number of strategies to effectively manage our liquidity risk through on-going liquidity risk monitoring and capital budgeting. We make use of various liquidity ratios to measure and track our liquidity risk exposure. These liquidity ratios serve as our risk control indicators and allow us to evaluate our liquidity position and optimise the structure of our assets and liabilities as appropriate. See "Financial Information — Key Financial Ratios" in this prospectus for details of our liquidity indicators.

Our management team, including Ms. Li Jun (李峻), our senior management, and Mr. Guo Ju (郭居), our core management personnel, is responsible for overseeing our liquidity risk management and ensuring sufficiency of our working capital. For details of the experience and qualifications of Ms. Li and Mr. Guo, see "Directors, Senior Management and Staff" in this prospectus. As part of our liquidity management initiatives, we proactively manage the maturity profile of our assets and liabilities and maintain appropriate liquidity provision for mitigating our liquidity risk. In particular, we monitor our liability maturity structure, analyse the matching of maturity of our assets and liabilities as well as project and forecast our cash inflow and outflow through rolling working capital forecast on a monthly basis. We also obtain funding through multiple channels, which allows us to reserve sufficient funds to purchase assets and repay borrowings. In addition, we conduct liquidity stress testing for various stress scenarios from time to time, which allows us to forecast our liquidity position in different circumstances, adjust our liquidity reserves as appropriate and make necessary funding and financing arrangements.

MARKET RISK MANAGEMENT

Market risk refers to the risk of losses resulting from adverse movements in market prices. The major market risk to which we are exposed includes interest rate risk and exchange rate risk.

Interest rate risk refers to the risk of losses in our overall income and economic value due to adverse movements in interest rates. We have guidelines and procedures to identify, manage and mitigate our interest rate risk. In particular, our tracking and reporting systems enable us to closely monitor our risk exposure and take risk mitigation measures in a timely manner. We also assess the impact of interest rate fluctuations on our business through interest rate sensitivity analysis. Such sensitivity analysis allows us to measure the interest rate sensitivity gap (i.e. the difference between interest-earning assets and interest-bearing liabilities that are due or need to be re-priced within a particular period), which we seek to control by adjusting the structure of our assets and liabilities. In addition, we calculate the mismatch of interest rates on assets and liabilities from time to time, which allows us to assess our risk exposure and formulate appropriate risk mitigation measures.

Exchange rate risk refers to the risk of losses in our overall income and economic value due to adverse movements in exchange rates. Our exchange rate risk primarily arises from the mismatch of currencies of (i) our assets and liabilities; and (ii) our lease income and finance costs. As part of our foreign exchange policy, we closely monitor fluctuations in the exchange rate of EUR, CHF, SGD and RMB, and measure the impact of exchange rate fluctuations on our business through exchange rate sensitivity analysis.

Furthermore, under our foreign exchange policy, we enter into derivative transactions, including interest rate swaps and forward currency contracts, to manage the fluctuations in interest rates and exchange rates. See "Financial Information — Description of Selected Items of our Consolidated Statements of Financial Position —Derivative Financial Instruments" in this prospectus and note 17 to the Accountant's Report in Appendix I to this prospectus for further details. In determining the types of derivative financial instruments to be entered into, we generally consider factors such as risk type and exposure as well as structure complexity. Our accounting and treasury department is primarily responsible for overseeing our investment activities, and we have standard policies and procedures for the approval and carrying out of financial transactions. Prior to entering into a derivative financial transaction, our accounting and treasury department will first prepare a feasibility report, which will set out information such as our measurement and assessment of risk exposure, the proposed risk mitigation measures, the reasons of entering into the proposed transaction as well as the details of the proposed transaction (including structure, amount, duration and counterparty). Our general manager will review the feasibility report and determine whether to approve the proposed transaction, after taking into account, among others, our risk exposure at the material time, the necessity of entering into the proposed transaction as well as the terms of the proposed transaction. If our general manager approves the proposed transaction, we will obtain quotations from at least three banks and will enter into the transaction after our accounting and treasury department, risk management department and chief accountant review and approve the same. We regularly review our investment decisions, which provide guidance for entering into future derivative financial transactions. Our accounting and treasury department also reports our investment performance to our management on a monthly basis. In addition, we assess the risks associated with our derivative financial transactions with reference to market trends in interest rate and exchange rate movements. In order to have sufficient flexibility to respond to actual changes in market conditions, it is our policy that the aggregate contract value of our derivative financial instruments shall not exceed 80% of our actual risk exposure. Our Directors confirm that the investment activities conducted by us during the Track Record Period were for risk management purpose and not for speculation.

LEGAL AND COMPLIANCE RISK MANAGEMENT

Legal risk refers to the risk of liabilities arising from violations of laws and regulations, breaches of contracts, infringements on third parties' legal rights or otherwise in connection with any contract or business activity in which we are involved. Compliance risk refers to the risk of being subject to legal and regulatory sanctions as well as financial and reputational losses as a result of the failure to comply with applicable laws and regulations.

We have standard policies and procedures relating to, among others, the preparation, review and approval of legal documents. We carefully assess the legal risks associated with our projects by verifying the identity of our counterparties and ascertaining the legitimacy and authenticity of the leased assets. In addition, in order to ensure compliance with applicable laws and regulations, we may engage external legal advisers to advise us on compliance matters and provide training on legal and regulatory updates to our employees on an as-needed basis.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk resulting from deficiencies in internal processes, human errors, information technology system failures or external events. We have a series of policies and procedures to identify, evaluate, monitor and mitigate our operational risks. These policies and procedures cover aspects such as project assessment and approval processes, release of funds as well as business continuity management. Furthermore, in order to ensure that our information technology infrastructure provides reliable support for our business operations, we monitor the performance of our information technology systems on an on-going basis.

OVERVIEW

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), CSSC International and CSSC Group will together be interested in approximately 75% of our Company's total issued share capital and will be our Controlling Shareholders.

OUR RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Background of Controlling Shareholders

CSSC International is an investment holding company with no substantive business operations. CSSC Group is a leading state-owned shipbuilding conglomerate in the PRC, and is principally engaged in the provision of ship construction, maintenance and repair services, the design and manufacturing of vessels and offshore equipment as well as the research and development of marine technology and engineering.

No competition with Controlling Shareholders

Apart from our Group's business, CSSC Group has interests in other companies engaging in the provision of shipbroking and loan services (collectively, the "**Other CSSC Businesses**"). The Other CSSC Businesses are operated through various companies owned or controlled, either directly or indirectly, by CSSC Group, which do not form part of our Group (collectively, the "**Other CSSC Subsidiaries**"). Based on the following reasons, our Directors are of the view that the Other CSSC Businesses do not compete, either directly or indirectly, with our business:

Shipbroking business

- Different target customers — As the sole leasing company under the CSSC Group, our shipbroking services are incidental to the conduct of our leasing business, and are offered in the ordinary and usual course of our business operations and only to our potential leasing customers. During the Track Record Period, we did not offer shipbroking services to customers on a standalone basis, and the customers of our shipbroking business initially approached us due to their business needs for leasing services, although some of them eventually engaged us for our shipbroking services only because of commercial considerations. On the other hand, the shipbroking services offered by the Other CSSC Subsidiaries target all general customers who may be interested in purchasing vessels. As such, our shipbroking business targets leasing customers who also require shipbroking services, which are different from the target customers of the Other CSSC Subsidiaries who generally only require shipbroking services on a standalone basis.
- Different business models — We only offer our shipbroking services to our leasing customers who may be interested in purchasing vessels, and we do not have a specialised sales team to actively seek shipbroking opportunities. On the other hand, the Other CSSC Subsidiaries have their own specialised sales teams in their PRC and overseas offices to actively solicit shipbroking opportunities.

Loan business

- Different target customers — Our loan services are offered in the ordinary and usual course of our business operations, and we only offer loan services to our leasing customers who are generally independent of CSSC Group; whereas the loan services offered by the Other CSSC Subsidiaries are intra-group financing services and target companies within CSSC Group as stipulated by the business licences of the Other CSSC Subsidiaries.

Independence from Controlling Shareholders

Based on the following considerations, our Directors believe that we can conduct our business independently of our Controlling Shareholders and their respective close associates upon Listing:

Operational Independence

On the basis of the following reasons, we believe that our Group is able to operate independently of our Controlling Shareholders and their respective close associates:

(a) we have independent access to our suppliers and customers;

(b) we hold all relevant licences, permits and approvals that are material to our business operations;

(c) we have our own operational, financial and administrative resources and we do not share such resources with our Controlling Shareholders;

(d) we have established our own organisational structure, and each of our departments is assigned with specific responsibilities and functions; and

(e) we have established our own internal control procedures and corporate governance measures to facilitate the effective operation of our business and ensure overall compliance.

Purchase of vessels and offshore equipment from CSSC Group and/or its associates

During the course of our business operations, we purchase vessels and offshore equipment from CSSC Group and/or its associates under two situations: (i) in respect of operating lease transactions, we enter into shipbuilding agreements with CSSC Group and/or its associates (a) as a result of our joint initiatives with our joint venture partners, after taking into account the requirements of our customers or joint venture partners on the type, specifications and capabilities of vessels that they intend to lease or invest in (as the case may be); and (b) at our own initiatives and with a view to expanding our vessel portfolio to optimise our operating lease business (the "**Operating Lease Shipbuilding Transactions**"); and (ii) in respect of direct finance lease transactions, where our customers select and designate CSSC Group and/or its associates as shipbuilders, we enter into shipbuilding or offshore equipment building agreements with CSSC Group and/or its associates at the request of our customers (the "**Direct Finance Lease Shipbuilding Transactions**"). See "Connected Transactions" in this prospectus for further details.

For the years ended 31 December 2016, 2017 and 2018, the aggregate amount of shipbuilding or offshore equipment building transactions we entered into with CSSC Group and/or its associates was HK$1,537.2 million, HK$1,922.9 million and HK$1,488.5 million, respectively, accounting for 24.2%, 33.6% and 25.5% of the total amount of our shipbuilding or offshore equipment building transactions, respectively. The following table sets out a breakdown of the transaction amount of our purchase of vessels and offshore equipment from CSSC Group and/or its associates during the Track Record Period by transaction type:

	Year ended 31 December					
	2016		2017		2018	
	HK$' million	%	HK$' million	%	HK$' million	%
Operating Lease Shipbuilding Transactions	915.3	59.5	1,700.5	88.4	1,415.1	95.1
Direct Finance Lease Shipbuilding Transactions	621.9	40.5	222.4	11.6	73.4	4.9
Total	**1,537.2**	**100.0**	**1,922.9**	**100.0**	**1,488.5**	**100.0**

CSSC Group is a leading state-owned shipbuilding conglomerate in the PRC. It and/or its associates have solid experience and substantial expertise in shipbuilding, and are equipped with capabilities in constructing a wide range of vessels and offshore equipment. In 2018, CSSC Group and its subsidiaries built more than 40 types of vessels and delivered 9.2 million DWT of new buildings, representing a global market share of 11.3%. In 2018, the new orders and orders in hand of CSSC Group and its subsidiaries amounted to 9.2 million DWT and 25.2 million DWT, respectively, accounting for a global market share of 11.5% and 11.9%, respectively. Based on the abovementioned parameters, CSSC Group ranked first in China and second in the world in 2018. According to Frost & Sullivan, in 2018, the top 10 players in the global and PRC shipbuilding industry accounted for a total of 45.7% and 57.1% of the market share, respectively, in terms of new buildings on order books in DWT. According to Frost & Sullivan, the vessels constructed by CSSC Group and/or its associates enjoy better liquidity and higher price in the second-hand market.

In respect of the Direct Finance Lease Shipbuilding Transactions, the choice of shipbuilders is at the discretion of our customers, and we enter into shipbuilding or offshore equipment building agreements with CSSC Group and/or its associates at our customers' requests. In respect of the Operating Lease Shipbuilding Transactions, while we may enter into shipbuilding agreements with alternative domestic and overseas shipbuilders in the market, we opt to enter into shipbuilding agreements with CSSC Group and/or its associates, primarily because of their strong shipbuilding expertise and capabilities. Our Directors confirm that, in respect of the Operating Lease Shipbuilding Transactions, our decision to purchase vessels from CSSC Group and/or its associates is made independently, after taking into account, among others, (i) the industry experience, technical capabilities and business track record of CSSC Group and/or its associates; (ii) the type, specifications and capabilities of the vessels that our customers intend to lease; and (iii) the fact that CSSC Group and/or its associates have been able to deliver quality vessels to us in a timely manner, and that there has not been any material breach of the contractual terms of the shipbuilding agreements on the part of CSSC Group and/or its associates. Our business relationship with CSSC Group and/or its associates is therefore a natural consequence of (i) CSSC Group's leading position and established reputation in the shipbuilding industry as well as its solid experience, substantial expertise and strong capabilities in shipbuilding or offshore equipment building; (ii) our Group being a leasing company and our particular business focus on ship leasing; (iii) the fact that shipbuilding and ship financing are positioned along the same industry value chain and are closely connected; and (iv) our joint venture partners' and/or customers' decision to select and designate CSSC Group and/or its associates as shipbuilders.

During the Track Record Period, in order to ensure that the price of the Operating Lease Shipbuilding Transactions was fair and reasonable, we generally (i) obtained quotations from independent shipbuilders and/or shipbrokers, and compared the price offered by CSSC Group and/or its associates with those offered by the independent shipbuilders and/or shipbrokers; (ii) compared the price offered by CSSC Group and/or its associates with publicly available benchmark price for standardised vessels; and/or (iii) commissioned third party valuers to prepare valuation reports for customised vessels. Our Directors are therefore of the view, and the Sole Sponsor concurs, that the Operating Lease Shipbuilding Transactions during the Track Record Period were conducted on normal commercial terms and the price of such transactions was fair and reasonable. Given that (i) during the Track Record Period, a certain percentage of our purchase of vessels and offshore equipment from CSSC Group and/or its associates was in relation to the Direct Finance Lease Shipbuilding Transactions, whereby the decision to select and designate CSSC Group and/or its associates as shipbuilders rested with our customers; (ii) in respect of the Direct Finance Lease Shipbuilding Transactions, our customers are at liberty to select and designate alternative domestic or overseas shipbuilders in the market as shipbuilders; (iii) in respect of the Operating Lease Shipbuilding Transactions, we have independent access to and may purchase vessels and offshore equipment from alternative domestic or overseas shipbuilders in the market; (iv) our historical shipbuilding or offshore equipment building transactions with CSSC Group and/or its associates were conducted on normal commercial terms and were fair and reasonable; (v) our cooperation with CSSC Group and/or its associates is mutually complimentary; (vi) in respect of the Operating Lease Shipbuilding Transactions, we had been able to obtain fee proposals of vessels and offshore equipment from independent shipbuilders at a comparable price and on similar terms during the Track Record Period; and (vii) according to Frost & Sullivan, the price of the shipbuilding transactions we entered into with CSSC Group and/or its associates during the Track Record Period was fair and reasonable, and the vessels we purchased from CSSC Group and/or its associates during the Track Record Period can be purchased from independent shipbuilders, which our Directors concur given that we had been able to obtain fee proposals of vessels and offshore equipment from independent shipbuilders as indicated in sub-paragraph (vi) above, our Directors consider that our purchase of vessels and offshore equipment from CSSC Group and/or its associates does not and will not result in our reliance on CSSC Group and/or its associates to the extent that we do not operate independently.

Referral of business opportunities from CSSC Group and/or its associates

As the sole leasing company under CSSC Group, we receive referrals of business opportunities from CSSC Group and/or its associates from time to time. For the years ended 31 December 2016, 2017 and 2018, three, five and five of our leasing transactions were referred by CSSC Group and/or its associates, respectively, and the amount of revenue generated from these transactions was HK$350.2 million, HK$353.8 million and HK$375.2 million, respectively. Given that (i) during the Track Record Period, the percentage of the transactions we entered into with customers referred by CSSC Group and/or its associates had been on a decreasing trend, which accounted for 33.9%, 26.6% and 17.3% for the years ended 31 December 2016, 2017 and 2018, respectively; (ii) we have our own sales and marketing resources and participate in maritime exhibitions and ship finance forums from time to time, and our business department is responsible for exploring new business opportunities and developing new projects in accordance with our business development strategies; (iii) with our proven track record and established industry reputation, we are capable of originating new businesses and acquiring new customers through our own sales and marketing initiatives and independently of CSSC Group and/or its associates; (iv) we receive business referrals from shipbrokers other than CSSC Group and/or its associates from time to time; (v) CSSC Group and/or its associates do not designate their customers to procure leasing services from us, and the customers referred to us by CSSC Group and/or its associates are at liberty to obtain leasing services from other leasing companies; and (vi) our cooperation with CSSC Group and/or its associates is mutually complimentary, our Directors consider that we have independent access to our customers and that the referral of business opportunities from CSSC Group and/or its associates does not and will not result in our reliance on CSSC Group and/or its associates to the extent that we do not operate independently.

Financial Independence

We make financial decisions according to our business needs and corporate strategies, and our financial matters are handled by our own credit and structured finance department and independently of our Controlling Shareholders. We have also established our own accounting, financial management and internal audit systems, treasury functions for cash receipts and payments as well as independent access to third-party financing. We maintain and manage our own bank accounts and our Controlling Shareholders do not interfere with our use of funds. In addition, our Controlling Shareholders had not advanced any shareholders' loan to us as at the Latest Practicable Date, and all non-trade receivables due from our Controlling Shareholders will be fully settled prior to Listing.

During the course of our operations, we obtain bank borrowings from time to time. Given that we were a relatively young company without substantial business and financial track record, most commercial banks required CSSC Group to provide guarantees in respect of our bank borrowings. During the Track Record Period, a significant portion of our bank borrowings was guaranteed by CSSC Group. As at 31 December 2016, 31 December 2017 and 31 December 2018, 87.5%, 98.0% and 86.5% of our total bank borrowings was guaranteed by CSSC Group, respectively.

In preparation for the Listing, we discussed and negotiated with our lenders for the release of guarantee by CSSC Group, the details of which are set out below:

- As at the Latest Practicable Date, we had obtained written consent from and entered into a revised facility agreement with one of our lenders for the release of guarantee by CSSC Group in respect of a working capital loan, conditional upon the Listing and with the principal terms remaining unchanged. The outstanding balance of the loan amounted to US$200.0 million as at 31 December 2018, accounting for 8.1% of the outstanding loan balance guaranteed by CSSC Group as at 31 December 2018; and
- As at the Latest Practicable Date, we had entered into release documents with various commercial banks for the release of guarantees provided by CSSC Group, conditional upon the Listing and/or with the following conditions as may be applicable to a particular release document: (i) CSSC Group holding (directly or indirectly) beneficially no less than 51% of the issued share capital of the Company; (ii) additional financial covenants, including the consolidated net tangible assets of our Company being no less than HK$6 billion, and the ratio of consolidated total liabilities to consolidated total assets of our Company not exceeding 80%; (iii) our Company paying a non-refundable handling fee that equals to 0.1% of the facility principal; (iv) additional requirements on certain of our financial indicators; (v) an additional pledge of account of a total of EUR95 million; and (vi) an additional pledge over our Company's certificates of deposit of EUR60 million. The outstanding balance of such loans amounted to a total of US$2,270.7 million as at 31 December 2018, accounting for 91.9% of the outstanding loan balance guaranteed by CSSC Group as at 31 December 2018. We expect that all the abovementioned conditions will be satisfied prior to or at the time of Listing, and accordingly, the release documents will become effective upon Listing.

As at 31 December 2018, the financing agreements in respect of 71.3% of our loan borrowings required CSSC Group to remain as our Controlling Shareholder or hold at least 51% interest in our Group. Given that (i) since 2017, we have been able to obtain external financing on a standalone basis without CSSC Group acting as a guarantor; (ii) our proven track record of business and financial performance has allowed us to enjoy a higher credit rating than when our Group was first established, thus allowing us to obtain external financing independently without the support of CSSC Group and its associates; (iii) all guarantees provided by CSSC Group for our bank borrowings will be fully released upon Listing; and (iv) taking into account the financial resources presently available to us, including the banking facilities available and the net proceeds from the Global Offering, we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus, our Directors believe that the guarantees provided by CSSC Group, and the fact that some of our financing agreements require CSSC Group to remain as our Controlling Shareholder or hold at least 51% of our Shares, do not and will not have any impact on our financial independence.

On the basis of the abovementioned reasons, our Directors are satisfied that that we have sufficient capital for our financial needs and are financially independent of our Controlling Shareholders and their respective close associates.

Management Independence

Currently, Mr. Yang, our Executive Director, also holds positions in CSSC Group and/or its associates. The following table sets forth the positions held by Mr. Yang in our Company as well as CSSC Group and/or its associates:

Name	Major positions in our Company	Major positions in CSSC Group and/or its associates
Mr. Yang	• Executive Director and chairman of our Board	• Chairman of the board of directors of China United Shipbuilding • Director of Guangzhou Shipyard International Co., Ltd.* (廣船國際有限公司) • Director of Guangzhou CSSC Wenchong Dockyard Co., Ltd.* (廣州中船文沖船塢有限公司)

Mr. Yang does not participate in the daily management, business and operations of the other subsidiaries of CSSC Group, and is mainly responsible for overseeing the management of our Company. Therefore, Mr. Yang does not expect that his positions in the other subsidiaries of CSSC Group will take up a substantial amount of his time. Mr. Yang will be able to devote sufficient time to the management of our Company.

Save as disclosed above, as at the Latest Practicable Date, none of our Directors held any position in CSSC Group and/or its associates.

Furthermore, on the basis of the following reasons, we believe that our Directors and members of our senior management are able to manage our business independently of our Controlling Shareholders and their respective close associates:

(a) with three Independent Non-executive Directors out of a total of five Directors in our Board, there will be a sufficiently robust and independent voice within our Board to counterbalance any situation involving a conflict of interest and to protect the interests of our independent Shareholders;

(b) all of our Executive Directors and members of our senior management will be able to devote sufficient time and attention to managing our Group's operations, and their supervisory and management functions will ensure that we operate independently of our Controlling Shareholders and their respective close associates;

(c) each of our Directors is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director;

(d) instances of actual or potential conflict of interest have been identified and minimised by virtue of the Deed of Non-competition; and

(e) a number of corporate governance measures set out in "Corporate Governance Measures" in this section are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders and to safeguard the interests of our independent Shareholders.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders have entered into the Deed of Non-competition, pursuant to which each of them has unconditionally and irrevocably undertaken to our Company (for itself and on behalf of other members of our Group) that it would not, and would procure that its close associates (other than members of our Group) not to, during the restricted period set out below, either on its own account or in conjunction with or on behalf of any person, firm or company, and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, firm or company, among others, carry on, participate in, be interested or engaged in, acquire or hold, or otherwise be involved in (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any Restricted Business.

The "Restricted Business" stated in the Deed of Non-competition refers to any activity, business or investment which competes, or is likely to compete, either directly or indirectly, with:

(a) our Group's business activities as set out in "Business" in this prospectus, save and except the Other CSSC Businesses conducted by the Other CSSC Subsidiaries; and

(b) any other activity, business or investment from time to time carried on, conducted, entered into, engaged in or invested in by any member of our Group or which any member of our Group has otherwise publicly announced its intention to carry on, conduct, enter into, engage in or invest in pursuant to the Listing Rules.

Each of our Controlling Shareholders has also undertaken to our Group to, among others:

(a) provide all information necessary for (i) the annual review by our Independent Non-executive Directors with regard to compliance of the terms and conditions of the Deed of Non-competition; and (ii) the enforcement of the undertakings in the Deed of Non-competition; and

(b) make an annual declaration on compliance with its undertakings under the Deed of Non-competition in the annual reports of our Company as our Independent Non-executive Directors may think fit and/or as may be required by the relevant requirements under the Listing Rules.

Each of our Controlling Shareholders has further undertaken to, during the restricted period set out below, refer to us and procure the referral to us of any business investment or other commercial opportunity, which is identified by or offered to it and/or its close associates (other than any member of our Group) and competes or is likely to compete, either directly or indirectly, with the Restricted Business (the "**New Opportunity**") in the following manner:

(a) the relevant Controlling Shareholder is required to refer, or to procure the referral of, the New Opportunity to us, and shall give written notice (the "**Offer Notice**") to us of any New Opportunity containing all information reasonably necessary for us to consider whether (i) such New Opportunity would constitute competition with the Restricted Business; and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue such New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs; and

(b) upon receiving the Offer Notice, our Company shall seek approval from a board committee (comprising, among others, all Independent Non-executive Directors who do not have an interest in the New Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Opportunity. Any Director who has actual or potential interest in the New Opportunity shall not be a member of the Independent Board and shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, or counting towards the quorum for, any meeting or part of a meeting convened to consider such New Opportunity:

(i) the Independent Board shall consider the financial impact of pursuing the New Opportunity, whether the nature of the New Opportunity is consistent with our Group's strategies and development plans and the general market conditions; if appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisers, legal advisers and other professional experts to assist in the decision-making process in relation to such New Opportunity;

(ii) the Independent Board shall, within 20 business days upon receipt of the Offer Notice, inform the relevant Controlling Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Opportunity. Such notice period can be extended if mutually agreed in writing;

(iii) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such New Opportunity if it has received a notice from the Independent Board declining such New Opportunity or if the Independent Board has failed to respond within such 20 business days' period (or any extended period, where applicable) pursuant to sub-paragraph (b)(ii) above; and

(iv) if there is any material change in the nature, terms or conditions of such New Opportunity pursued by the relevant Controlling Shareholder, it shall refer such New Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a New Opportunity.

Our Independent Non-executive Directors will also review, on an annual basis, compliance with the Deed of Non-competition by our Controlling Shareholders, the results of which will be disclosed in our annual reports.

The Deed of Non-competition does not apply to:

(a) any interest in the shares of any member of our Group;

(b) interests in the shares of a company other than our Company provided that any Restricted Business conducted or engaged in by such company (and assets relating thereto) account for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest accounts; or

(c) interests in the shares of a company other than our Company whose shares are listed on a recognised stock exchange provided that the aggregate number of shares held by the relevant Controlling Shareholder and/or its close associates does not exceed 5% of the issued shares of the company in question and the relevant Controlling Shareholder and/or its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) our Shares remain listed on the Stock Exchange; and (ii) so far as each Controlling Shareholder is concerned, it and/or its close associates are jointly or severally entitled to exercise or control the exercise of not less than 30% (or such higher percentage as constituting a controlling shareholder under the Listing Rules and applicable requirements from time to time) in aggregate of the voting power at general meetings of our Company. In other words, if our Company was no longer listed on the Stock Exchange or the relevant Controlling Shareholder and/or its close associates came to hold less than 30% of our Shares then issued, the undertakings in the Deed of Non-competition would not apply. We believe that the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of "control".

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to further manage any potential conflict of interest between our Company and our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

(a) our Company has adopted the Articles of Association in compliance with the Listing Rules. In particular, our Articles of Association provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any board resolution approving any contract in relation to which he/she has a material interest, nor shall such Director be counted in the quorum present at the meeting;

(b) we have appointed Red Solar Capital Limited as our compliance adviser, which will provide advice and guidance to us with respect to the compliance with applicable laws and regulations and the Listing Rules, including but not limited to various requirements relating to directors' duties and internal controls;

(c) our Independent Non-executive Directors will review, at least on an annual basis, compliance with the Deed of Non-competition by our Controlling Shareholders;

(d) each of our Controlling Shareholders has undertaken to provide all information necessary for the annual review by our Independent Non-executive Directors in relation to the compliance and enforcement of the Deed of Non-competition;

(e) each of our Controlling Shareholders will make an annual declaration of compliance with the Deed of Non-competition in the annual reports of our Company;

(f) our Independent Non-executive Directors will review, on an annual basis, the implementation of the Deed of Non-competition and any decision in relation to the new business opportunities referred to us (including their basis and reasons);

(g) we will disclose decisions on matters reviewed by our Independent Non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either in the annual reports of our Company or by way of announcement to the public;

(h) the management structure of our Group includes the Audit Committee, the Remuneration Committee and the Nomination Committee, the terms of reference of each of which will require them to be alert to potential conflicts of interest and to formulate proposals to address any potential conflict of interest; and

(i) pursuant to the Corporate Governance Code, our Directors, including our Independent Non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company expects to comply with the Corporate Governance Code which sets out the principles of good corporate governance in aspects such as directors' responsibilities and their appointment, re-selection and removal, board composition, remuneration of directors and senior management, accountability and audit, and communication with shareholders. Our Company will state in our interim and annual reports whether we have complied with these code provisions, and will provide details of, and reasons for, any deviation from them in the corporate governance reports attached to our annual reports.

We have, in the ordinary and usual course of our business, entered into transactions with certain entities, which will become our connected persons upon Listing. These transactions are expected to continue after Listing and will constitute continuing connected transactions subject to the reporting, announcement, circular and/or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED PERSONS OF OUR COMPANY

The following entities, with whom we have entered into certain transactions in the ordinary and usual course of our business, will become the connected persons of our Company upon Listing:

CSSC Group

Upon Listing, CSSC Group will be one of our Controlling Shareholders and thus a connected person of our Company pursuant to Rule 14A.07(1) of the Listing Rules.

Associates of CSSC Group

Upon Listing, associates of CSSC Group, being subsidiaries of CSSC Group and companies in which CSSC Group directly or indirectly holds 30% or more interest (excluding members of our Group), will become connected persons of our Company pursuant to Rule 14A.07(4) of the Listing Rules.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of Travel Agency Services from CSSC Group and/or its Associates

Background

During the Track Record Period, we procured travel agency services, including flight booking services, from CSSC Group and/or its associates. We have been procuring travel agency services from CSSC Group and/or its associates for several years, and believe that CSSC Group and/or its associates understand our business travel policies and operational requirements well. Our Directors are therefore of the view that, while we may procure travel agency services from Independent Third Parties, the continuation of our procurement of travel agency services from CSSC Group and/or its associates after the Listing is in the interests of our Group and the Shareholders as a whole.

Historical Transaction Amounts

For the years ended 31 December 2016, 2017 and 2018, the aggregate amount of fees paid by us to CSSC Group and/or its associates in relation to the procurement of travel agency services was HK$1.5 million, HK$1.8 million and HK$1.4 million, respectively.

Proposed Annual Caps and Basis

It is expected that the maximum aggregate amount of fees payable by us to CSSC Group and/or its associates in relation to the procurement of travel agency services for the years ending 31 December 2019, 2020 and 2021 will not exceed HK$2.7 million, HK$2.9 million and HK$2.9 million, respectively.

The proposed annual caps set out above are determined with reference to (i) the historical amount of service fees paid by us to CSSC Group and/or its associates; (ii) the prevailing market rate of similar travel agency services; and (iii) the expected increase in our demand for travel agency services, taking into account our business development plans and the expected increase in the number of staff for the next three years.

Listing Rules Implications

Since each of the applicable percentage ratios (other than the profits ratio) in respect of our procurement of travel agency services from CSSC Group and/or its associates is expected to be less than 5% on an annual basis and the total annual consideration is expected to be less than HK$3 million, these transactions constitute *de minimis* transactions under Rule 14A.76(1) of the Listing Rules and are fully exempt from the reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Leasing of Properties from CSSC Group and/or its Associates

Background

As at the Latest Practicable Date, we leased a total of 13 properties in Hong Kong and the PRC from CSSC Group and/or its associates, which are used as office premises and staff quarters. See "Business — Properties" in this prospectus for further details.

Our leased office premises in Hong Kong and the PRC are generally located in the proximity of the offices of CSSC Group and/or its associates, which we believe will bring administrative convenience to both CSSC Group and/or its associates as well as our Group. In addition, relocating our office premises to other locations will cause disruptions to our operations and incur unnecessary costs and expenses. Our Directors are therefore of the view that, while we may lease properties from Independent Third Parties, the continuation of our leasing of properties from CSSC Group and/or its associates after the Listing is in the interest of our Group and the Shareholders as a whole.

Principal Terms of the Framework Property Leasing Agreement

On 6 May 2019, we entered into a framework property leasing agreement (the "**Framework Property Leasing Agreement**") with CSSC Group, pursuant to which CSSC Group and/or its associates agree to lease certain properties to us for a term commencing on the Listing Date to 31 December 2021. Pursuant to the Framework Property Leasing Agreement, individual lease agreements stipulating the specific terms and conditions (such as rental and lease term) will be entered into, and the rental payable by us in respect of each property will be separately negotiated between CSSC Group and/or its associates and us on an arm's length basis, with reference to the prevailing market rental of properties of comparable size and quality situated in its vicinity. The aggregate rental for all the individual lease agreements shall not exceed the annual cap under the Framework Property Leasing Agreement for the relevant year, and the term of each of the individual lease agreements shall not exceed the term of the Framework Property Leasing Agreement.

Historical Transaction Amounts

For the years ended 31 December 2016, 2017 and 2018, the aggregate amount of rental (inclusive of management fees) paid by us to CSSC Group and/or its associates was HK$5.4 million, HK$6.2 million and HK$8.1 million, respectively. The amount of rental paid by us to CSSC Group and/or its associates for the year ended 31 December 2018 increased considerably as we entered into two new lease agreements.

Proposed Annual Caps and Basis

It is expected that the maximum aggregate amount of rental payable by us to CSSC Group and/or its associates under the Framework Property Leasing Agreement for the years ending 31 December 2019, 2020 and 2021 will not exceed HK$15.0 million, HK$18.0 million and HK$21.0 million, respectively.

The proposed annual caps set out above are determined with reference to (i) the historical amount of rental paid by us to CSSC Group and/or its associates; (ii) the expected renewal of the existing lease agreements; (iii) the prevailing market rental of properties of comparable size and quality situated in the vicinity of our existing leased properties; (iv) the estimated increase in rental in the future, taking into account the fact that the lease agreement in relation to our leased property in a prime location in Hong Kong will be subject to renewal in 2020, and assuming an increase in rental at a rate of 15% per year with respect to our other leased properties in the next three years; and (v) the possibility of leasing additional office premises in Shanghai and Hong Kong from CSSC Group and/or its associates at comparable rental as our existing lease agreements in the future.

Listing Rules Implications

The Framework Property Leasing Agreement is a framework agreement which provides for the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual lease agreements will be entered into between our Group and CSSC Group and/or its associates. Each individual lease agreement will set out, among others, the lease term and the rental, and may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the Framework Property Leasing Agreement. As the individual lease agreements are simply further elaborations on the transactions contemplated by the Framework Property Leasing Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Framework Property Leasing Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Framework Property Leasing Agreement are subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Purchase of Vessels from CSSC Group and/or its Associates

Background

During the Track Record Period, in respect of operating lease transactions, we entered into shipbuilding agreements with CSSC Group and/or its associates (i) as a result of our joint initiatives with our joint venture partners, after taking into account the requirements of our customers or joint venture partners on the type, specifications and capabilities of vessels that they intend to lease or invest in (as the case may be); and (ii) at our own initiatives and with a view to expanding our vessel portfolio to optimise our operating lease business (the "**Operating Lease Shipbuilding Transactions**").

In addition, during the Track Record Period, in respect of direct finance lease transactions, some of our customers selected and designated CSSC Group and/or its associates as shipbuilders. In these circumstances, at the requests of our customers, we entered into shipbuilding agreements with CSSC Group and/or its associates for the construction of new vessels (the "**Direct Finance Lease Shipbuilding Transactions**"). Furthermore, during the Track Record Period, in respect of a small number of sale-and-leaseback transactions, our customers novated their shipbuilding agreements to us, whereby we substituted our customers as purchasers under the relevant shipbuilding agreements and assumed their respective rights and obligations thereunder. Our Directors confirm that these novation arrangements were isolated incidents and we do not intend to enter into such arrangements in the future.

CSSC Group is a leading state-owned shipbuilding conglomerate in the PRC. It has solid experience and substantial expertise in shipbuilding, and is equipped with capabilities in constructing a wide range of vessels. In 2018, CSSC Group and its subsidiaries built more than 40 types of vessels and delivered 9.1 million DWT of new buildings, representing a global market share of 11.3%. In 2018, the new orders and orders in hand of CSSC Group and its subsidiaries amounted to 9.2 million DWT and 25.2 million DWT, respectively, accounting for a global market share of 11.5% and 11.9%, respectively. Based on the abovementioned parameters, CSSC Group ranked first in China and second in the world in 2018. According to Frost & Sullivan, the vessels constructed by CSSC Group and/or its associates enjoy better liquidity and higher price in the second-hand market. As a reputable shipbuilder, CSSC Group, together with its associates, has consistently delivered quality vessels to us in a timely manner, and there has not been any material breach of the contractual terms of the shipbuilding agreements on the part of CSSC Group and/or its associates. In addition, as we have been purchasing vessels from CSSC Group and/or its associates since our establishment, we believe that CSSC Group and/or its associates understand our business processes and operational requirements well. Our Directors are therefore of the view that, while we may purchase vessels from other independent shipbuilders, the continuation of our purchase of vessels from CSSC Group and/or its associates after the Listing is in the interest of our Group and the Shareholders as a whole.

Principal Terms of the Framework Shipbuilding Agreement

On 6 May 2019, we entered into a framework shipbuilding agreement (the "**Framework Shipbuilding Agreement**") with CSSC Group, pursuant to which we agree to purchase vessels from CSSC Group and/or its associates for a term commencing on the Listing Date to 31 December 2021. Under the Framework Shipbuilding Agreement, we will enter into individual shipbuilding agreements with CSSC Group and/or its associates for each shipbuilding transaction, and the pricing policy is as follows:

- in respect of the Operating Lease Shipbuilding Transactions, the shipbuilding price will be separately negotiated between CSSC Group and/or its associates and us on an arm's length basis, taking into account factors such as (i) the technical specifications and requirements of the vessels; (ii) the reputation and creditworthiness of shipbuilders; and (iii) the quality of the vessels. Furthermore, in order to ensure that the contract price of each individual shipbuilding agreement is fair and reasonable, we will generally (i) obtain quotations from independent shipbuilders and/or shipbrokers, and compare the price offered by CSSC Group and/or its associates with those offered by the independent shipbuilders and/or shipbrokers; (ii) compare the price offered by CSSC Group and/or its associates with publicly available benchmark price for standardised vessels; (iii) estimate the return of the vessels; and/or (iv) commission third party valuers to prepare valuation reports for customised vessels; and

- in respect of the Direct Finance Lease Shipbuilding Transactions, our customers will negotiate the shipbuilding price with CSSC Group and/or its associates.

Historical Transaction Amounts

The following table sets out the aggregate amount of shipbuilding transactions we entered into with CSSC Group and/or its associates during the Track Record Period:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$' million	**HK$' million**	**HK$' million**
Operating Lease Shipbuilding Transactions	915.3	1,700.5	1,415.1
Direct Finance Lease Shipbuilding Transactions	621.9	222.4	73.4
Total	**1,537.2**	**1,922.9**	**1,488.5**

Proposed Annual Caps and Basis

For the years ending 31 December 2019, 2020 and 2021, the maximum aggregate amount in respect of the shipbuilding transactions contemplated under the Framework Shipbuilding Agreement will be capped at HK$4,564.0 million, HK$6,150.0 million and HK$6,160.0 million, respectively, accounting for 63.3%, 70.2% and 46.7% of the estimated aggregate amount of fees payable by us in respect of our shipbuilding transactions, respectively. It is expected that the amount of Direct Finance Lease Shipbuilding Transactions to be entered into by us under the Framework Shipbuilding Agreement will account for less than 10% of the respective annual caps. The increase in annual caps as compared to the historical transaction amounts and for the years ending 31 December 2019, 2020 and 2021 is mainly because of (i) the fact that we intend to enter into more operating lease transactions in the next three years, which is in line with the increasing number of operating lease transactions we concluded during the Track Record Period; and (ii) our expected business growth in the next few years. Going forward, in respect of the Operating Lease Shipbuilding Transactions, we may consider purchasing vessels from independent shipbuilders if they possess the necessary industry experience and technical capabilities.

The proposed annual caps set out above are determined with reference to (i) the estimated aggregate amount of fees payable by us in respect of our existing shipbuilding transactions (i.e. transactions for which we had entered into shipbuilding agreements or other agreements (such as letters of intent and term sheets) as at the Latest Practicable Date) with CSSC Group and/or its associates, which amounts to HK$2,697.2 million, HK$3,044.5 million and HK$4,224.9 million for the years ending 31 December 2019, 2020 and 2021, respectively; (ii) the expected growth of our leasing business in the next three years based on our business development plans and the historical amount of shipbuilding transactions with CSSC Group and/or its associates; and (iii) the existing and future payment schedules under our shipbuilding agreements. Excluding the amount of fees payable under our existing shipbuilding transactions with CSSC Group and/or its associates set out in (i) above, the amount of fees payable by us to CSSC Group and/or its associates in respect of shipbuilding transactions for which we had not entered into any shipbuilding agreement or other agreement (such as letter of intent and term sheet) as at the Latest Practicable Date amounts to HK$1,866.8 million, HK$3,105.5 million and HK$1,935.1 million for the years ending 31 December 2019, 2020 and 2021, respectively. The above figures are based on our expected demand for shipbuilding services from CSSC Group and/or its associates in the next two years, and we seek to reduce our potential reliance on CSSC Group and/or its associates going forward.

Listing Rules Implications

The Framework Shipbuilding Agreement is a framework agreement which provides for the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual shipbuilding agreements will be entered into between our Group and

CSSC Group and/or its associates. Each individual shipbuilding agreement will set out, among others, the technical specifications and requirements of the vessel, the contract price and payment terms as well as the terms and conditions in relation to vessel delivery and acceptance, and may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the Framework Shipbuilding Agreement. As the individual shipbuilding agreements are simply further elaborations on the transactions contemplated by the Framework Shipbuilding Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Framework Shipbuilding Agreement is expected to be more than 5% on an annual basis, the transactions contemplated under the Framework Shipbuilding Agreement are subject to the reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Internal Control Measures

During the Track Record Period, in respect of the Operating Lease Shipbuilding Transactions, we generally (i) obtained quotations from independent shipbuilders and/or shipbrokers, and compared the price offered by CSSC Group and/or its associates with those offered by the independent shipbuilders and/or shipbrokers; (ii) compared the price offered by CSSC Group and/or its associates with publicly available benchmark price for standardised vessels; and/or (iii) commissioned third party valuers to prepare valuation reports for customised vessels. According to Frost & Sullivan, the above measures are in line with the industry norm in respect of the pricing of shipbuilding transactions in China.

In preparation for Listing, we have enhanced our internal control measures in respect of connected transactions, including decision-making and voting procedures. Our Independent Non-executive Directors will also review the terms of our connected transactions on an annual basis.

2. Provision of Shipbroking Services to CSSC Group and/or its Associates

Background

During the Track Record Period, we provided shipbroking services to CSSC Group and/or its associates. For details, see "Business — Our Business — Shipbroking Services" in this prospectus. Our Directors consider that our provision of shipbroking services to CSSC Group and/or its associates has broadened our revenue base, and that the continuation of our provision of shipbroking services to CSSC Group and/or its associates after the Listing is in the interest of our Group and the Shareholders as a whole.

Principal Terms of the Framework Shipbroking Agreement

On 6 May 2019, we entered into a framework shipbroking agreement (the "**Framework Shipbroking Agreement**", together with the Framework Property Leasing Agreement and the Framework Shipbuilding Agreement, the "**CCT Agreements**") with CSSC Group, pursuant to which we agree to provide shipbroking services to CSSC Group and/or its associates for a term commencing on the Listing Date to 31 December 2021. Under the Framework Shipbroking Agreement, in circumstances where we facilitate the successful conclusion of a shipbuilding transaction for CSSC Group or any of its associates, CSSC Group or its relevant associate (as the case may be) shall pay us a shipbroking commission of not less than 0.25% of the shipbuilding price under the relevant shipbuilding agreement. According to Frost & Sullivan, shipbroking service providers generally charge a shipbroking commission of 0.25% to 3% of the shipbuilding price. Taking into account the view of

Frost & Sullivan, our Directors consider that the shipbroking commission charged by us was fair and reasonable. The actual amount of shipbroking commission for each successful shipbuilding transaction will be separately negotiated between CSSC Group or its associates and us on an arm's length basis, and with reference to the specifications of the vessel, the prevailing market rate of similar shipbroking services as well as our contribution in facilitating the successful conclusion of shipbuilding transaction.

Historical Transaction Amounts

For the years ended 31 December 2016, 2017 and 2018, the aggregate amount of shipbroking commission paid by CSSC Group and/or its associates to us was HK$140.6 million, HK$23.6 million and HK$90.3 million, respectively.

Proposed Annual Caps and Basis

It is expected that the maximum aggregate amount of shipbroking commission payable by CSSC Group and/or its associates to us under the Framework Shipbroking Agreement for the years ending 31 December 2019, 2020 and 2021 will not exceed HK$85.0 million, HK$111.0 million and HK$122.0 million, respectively.

The proposed annual caps set out above are determined with reference to (i) the expected amount of shipbroking commission to be paid to us by CSSC Group and/or its associates under existing shipbroking agreements, which accounts for 38.1%, 48.0% and 69.8% of the proposed annual caps for the years ending 31 December 2019, 2020 and 2021, respectively; (ii) the shipbuilding opportunities expected to be referred by us to CSSC Group and/or its associates in the next three years based on the historical number of shipbuilding opportunities referred by us to CSSC Group and/or its associates; (iii) the expected growth of our leasing business in the next three years based on our business development plans; and (iv) the historical rate of shipbroking commission charged by us, which was at an average of 1.0%.

Listing Rules Implications

The Framework Shipbroking Agreement is a framework agreement which provides for the mechanism for the operation of the aforesaid connected transactions. It is envisaged that from time to time and as required, individual shipbroking agreements will be entered into between our Group and CSSC Group and/or its associates. Each individual shipbroking agreement will set out, among others, the amount of commission and the payment terms, and may only contain provisions which are consistent with the binding principles, guidelines, terms and conditions set out in the Framework Shipbroking Agreement. As the individual shipbroking agreements are simply further elaborations on the transactions contemplated by the Framework Shipbroking Agreement, they do not constitute new categories of connected transactions as far as the Listing Rules are concerned.

Since each of the applicable percentage ratios (other than the profits ratio) for the Framework Shipbroking Agreement is expected to be more than 5% on an annual basis, the transactions contemplated under the Framework Shipbroking Agreement are subject to the reporting, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVERS

As the transactions set out in "Non-fully Exempt Continuing Connected Transactions" and "Non-exempt Continuing Connected Transactions" in this section are and will continue to be entered into in the ordinary and usual course of our business on a continuing or recurring basis, our Directors (including the Independent Non-executive Directors) are of the view that strict compliance with the reporting, announcement, circular (including independent financial advice) and/or independent Shareholders' approval requirements (as the case may be) would impose additional administrative costs and would at times be impracticable.

In this regard, we have applied for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement and/or independent Shareholders' approval requirements (as the case may be) under Chapter 14A of the Listing Rules in respect of the continuing connected transactions set out in "Non-fully Exempt Continuing Connected Transactions" and "Non-exempt Continuing Connected Transactions" in this section for a term commencing on the Listing Date and ending 31 December 2021, subject to the aggregate value of each of these transactions for each financial year not exceeding the relevant amount of annual caps stated above.

We will re-comply with the announcement and/or independent Shareholders' approval requirements (as the case may be) before the relevant amount of annual caps stated above is exceeded or a material change of any of the CCT Agreements is proposed.

In the event of any future amendments to the Listing Rules imposing more stringent requirements on continuing connected transactions than those applicable as at the Latest Practicable Date, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our Independent Non-executive Directors) are of the view that (i) the non-fully exempt and non-exempt continuing connected transactions set out in this section have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, and are fair and reasonable and in the interests of our Group and the Shareholders as a whole; and (ii) the proposed annual caps for each of the non-fully exempt and non-exempt continuing connected transactions set out in this section are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on its review of the CCT Agreements and the relevant information provided by our Company as well as its discussion with the management of our Company, the Sole Sponsor is of the view that (i) the non-fully exempt and non-exempt continuing connected transactions set out in this section have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, and are fair and reasonable and in the interests of our Group and the Shareholders as a whole; and (ii) the proposed annual caps for each of the non-fully exempt and non-exempt continuing connected transactions set out in this section are fair and reasonable and in the interests of our Group and the Shareholders as a whole.

OVERVIEW

Our Board

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

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and Responsibilities in our Group
Mr. Yang Li (楊力)	50	Executive Director and chairman of our Board	6 September 2013 (Re-designated as an Executive Director on 28 September 2018)	6 September 2013	Overseeing our general management, strategic development, investment, human resources, project assessment and compliance
Mr. Hu Kai (胡凱)	50	Executive Director and general manager of our Company	18 August 2017 (Re-designated as an Executive Director on 28 September 2018)	18 August 2017	Assisting the chairman of our Board in the overall management of our general administration, internal control and audit, information technology and publicity
Dr. Wong Yau Kar David (黃友嘉)	61	Independent Non-executive Director	6 May 2019	6 May 2019	Overseeing the management of our Group independently
Mdm. Shing Mo Han Yvonne (盛慕嫻)	63	Independent Non-executive Director	6 May 2019	6 May 2019	Overseeing the management of our Group independently
Mr. Li Hongji (李洪積)	62	Independent Non-executive Director	6 May 2019	6 May 2019	Overseeing the management of our Group independently

Our Senior Management

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

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and Responsibilities in our Group
Mr. Hu Kai (胡凱)	50	Executive Director and general manager of our Company	18 August 2017 (Re-designated as an Executive Director on 28 September 2018)	18 August 2017	Assisting the chairman of our Board in the overall management of our general administration, internal control and audit, information technology and publicity
Mr. Bao Weidong (鮑偉東)	57	Deputy general manager of our Company	19 November 2013	19 November 2013	Overseeing our asset management activities
Ms. Li Jun (李峻)	46	Chief accountant of our Company as well as general manager of our credit and structured finance department	4 February 2017	4 February 2017	Assisting our general manager in the overall management of our accounting matters, financing and capital operations
Mr. Chen Hui (陳慧)	43	Deputy general manager of our Company and general manager of our human resources and administration department	14 December 2017	14 December 2017	Assisting in managing our human resources, administration, planning and information technology

DIRECTORS

Executive Directors

Mr. Yang Li (楊力), aged 50, is the chairman of our Board, and was appointed as a Director in September 2013 and re-designated as an Executive Director in September 2018. Mr. Yang is primarily responsible for overseeing our general management, strategic development, investment, human resources, project assessment and compliance.

Mr. Yang has over 25 years' experience in the marine industry. From July 1991 to February 1995, he served in Guangzhou Shipyard Company Limited* (廣州造船廠有限公司), where his last position was section officer. From February 1995 to May 2013, he served in various positions in Guangzhou Shipyard International Company Limited (now known as CSSC Offshore & Marine Engineering (Group) Company Limited ("**CSSC Offshore & Marine Engineering**")), a company dually listed on the Main Board of the Stock Exchange (stock code: 317) and the Shanghai Stock Exchange (stock code: 600685), where his last position was deputy general manager. From May 2013 to September 2013, he served in CSSC Group as the deputy chief officer of the accounting and finance department. From June 2013 to September 2018, he also served as a director of CSSC Offshore & Marine Engineering.

Mr. Yang graduated from Harbin Shipbuilding Engineering College* (哈爾濱船舶工程學院) (now known as Harbin Engineering University (哈爾濱工程大學)) in the PRC in July 1991 and obtained a master's degree in business administration from Wright State University in the United States in June 2006.

Mr. Hu Kai (胡凱), aged 50, was appointed as a Director in August 2017 and re-designated as an Executive Director in September 2018. He is also the general manager of our Company. Mr. Hu is primarily responsible for assisting the chairman of our Board in the overall management of our general administration, internal control and audit, information technology and publicity.

Mr. Hu has over 25 years' experience in the marine industry. From August 1992 to November 2000, he worked in Jiangnan Shipbuilding (Group) Company Limited* (江南造船(集團)有限公司), where he last served in the business department. From November 2000 to December 2011, he served in various positions in China Shipbuilding Trading Company* (中國船舶工業貿易公司), where his last position was assistant general manager. From December 2011 to August 2017, he was the deputy general manager of China Shipbuilding Trading Co., International Ltd.* (中船國際貿易有限公司).

Mr. Hu graduated from Huazhong Polytechnic University* (華中理工大學) (now known as the Huazhong University of Science and Technology (華中科技大學)) in the PRC in June 1992 and obtained a master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in September 2010.

Independent Non-Executive Directors

Dr. Wong Yau Kar David (黃友嘉), *GBS, JP*, aged 61, is an Independent Non-executive Director appointed in May 2019. Dr. Wong is primarily responsible for overseeing the management of our Group independently.

Owing to his past and current engagements and social commitments, Dr. Wong is experienced in corporate management and administration, corporate finance as well as public policy and research on monetary and economic aspects. He has been serving as an independent non-executive director of a number of listed companies, including Huayi Tencent Entertainment Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 419), since December 2000, Shenzhen Investment Limited, a company listed on the Main Board of the Stock Exchange (stock code: 604), since June 2013, Sinopec Kantons Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 934), since March 2014, Redco Properties Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1622), since January 2014, and Guangnan (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1203), since November 2017.

Dr. Wong was an independent non-executive director of Concord New Energy Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 182), from December 2006 to June 2018. He was also an independent non-executive director of Yunfeng Financial Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 376), from December 2012 to November 2017. Apart from his directorships in listed companies, Dr. Wong was a director of United Oversea Enterprises Limited, a company principally engaging in the distribution of industrial machinery and equipment, from 1996 to 2007.

According to the annual reports of the listed companies of which Dr. Wong remains as a director, Dr. Wong had attended at least 95% of the meetings (including committee, board and general meetings) of each of these companies in 2018. Based on Dr. Wong's satisfactory attendance record in the meetings of the abovementioned listed companies, the non-executive nature of the roles he is assuming in these companies and his extensive experience in the Hong Kong financial market, our Directors are of the view that Dr. Wong will be able to devote sufficient time to discharge his duties as an Independent Non-executive Director.

Dr. Wong has been a Hong Kong deputy of the National People's Congress since 2013. He has served in a number of positions in various sectors of the Hong Kong government, including chairman of the Mandatory Provident Fund Schemes Authority since March 2015, member of the Chief Executive's Council of Advisers on Innovation and Strategic Development since March 2018, member of the Financial Leaders Forum since August 2017, and member of the Exchange Fund Advisory Committee since November 2011. His current appointments in social organisations include permanent honorary president of The Chinese Manufacturers' Association of Hong Kong, deputy chairman of the Hong Kong Institute of Directors, and vice chairman of the Hong Kong Professionals and Senior Executives Association.

Dr. Wong was appointed as a Justice of the Peace in 2010 and was awarded the Gold Bauhinia Star in 2017.

Dr. Wong was awarded a doctoral degree in economics by the University of Chicago in the United States in August 1987. He was also awarded honorary fellowships by Lingnan University in Hong Kong in October 2012, by the Vocational Training Council of Hong Kong in December 2013, and by Baptist University in Hong Kong in January 2018.

Dr. Wong was a director of the following company prior to its dissolution:

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Lymington Company Limited (萊明特有限公司)	Hong Kong	Trading of chemical products	3 April 2003	Compulsory(1)	Cessation of business

Note:

(1) The liquidator of Lymington Company Limited filed a certificate of release of liquidator on 2 April 2001, stating that in accordance with section 226A of the predecessor Companies Ordinance (the then Chapter 32 of the Laws of Hong Kong, which was in force before 3 March 2014 and was repealed after the Companies Ordinance became effective on 3 March 2014) (the "**Predecessor Companies Ordinance**") that the affairs of Lymington Company Limited had been completely wound up and the liquidator had been granted release by order of the court under section 205 of the Predecessor Companies Ordinance. Under section 226A of the Predecessor Companies Ordinance, after the registration of the certificate of release with the Companies Registry of Hong Kong and on the expiration of two years from the registration of the certificate of release, the company shall be dissolved, provided that the court may, on application of the Official Receiver or the liquidator, make an order deferring the date at which the dissolution of the company is to take effect for such time as the court may think fit. Lymington Company Limited was dissolved on 3 April 2003.

As confirmed by Dr. Wong, as far as he is aware, the dissolution of the abovementioned company has not resulted in any liability or obligation being imposed against him.

Mdm. Shing Mo Han Yvonne (盛慕嫻), *BBS, JP*, aged 63, is an Independent Non-executive Director appointed in May 2019. Mdm. Shing is primarily responsible for overseeing the management of our Group independently.

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

Mdm. Shing is a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference. She is a founding member of the Association of Women Accountants (Hong Kong) Limited. She is currently the vice chair-lady of the Taxation Committee of the Hong Kong General Chamber of Commerce and a member of the Chinese General Chamber of Commerce, Hong Kong.

Mdm. Shing's current public appointments include treasurer of the Council of the Hong Kong Academy for Performing Arts, member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption, member of the Antiquities Advisory Board, member of the Communications Authority, member of the Advisory Committee on Built Heritage Conservation, and court member of the Hong Kong Polytechnic University.

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

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

Mr. Li Hongji (李洪積), aged 62, is an Independent Non-executive Director appointed in May 2019. Mr. Li is primarily responsible for overseeing the management of our Group independently.

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

Mr. Li is a registered arbitrator in a number of arbitration centres, including China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), Arbitration Center Across The Straits (海峽兩岸仲裁中心), China Maritime Arbitration Commission (中國海事仲裁委員會), Beijing Arbitration Commission (北京仲裁委員會), Shanghai International Arbitration Center (上

海國際仲裁中心) and Qingdao Arbitration Commission (青島仲裁委員會). He is currently serving as a part-time lecturer of the master's degree programme in Peking University Law School (北京大學法學院).

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

Save as disclosed hereinabove and in "Relationship with Controlling Shareholders" in this prospectus, each of our Directors has confirmed that he/she (i) did not hold any directorship in other public companies, the securities of which are listed on any securities markets in Hong Kong or overseas, in the last three years immediately preceding the date of this prospectus; and (ii) did not have any relationships with any of our Directors, senior management or Controlling Shareholders as at the Latest Practicable Date. Each of our Directors did not have any interests in our Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed hereinabove, to the best of the knowledge, information and belief of our Directors and after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Hu Kai (胡凱) is an Executive Director and the general manager of our Company. For the biography of Mr. Hu, see "Directors — Executive Directors" in this section.

Mr. Bao Weidong (鮑偉東), aged 57, is the deputy general manager of our Company. Mr. Bao is primarily responsible for overseeing our asset management activities.

Mr. Bao has over 30 years' experience in the marine industry. From August 1982 to May 2003, he served in various positions in Hudong-Zhonghua Shipbuilding (Group) Company Limited* (滬東中華造船（集團）有限公司), where his last position was assistant general manager. He then served as the deputy general manager and later as the general manager of Marinequip China Company Limited (泛華設備有限公司) from May 2003 to May 2013, and as the deputy general manager of the European branch office of CSSC Group from March 2004 to May 2005. He joined China United Shipbuilding in December 2009, where he served as an assistant to general manager until May 2013. He has been the deputy general manager of China United Shipbuilding since May 2013.

Mr. Bao obtained a bachelor's degree in ship engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1982 and a bachelor's degree in industrial management engineering from Zhenjiang Shipbuilding College (鎮江船舶學院) (now known as Jiangsu University of Science and Technology (江蘇科技大學)) in the PRC in July 1987.

Ms. Li Jun (李峻), aged 46, is the chief accountant of our Company as well as the general manager of our credit and structured finance department. Ms. Li is primarily responsible for assisting our general manager in the overall management of our accounting matters, financing and capital operations.

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

Ms. Li obtained a bachelor's degree in economics from the Beijing Institute of Commerce (北京商學院) (now known as Beijing Technology and Business University (北京工商大學)) in July 1994 and a master's degree in engineering from Huazhong University of Science and Technology (華中科技大學) in December 2010. In December 2002, she obtained the Certificate for Passing all the Required Subjects of the National Uniform CPA Examination.

Mr. Chen Hui (陳慧), aged 43, is the deputy general manager of our Company and the general manager of our human resources and administration department. Mr. Chen is primarily responsible for assisting in managing our human resources, administration, planning and information technology.

Mr. Chen joined Jiangnan Shipbuilding (Group) Company Limited* (江南造船（集團）有限公司) in July 1998, where he last served as the deputy executive of the general office until August 2007. He served in CSSC Group from February 2000 to August 2007, where his last position was the head of the legal division of the general office. In August 2007, he joined CSSC Jiangnan Heavy Industry Company Limited* (中船江南重工股份有限公司) (now known as CSSC Science & Technology Company Limited* (中船科技股份有限公司)), a company listed on the Shanghai Stock Exchange (stock code: 600072), where he served as the assistant general manager and the secretary of the board of directors until October 2011 and as the secretary of the board of directors and the chairman of the labour union from October 2011 to December 2017. He joined our Group in December 2017.

Mr. Chen obtained a bachelor's degree in law from Xiamen University (廈門大學) in the PRC in July 1998 and a master's degree in law from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in the PRC in June 2009. He was awarded the Certificate of Legal Professional Qualification (法律職業資格證書) of the PRC in February 2000.

COMPANY SECRETARIES

Mr. Ding Weisong (丁唯淞), aged 36, was appointed as our company secretary on 28 September 2018. He is also the general legal counsel of our Company and the general manager of our risk management department. Mr. Ding is primarily responsible for the secretarial affairs of our Company and overseeing our risk management activities.

Mr. Ding worked in China Shipbuilding Trading Company* (中國船舶工業貿易公司) from July 2007 to December 2012, where his last position was project manager. He joined our Company in December 2012, where he served in a number of positions including deputy general manager and general manager of the credit and structured finance department.

Mr. Ding obtained a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 2004 and a master's degree in law from Peking University (北京大學) in the PRC in July 2007. He was awarded the Certificate of Legal Professional Qualification (法律職業

資格證書) of the PRC in February 2005. He became a non-practicing member of the Chinese Institute of Certified Public Accountants in December 2009.

Ms. Wong Sau Ping (黃秀萍) was appointed as our assistant company secretary on 6 May 2019, and is primarily responsible for the secretarial affairs of our Company.

Ms. Wong has more than 15 years of experience in the company secretarial field. She joined TMF Hong Kong Limited (a global corporate services provider) in May 2013 and is currently serving as a senior manager of its listing services department.

Ms. Wong obtained a bachelor's degree in business administration from the Hong Kong Baptist University in December 1996 and a master's degree in arts from the City University of Hong Kong in November 2004. She was admitted as an associate member of the Hong Kong Institute of Company Secretaries (now known as The Hong Kong Institute of Chartered Secretaries) and the Institute of Chartered Secretaries and Administrators in September 2004.

OTHER CORE MANAGEMENT PERSONNEL

Our business operations are also overseen and managed by certain core management personnel who have been serving in our Group since the beginning of the Track Record Period and are, apart from our Directors and senior management, most relevant to the track record results of our Group. Under the leadership of our Directors and senior management, these management personnel are primarily responsible for ensuring that our business activities and daily operations are properly conducted and managed. Set out below are the biographies of these core management personnel:

Mr. Teng Fei (滕飛), aged 43, has been the general manager assistant of our Company since August 2017, and is primarily responsible for supervising the overall management and strategic planning of certain of our SPVs. Immediately prior to his current position in our Company, he served as the marketing director of our Company from March 2016 to August 2017, and the deputy general manager of our business department from May 2014 to March 2016. Prior to joining our Group, he served as the deputy general manager of various shipping departments in China Shipbuilding Trading Company* (中國船舶工業貿易公司) from January 2003 to February 2014, and as a project manager, and later as a deputy section chief, of the sales department of Hudong-Zhonghua Shipbuilding (Group) Company Limited* (滬東中華造船（集團）有限公司) from August 1997 to January 2003.

Mr. Teng obtained a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1997.

Mr. Ding Weisong (丁唯淞), aged 36, has been the general manager of our risk management department, the general counsel of our Company and the company secretary of our Company since July 2017, May 2018 and September 2018, respectively. He is primarily responsible for the secretarial affairs of our Company and overseeing our risk management activities. Immediately prior to his current positions in our Company, he served as the deputy general manager, and later as the general manager, of our credit and structured finance department from May 2014 to July 2017. See "Company Secretaries" in this section for further details of the biography of Mr. Ding.

Ms. He Fang (何芳), aged 46, has been the general manager of our business department since April 2017, and is primarily responsible for managing our ship leasing business. Immediately prior to her current position in our Company, she served as the marketing director of our Company from March 2016 to April 2017, and the deputy general manager of our business department from May 2014 to March 2016. Prior to joining our Group, she served as a senior project manager, and later as the deputy general manager, of various shipping departments in China Shipbuilding Trading Company* (中國船舶工業貿易公司) from January 2003 to January 2014.

Ms. He obtained a bachelor's degree in arts from Harbin Engineering University (哈爾濱工程大學) in the PRC in July 1994.

Mr. Yuan Chao (袁超), aged 34, has been the deputy general manager of our strategic planning department since March 2019, and is primarily responsible for managing our operations, development planning as well as information construction and maintenance. Immediately prior to his current position in our Company, he served as the senior manager, and later as the deputy general manager, of our human resources and administration department from January 2015 to March 2019. Prior to joining our Group, he served as the deputy director of the planning department of Shanghai Waigaoqiao Shipbuilding Co., Ltd.* (上海外高橋造船有限公司) from June 2012 to December 2014.

Mr. Yuan obtained a bachelor's degree in engineering from the University of Shanghai for Science and Technology (上海理工大學) in the PRC in July 2007 and a master's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2014.

Mr. Guo Ju (郭居), aged 33, has been the deputy general manager of our accounting and treasury department since March 2017, and is primarily responsible for managing our project financing, financial matters and capital operations. Immediately prior to his current position in our Company, he served as the senior manager of our accounting and treasury department from January 2015 to March 2017. Prior to joining our Group, he served as a compliance and risk control officer of the Shanghai branch of Skandinaviska Enskilda Banken from April 2012 to January 2015.

Mr. Guo obtained a bachelor's degree in commerce from the University of Melbourne in Australia in December 2006 and a master's degree in business law from Monash University in Australia in September 2011.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee has three members, namely Mdm. Shing Mo Han Yvonne (盛慕嫻), Dr. Wong Yau Kar David (黃友嘉) and Mr. Li Hongji (李洪積). Mdm. Shing Mo Han Yvonne (盛慕嫻) has been appointed as the chairperson of the Audit Committee, and is our Independent Non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee include, among others, making recommendations to our Board on the appointment, reappointment and removal of the external auditor, reviewing our financial information, and assisting our Board in providing an independent view of our financial reporting, risk management and internal control systems.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee has three members, namely Dr. Wong Yau Kar David (黃友嘉), Mdm. Shing Mo Han Yvonne (盛慕嫻) and Mr. Li Hongji (李洪積). Mr. Wong Yau Kar David (黃友嘉) has been appointed as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, among others, making recommendations to our Board on our policy and structure for the remuneration of our Directors and senior management, establishment of a formal and transparent procedure for developing remuneration policies, and the remuneration packages of our Executive Directors and senior management.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee has four members, namely Mr. Yang Li (楊力), Dr. Wong Yau Kar David (黃友嘉), Mdm. Shing Mo Han Yvonne (盛慕嫻) and Mr. Li Hongji (李洪積). Mr. Yang Li (楊力) has been appointed as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, among others, making recommendations on any proposed changes to our Board to complement our corporate strategies.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration from us in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors for the years ended 31 December 2016, 2017 and 2018 were HK$1.3 million, HK$1.8 million and HK$3.1 million, respectively. None of the Directors had waived any remuneration during the same period.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Group's five highest paid individuals, including the Directors, for the years ended 31 December 2016, 2017 and 2018 were HK$3.8 million, HK$4.7 million and HK$5.2 million, respectively.

No payment was made by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period.

Save as disclosed hereinabove, no other payments were made or are payable in respect of the Track Record Period by any of member of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonuses, of our Directors for the year ending 31 December 2019 to be HK$2.6 million.

COMPLIANCE ADVISER

We have appointed Red Solar Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of our securities, the possible development of a false market in our securities or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules and distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As at the date of this prospectus		Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
Name of Shareholder	**Capacity/ Nature of interest**	**Number of Shares[1]**	**Shareholding percentage**	**Number of Shares[1]**	**Approximate shareholding percentage**
CSSC International	Beneficial owner[2]	4,602,046,234 (L)	100.0%	4,602,046,234 (L)	75.0%
CSSC Group	Interest in a controlled corporation[2]	4,602,046,234 (L)	100.0%	4,602,046,234 (L)	75.0%
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司) ..	Beneficial owner	—	—	426,586,000[3] (L)	7.0%[3]

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Company will be approximately 75% directly owned by CSSC International. As at the Latest Practicable Date, CSSC International was wholly owned by CSSC Group. By virtue of the SFO, CSSC Group is deemed to be interested in the Shares held by CSSC International.

(3) The number of Shares and the approximate shareholding percentage are calculated based on the mid-point of the indicative Offer Price range.

Save as disclosed hereinabove, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

The issued share capital of our Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) will be as follows:

Issued and to be issued, fully paid or credited as fully paid	
Shares in issue as at the date of this prospectus	4,602,046,234
Shares to be issued pursuant to the Global Offering	1,534,020,000
Shares in total	**6,136,066,234**

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Global Offering will be as follows:

Issued and to be issued, fully paid or credited as fully paid	
Shares in issue as at the date of this prospectus	4,602,046,234
Shares to be issued pursuant to the Global Offering	1,534,020,000
Shares to be issued pursuant to the Over-allotment Option	230,102,000
Shares in total	**6,366,168,234**

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and takes no account of any Shares which may be allotted and issued or repurchased by our Company under the general mandate for the allotment and issue or the repurchase of Shares granted to our Directors as referred to below.

RANKING

The Offer Shares and the Shares which may be issued pursuant to the exercise of the Over-allotment Option shall carry the same rights as all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, particulars of which are set out in "Further Information about our Group — 3. Written Resolutions of our Sole Shareholder Passed on 6 May 2019" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, particulars of which are set out in "Further Information about our Group — 3. Written Resolutions of our Sole Shareholder Passed on 6 May 2019" in Appendix IV to this prospectus.

The following discussion and analysis should be read in conjunction with our consolidated financial information included in the Accountant's Report in Appendix I to this prospectus together with the accompanying notes. Our consolidated financial information have been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those stated in the forward-looking statements. Factors that might cause future results to differ significantly from those stated in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

Established in 2012, we are the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. We principally engage in the provision of leasing, shipbroking and loan services.

As the sole leasing company under CSSC Group, which is a leading state-owned shipbuilding conglomerate in the PRC, we offer customised ship leasing solutions that suit our customers' different needs. According to the F&S Report, in terms of revenue in 2018, we ranked fourth in the global ship leasing industry with a market share of 3.9% and first in the global non-bank ship leasing industry with a market share of 14.8%.

Our business primarily focuses on ship leasing and our lease income is well-diversified in terms of customers and geographical regions. During the Track Record Period, we provided the majority of our services to customers located in the PRC, Asia, United States and Europe. Our finance lease income and operating lease income amounted to 69.2%, 77.8% and 70.9% of our total revenue for the years ended 31 December 2016, 2017 and 2018, respectively. As at 31 December 2018, we owned a total of 65 vessels, including 43 vessels under finance lease arrangements and 22 vessels under operating lease arrangements.

We achieved rapid growth during the Track Record Period. From 2016 to 2018, our revenue increased from HK$1,031.6 million to HK$2,104.8 million, representing a CAGR of 42.8%. For the years ended 31 December 2016, 2017 and 2018, our revenue amounted to HK$1,031.6 million, HK$1,329.9 million and HK$2,104.8 million, respectively, and our total profit for the year amounted to HK$432.2 million, HK$602.6 million, and HK$706.5 million, respectively.

BASIS OF PREPARATION

Our Company was incorporated in Hong Kong as a private company with limited liability on 25 June 2012.

This section sets out certain consolidated financial information relating to our Group, including (i) a summary of our results of operations for the years ended 31 December 2016, 2017 and 2018; (ii) certain selected items of our consolidated statements of financial position as at 31 December 2016, 31 December 2017 and 31 December 2018; and (iii) a summary of our consolidated statements of cash flow for the years ended 31 December 2016, 2017 and 2018.

See note 2.1 to the Accountant's Report in Appendix I to this prospectus for further details of the basis of preparation.

EXCHANGE RATE CONVERSION

Solely for your convenience, this section contains translations of certain USD and EUR amounts into Hong Kong dollars at specified rates. In this section, the translations of USD and EUR amounts into Hong Kong dollars have been made at the rate of HK$7.8 to US$1.00 and HK$8.55 to EUR1.00, respectively.

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including the following:

Global Macro-economic Environment and Marine Cycle

As a leasing service provider primarily focusing on ship leasing, our business may be materially and adversely affected by the marine cycle. The marine cycle is highly cyclical and may be affected by factors such as global and regional economic and political conditions, developments in international trade, demand for and supply of marine services, changes in seaborne and other transportation patterns, changes in the regulatory regimes governing the marine industry and vessels, as well as fluctuations in foreign exchange rates, interest rates and ship financing costs. Our customers are from various industries, and our business may also be affected by the economic cycles of these industries.

If there is any adverse change in the global and regional economic and political conditions, slowdown in the industries in which our customers operate, change in government policies, or if the trade war between the United States and China continues or escalates, international trade may be adversely affected. This may lead to a decrease in the demand for our leasing services or an increase in default by our customers, which may in turn materially and adversely affect our results of operations and financial condition.

Service Mix

Our results of operations and financial condition are affected by our service mix. We provide a range of services, including finance lease, operating lease, shipbroking and loan services. Our different services have different profit margins. There is no assurance that we will be able to introduce new services that provide high profit margin or return. Our overall profit margin may be adversely affected if there is a shift in our service mix, which may be due to factors beyond our control, including market condition, market demand and negotiation with customers.

Competition

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

Fluctuations in Interest Rates and Charter Rates

For the years ended 31 December 2016, 2017 and 2018, our finance lease income and operating lease income accounted for 69.2%, 77.8% and 70.9% of our total revenue, respectively, whereas our finance costs and bank charges, being the largest component of our total expenses, accounted for 60.8%, 71.0% and 71.5% of our total expenses, respectively. Our finance lease income and operating lease income are mainly affected by the interest rate and charter rate we charge our customers. The interest we charge our customers and the cost of our debt financing are generally based on a floating rate with reference to LIBOR, and may fluctuate due to changes in the global credit and economic environment and monetary policies, whereas the charter rate we charge our operating lease customers is mainly affected by the general market and industry conditions. As at 31 December 2016, 31 December 2017 and 31 December 2018, our bank borrowings which were subject to a variable interest rate amounted to HK$15,107.1 million, HK$15,773.8 million and HK$19,980.2 million, respectively.

Any volatility in interest rates and charter rates may have a significant impact on our lease income, finance costs and net interest margin, which may in turn materially and adversely affect our results of operations and financial condition.

Exchange Rate Risk

We have foreign currency sales, purchases and fund remittances, and are exposed to exchange rate risks as a result of fluctuations in the exchange rate among EUR, CHF, SGD and RMB. For the years ended 31 December 2016, 2017 and 2018, our net foreign exchange gain/(loss) amounted to HK$174.6 million, HK$(566.1) million and HK$(297.4) million, respectively. During the Track Record Period, the fluctuations in our net foreign exchange gain/(loss) mainly arose from the fluctuations in the exchange rate of EUR against HKD as a result of the translation difference of our bonds payable in relation to our EUR-denominated bonds, which expired in February 2018, and the receipt of payment in EUR from the disposal of associates in September 2018. While our Directors believe that the exchange rate risk is manageable, in the event of a significant change in the exchange rate between EUR and HKD, we may record a substantial foreign exchange loss, which may materially and adversely affect our results of operations and financial condition. See "Risk Factors — Risks Relating to our Business — We are exposed to foreign exchange risks" in this prospectus for details of our exchange rate risks.

Funding Capabilities and Funding Costs

The financial leasing business is capital intensive with a long payback period. We require substantial working capital for our daily operations and business expansion. Our ability to continuously expand depends on our ability to diversify our funding sources and maintain low funding costs. During the Track Record Period, we funded our business mainly by bank borrowings, cash generated from our operations, share capital from our Shareholder and bond issuances. Our ability to continue to raise additional capital will depend on, among others, our business performance, market conditions and overall economic climate, and may be restricted by the restrictive covenants to which we may be subject to under certain financial instruments. If we are unable to obtain bank borrowings or other external financing or resources at competitive rates or on commercially acceptable terms or in a timely manner or at all in the future, our net interest margin may be affected. We may be forced to curtail our expansion plans, and our results of operations and financial condition may be materially and adversely affected.

Asset Quality and Provisioning Policy

Our business growth is largely dependent on our ability to effectively manage and maintain the quality of our financial assets. We review our loan receivables, prepayments, deposits and other receivables portfolio on a regular basis, evaluate any indicators of impairment and assess our impairment loss in the case of impairment under specific circumstances. We classify our loan receivables and make provision for impairment loss on our loan receivables on an annual basis, taking into account factors including the operating and financial condition, creditworthiness and payment history of our customers, the nature and characteristics of the industry in which our customers operate, the value of the underlying collateral and guarantees as well as the general economic and market conditions.

We adopt a five-category asset quality classification system, which is established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions (非銀行金融機構資產風險分類指導原則) published by the CBRC, under which our loan receivables are classified into five categories, namely "normal", "special mention", "substandard", "doubtful" and "loss". Loan receivables that are classified as "substandard", "doubtful" and "loss" are regarded as credit impaired and considered to be non-performing assets. As at 31 December 2016, 31 December 2017 and 31 December 2018, our non-performing asset ratio based on our five-category asset quality classification was 0.3%, 0.9% and 0.8%, respectively, and our non-performing assets amounted to HK$43.1 million, HK$132.5 million and HK$148.1 million, respectively.

According to the new accounting standard effective from 1 January 2018, we measure the changes in credit quality of our loan receivables and assess the provision for impairment loss based on the three-stage model prescribed by HKFRS 9. Stage 1 includes financial instruments that is not credit-impaired on initial recognition. Stage 2 includes financial instruments that have significant increase in credit risk since initial recognition but are not yet deemed to be credit-impaired. Stage 3 includes financial instruments that are credit-impaired.

As at 31 December 2016 and 31 December 2017, our provision for impairment loss on loan receivables based on our five-category asset quality classification was HK$359.7 million and HK$341.1 million, respectively. As at 31 December 2018, our provision for impairment loss on loan receivables based on the three-stage model was HK$440.3 million, which comprised 12-month expected credit loss of HK$32.7 million for assets under stage 1 and lifetime expected credit loss of HK$222.1 million and HK$185.5 million for assets under stage 2 and stage 3, respectively.

The quality of our loan receivables may deteriorate due to a number of reasons that are beyond our control, such as global or regional economic slowdown, downturn, recession or instability or the occurrence of global financial or credit crisis. Any adverse changes in the operations, financial condition, liquidity and cash flow of our customers due to factors such as unfavourable industry or market developments as well as fluctuations in interest rates, foreign exchange rates and finance costs may affect the ability of our customers to fulfil their payment obligations to us in a timely manner or at all. If any of the above circumstances occurs, we may need to make additional provision for impairment loss or write off our loan receivables, which may in turn materially and adversely affect our results of operations and financial condition.

SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial information in accordance with HKFRS. See note 2 to the Accountant's Report in Appendix I to this prospectus for details of these significant accounting policies. Some of these significant accounting policies involve judgements, estimates and assumptions made by our management. Such judgements, estimates and assumptions are based on past experience and other factors that are considered to be relevant and reasonable under the circumstances. Actual results may differ from these estimates. See note 4 to the Accountant's Report in Appendix I to this prospectus for details of these significant accounting judgements and estimates.

We set out below the accounting policies that we believe are of critical importance to us or involve the significant estimates and judgements used in the preparation of our financial information. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under the current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future.

Investments and Other Financial Assets

Under HKAS 39 for the periods before 1 January 2018

(i) Classification

Our Group classifies our financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. We determine the classification of investments at initial recognition.

a. Financial Assets at Fair Value through Profit or Loss

We classify financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading.

b. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Our loans and receivables comprise other receivables, amounts due from group companies and related companies, cash and cash equivalents and time deposit with maturity over three months.

c. Available-for-Sale Financial Assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and our management intends to hold them for medium- to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

(ii) Recognition and Derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for financial assets at fair value through profit or loss — in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income; and
- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of other income when our right to receive payments is established.

Interest on available-for-sale securities, and loans and receivables calculated using the effective interest method is recognised in profit or loss as part of other income.

(iv) Impairment

We assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or "events") has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amounts of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, we may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

Under HKFRS 9 for the period beginning on or after 1 January 2018

(i) Classification

Since 1 January 2018, we have been classifying our financial assets in the following measurement categories:

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

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

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

We reclassify debt investments when and only when our business model for managing those assets changes.

(ii) Recognition and Derecognition

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

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

(iii) Measurement

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

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

(iv) Debt Instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.
- Fair value at other comprehension income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through statement of other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in statement of other comprehensive income is reclassified from equity to profit or loss.
- Fair value at profit or loss ("**FVTPL**"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

(v) Equity Instruments

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

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

(vi) Impairment

For financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018 and financial assets at fair value through other comprehensive income-debt instruments, we have determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for impairment of receivables account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses.

Non-current Assets Held for Sale

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

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

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

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

Impairment of Non-Financial Assets

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

Property, Plant and Equipment

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

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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is our policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Revenue and Income Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

We recognise revenue when the contract of services is transferred to the customer, and where it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of our activities as described below. We base our estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Finance lease income — see note 2.20(a) to the Accountant's Report in Appendix I to this prospectus.

Operating lease income — see note 2.20(b) to the Accountant's Report in Appendix I to this prospectus.

Interest income — recognised using the effective interest method.

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

a) Revenue recognised under HKFRS 15

Commission income — recognised in the accounting period in which the actual shipbroking services are provided. We consider that the revenue will be highly probable and will not be subsequently reversed, normally when we successfully facilitate the conclusion of a shipbuilding transaction and it is highly probable that there will be no default in the transaction.

Leases

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to our Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

As a lessor

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

(a) Finance Lease

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

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

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

(b) Operating Lease

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

Impact of New Accounting Standards and Amendments to Existing Accounting Standards

The Hong Kong Institute of Certified Public Accountants has issued various new accounting standards and amendments to existing accounting standards, which were not yet effective during the Track Record Period.

See note 2.1.1 to the Accountant's Report in Appendix I to this prospectus for details of these new and revised standards which have been early adopted by us during the Track Record Period, and note 2.1.2 to the Accountant's Report in Appendix I to this prospectus for details of the new and revised standards which have not been adopted by us during the Track Record Period as well as their possible impact to our preparation of the financial information.

Application of HKFRS 9 and HKFRS 15

We have applied HKFRS 9 "Financial Instruments" since 1 January 2018. HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments" which relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". Our accounting policies were changed to comply with HKFRS 9. See note 2.1.1 to the Accountant's Report in Appendix I to this prospectus for details of the changes in accounting policies.

The following table sets out the total impact on our equity due to the reclassification and remeasurement of financial instruments as at 1 January 2018:

	HK$'000
Provision of impairment under HKAS 39	341,066
Increase in provision for loan receivables	46,750
Change in provision for prepayments, deposits and other receivables	—
Others	387
Provision of impairment under HKFRS 9	388,203
Share of impact from associates to retained profits for increase in provisions under HKFRS 9	53,320
Share of impact from associates for remeasurement of financial assets	(5,718)
	47,602

HKFRS 15 "Revenue from Contracts with Customers" replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts and related interpretations. This standard is effective for annual periods beginning on or after 1 January 2018, and was adopted by us consistently throughout the Track Record Period.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a five-step approach: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) a performance obligation is satisfied. The core principle is that a company should recognise revenue when the control of a good or service transfers to a customer.

We have assessed the effects of HKFRS 15 on our historical financial information and consider that the adoption did not have a significant impact on our results of operation.

We believe that the adoption of HKFRS 9 and HKFRS 15, as compared to the requirements of HKAS 18 and HKAS 39, does not have significant impact on our financial position and performance during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets out, for the years indicated, a summary of our results of operations:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue	**1,031,641**	**1,329,949**	**2,104,811**
Other income and other gains/(losses), net	**207,700**	**54,635**	**(59,817)**
Total revenue and other income	**1,239,341**	**1,384,584**	**2,044,994**
Expenses			
Finance costs and bank charges	(613,294)	(727,164)	(1,046,155)
(Provision for)/reversal of impairment loss on loan receivables, net	(149,521)	18,665	(52,138)
Depreciation	(115,929)	(136,524)	(150,192)
Employee benefits expenses	(27,278)	(30,197)	(51,235)
Vessel operating costs	(58,203)	(83,034)	(100,537)
Other operating expenses	(43,659)	(66,635)	(62,092)
Total expenses	**(1,007,884)**	**(1,024,889)**	**(1,462,349)**
Profit from operations	**231,457**	**359,695**	**582,645**
Share of results of associates	211,506	259,095	81,004
Gain on disposal of associates	—	—	40,766
Profit before income tax	**442,963**	**618,790**	**704,415**
Income tax (expenses)/credit	(10,768)	(16,198)	2,107
Profit for the year	**432,195**	**602,592**	**706,522**

Revenue

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

Finance lease income includes interest income from the direct finance lease and sale-and-leaseback agreements entered into with our customers. The amount payable by the lessee on each payment date is generally (i) a pre-determined fixed amount; or (ii) a pre-determined amount plus interest accrued on the outstanding principal, which is calculated with reference to the applicable interest rate (i.e. LIBOR plus a margin).

Operating lease income is the lease income from the operating lease agreements entered into with our customers. The amount payable by the lessee on each payment date is generally (i) a pre-determined fixed amount; or (ii) calculated by multiplying the daily charter rate by the number of days in the relevant calculation period.

Commission income mostly represents the fees we receive from shipbuilders in respect of our shipbroking services, which mainly include assisting the shipbuilders in identifying market opportunities, recommending shipbuilders to interested purchasers, advising on vessel types, specifications and capabilities, providing market information, liaising with and serving as the channel of communication between shipbuilders and interested purchasers, negotiating the terms of shipbuilding agreements, as well as resolving issues that arise during the execution of shipbuilding agreements. If we facilitate the successful conclusion of a shipbuilding transaction, we will receive a commission from the shipbuilder, which is generally 0.5% to 2.0% of the contract price of the vessel. During the Track Record Period, we occasionally provided loan arrangement services to CSSC Group and/or its associates. The fees we charged for such loan arrangement services were recognised as commission income during the Track Record Period. All such transactions had been completed as at the Latest Practicable Date. Going forward, we will no longer provide loan arrangement services to CSSC Group and/or its associates.

Interest income from loan borrowings mainly represents interest income from our loan services, which include pre-delivery loan and secured loan. We provide pre-delivery loans services to customers who require funding to satisfy their pre-delivery payment obligations under their shipbuilding agreements. The pre-delivery loans we extend are solely to finance the purchase of vessels under our finance lease transactions and are generally secured by corporate guarantee, the assignment of shipbuilding agreement and refund guarantee rendered by our customers. We also provide secured loan services to customers to satisfy their working capital needs and/or finance their purchase of assets (such as vessels). Our secured loans are generally secured by our customers' vessels or other assets. Our interest income from loan borrowings for the year ended 31 December 2018 also included a pre-delivery loan transaction that we entered into in 2015 that became a sale-and-leaseback transaction in 2018 upon the satisfaction of certain conditions. However, the said transaction remained as a secured loan transaction from an accounting perspective, and the revenue arising therefrom was recognised as interest income from secured loan.

When granting a loan to our customer, we generally require collateral of sufficient value or guarantees to be provided by our customer or a related party of our customer. During the Track Record Period, we have accepted different types of collateral for our loan services.

The following table sets out, as at the dates indicated, a breakdown of the value of collateral we received for our pre-delivery loans by collateral type and the value-to-loan ratio of our pre-delivery loans:

	As at 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Value of collateral						
Corporate guarantee	1,980,831	83.4	4,101,195	100.0	—	—
Refund guarantee	394,113	16.6	—	—	—	—
Total	**2,374,944**	**100.0**	**4,101,195**	**100.0**	**—**	**—**
Outstanding balance of pre-delivery loans	**2,012,064**		**4,065,559**		**—**	**—**
Value-to-loan ratio	**118.0%**		**100.8%**		**—**	

As at 31 December 2016 and 31 December 2017, the value-to-loan ratio of our pre-delivery loans which were secured by collateral, calculated by dividing the value of collateral by the sum of the outstanding principal payments under pre-delivery loans, was 118.0% and 100.8%, respectively. We did not have any outstanding balance of pre-delivery loans as at 31 December 2018 since we did not offer new pre-delivery loans in 2018 and our outstanding balance of pre-delivery loans as at 31 December 2017 was reclassified to secured loans in June 2018 as the vessel was completed and delivered to our customer under a sale-and-leaseback arrangement. See "Results of Operations — Revenue — Year Ended 31 December 2018 Compared to Year Ended 31 December 2017 — Interest Income from Loan Borrowings" in this section for further details of the abovementioned transaction.

The following table sets out, as at the dates indicated, a breakdown of the value of collateral we received for our secured loans by collateral type and the value-to-loan ratio of our secured loans:

	As at 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Value of collateral assets						
Vessels	390,923	51.4	368,064	50.9	9,791,678	97.5
Other assets	369,715	48.6	354,385	49.1	255,509	2.5
Total	**760,638**	**100.0**	**722,449**	**100.0**	**10,047,187**	**100.0**
Outstanding balance of secured loans	**592,792**		**474,843**		**7,892,193**	
Value-to-loan ratio	**128.3%**		**152.1%**		**127.3%**	

As at 31 December 2016, 31 December 2017 and 31 December 2018, the value-to-loan ratio of our secured loans which were secured by collateral (calculated by dividing the value of collateral by the sum of the outstanding principal payments under secured loans) was 128.3%, 152.1% and 127.3%, respectively.

Revenue by Service Type

During the Track Record Period, our services included (i) leasing services; and (ii) financing and other services. The following table sets out, for the years indicated, a breakdown of our revenue during the Track Record Period by service type:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Leasing services	714,489	69.2	1,035,209	77.8	1,493,262	70.9
Financing and other services	317,152	30.8	294,740	22.2	611,549	29.1
Total	**1,031,641**	**100.0**	**1,329,949**	**100.0**	**2,104,811**	**100.0**

Revenue by Business Activity

The following table sets out, for the years indicated, a breakdown of our revenue during the Track Record Period by business activity:

	Year ended 31 December					
	2016		2017		2018	
	HK$'000	%	HK$'000	%	HK$'000	%
Finance lease income	319,856	31.0	540,195	40.6	892,080	42.4
- Direct finance lease	*58,120*	*5.6*	*139,550*	*10.5*	*265,888*	*12.6*
- Sale-and-leaseback	*261,736*	*25.4*	*400,645*	*30.1*	*626,192*	*29.8*
Operating lease income	394,633	38.2	495,014	37.2	601,182	28.6
- Bareboat charters	*330,240*	*32.0*	*339,090*	*25.5*	*355,424*	*16.9*
- Time charters	*64,393*	*6.2*	*155,924*	*11.7*	*245,758*	*11.7*
Interest income from loan borrowings(1)(2)	164,633	16.0	262,327	19.7	508,723	24.2
- Pre-delivery loan	*80,603*	*7.8*	*185,338*	*13.9*	*151,558*	*7.2*
- Secured loan	*84,030*	*8.2*	*76,989*	*5.8*	*357,165*	*17.0*
Commission income	152,519	14.8	32,413	2.5	102,826	4.9
Total	**1,031,641**	**100.0**	**1,329,949**	**100.0**	**2,104,811**	**100.0**

Notes:

(1) Interest income from loan borrowings represents income generated from our pre-delivery loan and secured loan services. Income generated from our factoring services is categorised as other income. For the years ended 31 December 2016, 2017 and 2018, our income from factoring services was HK$1.0 million, HK$4.0 million and HK$11.9 million, respectively.

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

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Our revenue increased by 28.9% from HK$1,031.6 million for the year ended 31 December 2016 to HK$1,329.9 million for the year ended 31 December 2017, primarily due to the increase in the size of our vessel fleet, which resulted in the increase in finance lease income and operating lease income.

Finance Lease Income

Our finance lease income from direct finance lease increased by 140.1% from HK$58.1 million for the year ended 31 December 2016 to HK$139.6 million for the year ended 31 December 2017. Such increase was mainly due to the completion and delivery of nine vessels under direct finance lease arrangements in 2017.

Our finance lease income from sale-and-leaseback increased by 53.1% from HK$261.7 million for the year ended 31 December 2016 to HK$400.6 million for the year ended 31 December 2017. Such increase was mainly due to the completion and delivery of eight vessels under sale-and-leaseback arrangements in 2017.

Operating Lease Income

Our operating lease income from bareboat charters remained relatively stable at HK$330.2 million and HK$339.1 million for the years ended 31 December 2016 and 2017, respectively.

Our operating lease income from time charters increased by 142.1% from HK$64.4 million for the year ended 31 December 2016 to HK$155.9 million for the year ended 31 December 2017. Such increase was mainly due to the completion and delivery of three vessels under time charter arrangements in 2017.

Commission Income

Our commission income decreased by 78.7% from HK$152.5 million for the year ended 31 December 2016 to HK$32.4 million for the year ended 31 December 2017. Such decrease was mainly because we had facilitated the conclusion of fewer vessel sales in 2017 as we focused more on our main business of leasing services. Our commission income varies from year to year depending on the number of vessel sales concluded.

Interest Income from Loan Borrowings

Our interest income from loan borrowings increased by 59.3% from HK$164.6 million for the year ended 31 December 2016 to HK$262.3 million for the year ended 31 December 2017. Such increase was mainly due to the increase in revenue from our loan business. Our loan borrowings increased from HK$2,717.0 million as at 31 December 2016 to HK$4,888.6 million as at 31 December 2017.

Our interest income from pre-delivery loan increased by 129.9% from HK$80.6 million for the year ended 31 December 2016 to HK$185.3 million for the year ended 31 December 2017. Such increase was mainly due to the increase in payment from our customers in accordance with the contractual payment schedules and the increase in LIBOR in 2017.

Our interest income from secured loan decreased by 8.4% from HK$84.0 million for the year ended 31 December 2016 to HK$77.0 million for the year ended 31 December 2017. Such decrease was mainly due to the decrease in the average balance of secured loan as a result of the repayment of the outstanding secured loan by our borrowers in 2017.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Our revenue increased by 58.3% from HK$1,329.9 million for the year ended 31 December 2017 to HK$2,104.8 million for the year ended 31 December 2018, primarily due to the increase in finance lease income and commission income.

Finance Lease Income

Our finance lease income from direct finance lease increased by 90.5% from HK$139.6 million for the year ended 31 December 2017 to HK$265.9 million for the year ended 31 December 2018. Such increase was mainly due to the completion and delivery of a vessel under direct finance lease arrangements in 2018.

Our finance lease income from sale-and-leaseback increased by 56.3% from HK$400.6 million for the year ended 31 December 2017 to HK$626.2 million for the year ended 31 December 2018. Such increase was mainly because six vessels under sale-and-leaseback arrangements, comprising two bulk carriers, three container vessels and one tanker, were completed and delivered to our customers and began to generate lease income to our Group in 2018.

Operating Lease Income

Our operating lease income from bareboat charters increased by 4.8% from HK$339.1 million for the year ended 31 December 2017 to HK$355.4 million for the year ended 31 December 2018. Such increase was mainly because five vessels under bareboat charter arrangements began to generate income to our Group as they were completed and delivered to our customers in 2018.

Our operating lease income from time charters increased by 57.6% from HK$155.9 million for the year ended 31 December 2017 to HK$245.8 million for the year ended 31 December 2018. Such increase was mainly because the vessel under a major time charter project was completed and delivered to our customer in 2018.

Commission Income

Our commission income increased by 217.2% from HK$32.4 million for the year ended 31 December 2017 to HK$102.8 million for the year ended 31 December 2018, primarily because we facilitated the conclusion of more vessel sales in 2018 as compared to 2017.

Interest Income from Loan Borrowings

Our interest income from loan borrowings increased by 93.9% from HK$262.3 million for the year ended 31 December 2017 to HK$508.7 million for the year ended 31 December 2018, primarily due to the increase in interest income from secured loan.

Our interest income from pre-delivery loan decreased by 18.2% from HK$185.3 million for the year ended 31 December 2017 to HK$151.6 million for the year ended 31 December 2018. Such decrease was mainly because a vessel was completed and delivered to our customer and the relevant income was reclassified to interest income from secured loan in June 2018 and we did not offer new pre-delivery loans in 2018.

Our interest income from secured loan increased by 363.9% from HK$77.0 million for the year ended 31 December 2017 to HK$357.2 million for the year ended 31 December 2018. Such increase was due to the increase in the average balance of secured loans. We entered into a major pre-delivery loan transaction in 2015 and the transaction became a sale-and-leaseback transaction in 2018 upon the satisfaction of certain conditions. However, the said transaction remained as a secured loan transaction from an accounting perspective, and revenue arising therefrom was therefore recognised as interest income. The interest income generated from this transaction was recognised as interest income from pre-delivery loan before June 2018 and recognised as interest income from secured loan afterwards.

Other Income and Other Gains/(Losses), Net

Our other income mainly includes income from factoring services, dividend income received from listed perpetual securities and interest income from convertible bonds, bank deposits and amounts due from fellow subsidiaries. Our income from factoring services represents the income generated from the factoring services we provide to other financial institutions (such as financial leasing companies) on a recourse basis. In a typical factoring transaction, (i) our customer sells and assigns to us, at an agreed price, the accounts receivable (which generally represents lease income in respect of the leasing of assets such as school and hospital equipment) due from its debtor, and we obtain the right to receive payment from its debtor; and (ii) our customer undertakes to unconditionally repurchase the accounts receivable at an agreed price under certain circumstances. Our other gain or loss mainly represents gain or loss on the disposal of property, plant and equipment and from foreign exchange as well as changes in fair value of derivative financial instruments. Our foreign exchange gain or loss mainly arises from the translation difference of our EUR-denominated bonds payable. The derivative financial instruments mainly represent the forward contracts and interest rate swap we purchased to manage the fluctuations in foreign currencies and interest rates, respectively.

During the Track Record Period, our other income and other gains/(losses), net fluctuated, mainly due to the changes in the gain or loss from foreign exchange primarily arising from the translation difference of our EUR-denominated bonds payable and the changes in fair value of derivative financial instruments which we purchased for managing our foreign exchange and interest rate risks. Our foreign exchange gain or loss was partially offset by the fair value change of derivative financial instruments.

The following table sets out, for the years indicated, a breakdown of our other income and other gains/(losses), net:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Income from factoring services	1,000	4,000	11,883
Dividend income	16,262	39,666	47,545
Interest income from			
- Financial assets at fair value through profit or loss	—	—	4,940
- Financial assets at fair value through other comprehensive income	—	—	29,888
- Convertible bonds	28,830	22,835	—
- Bank deposits	114,185	56,923	85,130
- Amounts due from fellow subsidiaries	9,699	21,104	20,796
Loss on disposals of property, plant and equipment	—	(1,444)	—
Foreign exchange gain/(loss), net	174,592	(566,146)	(297,399)
Net (loss)/gain on changes in fair value of derivative financial instruments	(141,641)	449,915	45,750
Net gain from settlement of convertible bonds	—	26,437	—
Net loss on changes in fair value of financial assets at fair value through profit or loss	—	(4,454)	(6,849)
Others	4,773	5,779	(1,501)
Total	**207,700**	**54,635**	**(59,817)**

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Our other income and other gains/(losses), net decreased by 73.7% from HK$207.7 million for the year ended 31 December 2016 to HK$54.6 million for the year ended 31 December 2017, primarily due to the foreign exchange loss as a result of the fluctuations in the exchange rate of EUR against HKD, the decrease in interest income due to our redemption of convertible bonds and the lower average balance of our bank deposits, which was partially offset by the net gain on changes in fair value of derivative financial instruments.

Our income from factoring services increased from HK$1.0 million for the year ended 31 December 2016 to HK$4.0 million for the year ended 31 December 2017, mainly because we entered into more factoring transactions in 2017 when compared to 2016.

We recorded net gain from foreign exchange of HK$174.6 million for the year ended 31 December 2016 and net foreign exchange loss of HK$566.1 million for the year ended 31 December 2017. Such decrease mainly arose from the appreciation of EUR against HKD and the translation difference of our bonds payable in relation to our EUR-denominated bonds in the aggregate principal amount of EUR500.0 million (equivalent to HK$4,275.0 million). The exchange rate of HKD to EUR increased from HK$8.15 to EUR1.0 as at 31 December 2016 to HK$9.37 to EUR1.0 as at 31 December 2017.

We recorded net loss on changes in fair value of derivative financial instruments of HK$141.6 million for the year ended 31 December 2016 and net gain on changes in fair value of derivative financial instruments of HK$449.9 million for the year ended 31 December 2017. Such gain was mainly due to the increase in fair value of our foreign forward contracts.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

We recorded other income of HK$54.6 million for the year ended 31 December 2017 and other loss of HK$59.8 million for the year ended 31 December 2018. While we recorded an increase in dividend income and interest income for the year ended 31 December 2018 when compared to the year ended 31 December 2017, the above was offset by the net loss on foreign exchange. The increase in dividend income for the year ended 31 December 2018 was primarily due to the increase in our investment in listed perpetual securities in the amount of US$45.0 million (equivalent to HK$351.0 million) during the second half of 2017. The increase in interest income from bank deposits for the year ended 31 December 2018 was primarily due to the increase in the average balance of our deposits with maturity over three months. Our income from factoring services increased from HK$4.0 million for the year ended 31 December 2017 to HK$11.9 million for the year ended 31 December 2018, mainly due to the increase in the transaction amount of our factoring services provided in 2018.

We recorded net loss from foreign exchange of HK$566.1 million and HK$297.4 million for the years ended 31 December 2017 and 2018, respectively. The net loss from foreign exchange arose from the translation difference of our bonds payable in relation to our EUR-denominated bonds. The net loss from foreign exchange for the year ended 31 December 2018 was mainly due to the fluctuations in the exchange rate of EUR against HKD during the year as well as the fact that we repaid our EUR-denominated bonds in the aggregate principal amount of EUR500.0 million (equivalent to HK$4,275.0 million) as they expired in February 2018 and that we received payment in EUR from the disposal of associates in September 2018. The exchange rate of EUR against HKD increased from HK$9.37 to EUR1.0 as at 31 December 2017 to HK$9.71 to EUR1.0 as at 19 February 2018 (being the expiration date of the EUR-denominated bonds), and deceased to HK$8.91 to EUR1.0 as at 31 December 2018.

The interest income from financial assets at fair value through other comprehensive income amounted to nil and HK$29.9 million for the years ended 31 December 2017 and 2018, respectively. Such increase was due to the reclassification of available-for-sale financial assets as financial assets at fair value through other comprehensive income upon our adoption of HKFRS 9 on 1 January 2018.

The interest income from financial assets at fair value through profit or loss amounted to nil and HK$4.9 million for the years ended 31 December 2017 and 2018, respectively. Such increase was mainly due to the purchase of additional wealth management products in 2018.

Our interest income from convertible bonds amounted to HK$22.8 million and nil for the years ended 31 December 2017 and 2018, respectively. Such decrease was due to the redemption of convertible bonds in 2017.

Expenses

Our expenses mainly comprise (i) finance costs and bank charges; (ii) provision for or reversal of impairment loss on loan receivables; (iii) depreciation; (iv) employee benefits expenses; (v) vessel operating costs; and (vi) other operating expenses.

Finance Costs and Bank Charges

During the Track Record Period, our financing requirements increased as we entered into more lease agreements with our customers and we met our medium- to long-term financing demands by bank borrowings and bond issuances. Our finance costs and bank charges consist of interest and charges on bank borrowings and bonds.

Interest and charges on bank borrowings refer to our payment to financial institutions in respect of the working capital loans and project loans granted to us.

Interest and charges on bonds represent the coupon and charges in relation to the bonds issued by us in 2013 and 2015. In 2013, we issued USD-denominated bonds in the aggregate principal amount of US$800.0 million (equivalent to HK$6,240.0 million) with a coupon interest rate of 2.75% per annum and payable semi-annually. In 2015, we issued EUR-denominated bonds in the aggregate principal amount of EUR500.0 million (equivalent to HK$4,275.0 million) with a coupon interest rate of 1.7% per annum and payable annually. The USD-denominated bonds and EUR-denominated bonds expired in December 2016 and February 2018, respectively.

The following table sets out, for the years indicated, a breakdown of our finance costs and bank charges:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Interest and charges on borrowings	342,287	645,407	1,129,161
Interest and charges on bonds	313,880	133,932	19,499
Less: finance costs capitalised	(48,626)	(53,820)	(104,165)
Bank charges	5,753	1,645	1,660
Total	**613,294**	**727,164**	**1,046,155**

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Our finance costs and bank charges increased by 18.6% from HK$613.3 million for the year ended 31 December 2016 to HK$727.2 million for the year ended 31 December 2017. Such increase was mainly due to the increase in the amount of our bank borrowings as our business expanded and the increase in USD LIBOR in 2017. In 2016, our USD-denominated bonds in the aggregate principal amount of US$800.0 million (equivalent to HK$6,240.0 million) expired and we repaid the bondholders using funds obtained from new bank borrowings, which resulted in the increase in the payment of interest on bank borrowings in 2017.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Our finance costs and bank charges increased by 43.9% from HK$727.2 million for the year ended 31 December 2017 to HK$1,046.2 million for the year ended 31 December 2018, primarily due to the increase in the amount of our bank borrowings as our business expanded and the increase in bank interests as a result of the increase in USD LIBOR, which was partially offset by the decrease in interest and charges on bonds as a result of the expiration of our EUR-denominated bonds. In 2018, our EUR-denominated bonds in the aggregate principal amount of EUR500.0 million (equivalent to HK$4,275.0 million) expired and we repaid the bondholders using funds obtained from new bank borrowings, which resulted in the increase in the payment of interest on bank borrowings and bank charges.

(Provision for)/Reversal of Impairment Loss on Loan Receivables, Net

We review our loan receivables and other receivables portfolio on a regular basis, evaluate any indicators of impairment, and assess our impairment loss in the case of impairment under specific circumstances.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

We had net provision for impairment loss on loan receivables of HK$149.5 million for the year ended 31 December 2016 and reversal of impairment loss on loan receivables of HK$18.7 million for the year ended 31 December 2017. The reversal of impairment loss on loan receivables was mainly because certain loan receivables amounting to HK$778.7 million, or 5.4% of the total loan receivables as at 31 December 2017, were upgraded according to the five-category asset quality classification system.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

We recorded a reversal of impairment loss on loan receivables of HK$18.7 million for the year ended 31 December 2017 and net provision for impairment loss on loan receivables of HK$52.1 million for the year ended 31 December 2018. The net provision of impairment loss on loan receivables in 2018 was primarily due to the increase in our loan receivables as we entered into new finance lease projects and the adoption of a new accounting standard regarding the classification and measurement of financial instruments since 1 January 2018.

Depreciation

Our depreciation expenses represent depreciation charges on property, plant and equipment.

The following table sets out, for the years indicated, a breakdown of our depreciation expenses:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Vessels	114,362	135,077	149,062
Office equipment	652	900	680
Motor vehicles	340	398	390
Leasehold improvements	575	149	60
Total	**115,929**	**136,524**	**150,192**

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Our depreciation expenses increased by 17.8% from HK$115.9 million for the year ended 31 December 2016 to HK$136.5 million for the year ended 31 December 2017, primarily due to the increase in the number of vessels under operating lease arrangements in 2017. The net book value of our vessels under operating lease arrangements increased from HK$3,780.7 million as at 31 December 2016 to HK$4,078.2 million as at 31 December 2017.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Our depreciation expenses increased by 10.0% from HK$136.5 million for the year ended 31 December 2017 to HK$150.2 million for the year ended 31 December 2018. Such increase was mainly due to the increase in the number of vessels under operating lease arrangement in 2018. The net book value of our vessels under operating lease arrangements increased from HK$4,078.2 million as at 31 December 2017 to HK$5,096.9 million as at 31 December 2018.

Employee Benefits Expenses

Our employee benefits expenses include wages and salaries and other welfare benefits paid to our employees.

The following table sets out, for the years indicated, a breakdown of our employee benefits expenses:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages, salaries, and other allowances (including Directors' emoluments)	23,787	26,770	45,824
Retirement benefit costs	3,491	3,427	5,411
Total	**27,278**	**30,197**	**51,235**

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Our employee benefits expenses increased by 10.7% from HK$27.3 million for the year ended 31 December 2016 to HK$30.2 million for the year ended 31 December 2017, primarily due to the increase in the number of employees and the average salaries of our employees in 2017. The number of employees increased from 55 as at 31 December 2016 to 58 as at 31 December 2017.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Our employee benefits expenses increased by 69.7% from HK$30.2 million for the year ended 31 December 2017 to HK$51.2 million for the year ended 31 December 2018, primarily due to the increase in the number of employees and the average wages, salaries and other allowances of our employees in 2018. The number of employees increased from 58 as at 31 December 2017 to 67 as at 31 December 2018.

Vessel Operating Costs

Our vessel operating costs mainly represent the expenses we incur in operating our vessels under operating lease arrangements, including crew expenses, fuel expenses, ship management fees and vessel insurance.

Our vessel operating costs amounted to HK$58.2 million, HK$83.0 million and HK$100.5 million for the years ended 31 December 2016, 2017 and 2018, respectively.

Our vessel operating costs increased throughout the Track Record Period, mainly due to the increase in the number of vessels under operating lease arrangements and the increase in crew expenses and ship management fees as our operating leasing business expanded.

Other Operating Expenses

Our other operating expenses mainly represent rental and utilities, legal and professional fees, selling and distribution expenses and other expenses such as transportation expenses, office supplies and Listing expenses.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Our other operating expenses increased by 52.6% from HK$43.7 million for the year ended 31 December 2016 to HK$66.6 million for the year ended 31 December 2017, primarily due to the payment of termination fees of HK$5.0 million due to the early termination of the tenancy agreement of our Singapore office. We relocated our Singapore office to a location of a lower rent in 2017.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Our other operating expenses decreased by 6.8% from HK$66.6 million for the year ended 31 December 2017 to HK$62.1 million for the year ended 31 December 2018. Such decrease was mainly due to the decrease in rental and other expenses of our Singapore office.

Share of Results of Associates

Our share of results of associates amounted to HK$211.5 million, HK$259.1 million and HK$81.0 million for the years ended 31 December 2016, 2017 and 2018, respectively. The fluctuations mainly reflected the changes in profits of our associates during the relevant year.

The decrease in share of results of associates from HK$259.1 million for the year ended 31 December 2017 to HK$81.0 million for the year ended 31 December 2018 was primarily due to the disposal of our shares in two of our associates, CSSC Offshore & Marine Engineering (Group) Company Limited ("**CSSC Offshore & Marine Engineering**") and Bank of Tianjin Co., Ltd. ("**Bank of Tianjin**"), in 2018. The disposal of our shares in CSSC Offshore & Marine Engineering and Bank of Tianjin was completed on 28 September 2018.

Gain on Disposal of Associates

Our gain on disposal of associates amounted to HK$40.8 million for the year ended 31 December 2018. The disposal of associates represents the disposal of our shares in CSSC Offshore & Marine Engineering, Bank of Tianjin, China Development Bank Financial Leasing Co., Ltd. and Everbright Securities Company Limited, which was completed on 28 September 2018.

Income Tax (Expenses) / Credit

Our income tax expenses represent the amount of income tax paid by us in respect of profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate. During the Track Record Period, our main operating subsidiaries in the PRC and Hong Kong were subject to corporate income tax at a rate of 25% and 16.5% on assessable income, respectively. For the years ended 31 December 2016 and 2017, our income tax expenses amounted to HK$10.8 million and HK$16.2 million, respectively, representing an effective tax rate of 2.4% and 2.6%, respectively. For the year ended 31 December 2018, our tax credit amounted to HK$2.1 million, which was mainly due to the reversal of deferred tax liability recognised in previous years regarding the retained earnings of two of our associates as such interests were disposed of in September 2018. Our core business is the provision of leasing services which include finance lease and operating lease. Consistent with the industry practice, we structure and operate our ship leasing business through different SPVs, which are established or incorporated mainly in the Marshall Islands, the BVI, Hong Kong and the PRC, depending on the commercial arrangements of each transaction. During the Track Record Period, our revenue was mainly generated from these SPVs.

Our relatively low effective tax rate during the Track Record was mainly because the finance lease income and operating lease income generated from our overseas SPVs were not subject to Hong Kong income tax, and our Directors consider the likelihood of such revenue being considered as PRC-sourced income is remote.

Our Directors confirmed that, as at the Latest Practicable Date, we had paid all relevant taxes and were not subject to any dispute or unresolved tax issues with the relevant tax authorities in the PRC, Hong Kong or Singapore.

Profit for the Year

While we recorded accumulated losses of HK$204.6 million at the beginning of 2015, our business performance improved during the Track Record Period. We recorded net profit of HK$432.2 million, HK$602.6 million and HK$706.5 million for the years ended 31 December 2016, 2017 and 2018, respectively. The ship leasing services industry is capital intensive with a long payback period. A large amount of initial investment is required to purchase vessels and the lease payment obligations of our customers generally commence when the construction of vessels is completed and the vessels are delivered to them. Our business commenced in 2012 and the first batch of vessels under direct finance lease arrangements were completed and delivered in 2015, after which we began to record lease income and our business performance began to improve.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Our profit for the year increased by HK$170.4 million, or 39.4%, from HK$432.2 million for the year ended 31 December 2016 to HK$602.6 million for the year ended 31 December 2017. Our net profit margin increased from 41.9% for the year ended 31 December 2016 to 45.3% for the year ended 31 December 2017. The increase in profit was in line with our business expansion. The increase in net profit margin was mainly due to the improvement in our asset quality, which resulted in the decrease in provision for impairment loss on loan receivables for the year ended 31 December 2017.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Our profit for the year increased by HK$103.9 million, or 17.2%, from HK$602.6 million for the year ended 31 December 2017 to HK$706.5 million for the year ended 31 December 2018. Our net profit margin decreased from 45.3% for the year ended 31 December 2017 to 33.6% for the year ended 31 December 2018. The increase in profit was in line with our business expansion. The decrease in net profit margin was primarily due to the decrease in share of results of associates as we disposed of our shares in two of our associates during the year.

DESCRIPTION OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out, as at the dates indicated, certain key items of our consolidated statements of financial position:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Assets			
Interests in associates	5,449,298	5,881,965	15,938
Interests in joint ventures	—	8	8
Property, plant and equipment	4,601,976	6,069,615	6,790,885
Available-for-sale financial assets	596,394	829,728	N/A
Convertible bonds receivables	345,860	—	—
Prepayments, deposits and other receivables	2,556,020	1,169,509	264,103
Loan receivables	12,556,774	14,473,220	17,799,656
Derivative financial assets	82,314	527,652	27,623
Financial assets at fair value through profit or loss	107,583	277,593	385,659
Financial assets at fair value through other comprehensive income	N/A	N/A	1,071,174
Amount due from holding company	68,475	68,475	—
Amounts due from associates	38,057	37,457	24,841
Amounts due from related companies	2,452	1,535	—
Amounts due from fellow subsidiaries	1,367,487	566,136	114,098
Structured bank deposits	128,867	335,366	312,156
Time deposits with maturity over three months	26,801	860,981	1,579,858
Cash and cash equivalents	3,583,734	1,018,922	924,060
Total assets	**31,512,092**	**32,118,162**	**29,310,059**
Liabilities			
Deferred tax liabilities	2,677	11,178	—
Income tax payable	5,389	11,539	20,649
Borrowings	23,240,508	24,740,129	22,567,489
Derivative financial liabilities	70,576	—	—
Amount due to a non-controlling interest	78,192	87,750	88,397
Amounts due to related companies	2,470	4,977	70,433
Amounts due to fellow subsidiaries	1,879,525	539,693	439,013
Other payables and accruals	888,266	449,406	358,850
Total liabilities	**26,167,603**	**25,844,672**	**23,544,831**
Net assets	**5,344,489**	**6,273,490**	**5,765,228**
Total equity	**5,344,489**	**6,273,490**	**5,765,228**

Assets

Our total assets increased slightly by 1.9% from HK$31,512.1 million as at 31 December 2016 to HK$32,118.2 million as at 31 December 2017. Our total assets then decreased by 8.7% to HK$29,310.1 million as at 31 December 2018.

Property, Plant and Equipment

Our property, plant and equipment comprise construction in progress, vessels held for operating lease, leasehold improvements, office equipment and motor vehicles held for business purposes. As at 31 December 2016, 31 December 2017 and 31 December 2018, our property, plant and equipment amounted to HK$4,602.0 million, HK$6,069.6 million and HK$6,790.9 million, respectively.

The increase in our property, plant and equipment during the Track Record Period was primarily due to the increase in construction in progress and the increase in the number of vessels under operating lease arrangements as we entered into new lease agreements with our customers.

Loan Receivables

Our loan receivables comprise (i) finance lease receivables; (ii) loan borrowings; (iii) loans to fellow subsidiaries; (iv) loan to an associate; and (v) loans to joint ventures.

Finance lease receivables are secured, repayable within 12 years and bore interest at rates ranging from 4% to 10% as at 31 December 2016, 31 December 2017 and 31 December 2018.

Loan borrowings mainly refer to receivables from the secured loan, pre-delivery loan and factoring services provided by us. Our loan borrowings are secured and bore interest at rates ranging from 2.5% to 15%, 4.9% to 15% and 4.9% to 15% per annum and repayable from 2017 to 2023, 2018 to 2023 and 2019 to 2023 as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively.

Loans to fellow subsidiaries represent the interest-free loans secured by trade receivables that were granted to our fellow subsidiaries in relation to offshore guarantee-backed onshore finance projects and fully repaid in 2017.

Loan to an associate represents the interest-free loan secured by trade receivables that was granted to an associate and fully repaid in 2017.

Loans to joint ventures represents the unsecured loan to joint ventures which are repayable on demand and bore interest at rates ranging from 4.15% to 4.34% and from 4.69% to 5.30% per annum for the years ended 31 December 2017 and 2018, respectively.

The following table sets out, as at the dates indicated, the components of our loan receivables:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Finance lease receivables	6,421,530	9,627,809	9,489,933
Loan borrowings	2,538,889	4,831,026	7,804,116
Loans to fellow subsidiaries	2,927,447	—	—
Loan to an associate	668,908	—	—
Loans to joint ventures	—	14,385	505,607
Total	**12,556,774**	**14,473,220**	**17,799,656**

During the years ended 31 December 2016, 2017 and 2018, there was no major default in the repayment of loan receivables from our customers and none of our loan receivables was written off.

- ***Finance Lease Receivables***

Net finance lease receivables is the gross investment in leases less unearned finance income and accumulated allowance for impairment loss.

The following table sets out, as at the dates indicated, a breakdown of our finance lease receivables:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance lease receivables	8,716,829	12,358,578	11,597,082
Guaranteed residual values	293,351	454,871	506,337
Gross investment in leases	9,010,180	12,813,449	12,103,419
Less: Unearned finance income	(2,406,996)	(2,902,190)	(2,261,222)
Net investments in leases	6,603,184	9,911,259	9,842,197
Less: accumulated allowance for impairment loss	(181,654)	(283,450)	(352,264)
Finance lease receivables — net	**6,421,530**	**9,627,809**	**9,489,933**

The following table sets out, as at the dates indicated, a breakdown of our gross investment in finance leases by maturity date:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Gross investment in finance leases			
— Within 1 year	1,097,493	1,477,225	1,872,853
— More than 1 year but less than 2 years	1,362,735	1,728,297	1,341,362
— Between 2 to 5 years	3,288,413	3,998,929	3,720,179
— Over 5 years	3,261,539	5,608,998	5,169,025
Total	**9,010,180**	**12,813,449**	**12,103,419**

Our net finance lease receivables increased by 49.9% from HK$6,421.5 million as at 31 December 2016 to HK$9,627.8 million as at 31 December 2017. Such increase was mainly due to the increase in the number of finance lease projects we entered into with our customers and the commencement of lease payment obligations of our customers after the vessels were delivered to them.

While our financial leasing business continued to expand in 2018, we received repayments from our customers. As a result, our net finance lease receivables remained relatively stable at HK$9,627.8 million and HK$9,489.9 million as at 31 December 2017 and 31 December 2018, respectively.

- ***Loan Borrowings***

The following table sets out, as at the dates indicated, a breakdown of our loan borrowings attributable to our pre-delivery loan services, secured loan services and factoring services:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Loan borrowings attributable to			
— Pre-delivery loan services	2,012,064	4,065,559	—
— Secured loan services	592,792	474,843	7,892,193
— Factoring services	112,110	348,240	—
Gross amount	**2,716,966**	**4,888,642**	**7,892,193**
Impairment loss	(178,077)	(57,616)	(88,077)
Net carrying amount	**2,538,889**	**4,831,026**	**7,804,116**

The following table sets out, as at the dates indicated, a maturity profile of our loan borrowings, based on the maturity date, net of provision:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	150,006	473,562	1,010,119
More than 1 year but less than 2 years	67,725	100,392	630,629
Between 2 to 5 years	157,247	56,846	1,611,565
Over 5 years	2,163,911	4,200,226	4,501,803
Total	**2,538,889**	**4,831,026**	**7,804,116**

As at 31 December 2016, 31 December 2017 and 31 December 2018, our loan borrowings amounted to HK$2,538.9 million, HK$4,831.0 million and HK$7,804.1 million, respectively.

Our loan borrowings increased from HK$2,538.9 million as at 31 December 2016 to HK$4,831.0 million as at 31 December 2017. Such increase was mainly due to the increase in secured loans and pre-delivery loans granted to our customers during the same period. Loan borrowings in respect of pre-delivery loan services were transferred to finance lease receivables when we began to receive lease payments from our customers.

Our loan borrowings increased from HK$4,831.0 million as at 31 December 2017 to HK$7,804.1 million at 31 December 2018. Such increase was mainly due to the increase in secured loans from HK$474.8 million as at 31 December 2017 to HK$7,892.2 million as at 31 December 2018, which was partially offset by the decrease in loan borrowings attributable to pre-delivery loan services and loan borrowings attributable to factoring services from HK$4,065.6 million and HK$348.2 million, respectively, as at 31 December 2017 to nil and nil, respectively, as at 31 December 2018. The increase in loan borrowings attributable to secured loan services was mainly due to the increase in loan borrowings from one of the major pre-delivery loan transactions that we entered into in 2015 which was reclassified as a secured loan transaction in 2018. We entered into the pre-delivery loan transaction in 2015, and the transaction became a sale-and-leaseback transaction in 2018 upon the satisfaction of certain conditions. However, the said transaction remained as a secured loan transaction from an accounting perspective, and the balance was reclassified from loan borrowings attributable to pre-delivery loan services to loan borrowings attributable to secured loan services in 2018. The decrease in loan borrowings attributable to pre-delivery loan services was mainly because we did not offer new pre-delivery loan services in 2018 and the reclassification of the balance of loan borrowings attributable to pre-delivery loan services to loan borrowings attributable to secured loan services in relation to the loan transaction we entered into in 2015. Our loan borrowings attributable to factoring services amounted to nil as at 31 December 2018 since all of our factoring loans expired during the year.

During the Track Record Period, there was no loan receivable that was past due but not impaired.

Interests in Associates

As at 31 December 2016, 31 December 2017 and 31 December 2018, our interests in associates amounted to HK$5,449.3 million, HK$5,882.0 million and HK$15.9 million, respectively.

The following table sets out, as at the dates indicated, the particulars of our material associates:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to our Group			Principal activities
		31 December			
		2016	2017	2018	
CSSC Offshore & Marine Engineering	PRC	24.47%	24.47%	N/A	Manufacturing of vessels
Bank of Tianjin	PRC	4.99%	4.99%	N/A	Banking business and financial services
Nor Solan I Pte Ltd.	Singapore	28.0%	28.0%	28.0%	Chartering services
Nor Solan II Pte Ltd.	Singapore	28.0%	28.0%	28.0%	Chartering services

The increase in our interests in associates from HK$5,449.3 million as at 31 December 2016 to HK$5,882.0 million as at 31 December 2017 was mainly due to the share of profits of our associates in 2017. The decrease in interests in associates from HK$5,882.0 million as at 31 December 2017 to HK$15.9 million as at 31 December 2018 was mainly due to the disposal of our shares in CSSC Offshore & Marine Engineering and Bank of Tianjin, which was completed on 28 September 2018.

Interests in Joint Ventures

Interests in joint ventures represents the capital contributed by our Group in joint ventures incorporated in 2016, which amounted to HK$8,000 as at 31 December 2017 and 31 December 2018.

Prepayments, Deposits, Other Receivables and Other Assets

Our prepayments, deposits and other receivables mainly include prepayments for construction of vessels under finance lease arrangements, vessel operating costs and interest receivables. Our other assets mainly include convertible bonds receivables, time deposits with maturity over three months and structured bank deposits.

The following table sets out, as at the dates indicated, a breakdown of our prepayments, deposits, other receivables and other assets:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments for finance leasing	2,415,350	890,274	34,087
Prepayments for ship managers	113,854	163,893	163,682
Interest receivables	11,341	30,012	54,088
Convertible bonds receivables	345,860	—	—
Structured bank deposits	128,867	335,366	312,156
Time deposits with maturity over three months	26,801	860,981	1,579,858
Other receivables	15,475	85,330	12,246
Total	**3,057,548**	**2,365,856**	**2,156,117**

Our prepayments, deposits, other receivables and other assets decreased by 22.6% from HK$3,057.5 million as at 31 December 2016 to HK$2,365.9 million as at 31 December 2017, primarily due to the decrease in prepayments as our customers' lease payment obligations commenced and the relevant prepayments were transferred to finance lease receivables, as well as the decrease in convertible bonds receivables due to our redemption of convertible bonds in 2017.

Our prepayments, deposits, other receivables and other assets decreased by 8.9% from HK$2,365.9 million as at 31 December 2017 to HK$2,156.1 million as at 31 December 2018, primarily due to the decrease in our prepayments for finance leasing, which was partially offset by the increase in our time deposits with maturity over three months. Our prepayments for finance leasing decreased from HK$890.3 million as at 31 December 2017 to HK$34.1 million as at 31 December 2018 as our customers' lease payment obligations commenced and the relevant prepayments were transferred to finance lease receivables.

Amounts due from Fellow Subsidiaries, Holding Company, Associates and Related Companies

Our amounts due from fellow subsidiaries, holding company, associates and related companies amounted to HK$1,476.5 million, HK$673.6 million and HK$138.9 million as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively.

Our amounts due from fellow subsidiaries mainly represent the payment for the purchase of certain listed securities which bear interest rate of 4.5% and are non-trade related in nature and the commission income to be received from the procurement of equipment for our fellow subsidiaries, which are unsecured, interest free, repayable on demand and denominated in HKD, USD and CHF. The amounts due from fellow subsidiaries in relation to the purchase of certain listed securities was settled in September 2018.

Our amounts due from holding company are unsecured, interest free and repayable on demand, denominated in RMB and non-trade related in nature and were fully settled in September 2018.

Our amounts due from associates mainly represent commission income to be received from the procurement of equipment for our associates, which are denominated in SGD and USD and are unsecured, interest free and repayable on demand.

Our amounts due from related companies are unsecured, interest free, repayable on demand, denominated in HKD and USD and non-trade related in nature. Our amounts due from related companies were fully settled during the year ended 31 December 2018.

Our amounts due from fellow subsidiaries, holding company, associates and related companies as at 31 December 2018 were all trade related in nature. All trade related amounts due from fellow subsidiaries, holding company, associates and related companies will be settled in accordance with the terms of the relevant agreements.

The following table sets out, as at the dates indicated, a breakdown of our amounts due from fellow subsidiaries, holding company, associates and related companies:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Amounts due from fellow subsidiaries	1,367,487	566,136	114,098
Amount due from holding company	68,475	68,475	—
Amount due from associates	38,057	37,457	24,841
Amount due from related companies	2,452	1,535	—
Total	**1,476,471**	**673,603**	**138,939**

Investments

During the Track Record Period, we purchased investments for cash management purposes. Our investments mainly consist of preferred shares, bonds and wealth management products issued by PRC banks or corporate issuers which provide fixed income and with a relatively low risk profile.

During the Track Record Period, in order to increase the return of our cash on hand, our investments increased significantly from HK$704.0 million as at 31 December 2016 to HK$1,456.8 million as at 31 December 2018.

Our credit and structured finance department and accounting and treasury department are primarily responsible for overseeing our investment activities, and we have standard policies and procedures for the approval and carrying out of financial transactions. We generally invest in products that provide moderate and stable returns and avoid high-risk products, and we generally hold our bonds till maturity. Before making any investment decisions, we consider, among others, our investment objective, the risk, return and liquidity of the investments as well as the reputation of the issuers. We maintain strict risk controls and periodically review the performance of our investments.

The following table sets out, as at the dates indicated, a breakdown of our investments by category:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets	596,394	829,728	—
Financial assets at fair value through profit or loss	107,583	277,593	385,659
Financial assets at fair value through other comprehensive income	—	—	1,071,174
Total	**703,977**	**1,107,321**	**1,456,833**

- ***Available-for-Sale Financial Assets***

Our available-for-sale financial assets represent listed perpetual securities and investments in bonds which are mainly USD-denominated and EUR-denominated listed perpetual securities issued by PRC banks, and fixed income USD-denominated bonds issued by corporate issuers, that were acquired to be held for medium- to long-term.

The following table sets out, as at the dates indicated, a breakdown of our available-for-sale financial assets:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Preferred shares	289,657	653,398	—
Bonds	306,737	176,330	—
Total	**596,394**	**829,728**	**—**

As at 31 December 2016, 31 December 2017 and 31 December 2018, our available-for-sale financial assets amounted to HK$596.4 million, HK$829.7 million and nil, respectively. The increase in our available-for-sale financial assets from HK$596.4 million as at 31 December 2016 to HK$829.7 million as at 31 December 2017 was mainly due to the increase in investments in preferred shares in the aggregate amount of HK$346.4 million, which was partially offset by the disposal of certain fixed income bond in the amount of HK$129.6 million.

Our available-for-sale financial assets amounted to nil as at 31 December 2018 due to the reclassification of available-for-sale financial assets as financial assets at fair value through other comprehensive income upon our adoption of HKFRS 9 on 1 January 2018.

- ***Financial Assets at Fair Value through Profit or Loss***

Our financial assets at fair value through profit or loss represent unlisted equity securities of a PRC private company engaging in the production of shipping equipment and investments in fixed income wealth management products which mainly consisted of listed securities and bonds, that were acquired principally for the purpose of selling in the short term.

The following table sets out, as at the dates indicated, a breakdown of our financial assets at fair value through profit or loss:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Unlisted equity securities	107,583	82,797	—
Investment in wealth management products	—	194,796	385,659
Total	**107,583**	**277,593**	**385,659**

As at 31 December 2016, 31 December 2017 and 31 December 2018, our financial assets at fair value through profit or loss amounted to HK$107.6 million, HK$277.6 million and HK$385.7 million, respectively.

We seek to have a diversified investment portfolio. Our financial assets at fair value through profit or loss increased from HK$107.6 million as at 31 December 2016 to HK$277.6 million as at 31 December 2017 since we purchased an investment portfolio in an aggregate principal amount of HK$194.8 million during the year ended 31 December 2017. Our financial assets at fair value through profit or loss increased to HK$385.7 million as at 31 December 2018 mainly due to our additional investment in wealth management products and the change in fair value of our wealth management products, which was partially offset by the decrease in our unlisted equity securities. Our unlisted equity securities decreased from HK$82.8 million as at 31 December 2017 to nil as at 31 December 2018 since we disposed of all of our unlisted equity securities during the year ended 31 December 2018.

- ***Financial Assets at Fair Value through Other Comprehensive Income***

Our financial assets at fair value through other comprehensive income mainly represent the preferred shares and fixed income bonds that were previously classified as available-for-sale financial assets prior to the adoption of HKFRS 9, and investments in fixed income wealth management products.

The following table sets out, as at the dates indicated, a breakdown of our financial assets at fair value through other comprehensive income:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Equity instrument			
— Listed perpetual securities	—	—	520,614
Debt instrument			
— Listed debts	—	—	393,934
— Unlisted debt	—	—	156,626
Total	**—**	**—**	**1,071,174**

Our financial assets at fair value through other comprehensive income of HK$1,071.2 million as at 31 December 2018 mainly represented our financial assets previously classified as available-for-sale financial assets and our additional investments in debt instruments in the aggregate principal amount of HK$397.4 million during the year ended 31 December 2018, which was partially offset by the disposal of certain preferred shares in the aggregate amount of HK$77.6 million and the change in fair value of our financial assets. The reclassification of financial assets was due to our adoption of HKFRS 9 on 1 January 2018.

Derivative Financial Instruments

We enter into derivative financial instruments to manage exchange rate and interest rate risks and for cash management purposes. Our derivative financial instruments mainly represented foreign forward contracts, put option on unlisted equity securities, foreign currency swap, interest rate swap and cross currency swap.

The following table sets out, as at the dates indicated, a breakdown of our derivative financial instruments:

	Assets			Liabilities		
	As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Foreign forward contracts	—	279,977	—	70,576	—	—
Put option on unlisted equity securities	82,314	116,996	—	—	—	—
Foreign currency swap	—	97,918	—	—	—	—
Interest rate swap	—	32,761	—	—	—	—
Cross currency swap	—	—	27,623	—	—	—
Total	**82,314**	**527,652**	**27,623**	**70,576**	**—**	**—**

We recorded derivative financial liabilities of HK$70.6 million for our foreign forward contracts as at 31 December 2016. Our derivative financial assets increased by 541.0% from HK$82.3 million as at 31 December 2016 to HK$527.7 million as at 31 December 2017, mainly because of the change in fair value of the foreign forward contracts, foreign currency swap and interest rate swap we entered into to manage our exchange rate and interest rate risks from our foreign currency denominated liabilities during the year ended 31 December 2017. Our derivative financial assets decreased by 94.8% from HK$527.7 million as at 31 December 2017 to HK$27.6 million as at 31 December 2018, mainly due to the expiration of the foreign forward contracts and the exercise of put option on unlisted equity securities during the year ended 31 December 2018.

Valuation of our Investments

Certain financial assets at fair value through profit or loss (unlisted equity securities and wealth management portfolio), derivative financial instruments (put option of the investment in unlisted equity securities) and embedded derivative of convertible bond (convertible feature) were classified as level 3 during the Track Record Period.

We have implemented internal procedures to ensure the reasonableness of the fair value measurement of our level 3 financial assets. Our finance personnel manages the valuation of level 3 instruments for financial reporting purpose and manages the valuation exercise of the financial instruments on a case-by-case basis.

The valuation of the wealth management products was performed by utilising discounted cash flow model based on the latest available information from the periodic statements provided by the respective financial institutions.

The valuation of the financial assets relating to unlisted equity securities, including the investments in unlisted equity securities and put options on unlisted equity securities, was performed based on the latest available audited net asset value of the respective unlisted equity securities.

We have engaged an external independent valuer to perform the assessment of the valuation of the embedded derivative of convertible bond at the end of each financial period.

Our Directors are satisfied with the valuation work for financial assets categorised within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountant's Report in Appendix I to this prospectus.

Our reporting accountant's opinion on our historical financial information for the Track Record Period is set out in Appendix I to this prospectus.

Views of the Sole Sponsor

During the Sole Sponsor's due diligence process, it has taken into account the following matters as confirmed by our Directors and discussed with our reporting accountant in relation to the valuation work performed by us during the Track Record Period, and nothing has come to the attention of the Sole Sponsor that would cause it to believe that the valuation of our financial assets categorised within level 3 of fair value measurement does not comply with the applicable auditing and other valuation standards. The Sole Sponsor has taken into account the following:

(i) the discussion with each of the senior management of our Company and our reporting accountant on the procedures carried out by them in respect of the valuation of our financial assets at fair value through profit or loss, derivative financial instruments and embedded derivative of convertible bond;

(ii) the review of the audited accounts of the respective investments and the relevant transaction documents pursuant to which such investments were contemplated;

(iii) the review of the valuation reports prepared by the external independent valuers and the engagement letters in respect of the valuation of the convertible bond during the Track Record Period to understand the valuation process and results in connection with the relevant investments, including (a) the assumptions and basis; (b) valuation approach; (c) valuation scope; (d) valuation conclusion and reasons; (e) matters affecting the valuation; (f) the qualification of the external independent valuers; and (g) the valuation procedures provide a reasonable basis for its valuation and conducted in accordance with relevant accounting and valuation standards; and

(iv) the confirmation from the external independent valuers in respect of the valuation of the convertible bond that the valuation of the convertible bond was conducted in accordance with relevant accounting standards and the International Valuation Standards.

The external independent valuers who conducted the relevant valuation are qualified and have the relevant experience in providing valuation services and the person in charge of valuation possess various professional qualifications, such as Fellow Chartered Accountant, Associate Chartered Accountant, Chartered Valuer and Appraiser, Certified Finance and Treasury Professional of the Finance and Treasury Association, according to public profile set out on the official website of the relevant external independent valuers.

Liabilities

Our total liabilities decreased by 1.2% from HK$26,167.6 million as at 31 December 2016 to HK$25,844.7 million as at 31 December 2017 and further decreased by 8.9% to HK$23,544.8 million as at 31 December 2018.

Borrowings

Our borrowings represent bank borrowings and bonds payable. As at 31 December 2016, 31 December 2017 and 31 December 2018, our borrowings amounted to HK$23,240.5 million, HK$24,740.1 million and HK$22,567.5 million, respectively.

The following table sets out, as at the dates indicated, a breakdown of our borrowings:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Bank borrowings — secured	19,118,085	19,977,814	22,567,489
Bonds payable	4,122,423	4,762,315	—
Total	**23,240,508**	**24,740,129**	**22,567,489**

Our bank borrowings generally increased during the Track Record Period as our business expanded and our working capital requirements increased.

Our borrowings increased slightly by 6.5% from HK$23,240.5 million as at 31 December 2016 to HK$24,740.1 million as at 31 December 2017, mainly because we utilised the share capital contributed by our Shareholder in 2016 during the year ended 31 December 2017.

Our borrowings decreased by 8.8% from HK$24,740.1 million as at 31 December 2017 to HK$22,567.5 million as at 31 December 2018, mainly due to the repayment of borrowings in 2018. We did not have bonds payable as at 31 December 2018 since our EUR-denominated bonds expired in February 2018.

The following table sets out, as at the dates indicated, a breakdown of our bank borrowings by maturity date:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
On demand and within 1 year	4,287,484	1,943,658	7,159,770
More than 1 year but less than 2 years	3,572,865	6,111,250	1,566,560
Between 2 to 5 years	7,346,666	4,440,915	1,177,954
After 5 years	3,911,070	7,481,991	12,663,205
Total	**19,118,085**	**19,977,814**	**22,567,489**

Our bank borrowings were secured by certain of our vessels and guarantees from our holding company. As at 31 December 2016, 31 December 2017 and 31 December 2018, our bank borrowings were secured by our vessels with net carrying amount of HK$2,939.6 million, HK$2,842.7 million and HK$2,745.7 million and guarantees from our holding company of HK$17,892.1 million, HK$19,454.5 million and HK$19,352.7 million, respectively. The weighted average interest rates for the years ended 31 December 2016, 2017 and 2018 ranged from 2.40% to 4.60%, 2.48% to 4.90% and from 2.87% to 4.98%, respectively.

Our Directors confirm that there was no delay in the repayment of or default in any of our bank borrowings during the Track Record Period and up to the Latest Practicable Date, and we did not experience any difficulty in obtaining banking facilities with commercially acceptable terms during the Track Record Period.

Amounts due to Fellow Subsidiaries, a Non-Controlling Interest and Related Companies

Our amounts due to fellow subsidiaries, a non-controlling interest and related companies amounted to HK$1,960.2 million, HK$632.4 million and HK$597.8 million as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively.

The following table sets out, as at the dates indicated, a breakdown of our amounts due to fellow subsidiaries, a non-controlling interest and related companies:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amounts due to fellow subsidiaries	1,879,525	539,693	439,013
Amount due to a non-controlling interest	78,192	87,750	88,397
Amounts due to related companies	2,470	4,977	70,433
Total	**1,960,187**	**632,420**	**597,843**

Our amounts due to fellow subsidiaries are unsecured, bear interest at rates ranging from nil to 0.01% and mainly denominated in USD. As at 31 December 2016, 31 December 2017 and 31 December 2018, except for an aggregate amount of HK$1,475.6 million, HK$416.9 million and HK$346.6 million, respectively, which was repayable within one year and non-trade related in nature, the remaining balance was not repayable within one year from the end of each reporting period and was trade related in nature.

Our amounts due to a non-controlling interest are unsecured, interest free, repayable on demand and denominated in USD.

Our amounts due to related companies are unsecured, interest free, repayable on demand and denominated in HKD and USD.

All non-trade related amounts due to fellow subsidiaries, non-controlling interest and related companies as at 31 December 2018 had been settled as at 31 March 2019.

Other Payables and Accruals

Our other payables and accruals mainly comprise accrued expenses, deposits received, loan interest payable and Listing expenses.

Our deposits received represents the amount paid by our customers to secure their obligations and liabilities under the lease agreements. Our loan interest payable represents interest on bank borrowings.

As at 31 December 2016, 31 December 2017 and 31 December 2018, our other payables and accruals amounted to HK$888.3 million, HK$449.4 million and HK$358.9 million, respectively.

The following table sets out, as at the dates indicated, a breakdown of our other payables and accruals:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Deposits received	871,018	402,344	262,168
Accruals	2,981	5,718	15,660
Other payables	14,267	41,344	81,022
Total	**888,266**	**449,406**	**358,850**

Our deposits received amounted to HK$871.0 million, HK$402.3 million and HK$262.2 million as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively. Our deposits received decreased throughout the Track Record Period. We generally require deposits from our customers before completion of the construction of vessels. When vessels are delivered to our customers, the deposits will be used to offset their lease payments. During the Track Record Period, our deposits decreased as vessels had been completed and delivered to our customers. The amount of deposits that we required during the Track Record Period also decreased as market conditions improved.

The increase in other payables from HK$41.3 million as at 31 December 2017 to HK$81.0 million as at 31 December 2018 was mainly due to the increase in Listing expenses and new bank borrowing received on behalf of one of our joint ventures during the year ended 31 December 2018.

Net Assets

Our net assets increased by 17.6% from HK$5,344.5 million as at 31 December 2016 to HK$6,273.5 million as at 31 December 2017, mainly due to the increase in our retained profits and exchange reserve. Our net assets decreased by 8.8% to HK$5,765.2 million as at 31 December 2018, mainly to the declaration of dividends of HK$1,467.0 million in September 2018.

ASSET QUALITY

We adopt a five-category asset quality classification system, which is established with reference to the Guidelines of Asset Risk Classification for Non-bank Financial Institutions (非銀行金融機構資產風險分類指導原則) published by the CBRC, under which our leased assets are classified into five categories, namely "normal", "special mention", "substandard", "doubtful" and "loss". Leased assets that are classified as "substandard", "doubtful" and "loss" are regarded as credit impaired and are considered to be non-performing assets. For details of our asset quality classification system, see "Risk Management — Credit Risk Management — Asset Portfolio Risk Management" in this prospectus.

Loan Receivables Classified based on our Five-Category Asset Quality Classification

The following table sets out, as at the dates indicated, the distribution of our loan receivables before provision for impairment loss based on our five-category asset quality classification:

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Normal	7,292,283	9,043,714	11,909,643
Special mention	5,584,149	5,638,100	6,182,248
Substandard	—	92,369	—
Doubtful	43,073	40,103	109,843
Loss	—	—	38,263
Total loan receivables before provision for impairment loss	**12,916,505**	**14,814,286**	**18,239,997**
Non-performing assets(1)	**43,073**	**132,472**	**148,106**
Non-performing asset ratio(2)	**0.3%**	**0.9%**	**0.8%**

Notes:

(1) Assets that are classified as "substandard", "doubtful" and "loss" are regarded as non-performing assets.

(2) Calculated by dividing non-performing assets by total loan receivables before provision for impairment loss.

31 December 2017 Compared to 31 December 2016

Our non-performing assets and non-performing asset ratio increased from HK$43.1 million and 0.3%, respectively, as at 31 December 2016 to HK$132.5 million and 0.9%, respectively, as at

31 December 2017, mainly due to the increase in finance lease receivables being classified as substandard. As at 31 December 2017, apart from the loan borrowings previously classified as doubtful in 2016, the finance lease receivables from a finance lease project and a loan project were downgraded as substandard due to the lessees' failure to perform their obligations as a result of operating or financial difficulties.

31 December 2018 Compared to 31 December 2017

Our non-performing assets increased from HK$132.5 million as at 31 December 2017 to HK$148.1 million as at 31 December 2018. Such increase was mainly because our non-performing assets were mainly located in the PRC and the balance of non-performing assets increased as HKD appreciated against RMB in 2018. The decrease in non-performing asset ratio from 0.9% as at 31 December 2017 to 0.8% as at 31 December 2018 was mainly due to the increase in our total loan receivables as our business expanded and our increase in effort in recovering overdue payments.

Provision for Impairment Loss on Loan Receivables

We assess our loan receivables for impairment loss and determine a level of provision for impairment loss in accordance with the standards under the HKFRS.

The following table sets out, as at the dates indicated, the provision for impairment loss on loan receivables based on our five-category asset quality classification:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Non-performing assets(1)	43,073	132,472	148,106
Provision for impairment loss on loan receivables	359,731	341,066	440,341
Non-performing asset provision coverage ratio(2)	835.2%	257.5%	297.3%

Notes:

(1) Assets that are classified as "substandard", "doubtful" and "loss" are regarded as non-performing assets.

(2) Calculated by dividing the provision for impairment loss on loan receivables by non-performing assets.

Due to the adoption of HKFRS 9, with effect from 1 January 2018, we adopt the three-stage model for impairment loss based on changes in the credit quality of our loan receivables since initial recognition. Financial instrument that is not credit-impaired on initial recognition is classified in "stage 1". The expected credit loss is measured on a 12-month basis. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "stage 2". Financial instrument that is classified as stage 2 is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis. If the financial instrument is credit-impaired, the financial instrument is then transferred to "stage 3". The expected credit loss is measured on lifetime basis. In stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (stage 3), we are required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The provision for impairment loss recognised in the period is impacted by a variety of factors, including the transfers between stage 1 and stage 2 or stage 3 due to loan receivables experiencing a significant increase (or decrease) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime expected credit loss, the additional provisions for new financial instruments recognised, as well as releases for loan receivables derecognised in the period, and loan receivables derecognised and write-offs of provisions related to assets that were written off during the period.

The following table sets out the changes in the provision for impairment loss on loan receivables and the gross carrying amounts of loan receivables between the beginning and the end of the year ended 31 December 2018 based on the three-stage model:

	As at 31 December 2018			
	Stage 1	Stage 2	Stage 3	
	12-month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Provision for impairment loss on loan receivables as at 1 January 2018	25,496	175,622	187,085	388,203
Transfer from stage 1 to stage 2	(1,462)	82,516	—	81,054
Transfer from stage 2 to stage 3	—	(23,964)	29,373	5,409
Loan receivables originated/(derecognised) during the year	8,689	(12,090)	(30,924)	(34,325)
Provision for impairment of loan receivables as at 31 December 2018	32,723	222,084	185,534	440,341
Loan receivables as at 1 January 2018	11,652,460	2,542,243	619,583	14,814,286
Transfer from stage 1 to stage 2	(1,031,200)	1,031,200	—	—
Transfer from stage 2 to stage 3	—	(214,250)	214,250	—
Loan receivables originated/(derecognised) during the year other than write-off	3,573,412	(406,964)	259,263	3,425,711
Loan receivables as at 31 December 2018	14,194,672	2,952,229	1,093,096	18,239,997
Expected default rate	0.2%	7.5%	17.0%	
Non-performing assets				148,106
Non-performing asset provision coverage ratio[(1)]				**297.3%**

Note:

(1) Calculated by dividing provision for impairment loss on loan receivables by non-performing assets.

According to the new accounting standard effective from 1 January 2018, we measure changes in credit quality of our loan receivables based on the three-stage model prescribed by HKFRS 9. As at 31 December 2018, we made provision for impairment loss on loan receivables of HK$440.3 million, which comprised 12-month expected credit loss of HK$32.7 million for assets under stage 1 and lifetime expected credit loss of HK$222.1 million and HK$185.5 million for assets under stage 2 and stage 3, respectively. As at 31 December 2018, our expected default rate under stage 1, stage 2 and stage 3 lifetime expected credit loss was 0.2%, 7.5% and 17.0%, respectively.

Write-offs

We write off loan receivables, in whole or in part, when we have exhausted all practical recovery efforts and have concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activities. We may write-off loan receivables that are still subject to enforcement activities.

We did not write off any loan receivables during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our operations and growth primarily through cash generated from our operations, bank borrowings, share capital contribution by our Shareholder and issue of bonds. When determining the allocation of our capital resources, we primarily consider our business strategies and development plans, future capital needs and projected cash flow. We expect that there will not be any material change in the sources and uses of our cash upon completion of the Global Offering, except that we will have additional funds from the net proceeds from the Global Offering for implementing our future plans as detailed in "Future Plans and Use of Proceeds" in this prospectus.

Working Capital

During the Track Record Period, we recorded a relatively high gearing ratio, primarily due to our reliance on bank borrowings to finance our capital expenditure and our financial and liquidity needs derived from our growing business operation. Since we are principally engaged in the provision of leasing and loan services, which are capital intensive in nature, we require substantial working capital for our daily operations. Our Directors are of the view that our high gearing ratio should not be used as the sole indication that we are subject to unmanageable liquidity risk.

During the year ended 31 December 2016, we recorded negative operating cash flow, primarily attributable to the fact that our leasing and loan services require a relatively large initial investment at the beginning stage of the projects, whereas the lease payment obligations of our customers begin at a later stage.

During the year ended 31 December 2018, we recorded negative operating cash flow, primarily due to the increase in loan receivables as our business expanded and we entered into new finance lease projects.

Taking into account the financial resources available to us, including our existing cash and cash equivalents, cash flows from our operations, the banking facilities available and the net proceeds from the Global Offering, our Directors are of the view, and the Sole Sponsor concurs, that we have sufficient working capital required for our operations at present and for at least the next 12 months from the date of this prospectus.

Cash Flow

The following table sets out, for the years indicated, a summary of our consolidated statements of cash flow:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Operating profit before changes in working capital	1,082,866	593,736	1,695,430
Net cash (used in)/generated from operating activities	(1,338,063)	1,508,046	(1,415,265)
Net cash (used in)/generated from investing activities	(5,794,779)	(5,502,244)	4,580,329
Net cash generated from/(used in) financing activities	3,085,933	1,381,353	(3,203,392)
Net decrease in cash and cash equivalents	(4,046,909)	(2,612,845)	(38,328)
Cash and cash equivalents at the beginning of the year	7,654,418	3,583,734	1,018,922
Effect of foreign exchange rate changes on cash and cash equivalents	(23,775)	48,033	(56,534)
Cash and cash equivalents at the end of the year	**3,583,734**	**1,018,922**	**924,060**

Net Cash (used in)/generated from Operating Activities

Our cash generated from operating activities mainly represents lease income from our customers, whereas our cash used in operating activities mainly represents cash used in the payment of interests and expenses. Net cash flow from operating activities reflects profit before tax adjusted for non-cash and non-operating items.

For the year ended 31 December 2016, our net cash used in operating activities amounted to HK$1,338.1 million. Our profit before income tax was HK$443.0 million and our operating profit before changes in working capital was HK$1,082.9 million. The negative adjustment for movements in working capital of HK$2,035.6 million was primarily attributable to the increase in loan receivables of HK$2,108.3 million as a result of the expansion of our business.

For the year ended 31 December 2017, our net cash generated from operating activities amounted to HK$1,508.0 million. Our profit before income tax was HK$618.8 million and our operating profit before changes in working capital was HK$593.7 million. The positive adjustment for movements in working capital of HK$1,416.5 million was primarily attributable to the decrease in loan receivables of HK$2,528.9 million, which was partially offset by the decrease in amounts due to fellow subsidiaries of HK$1,339.8 million. The decrease in loan receivables was mainly due to the decrease in loan to fellow subsidiaries. The decrease in amounts due to fellow subsidiaries was due to the repayments made by us during the year.

For the year ended 31 December 2018, our net cash used in operating activities amounted to HK$1,415.3 million. Our profit before income tax was HK$704.4 million and our operating profit before changes in working capital was HK$1,695.4 million. The negative adjustment for movements in working capital of HK$2,154.9 million was primarily attributable to the increase in loan receivables of HK$2,535.4 million, which was partially offset by the decrease in amounts due from fellow subsidiaries of HK$452.0 million. The increase in loan receivables was mainly due to the expansion of our business as we entered into new finance lease projects. The decrease in amounts due from fellow subsidiaries was due to the repayments made to us during the year.

For the years ended 31 December 2016, 2017 and 2018, we transferred HK$3,301.2 million, HK$4,426.7 million and HK$890.3 million from prepayments to finance lease receivables upon completion and delivery of the vessels and commencement of the finance lease arrangements, respectively.

During the year ended 31 December 2016, our Company issued 1,871,834,684 Shares to our Shareholder and the amount due to the holding company as at 31 December 2015 in the amount of HK$677,015,000 was capitalised as part of the consideration of such share issuance.

While our profit before income tax increased during the Track Record Period, we experienced negative operating cash flow for the years ended 31 December 2016 and 2018. The negative operating cash flow was primarily attributable to the fact that (i) our leasing and loan services require a relatively substantial initial investment at the beginning stage of the projects; and (ii) cash payments for new vessels under finance lease agreements were treated as cash outflows for operating activities, whereas the corresponding proceeds from bank borrowings were treated as cash inflows for financing activities. The lease payment obligations of our customers generally only commence when the construction of vessels is completed and the vessels are delivered to our customers. For the years ended 31 December 2016, 2017 and 2018, we made a relatively substantial initial investment for several projects, which amounted to HK$1,637.8 million, HK$2,399.0 million and HK$3,393.0 million, respectively. Some of the projects with substantial initial investments had begun to generate operating cash flow during the Track Record Period as the relevant vessels were delivered to our customers and the lease payment obligations of our customers commenced. Going forward, the projects with a substantial initial investment will generate regular cash inflows, and we will continue to receive lease payments from other existing projects. Our future operating cash flow position is manageable since we make investment decisions based on our business plans as well as funding availability. As part of our risk management initiatives, we monitor our liability maturity structure, analyse the matching of maturity of our assets and liabilities as well as project and forecast our cash inflow and outflow through rolling working capital forecast on a monthly basis. In addition, we conduct liquidity stress testing for various stress scenarios from time to time, which allows us to forecast our liquidity position in different circumstances, adjust our liquidity reserves as appropriate and make necessary funding and financing arrangements. Nevertheless, our liquidity may be materially and adversely affected if there is a significant cash flow mismatch in our operating activities. In the event of a material mismatch in the time between cash inflows and cash outflows, we may obtain additional bank borrowings to meet our payment obligations. Our Directors confirm that the negative operating cash flow during the Track Record Period had no impact on our current and future liquidity as none of our financing arrangements contains covenants on the level of our operating cash flows. Our management will closely monitor our operating cash flow and ensure that we maintain a positive balance between cash inflows and cash outflows. See "Risk Factors — Risks Relating to our Business — Our cash flow position may deteriorate because of potential mismatch in the time between cash inflows and cash outflows" in this prospectus for details of the risks relating to negative operating cash flow.

Net Cash used in Investing Activities

During the Track Record Period, our cash flow generated from investing activities was primarily attributable to the proceeds from the disposal of associates, convertible bonds receivables and other financial assets and dividend income received from financial assets, whereas our cash flow used in investing activities was mainly attributable to the payment for the purchase of vessels and property, plant and equipment.

For the year ended 31 December 2016, our net cash used in investing activities amounted to HK$5,794.8 million, primarily attributable to the acquisition of interest in an associate of HK$2,260.5 million and the payment for the purchase of vessels and property, plant and equipment of HK$3,486.1 million. During the year ended 31 December 2016, we purchased two vessels.

For the year ended 31 December 2017, our net cash used in investing activities amounted to HK$5,502.2 million, primarily attributable to the payment for the purchase of vessels and property, plant and equipment of HK$4,522.1 million and the increase in time deposit with maturity over three months and structured bank deposits of HK$834.2 million and HK$206.5 million, respectively. During the year ended 31 December 2017, we purchased three vessels.

For the year ended 31 December 2018, our net cash generated from investing activities amounted to HK$4,580.3 million, primarily attributable to the proceeds from the disposal of associates of HK$6,418.9 million, which was partially offset by the payment for the purchase of vessels and property, plant and equipment of HK$1,289.9 million. During the year ended 31 December 2018, we purchased 10 vessels.

Net Cash generated from Financing Activities

During the Track Record Period, our cash flow generated from financing activities was primarily attributable to the proceeds from bank borrowings and issue of bonds, whereas our cash used in financing activities was primarily attributable to the payment of interests on bank loans and bank charges and the repayment of bank borrowings and bonds.

For the year ended 31 December 2016, our net cash generated from financing activities amounted to HK$3,085.9 million, primarily attributable to the proceeds from new bank borrowings of HK$10,944.6 million, which was partially offset by the repayment of our USD-denominated bonds of HK$6,204.6 million which expired in December 2016. Apart from our funding needs arising from the increasing number of leasing projects, we obtained new bank borrowings in the aggregate amount of US$800.0 million to repay the bondholders of our USD-denominated bonds which expired in December 2016.

For the year ended 31 December 2017, our net cash generated from financing activities amounted to HK$1,381.4 million, primarily attributable to the proceeds from new bank borrowings of

HK$9,636.7 million, which was partially offset by the repayment of bank borrowings of HK$8,264.9 million. We obtained relatively less bank borrowings in 2017 when compared to 2016 since our funding needs in 2017 were partially satisfied by the share capital contributed by our Shareholder in 2016.

For the year ended 31 December 2018, our net cash used in financing activities amounted to HK$3,203.4 million, primarily attributable to the repayment of our EUR-denominated bonds of HK$4,762.3 million which expired in February 2018, the repayment of bank borrowings of HK$4,253.7 million and the payment of dividends of HK$1,467.0 million, which was partially offset by the proceeds from new bank borrowings of HK$7,210.5 million. We obtained new bank borrowings as we entered into new leasing projects. During the year ended 31 December 2018, we also obtained new borrowings in the aggregate amount of US$500.0 million to repay the bondholders of our EUR-denominated bonds which expired in February 2018, and repaid part of our bank borrowings from the net proceeds from the disposal of associates. On 28 September 2018, our Company declared and paid an interim dividend of HK$1,467.0 million to CSSC International.

Net Current Assets/(Liabilities)

The following table sets out the reconciliation of our assets and liabilities which are expected to be recovered or settled within and after 12 months after the balance sheet dates from the total assets and liabilities:

	As at 31 December 2016	Amounts received or settled after 12 months	Amounts recovered or settled within 12 months	As at 31 December 2017	Amounts received or settled after 12 months	Amounts recovered or settled within 12 months	As at 31 December 2018	Amounts received or settled after 12 months	Amounts recovered or settled within 12 months	As at 31 March 2019	Amounts received or settled after 12 months	Amounts recovered or settled within 12 months
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)
Non-financial assets	12,580,478	12,466,624	113,854	13,005,755	12,841,862	163,893	7,004,600	6,840,918	163,682	7,219,731	7,132,995	86,736
Financial assets	18,931,614	8,407,113	10,524,501	19,112,407	12,508,048	6,604,359	22,305,459	14,145,310	8,160,149	21,570,879	13,380,270	8,190,609
Assets	31,512,092	20,873,737	10,638,355	32,118,162	25,349,910	6,768,252	29,310,059	20,986,228	8,323,831	28,790,610	20,513,265	8,277,345
Non-financial liabilities	879,084	311,143	567,941	425,061	323,399	101,662	282,817	262,168	20,649	279,699	261,259	18,440
Financial liabilities	25,288,519	18,852,827	6,435,692	25,419,611	17,564,107	7,855,504	23,262,014	15,365,905	7,896,109	22,546,851	15,021,835	7,525,016
Liabilities	26,167,603	19,163,970	7,003,633	25,844,672	17,887,506	7,957,166	23,544,831	15,628,073	7,916,758	22,826,550	15,283,094	7,543,456
Net current assets/ (liabilities)			**3,634,722**			**(1,188,914)**			**407,073**			**733,889**

Non-financial assets include interests in associates, interests in a joint venture, property, plant and equipment and prepayments. Non-financial liabilities include deferred tax liabilities, income tax payable and deposits received.

For the components of our financial assets and financial liabilities, see note 3.1(b) to the Accountant's Report in Appendix I to this prospectus.

The following table sets out our current assets and current liabilities as at 31 March 2019:

	As at 31 March
	2019
	HK$'000 (unaudited)
Current assets	
Prepayments, deposits and other receivables	132,683
Loan receivables	3,153,779
Derivative financial assets and financial assets at fair value through profit or loss and other comprehensive income	1,547,636
Amounts due from associates, related companies and fellow subsidiaries	81,004
Structured bank deposits	312,156
Cash and cash equivalents and time deposits with maturity over three months	3,050,087
	8,277,345
Current liabilities	
Income tax payable	18,440
Borrowings	7,029,223
Amounts due to a non-controlling interest, related companies and fellow subsidiaries	434,591
Other payables and accruals	61,202
	7,543,456
Net current assets	733,889

We recorded net current assets of HK$3,634.7 million, HK$407.1 million and HK$733.9 million as at 31 December 2016, 31 December 2018 and 31 March 2019, respectively, and net current liabilities of HK$1,188.9 million as at 31 December 2017.

We recorded net current liabilities of HK$1,188.9 million as at 31 December 2017, primarily due to the decrease in loan receivables due within 12 months to HK$1,965.2 million, the decrease in cash and cash equivalents and time deposits with maturity over three months to HK$1,879.9 million and the increase in borrowings due within 12 months. The decrease in loan receivables was mainly due to the decrease in loan to fellow subsidiaries. The decrease in cash was mainly because some of our projects in 2017 were funded by our existing working capital instead of new bank borrowings. The increase in borrowings was mainly because our EUR-denominated bonds in the aggregate principal amount of EUR500.0 million (equivalent to HK$4,275.0 million) were due in February 2018.

Our net current liabilities position of HK$1,188.9 million as at 31 December 2017 improved to net current assets position of HK$407.1 million as at 31 December 2018, primarily due to the increase in loan receivables due within 12 months to HK$3,654.3 million.

Our net current assets increased to HK$733.9 million as at 31 March 2019, primarily due to the decrease in bank borrowings due within 12 months to HK$7,029.2 million, which was partially offset by the decrease in loan receivables due within 12 months to HK$3,158.8 million.

We proactively manage the maturity profile of our current assets and current liabilities. We regularly monitor our liability maturity structure, analyse the matching of maturity of our assets and liabilities as well as project and forecast our cash inflow and outflow. We obtain funding through multiple channels and ensure we have stable and sufficient working capital to purchase assets and repay borrowings. See "Risk Management — Liquidity Risk Management" in this prospectus for details of our internal control measures of liquidity risk management. See "Risk Factors — Risks Relating to our Business — We recorded net current liabilities during the Track Record Period" in this prospectus for the risks relating to net current liabilities and "Description of Selected Items of our Consolidated Statements of Financial Position" in this section for details regarding the major items affecting our net current assets/liabilities during the Track Record Period.

Financial Assets and Liabilities Based on Contractual Maturities

The following is an analysis of our financial assets and liabilities, comprising (i) all non-derivative financial assets and liabilities; and (ii) net and gross settled derivative financial instruments for which contractual maturities are essential for understanding the timing of cash flow, based on their contractual maturities. The following tables set out our contractual undiscounted cash flow as at the dates indicated, with balances due within 12 months equal to their carrying balances as the impact of discounting is not significant:

Financial assets

	As at 31 December 2016					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments and financial assets at fair value through profit or loss	189,897	—	—	—	189,897	189,897
Available-for-sale financial assets	596,394	—	—	—	596,394	596,394
Convertible bonds receivables	345,860	—	—	—	345,860	345,860
Loan receivables	4,149,661	2,124,653	3,445,660	5,603,527	15,323,501	12,556,774
Other receivables (excluding prepayments)	26,816	—	—	—	26,816	26,816
Amounts due from holding company, fellow subsidiaries, associates and related companies	1,476,471	—	—	—	1,476,471	1,476,471
Cash and cash equivalents and time deposits with maturity over three months	3,610,535	—	—	—	3,610,535	3,610,535
Structured bank deposits	128,867	—	—	—	128,867	128,867
Total	**10,524,501**	**2,124,653**	**3,445,660**	**5,603,527**	**21,698,341**	**18,931,614**

	As at 31 December 2017					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments and financial assets at fair value through profit or loss	805,245	—	—	—	805,245	805,245
Available-for-sale financial assets	829,728	—	—	—	829,728	829,728
Loan receivables	1,965,172	1,828,689	4,055,775	9,866,840	17,716,476	14,473,220
Other receivables (excluding prepayments)	115,342	—	—	—	115,342	115,342
Amounts due from holding company, fellow subsidiaries, associates and related companies	673,603	—	—	—	673,603	673,603
Cash and cash equivalents and time deposits with maturity over three months	1,879,903	—	—	—	1,879,903	1,879,903
Structured bank deposits	335,366	—	—	—	335,366	335,366
Total	**6,604,359**	**1,828,689**	**4,055,775**	**9,866,840**	**22,355,663**	**19,112,407**

	As at 31 December 2018					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments and financial assets at fair value through profit or loss and other comprehensive income	1,484,456	—	—	—	1,484,456	1,484,456
Loan receivables	3,682,543	2,230,199	6,105,591	10,314,592	22,332,925	17,799,656
Other receivables (excluding prepayments)	66,334	—	—	—	66,334	66,334
Amounts due from associates and fellow subsidiaries	138,939	—	—	—	138,939	138,939
Cash and cash equivalents and time deposits with maturity over three months	2,503,918	—	—	—	2,503,918	2,503,918
Structured bank deposits	312,156	—	—	—	312,156	312,156
Total	**8,188,346**	**2,230,199**	**6,105,591**	**10,314,592**	**26,838,728**	**22,305,459**

Financial liabilities

	As at 31 December 2016					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals (excluding deposits received)	17,248	—	—	—	17,248	17,248
Amounts due to a non-controlling interest, related companies and fellow subsidiaries	1,556,213	327,176	76,798	—	1,960,187	1,960,187
Bonds payable	70,081	4,192,504	—	—	4,262,585	4,122,423
Bank borrowings	4,721,574	3,920,730	8,327,253	4,588,417	21,557,974	19,118,085
Derivative financial instruments	70,576	—	—	—	70,576	70,576
Total	**6,435,692**	**8,440,410**	**8,404,051**	**4,588,417**	**27,868,570**	**25,288,519**

	As at 31 December 2017					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals (excluding deposits received)	47,062	—	—	—	47,062	47,062
Amounts due to a non-controlling interest, related companies and fellow subsidiaries	509,641	45,981	76,798	—	632,420	632,420
Bonds payable	4,842,045	—	—	—	4,842,045	4,762,315
Bank borrowings	2,456,756	6,706,537	5,567,271	8,729,349	23,459,913	19,977,814
Total	**7,855,504**	**6,752,518**	**5,644,069**	**8,729,349**	**28,981,440**	**25,419,611**

	As at 31 December 2018					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals (excluding deposits received)	96,682	—	—	—	96,682	96,682
Amounts due to a non-controlling interest, related companies and fellow subsidiaries	434,977	143,513	15,666	3,687	597,843	597,843
Bank borrowings	7,365,170	1,662,407	1,298,462	19,740,874	30,066,913	22,567,489
Total	**7,896,829**	**1,805,920**	**1,314,128**	**19,744,561**	**30,761,438**	**23,262,014**

INDEBTEDNESS

Borrowings

The following table sets out, as at the dates indicated, our interest-bearing borrowings:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Bank borrowings — secured	19,118,085	19,977,814	22,567,489	21,872,854
Bonds payable	4,122,423	4,762,315	—	—
Total	**23,240,508**	**24,740,129**	**22,567,489**	**21,872,854**

The following table sets out, as at the dates indicated, the breakdown of our bonds payable:

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
USD-denominated bonds(1)	—	—	—	—
EUR-denominated bonds(2)	4,122,423	4,762,315	—	—
Total	**4,122,423**	**4,762,315**	**—**	**—**

Notes:

(1) On 12 December 2013, a subsidiary of our Company issued a credit enhanced bond in an aggregate principal amount of US$800.0 million (equivalent to HK$6,240.0 million) with a coupon interest rate of 2.75% per annum due on 12 December 2016, and interest was paid semi-annually.

(2) On 17 February 2015, a subsidiary of our Company issued a credit enhanced bond in an aggregate principal amount of EUR500.0 million (equivalent to HK$4,275.0 million) with a coupon interest rate of 1.7% per annum due on 19 February 2018, and interest was paid annually.

As at 31 December 2016, 31 December 2017 and 31 December 2018, we had borrowings of HK$23,240.5 million, HK$24,740.1 million and HK$22,569.5 million, respectively, which were primarily denominated in USD. As at 31 March 2019, being the latest practicable date for determining indebtedness, we had borrowings of HK$21,782.9 million. Our borrowings were primarily used in financing the working capital requirement of our operations, which mainly includes payment for the construction of vessels.

During the Track Record Period and up to 31 March 2019, being the latest practicable date for determining indebtedness, our borrowings were secured and guaranteed by certain property, plant and equipment and the corporate guarantees provided by CSSC Group. Our Directors confirm that all guarantees provided by CSSC Group for our bank borrowings will be fully released upon Listing. For details, see "Our Relationship with Controlling Shareholders — Independence from Controlling Shareholders — Financial Independence" in this prospectus.

During the Track Record Period and up to 31 March 2019, being the latest practicable date for determining indebtedness, there was no material covenant relating to our outstanding debts. Our Directors confirm that there was no breach of any covenant under our bank borrowings during the aforesaid period.

As at the Latest Practicable Date, our unutilised banking facilities amounted to HK$5,413.2 million.

Amounts Due to Related Parties

The following table sets out, as at the dates indicated, a breakdown of our amounts due to related parties:

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**
Amounts due to fellow subsidiaries	1,879,525	539,693	439,013	456,498
Amount due to a non-controlling interest	78,192	87,750	88,397	88,579
Amounts due to related companies	2,470	4,977	70,433	67,717
Total	**1,960,187**	**632,420**	**597,843**	**612,794**

Our amounts due to fellow subsidiaries are unsecured, bear interest at rates ranging from nil to 0.01% and mainly denominated in USD. As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019, except for an aggregate amount of HK$1,475.6 million, HK$416.9 million, HK$346.6 million and nil, respectively, which was repayable within one year and non-trade related in nature, the remaining balance was not repayable within one year from the end of each reporting period and was trade related in nature.

Our amounts due to a non-controlling interest are unsecured, interest free, repayable on demand and denominated in USD.

Our amounts due to related companies are unsecured, interest free, repayable on demand and denominated in HKD and USD.

All non-trade related amounts due to fellow subsidiaries, non-controlling interest and related companies as at 31 December 2018 had been settled as at 31 March 2019. Our amounts due to related parties as at 31 March 2019 were all trade related in nature.

Contingent liabilities

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 March 2019, we had no significant contingent liabilities.

Save as disclosed in "Indebtedness" in this section, we did not have, at the close of business on 31 March 2019, being the latest practicable date for determining indebtedness, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures comprise expenditure for the purchase of property, plant and equipment. We finance our capital expenditure mainly through our working capital, bank borrowings and bond issuances. For the years ended 31 December 2016, 2017 and 2018, our capital expenditures amounted to HK$776.3 million, HK$1,603.5 million and HK$869.6 million, respectively.

The following table sets out, for the years indicated, a breakdown of our capital expenditures:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Purchase of property, plant and equipment	776,316	1,603,468	869,604

We estimate our capital expenditures for the year ending 31 December 2019 to be HK$3,986.8 million, which will primarily be used for the purchase of vessels. We intend to finance our capital by a combination of cash from operating activities, bank borrowings and the net proceeds from the Global Offering.

OFF BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Capital Commitment

Our contractual commitments comprise capital commitment for the construction of vessels.

The following table sets out, as at the dates indicated, our capital commitment for construction of vessels:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Contracted for construction of vessels	13,657,525	13,084,864	8,901,233

Operating Lease Arrangements

For the years ended 31 December 2016, 2017 and 2018, we, as lessor, leased our vessels under operating lease arrangements for a term ranging from one to 12 years, one to 12 years and one to 12 years, respectively. None of the leases includes contingent rentals.

The following table sets out, as at the dates indicated, our total future minimum lease receivables under non-cancellable operating leases falling due:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	360,889	433,420	390,641
In the second to fifth year inclusive	1,305,674	1,311,450	1,698,505
After five years	1,873,254	1,551,345	904,264
Total	**3,539,817**	**3,296,215**	**2,993,410**

During the Track Record Period, we, as lessee, leased certain office premises and staff quarters under operating lease arrangements. The term of our leased properties ranged from two to five years, two to three years and one to three years for the years ended 31 December 2016, 2017 and 2018, respectively.

The following table sets out, as at the dates indicated, our total future minimum lease payments under non-cancellable operating leases falling due:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	9,059	3,498	2,903
In the second to fifth year inclusive	11,413	3,314	674
Total	**20,472**	**6,812**	**3,577**

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years or as at the dates indicated:

	Year ended/ As at 31 December		
	2016	2017	2018
Profitability indicators			
Return on average assets(1)	1.5%	1.9%	2.3%
Return on average net assets(2)	10.2%	10.5%	11.5%
Average yield of interest-earning assets(3)	8.4%	6.7%	8.6%
Average cost of interest-bearing liabilities(4)	2.8%	3.0%	4.4%
Net interest spread(5)	5.6%	3.6%	4.2%
Net interest margin(6)	5.3%	3.9%	4.8%
Net profit margin(7)	41.9%	45.3%	33.6%
Liquidity indicators			
Asset-liability ratio(8)	83.0%	80.5%	80.3%
Risk asset-to-equity ratio(9)	5.2 times	4.8 times	4.6 times
Gearing ratio(10)	4.3 times	3.9 times	3.9 times
Net debt-to-equity ratio(11)	3.7 times	3.8 times	3.8 times
Asset quality indicators			
Non-performing asset ratio(12)	0.3%	0.9%	0.8%
Non-performing asset provision coverage ratio(13)	835.2%	257.5%	293.7%
Overall collateral coverage ratio(14)	136%	136%	136%
Range of collateral coverage ratio	105%-325%	105%-325%	105%-325%
Value-to-loan ratio of pre-delivery loans(15)	118.0%	100.8%	—
Value-to-loan ratio of secured loans(16)	128.3%	152.1%	127.3%

Notes:

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

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

(3) Calculated by dividing interest income by the average balance of interest-earning assets. Interest income consists of finance lease income and interest income from loan borrowings. Average balance of interest-earning assets is calculated based on the average balance of the gross amount of finance lease receivables and loan borrowings before deducting provision for impairment loss at the beginning and the end of the year.

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

(5) Calculated by subtracting the average cost of interest-bearing liabilities from the average yield of interest-earning assets. Average cost of interest-bearing liabilities is calculated by dividing finance costs and bank charges by the average balance of borrowings at the beginning and the end of the year. Average yield of interest-earning assets is calculated by dividing interest income by the average balance of interest-earning assets.

(6) Calculated by dividing net interest income by the average balance of interest-earning assets. Net interest income is interest income minus interest expenses related to interest-earning assets. Interest expenses related to interest-earning assets are finance costs and bank charges multiplied by the average balance of interest-earning assets divided by the average balance of earning assets at the beginning and the end of the year. Earning assets are total assets minus cash and cash equivalents, prepayments, deposits and other receivables, construction in progress, amount due from holding company, amount due from associates and amounts due from related companies.

(7) Calculated by dividing net profit for the year by total revenue for the year. See "Results of Operations" in this section for more details of our net profit margin.

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

(9) 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.

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

(11) Calculated by dividing net debts by total equity. Net debts are borrowings minus cash and cash equivalents.

(12) Calculated by dividing non-performing assets by gross amount of loan receivables before deducting provision for impairment loss on loan receivables. See "Asset Quality" in this section for more details of the non-performing asset ratio.
(13) Calculated by dividing provision for impairment loss on loan receivables by non-performing assets. See "Asset Quality" in this section for more details of the non-performing asset provision coverage ratio.
(14) Calculated by dividing vessel value (i.e. shipbuilder's cost of shipbuilding) by the total amount of principal in respect of the vessel. See "Business — Our Business — Leasing Services — (i) Finance Lease" in this prospectus for further details.
(15) Calculated by dividing the value of collateral by the sum of the outstanding principal payments under pre-delivery loans. See "Financial Information — Results of Operations — Revenue" in this prospectus for further details. We did not have any outstanding balance of pre-delivery loans as at 31 December 2018 since we did not offer new pre-delivery loans in 2018 and our outstanding balance of pre-delivery loans as at 31 December 2017 was reclassified to secured loans in June 2018 as the vessel was completed and delivered to our customer under a sale-and-leaseback arrangement.
(16) Calculated by dividing the value of collateral by the sum of the outstanding principal payments under secured loans. See "Financial Information — Results of Operations — Revenue" in this prospectus for further details.

As at 31 December 2016, 31 December 2017 and 31 December 2018, our return on average assets was 1.5%, 1.9% and 2.3%, respectively, and our return on average net assets was 10.2%, 10.5% and 11.5%, respectively. Our return on average assets and return on average net assets generally increased during the Track Record Period as our customers began to make lease payments after the vessels were completed and delivered and our operational efficiency improved as our business scale increased. The increase in our return on average assets and return on average net assets from 1.9% and 10.5%, respectively, as at 31 December 2017 to 2.3% and 11.5%, respectively, as at 31 December 2018 was mainly due to the increase in our net profit attributable to the owner of our Company in 2018 and the decrease in our assets and net assets as a result of the payment of dividends of HK$1,467.0 million to our Shareholder in 2018.

Our average cost of interest-bearing liabilities increased during the Track Record Period mainly due to the increase in USD LIBOR.

As at 31 December 2016, 31 December 2017 and 31 December 2018, our net interest margin was 5.3%, 3.9% and 4.8%, respectively, and our net interest spread was 5.6%, 3.6% and 4.2%, respectively. Our net interest margin and net interest spread decreased from 5.3% and 5.6%, respectively, as at 31 December 2016 to 3.9% and 3.6%, respectively, as at 31 December 2017, mainly because the finance lease agreements and loan agreements we entered into in 2017 had a relatively lower interest margin when compared to that of 2016. The weighted average interest margin of the finance lease agreements and loan agreements we entered into in 2016 was 5.9% and 5.3%, respectively, as compared to 4.7% and 4.8% in 2017, respectively. Our net interest margin and net interest spread increased from 3.9% and 3.6%, respectively, as at 31 December 2017 to 4.8% and 4.2%, respectively, as at 31 December 2018, mainly due to the increase in USD LIBOR. During the year ended 31 December 2018, the USD LIBOR increased and our finance lease income, which was mainly subject to the floating interest rate based on USD LIBOR, increased. The increase in USD LIBOR also resulted in an increase in average cost of interest-bearing liabilities and offset the increase in average yield of interest-earning assets. Since we had entered into interest rate swap to manage interest rates risks, the interest rate swap directly offset part of the increase in finance costs and our financing costs did not increase as much as the increase in USD LIBOR. As a result, our net interest margin and net interest spread increased.

Our gearing ratio decreased to 3.9 times as at 31 December 2017, mainly because our total borrowings increased at a slower rate as some of our financing requirements in 2017 were satisfied by the share capital contributed by our Shareholder in 2016. Our gearing ratio remained stable at 3.9 times as at 31 December 2018.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ON FINANCIAL RISKS

We are exposed to credit, liquidity, cash flow and fair value interest rate risk and exchange rate risk arising in our ordinary course of business. For further details of the overview of our risk management process, see "Risk Management" in this prospectus and note 3 to the Accountant's Report in Appendix I to this prospectus.

Credit Risk

Our credit risk are primarily attributable to financial instruments, loan receivables, deposits and other receivables, amounts due from holding company, fellow subsidiaries, associates and related companies, time deposits, structured bank deposits and cash and cash equivalents. We have a credit policy in place and our exposure to these credit risks is monitored on an on-going basis. In this respect, we consider our credit risk significantly reduced.

Liquidity Risk

We are responsible for our own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the approval by our Board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Cash Flow and Fair Value Interest Rate Risk

Our interest rate risk arises primarily from our bank borrowings with floating interest rates, which expose us to cash flow interest rate risk. We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. We currently do not use derivatives to hedge against interest rate risk. However, we will monitor our interest rate exposure and may consider hedging against significant interest rate exposure should the need arise. During the Track Record Period, we used derivative financial instruments, including cross currency swap and interest rate swap, to manage fluctuations in interest rates. We have implemented strict risk management policies to ensure that we do not trade derivative financial instruments for the sole purpose of making profits. Under our risk management policies, all of our financial derivative trading transactions must be submitted to our Board for review, and must be in line with our daily operations, dependent on specific business operations, and for the purpose of risk management and mitigating and minimising our exchange rate and interest rate risks. We also strictly control the scale of funds based on the transaction limit of financial derivatives as approved by our Board or the Shareholders (if applicable) to ensure that our daily operations will not be affected.

Sensitivity Analysis

At 31 December 2016, 31 December 2017 and 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase our profit after tax and our retained profits by HK$126.1 million, HK$131.7 million and HK$166.8 million, respectively. Other components of equity would not be affected by the changes in interest rates.

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

Exchange Rate Risk

Our Group has foreign currency sales, purchases and fund remittances, which expose us to exchange rate risk. Since fluctuations in the exchange rate between USD and HKD is minimal under the Linked Exchanged Rate System, our Directors consider that we are mainly exposed to fluctuations in the exchange rate of EUR, CHF, SGD and RMB. We manage our exchange rate risk by performing regular reviews of our net foreign exchange exposure.

Sensitivity Analysis

The following table details our sensitivity to a 5%, 5% and 5% increase in the relevant functional currencies against HKD as at 31 December 2016, 31 December 2017 and 31 December 2018. 5% is the sensitivity rate used for the Track Record Period when reporting exchange rate risk internally to our key management personnel and represents our management's assessment of the possible changes in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for 5%, 5% and 5% change in foreign currency rates during the Track Record Period. A positive/negative number indicates an increase/a decrease in profit for the year where respective functional currencies strengthening 5%, 5% and 5% as at 31 December 2016, 31 December 2017 and 31 December 2018. During the Track Record Period, for a 5%, 5% and 5% weakening of respective functional currencies against HKD, there would be an equal but opposite impact on the profit for the year.

	As at 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
EUR	(137,182)	(196,976)	68,162
CHF	1,994	2,362	—
SGD	(30)	19	1,203
RMB	11,050	28,671	14,795

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with our related parties. With respect to the related party transactions set out in note 29 to the Accountant's Report in Appendix I to this prospectus, our Directors confirm that each of these transactions was entered into in our ordinary course of business and conducted at arm's length with normal commercial terms.

Our Directors are of the view that the related party transactions would not distort our results of operations during the Track Record Period or make our historical results during the Track Record Period not reflective of our expectations for our future performance. All balances will be settled in accordance with the terms of the relevant agreements and our Directors confirm that all non-trade balances with related companies and guarantees provided by CSSC Group for our bank borrowings will be settled and released upon Listing. See note 29 to the Accountant's Report in Appendix I to this prospectus for details of the related party balances and transactions.

DIVIDEND

During the Track Record Period, we did not have any dividend policy or a fixed dividend payout ratio. We intend to, after the Listing, adopt a general dividend policy of declaring and paying dividends on an annual basis of approximately 30% of our distributable net profit attributable to our Shareholders, but subject to our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, our Shareholders' interests and other factors which our Directors may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Ordinance, including the approval of our Shareholders.

On 28 September 2018, our Company declared and paid an interim dividend of HK$1,467.0 million to CSSC International.

There is no assurance that any particular amount of dividends, or any dividends at all, will be declared or paid in the future. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Any distributable profits that are not distributed in any given year will be retained and be available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As at 31 December 2018, we had retained profits of HK$1,218.8 million, which was available for distribution to our Shareholders.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this prospectus for further details.

LISTING EXPENSES

Assuming an Offer Price of HK$1.38 per Offer Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, our total Listing expenses is estimated to be HK$82.4 million. For the years ended 31 December 2016, 2017 and 2018, we incurred Listing expenses of nil, nil and HK$16.4 million, respectively, which were recognised as administrative expenses in our consolidated statements of comprehensive income. We expect to incur additional Listing expenses (including underwriting commission) of HK$66.0 million, of which HK$13.9 million is expected to be recognised as administrative expenses in our consolidated statements of comprehensive income for the year ending 31 December 2019 and HK$52.1 million is expected to be accounted for as a deduction in equity directly upon Listing.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on expanding our leasing business. For the period from 1 January 2019 up to the Latest Practicable Date, we had undertaken a loan project with a total contract value of US$5.3 million. As at the Latest Practicable Date, we owned a total of 71 vessels, and our committed vessel portfolio comprised 29 vessels, which are expected to be completed and begin to generate lease income to our Group before 2021. As at the Latest Practicable Date, these 100 vessels were of an aggregate value of US$5.6 billion, and 48 and 52 of them were under finance lease and operating lease arrangements, respectively.

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Company repaid guaranteed loans in a total amount of US$258.3 million.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, except as disclosed in this prospectus, there had been no material adverse change in our financial or trading position since 31 December 2018 and up to the date of this prospectus.

FUTURE PLANS

According to our business development strategies, we will continue to focus on developing our leasing business as our core business. In addition, in line with the energy development trends, we plan to establish a business layout in the marine clean energy industry chain. See "Business — Our Development Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming that the Offer Price is HK$1.38 per Offer Share (which is the mid-point of the indicative Offer Price range of HK$1.34 to HK$1.42 per Offer Share), the net proceeds from the Global Offering are estimated to be approximately HK$2,034.6 million (after deducting the underwriting fees and estimated total expenses paid and payable for the Global Offering). We currently intend to use the net proceeds from the Global Offering in the following manner:

- approximately HK$1,220.8 million (or approximately 60% of the net proceeds from the Global Offering) will be used to strengthen the capital base of our ship leasing business, which we believe will enhance the competitiveness of our ship leasing services and our vessel portfolio. In particular, such net proceeds will be used to finance the purchase of the following vessels in our committed vessel portfolio (which are of a total contract value of US$1,262.9 million and for which we had entered into agreements as at the Latest Practicable Date) in the next three years:

Vessel type	Number	Capacity	Amount of net proceeds intended to be used
Container vessel	3	Feeder (i.e. less than 3,000 TEU)	HK$93.6 million (or approximately 4.6% of the net proceeds from the Global Offering)
Bulk carrier	12	81,200 DWT — 208,000 DWT	HK$425.2 million (or approximately 20.9% of the net proceeds from the Global Offering)
Tanker	14	55,000 DWT — 75,000 DWT	HK$490.3 million (or approximately 24.1% of the net proceeds from the Global Offering)
Special tonnage carrier	8	8,400 DWT — 13,000 DWT	HK$211.6 million (or approximately 10.4% of the net proceeds from the Global Offering)

- approximately HK$610.4 million (or approximately 30% of the net proceeds from the Global Offering) will be used as the capital base for our sale-and-leaseback projects in respect of marine clean energy equipment (including marine LNG/LPG units). We believe that such initiatives will bring our industry resources and professionalism as a shipyard-affiliated leasing company into play, thereby strengthening our market position. In particular, such net proceeds will be used to finance the purchase of two 174,000-cubic metre FSRUs (which are equipment for the re-gasification of LNG and offshore solutions for the import of LNG) in respect of a sale-and-leaseback transaction entered into in 2017 in the next three years. These FSRUs are expected to be delivered in 2021, of a total contract value of approximately US$450.0 million (of which more than US$300.0 million will be payable by us in the next three years) and an estimated useful life of 30 years; and

- approximately HK$203.5 million (or approximately 10% of the net proceeds from the Global Offering) will be used as working capital and for general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$1.42 per Offer Share, the net proceeds we receive from the Global Offering will increase by approximately HK$60.1 million. If the Offer Price is set at the low-end of the indicative Offer Price range, being

HK$1.34 per Offer Share, the net proceeds we receive from the Global Offering will decrease by approximately HK$60.1 million. We intend to increase or reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK$310.8 million, assuming an Offer Price of HK$1.38 per Offer Share, being the mid-point of the indicative Offer Price range. If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK$1.42 per Offer Share, the additional estimated net proceeds upon full exercise of the Over-allotment Option will increase by approximately HK$319.8 million. If the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$1.34 per Offer Share, the additional estimated net proceeds upon full exercise of the Over-allotment Option will increase by approximately HK$301.9 million. In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds for the above purposes in the proportion stated above.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will disclose such changes in our annual report in accordance with the Listing Rules and will issue an announcement where such changes constitute inside information.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licenced banks and/or financial institutions.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**", and each a "**Cornerstone Investment Agreement**") with the cornerstone investors set out below (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for a certain number of the Offer Shares (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$1.34 per Offer Share (being the low-end of the indicative Offer Price range), the total number of Shares to be subscribed for by the Cornerstone Investors would be 936,114,000 Shares, representing approximately 61.0% of the Offer Shares and approximately 15.3% of the Shares in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$1.38 per Offer Share (being the mid-point of the indicative Offer Price range), the total number of Shares to be subscribed for by the Cornerstone Investors would be 908,978,000 Shares, representing approximately 59.3% of the Offer Shares and approximately 14.8% of the Shares in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming an Offer Price of HK$1.42 per Offer Share (being the high-end of the indicative Offer Price range), the total number of Shares to be subscribed for by the Cornerstone Investors would be 883,376,000 Shares, representing approximately 57.6% of the Offer Shares and approximately 14.4% of the Shares in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Cornerstone Placing will form part of the International Placing, and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. Immediately upon completion of the Global Offering, none of the Cornerstone Investors will have any representation on our Board or become a substantial shareholder of our Company. To the best knowledge of our Company after making reasonable enquiries, each of the Cornerstone Investors is an Independent Third Party and is not a connected person of our Company.

The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of an over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around 14 June 2019. In addition, in the event that the requirement under Rule 8.08(3) of the Listing Rules, which states that no more than 50% of the shares in public hands at the time of listing can be beneficially owned by the three largest public shareholders, cannot be satisfied, the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company may, in their sole and absolute discretion, adjust the allocation of the number of Offers Shares to be subscribed for by the Cornerstone Investors to satisfy the requirement under Rule 8.08(3) of the Listing Rules.

OUR CORNERSTONE INVESTORS

Set out below is certain information about the Cornerstone Investors provided to us by the Cornerstone Investors:

China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司) ("China Reinsurance")

China Reinsurance is a company listed on the Hong Kong Stock Exchange (stock code: 1508). It originated from The People's Insurance Company of China (中國人民保險公司), which was founded in October 1949. It is the sole domestic reinsurance group in the PRC, and also Asia's largest reinsurance group. China Reinsurance mainly engages in property and casualty reinsurance, life and health reinsurance, primary property and casualty insurance, asset management and other businesses.

COSCO SHIPPING Financial Holdings Co., Limited ("COSCO Shipping")

COSCO Shipping is a limited liability company incorporated under the laws of Hong Kong on 6 March 1998, and its principal business activities include ship finance, leasing, insurance, investment and asset management. COSCO Shipping is a wholly-owned subsidiary and an overseas investment and financial business platform of China COSCO Shipping Corporation Limited, which is a state-owned shipping conglomerate.

Wison Engineering Services Co. Ltd. ("Wison Engineering")

Wison Engineering is a company listed on the Hong Kong Stock Exchange (stock code: 2236). Wison Engineering, together with its subsidiaries, is principally engaged in the provision of chemical engineering, procurement and construction management services, and offers a broad range of integrated services spanning the project lifecycle from feasibility studies, consulting services, provision of proprietary technologies, design, engineering, raw materials and equipment procurement and construction management to maintenance and after-sales technical support.

First Automobile Finance Co., Ltd.* (一汽財務有限公司) ("First Automobile")

First Automobile was a limited liability company established in the PRC on 2 March 1988 and has a registered capital of RMB2.2 billion. It is a non-banking financial institution within FAW Group Corporation, which is a state-owned automobile manufacturing conglomerate. First Automobile is principally engaged in the provision of financial support to the member companies within FAW Group Corporation.

For the purpose of this cornerstone investment, First Automobile will subscribe for the Offer Shares through a fund (the "**QDII Fund**") set up and maintained by China International Capital Corporation Limited (中國國際金融股份有限公司) (the "**QDII Manager**"), a PRC qualified domestic institutional investor. The QDII Fund will invest in such Offer Shares on behalf of First Automobile to fulfil the obligations of First Automobile under the Cornerstone Investment Agreement, and hold such Offer Shares on a non-discretionary basis on behalf of First Automobile (i.e. the QDII Manager only takes orders from First Automobile and makes no decisions of its own). As CICC, being one of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Underwriters, is a wholly-owned subsidiary of the QDII Manager, the QDII Manager is a connected client of CICC pursuant to paragraph 13(7) of Appendix 6 to the Listing Rules. As such, the participation of the QDII Manager as a cornerstone investor in the Global Offering is subject to a consent under paragraph 5(1) of Appendix 6 to the Listing Rules from the Stock Exchange. We have applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit the participation of First Automobile as a cornerstone investor in the Global Offering through the QDII Manager. See "Waivers from Strict Compliance with the Listing Rules" in this prospectus for further details.

The following tables set out certain details of the Cornerstone Placing:

Cornerstone Investor	Total investment amount	Assuming an Offer Price of HK$1.34 per Offer Share (being the low-end of the indicative Offer Price range)				
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
		Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 2,000 Shares)	Approximate percentage of the Offer Shares	Approximate shareholding percentage in our Company immediately upon completion of the Global Offering	Approximate percentage of the Offer Shares	Approximate shareholding percentage in our Company immediately upon completion of the Global Offering
			%	%	%	%
China Reinsurance . .	US$75.0 million (equivalent to approximately HK$588.7 million)	439,320,000	28.6	7.2	24.9	6.9
COSCO Shipping . . .	US$30.0 million (equivalent to approximately HK$235.5 million)	175,728,000	11.5	2.9	10.0	2.8
Wison Engineering	HK$234.0 million	174,626,000	11.4	2.8	9.9	2.7
First Automobile	US$25.0 million (equivalent to approximately HK$196.2 million)	146,440,000	9.5	2.4	8.3	2.3
Total	**HK$1,254.4 million**	**936,114,000**	**61.0**	**15.3**	**53.1**	**14.7**

Cornerstone Investor	Total investment amount	Assuming an Offer Price of HK$1.38 per Offer Share (being the mid-point of the indicative Offer Price range)				
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
		Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 2,000 Shares)	Approximate percentage of the Offer Shares	Approximate shareholding percentage in our Company immediately upon completion of the Global Offering	Approximate percentage of the Offer Shares	Approximate shareholding percentage in our Company immediately upon completion of the Global Offering
			%	%	%	%
China Reinsurance . .	US$75.0 million (equivalent to approximately HK$588.7 million)	426,586,000	27.8	7.0	24.2	6.7
COSCO Shipping . . .	US$30.0 million (equivalent to approximately HK$235.5 million)	170,634,000	11.1	2.8	9.7	2.7
Wison Engineering	HK$234.0 million	169,564,000	11.1	2.8	9.6	2.7
First Automobile	US$25.0 million (equivalent to approximately HK$196.2 million)	142,194,000	9.3	2.3	8.1	2.2
Total	**HK$1,254.4 million**	**908,978,000**	**59.3**	**14.8**	**51.5**	**14.3**

		Assuming an Offer Price of HK$1.42 per Offer Share (being the high-end of the indicative Offer Price range)				
			Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
Cornerstone Investor	**Total investment amount**	**Number of Offer Shares to be subscribed (rounded down to the nearest whole board lot of 2,000 Shares)**	**Approximate percentage of the Offer Shares**	**Approximate shareholding percentage in our Company immediately upon completion of the Global Offering**	**Approximate percentage of the Offer Shares**	**Approximate shareholding percentage in our Company immediately upon completion of the Global Offering**
			%	%	%	%
China Reinsurance	US$75.0 million (equivalent to approximately HK$588.7 million)	414,570,000	27.0	6.8	23.5	6.5
COSCO Shipping	US$30.0 million (equivalent to approximately HK$235.5 million)	165,828,000	10.8	2.7	9.4	2.6
Wison Engineering	HK$234.0 million	164,788,000	10.7	2.7	9.3	2.6
First Automobile	US$25.0 million (equivalent to approximately HK$196.2 million)	138,190,000	9.0	2.3	7.8	2.2
Total	**HK$1,254.4 million**	**883,376,000**	**57.6**	**14.4**	**50.1**	**13.9**

CLOSING CONDITIONS

The subscription obligations of each of the Cornerstone Investors is subject to the following closing conditions:

(i) the Underwriting Agreements having been entered into, having become effective and unconditional by no later than the respective time and date specified therein, and not having been terminated, in accordance with their respective original terms (or as subsequently waived, to the extent it may be waived, by the relevant parties thereto) by no later than the respective time and date as specified in the Underwriting Agreements;

(ii) the Offer Price having been agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us in connection with the Global Offering;

(iii) the representations, warranties, acknowledgements and undertakings provided by the Cornerstone Investor are true and accurate in all respects and not misleading, and there having been no breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor;

(iv) the Listing Committee of the Stock Exchange having granted or agreed to grant the approval for the listing of, and permission to deal in, the Shares on the Main Board of the Stock Exchange and such approval or permission not having been revoked; and

(v) no laws having been enacted or promulgated by any government authority which prohibits the consummation of the closing of the subscription, and there having been no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing of the subscription.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Shares it has purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations as such Cornerstone Investor (including the Lock-up Period restriction).

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
CLSA Limited
CCB International Capital Limited
Fortune (HK) Securities Limited
DBS Asia Capital Limited
BOCOM International Securities Limited
ABCI Securities Company Limited
ICBC International Securities Limited
CMB International Capital Limited
China Everbright Securities (HK) Limited
China Industrial Securities International Capital Limited
Haitong International Securities Company Limited
SPDB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 26 May 2019. Pursuant to the Hong Kong Underwriting Agreement, we are offering 153,404,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Subject, among other conditions, to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (for themselves and/or on behalf of the Hong Kong Underwriters, as the case may be) shall be entitled in their sole and absolute discretion, by written notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there has been a material breach of any of the representations, warranties, agreements and undertakings of our Company as set out in the Hong Kong Underwriting Agreement or there has been a material breach by our Company of any of its obligations under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a misstatement (save for manifest error) in, or constitute a material omission from, any of this prospectus, the Application Forms, the preliminary offering circular in relation to the International Placing and/or in any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(c) any of this prospectus, the Application Forms, the press announcement to be issued in connection with the Hong Kong Public Offering pursuant to the Hong Kong Listing Rules and/or in any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) contains or has been discovered to contain any untrue statement with respect to a fact in any material respect, or omit to state any fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or that any expression of opinion, intention, expectation or forward looking statement contained in any of this prospectus, the Application Forms and/or any announcements, issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair, honest and based on reasonable assumptions, when taken as a whole; or

(d) there shall have occurred any event, act or omission which gives or is likely to give rise to any material liability of any of our Company pursuant to the indemnities under the Hong Kong Underwriting Agreement; or

(e) there shall have been any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole (the "**Material Adverse Change**"); or

(f) our Company withdraws this prospectus (and/or any other documents used in connection with the subscription or sale of any of the Offer Shares pursuant to the Global Offering) or the Global Offering; or

(g) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or

(h) except with the prior consent of the Joint Global Coordinators (such consent not to be unreasonably withheld or delayed), our Company is required to produce or issue a supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Hong Kong Listing Rules or any requirement or request of the Stock Exchange and/or the SFC in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Global Coordinators, adversely affecting the marketing for or implementation of the Global Offering; or

(i) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Offer Shares to be issued or sold under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(j) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the withdrawal of consent by the Sole Sponsor) prior to the issue of this prospectus; or

(k) there shall have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change, or any event or series of events likely to result in any change in, local, national or international financial, political, economic, military, industrial, fiscal, regulatory, taxation, exchange control, currency (including exchange rates or foreign investment regulations) or market conditions or equity securities or stock or other financial market conditions or any monetary or trading settlement system (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting the BVI, the Marshall Islands, Hong Kong, the United States, the United Kingdom, Japan, the PRC, Singapore or the European Union or any member thereof (each a "**Relevant Jurisdiction**"); or

(ii) any new law or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by or for, any of the Relevant Jurisdictions; or

(iv) any event or series of events, in the nature of force majeure affecting any Relevant Jurisdiction including, without limiting the generality thereof, any act of God, war, outbreak or escalation of hostilities (whether or not war is declared) or act of terrorism, or declaration of a national or international emergency or war, riot, public disorder, civil commotion, volcanic eruptions, earthquake, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, strike, or lock-out (whether or not covered by insurance); or

(v) (A) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the Singapore Stock Exchange or the London Stock Exchange; or (B) any major disruption of any securities or monetary settlement or clearing services in any Relevant Jurisdiction; or (C) any general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities; or

(vi) there is an order or petition for the winding up of any member of our Group with substantive business operations or any composition or arrangement made by any such member of our Group with its creditors or a scheme of arrangement entered into by any such member of the Group or any resolution for the winding up of any such member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any such member of our Group or anything analogous thereto occurring in respect of any such member of our Group; or

(vii) any legal action, claim, investigation, and legal proceeding, from time to time instituted, made or brought or threatened or otherwise involve (together the "**Actions**") any third party being threatened or instigated against any member of our Group; or

(viii) a valid demand by any creditor for repayment or payment of any indebtedness for which any member of our Group is liable prior to its stated maturity; or

(ix) any contravention by any member of our Group of the Hong Kong Listing Rules or applicable laws; or

(x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) any authority in any Relevant Jurisdiction commencing any Action, or announcing an intention to take any Action, against any Director; or

(xii) there has come to the notice of the Joint Global Coordinators any non-compliance of this prospectus (or any other documents used in connection with the contemplated offering, allotment, issue, subscription or sale of any of the Offer Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable law; or

(xiii) the investment commitment by any cornerstone investors after the signing of the relevant cornerstone investment agreements with any cornerstone investors has been withdrawn, terminated or cancelled;

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and/or on behalf of the Hong Kong Underwriters, as the case may be) (A) is or will be, or may result in a Material Adverse Change; or (B) has or is likely to have or will have a material adverse impact on the success of the Global Offering or the level of Offer Shares applied for or accepted or subscribed for or purchased or the distribution of the Offer Shares; or (C) makes it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Placing on the terms and in the manner contemplated in the offering documents; or (D) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange pursuant to the Hong Kong Listing Rules

By our Company

Pursuant to Rule 10.08 of the Hong Kong Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (the "**First Six-Month Period**") (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), or any of the circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules.

By our Controlling Shareholder

Pursuant to Rule 10.07(1), each of the Controlling Shareholders has undertaken to the Stock Exchange, the Sole Sponsor and us that, except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) or the Stock Borrowing Agreement, it shall not and shall procure that the relevant registered holder(s) of the Shares shall not, without the prior written consent of the Stock Exchange:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the expiration date of the First Six-Month Period, either directly or indirectly, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner (the "**Relevant Securities**") (save for a charge or a pledge of any Relevant Securities as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan); and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), either directly or indirectly, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities (save for a charge or a pledge of any Relevant Securities as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan), immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will, directly or indirectly would cease to be our controlling shareholder (as defined in the Hong Kong Listing Rules).

Each of the Controlling Shareholders has also undertaken to the Stock Exchange, the Sole Sponsor and us that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date immediately inform the Stock Exchange and us of:

(a) any pledge(s) or charge(s) of any Relevant Securities in favor of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance as permitted under Note 2 to Rule 10.07 of the Listing Rules, and the number of such Relevant Securities so pledged or charged; and

(b) any indication(s) received by any of us, either verbal or written, from any pledgee or chargee of any Relevant Securities pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Hong Kong Listing Rules as soon as possible after being so informed by any of Controlling Shareholders.

Undertakings to the Hong Kong Underwriters

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken as follows.

Undertakings by our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the expiry of the First Six-Month Period, the Company has undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor not to, without the prior written consent of CICC, CLSA and CCBI (on behalf of the Hong Kong Underwriters other than FSL) and FSL and unless in compliance with the requirements of the Hong Kong Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (the "**Encumbrance**") over, either directly or indirectly, conditionally or unconditionally, any Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of the Company, or in cash or otherwise (whether or not the issue of the Shares or such other securities will be completed within the First Six-month Period). In the event that, during the Second Six-month Period, the Company enters into any of the transactions specified in (a), (b) or (c) above or agrees to or publicly announces any intention to effect any such transaction, the Company undertakes to take all reasonable steps to ensure that such transaction will not create a disorderly or false market in the Shares of the Company.

Indemnity

We have agreed to indemnify each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement or any breach by us of the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally but not jointly or jointly and severally agree to procure purchasers for or failing which to purchase, the International Placing Shares. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, our Company is expected to grant to the International Underwriters, exercisable by CICC, CLSA and CCBI (on behalf of the International

Underwriters other than FSL) and FSL, the Over-allotment Option, exercisable within 30 days from the last day for lodging applications under the Hong Kong Public Offering to require us to allot and issue up to 230,102,000 additional Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to cover over-allocations in the International Placing, if any.

Stabilisation

In connection with the Global Offering, the Stabilising Manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Shares or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. See "Structure of the Global Offering — Over-allotment and Stabilisation" and "Structure of the Global Offering — Stock Borrowing Agreement" in this prospectus for details regarding stabilisation, over-allocation and stock borrowing arrangements in connection with the Global Offering.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 1.5% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering out of which they will pay any sub-underwriting commission. The International Underwriters will receive an underwriting commission of 1.5% on the aggregate Offer Price of the International Placing Shares offered under the International Placing out of which they will pay any sub-underwriting commission. In addition, we may in our sole and absolute discretion pay to one or more Underwriters an incentive fee of up to but not exceeding 0.6% of the Offer Price multiplied by the total number of Offer Shares (subject to the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Placing, to the relevant International Underwriters.

The aggregate commissions and fees, together with listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$82.4 million (assuming an Offer Price of HK$1.38, being the mid-point of the indicative offer price range and assuming that the Over-allotment Option is not exercised) in total and are payable by us.

Stamp Taxes

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practise of the country of purchase in addition to the Offer Price.

Hong Kong Underwriters' Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, the Hong Kong Underwriters have no shareholding interests in our Company or any other member of our Group or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any other member of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The Sole Sponsor's Independence

China International Capital Corporation Hong Kong Securities Limited satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Hong Kong Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure of the Global Offering — Over-allotment and Stabilisation" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or its affiliates or any person acting for them) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- the Hong Kong Public Offering of initially 153,404,000 Shares (subject to adjustment as mentioned below) (representing approximately 10.0% of the initial total number of Offer Shares) in Hong Kong as described in "The Hong Kong Public Offering" in this section; and
- the International Placing of initially 1,380,616,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) (representing approximately 90.0% of the initial total number of Offer Shares) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for, or indicate an interest in, International Placing Shares under the International Placing, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing, respectively, may be subject to reallocation and, in the case of the International Placing only, the Over-allotment Option as described below in "Over-Allotment and Stabilisation" in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in "Underwriting" in this prospectus.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Under the Hong Kong Public Offering, our Company is initially offering 153,404,000 Shares at the Offer Price for subscription by the public in Hong Kong, representing approximately 10.0% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Placing and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involve dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "The Hong Kong Public Offering — Conditions of the Hong Kong Public Offering" in this section.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Offer Shares in the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed on or before Friday, 14 June 2019 between our Company and the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse, and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 9:00 am on Monday, 17 June 2019 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting — The Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B.

The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less.

The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 76,702,000 Hong Kong Offer Shares (being 50% of the 153,404,000 Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

Reallocation

Paragraph 4.2 of the Practise Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 153,404,000 Offer Shares, representing approximately 10% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 460,208,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong

Kong Public Offering will be 613,608,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 767,012,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators. If either the Hong Kong Public Offering or the International Placing is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportions as the Joint Global Coordinators deem appropriate.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of shares that may be reallocated to the Hong Kong Public Offering shall be not more than 306,808,000 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering and the final Offer Price shall be fixed at HK$1.34 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she, and any person(s) for whose benefit he or she is making the application, have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.42 per Hong Kong Offer Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering" in this section below, is less than the maximum price of HK$1.42 per Hong Kong Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING

Number of Shares offered

Subject to reallocation as described above, the International Placing will consist of 1,380,616,000 Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering, assuming that the Over-allotment Option is not exercised. Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in "Pricing of the Global Offering" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit, of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by CICC, CLSA and CCBI (on behalf of the International Underwriters other than FSL) and FSL.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time, from the day on which trading of the Shares commences on the Hong Kong Stock Exchange until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue up to 230,102,000 additional Shares, representing in aggregate approximately 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Placing, to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Shares will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of the Offer Shares under the International

Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 5 June 2019, and in any event on or before Friday, 14 June 2019, by agreement between the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.42 per Offer Share and is expected to be not less than HK$1.34 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.csscshipping.net**, an announcement, or a supplemental prospectus (as appropriate), in connection with such reduction. Upon issue of such an announcement or supplemental prospectus (as appropriate), the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company, will be fixed within such revised Offer Price range. **Applicants should have regard to the possibility that any announcement or supplemental prospectus (as appropriate) in connection with any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day that is the last day for lodging applications under the Hong Kong Public Offering.** Such announcement or supplemental prospectus (as appropriate) will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement or supplemental prospectus (as appropriate)) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus (as appropriate) and all unconfirmed applications will not be valid. In the absence of any such notice or supplemental prospectus (as appropriate) published in relation to the reduction in the Offer Price, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company and the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees, SFC transaction levy and the Hong Kong Stock Exchange trading fees in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$2,055.6 million, assuming an Offer Price per Offer Share of HK$1.34, or approximately HK$2,178.3 million, assuming an Offer Price per Offer Share of HK$1.42.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, 14 June 2019, in the manner set out in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price. China International Capital Corporation Hong Kong Securities Limited has been appointed by us as the Stabilising Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in amounts not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilising Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, or any person acting for it to conduct any such stabilising action. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Stabilisation Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be made available upon exercise of the Over-allotment Option, being up to 230,102,000 Shares, which is in aggregate approximately 15.0% of the Shares initially available under the Global Offering.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules include:

(i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares;

(ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares;

(iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above;

(iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price;

(v) selling, or agreeing to sell, any of our Shares in order to liquidate any position established as a result of those purchases; and

(vi) offering or attempting to do anything as described in paragraphs (ii), (iii), (iv) or (v) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of the Shares.

Stabilisation cannot be used to support the price of the Shares for longer than the stabilisation period, which begins on the day on which trading of the Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilisation period is expected to expire on Thursday, 4 July 2019. As a result, demand for the Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by the Stabilising Manager or any person acting for it may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING AGREEMENT

For the purpose of covering any over-allocations, the Stabilising Manager may borrow from CSSC International up to 230,102,000 Shares, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement expected to be entered into between the Stabilising Manager and CSSC International. The loan of Shares CSSC International pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Hong Kong Listing Rules, which restricts the disposal of Shares by CSSC International subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the requirements of Rule 10.07(3) of the Hong Kong Listing Rules:

(i) the Stock Borrowing Agreement is fully described in the prospectus and will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;

(ii) the maximum number of Shares which may be borrowed from CSSC International must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to CSSC International or its nominees, as the case may be, on or before the third Business Day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;

(iv) the borrowing of Shares pursuant to the Stock Borrowing Arrangement will be effected in compliance with all applicable Hong Kong Listing Rules, laws and other regulatory requirements; and

(v) no payment will be made to CSSC International by the Stabilising Manager in relation to such Stock Borrowing Agreement.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 17 June 2019, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Monday, 17 June 2019.

The Shares will be traded in board lots of 2,000 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for, or indicate an interest for, International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and are not a U.S. Person; and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a corporate body, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four, and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the Hong Kong Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;

- a close associate (as defined in the Hong Kong Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 am on Tuesday, 28 May 2019 until 12:00 noon on Tuesday, 4 June 2019:

(i) the following office of the Joint Bookrunners:

The Joint Bookrunners	Address
China International Capital Corporation Hong Kong Securities Limited	29/F One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
Fortune (HK) Securities Limited	43/F, COSCO Tower 183 Queen's Road Central Hong Kong
DBS Asia Capital Limited	73/F, The Center 99 Queen's Road Central Hong Kong
BOCOM International Securities Limited	9/F Man Yee Building 68 Des Voeux Road Central Hong Kong
ABCI Capital Limited	11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
ICBC International Capital Limited	37/F ICBC Tower 3 Garden Road Hong Kong

The Joint Bookrunners	Address
CMB International Capital Limited	45th Floor, Champion Tower 3 Garden Road Central, Hong Kong
China Everbright Securities (HK) Limited	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong
China Industrial Securities International Capital Limited	7/F, Three Exchange Square 8 Connaught Place Central, Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
SPDB International Capital Limited	Suites 3207-3212, 32/F One Pacific Place 88 Queensway, Hong Kong

(ii) any of the branches of the following receiving bank(s):

Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point, Hong Kong
	United Centre Branch	Shop 1021, United Centre, 95 Queensway, Hong Kong
Kowloon	Telford Plaza Branch	Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui, New Territories

Industrial and Commercial Bank of China (Asia) Limited

	Branch name	Address
Hong Kong Island	Wanchai Branch	117–123 Hennessy Road, Wanchai, Hong Kong
Kowloon	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423–427 Castle Peak Road Tsuen Wan, New Territories

China Construction Bank (Asia) Corporation Limited

	Branch name	Address
Hong Kong Island	Central Branch	6 Des Voeux Road Central, Central
	Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1, Causeway Bay
Kowloon	Mongkok Nathan Road Branch	788 Nathan Road, Mongkok
	Kwun Tong Hoi Yuen Road Branch	56 Hoi Yuen Road, Kwun Tong
New Territories	Yuen Long Branch	68 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours, from 9:00 am on Tuesday, 28 May 2019 until 12:00 noon, on Tuesday, 4 June 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – CSSC (HONG KONG) PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 28 May 2019 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 29 May 2019 – 9:00 a.m. to 5:00 p.m.
- Thursday, 30 May 2019 – 9:00 a.m. to 5:00 p.m.
- Friday, 31 May 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, 1 June 2019 – 9:00 a.m. to 1:00 p.m.
- Monday, 3 June 2019 – 9:00 a.m. to 5:00 p.m.
- Tuesday, 4 June 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 4 June 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you, and to do on your behalf all things necessary, to register any Hong Kong Offer Shares allocated to you in your name, or in the name of HKSCC Nominees as required by our Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is, or will be liable for, any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that, you have complied with all such laws and none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States and are not a U.S. Person (as defined in Regulation S);

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made, and the only application intended by you to be made, to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company, the Directors, the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made, by you as agent for or for the benefit of that person or by that person, or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 28 May 2019 until 11:30 a.m. on Tuesday, 4 June 2019, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 4 June 2019 or such later time under "10. Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives, or causes to give, **electronic application**

instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investors Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "CSSC (Hong Kong) Shipping Company Limited Public Offer" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System https://ip.ccass.com (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day that is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day that is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the

procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (or, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things, for which neither HKSCC or HKSCC Nominees shall be liable to our Company or any other person:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 28 May 2019 – 9:00 a.m. to 8:30 p.m.
- Wednesday, 29 May 2019 – 8:00 a.m. to 8:30 p.m.
- Thursday, 30 May 2019 – 8:00 a.m. to 8:30 p.m.
- Friday, 31 May 2019 – 8:00 a.m. to 8:30 p.m.
- Saturday, 1 June 2019 – 8:00 a.m. to 1:00 p.m.
- Monday, 3 June 2019 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 4 June 2019 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 28 May 2019 until 12:00 noon on Tuesday, 4 June 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 4 June 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing / Custodian Participants and / or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications, or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White**

Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 4 June 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 4 June 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 4 June 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 14 June 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company's website at **www.csscshipping.net** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.csscshipping.net** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Friday, 14 June 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, 14 June 2019 to 12:00 midnight on Thursday, 20 June 2019;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 am and 10:00 pm from Friday, 14 June 2019 to Monday, 17 June 2019;
- in the special allocation results booklets which will be available for inspection during opening hours on Friday, 14 June 2019, Saturday, 15 June 2019 and Monday, 17 June 2019 at the receiving banks' designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application, or the application made by HKSCC Nominees on your behalf, cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application, or the application made by HKSCC Nominees on your behalf, may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified, but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application, or the application made by HKSCC Nominees on your behalf, has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.42 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, 14 June 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/ or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund check and share certificates are expected to be posted on or before Friday, 14 June 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 17 June 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund check(s) and/or share certificate(s) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 14 June 2019, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/ or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 14 June 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Friday, 14 June 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into

CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 14 June 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., on Friday, 14 June 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 14 June 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 14 June 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or, each person for whose benefit instructions are given, will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 14 June 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Friday, 14 June 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 14 June 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 14 June 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 14 June 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement, as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CSSC (HONG KONG) SHIPPING COMPANY LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of CSSC (Hong Kong) Shipping Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-90, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, the statements of financial position of the Company as at 31 December 2016, 2017 and 2018, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-90 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 May 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2016, 2017 and 2018 and the consolidated financial position of the Group as at 31 December 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 36 to the Historical Financial Information which contains information about the dividends paid by CSSC (Hong Kong) Shipping Company Limited in respect of the Track Record Period.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
28 May 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2016	2017	2018
		HK$'000	HK$'000	HK$'000
Revenue	5	1,031,641	1,329,949	2,104,811
Other income and other gains/(losses), net	6	207,700	54,635	(59,817)
Total revenue and other income		1,239,341	1,384,584	2,044,994
Expenses				
Finance costs and bank charges	7	(613,294)	(727,164)	(1,046,155)
(Provision for)/reversal of impairment of loan receivables, net	18	(149,521)	18,665	(52,138)
Depreciation	13	(115,929)	(136,524)	(150,192)
Employee benefits expenses	10	(27,278)	(30,197)	(51,235)
Vessel operating costs		(58,203)	(83,034)	(100,537)
Other operating expenses		(43,659)	(66,635)	(62,092)
Total expenses		(1,007,884)	(1,024,889)	(1,462,349)
Profit from operations	8	231,457	359,695	582,645
Share of results of associates	14	211,506	259,095	81,004
Gain on disposal of associates	14	—	—	40,766
Profit before income tax		442,963	618,790	704,415
Income tax (expenses)/credit	9	(10,768)	(16,198)	2,107
Profit for the year		432,195	602,592	706,522

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 December 2016	2017	2018
		HK$'000	HK$'000	HK$'000
Profit for the year		432,195	602,592	706,522
Other comprehensive (loss)/income for the year				
Items that may be reclassified to profit or loss:				
—Exchange differences on translation of investments in subsidiaries and associates		(148,155)	334,466	50,183
—Share of other comprehensive loss of associates, net	14	(21,343)	(21,878)	—
—Fair value change of available-for-sale financial assets		(2,497)	13,402	NA
—Fair value change of financial assets at fair value through other comprehensive income—debt instruments	24	NA	NA	(23,177)
Items that will not be reclassified to profit or loss:				
—Share of other comprehensive income of associates, net	14	—	—	22,389
—Fair value change of financial assets at fair value through other comprehensive income—equity instruments	24	NA	NA	(55,190)
Total other comprehensive (loss)/income for the year		(171,995)	325,990	(5,795)
Profit and total comprehensive income for the year		260,200	928,582	700,727
Profit for the year attributable to:				
Equity holders of the Company		433,780	608,438	690,089
Non-controlling interests		(1,585)	(5,846)	16,433
Profit for the year		432,195	602,592	706,522
Profit and total comprehensive income for the year attributable to:				
Equity holders of the Company		261,785	934,428	684,294
Non-controlling interests		(1,585)	(5,846)	16,433
Profit and total comprehensive income for the year		260,200	928,582	700,727
Earnings per share (in HK$):				
—Basic and diluted	34	0.128	0.132	0.150

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016	2017	2018
		HK$'000	HK$'000	HK$'000
Interests in associates	14	5,449,298	5,881,965	15,938
Interests in joint ventures		—	8	8
Property, plant and equipment	13	4,601,976	6,069,615	6,790,885
Available-for-sale financial assets	15	596,394	829,728	NA
Convertible bonds receivables	16	345,860	—	—
Prepayments, deposits and other receivables	20	2,556,020	1,169,509	264,103
Loan receivables	18	12,556,774	14,473,220	17,799,656
Derivative financial assets	17	82,314	527,652	27,623
Financial assets at fair value through profit or loss	23	107,583	277,593	385,659
Financial assets at fair value through other comprehensive income	24	NA	NA	1,071,174
Amount due from Holding Company	21	68,475	68,475	—
Amounts due from associates	14	38,057	37,457	24,841
Amounts due from related companies	21	2,452	1,535	—
Amounts due from fellow subsidiaries	21	1,367,487	566,136	114,098
Structured bank deposits	22	128,867	335,366	312,156
Time deposits with maturity over three months	22	26,801	860,981	1,579,858
Cash and cash equivalents	22	3,583,734	1,018,922	924,060
Total assets		31,512,092	32,118,162	29,310,059
Deferred tax liabilities	19	2,677	11,178	—
Income tax payable		5,389	11,539	20,649
Borrowings	26	23,240,508	24,740,129	22,567,489
Derivative financial liabilities	17	70,576	—	—
Amount due to a non-controlling interest	21	78,192	87,750	88,397
Amounts due to related companies	21	2,470	4,977	70,433
Amounts due to fellow subsidiaries	21	1,879,525	539,693	439,013
Other payables and accruals	25	888,266	449,406	358,850
Total liabilities		26,167,603	25,844,672	23,544,831
Net assets		5,344,489	6,273,490	5,765,228
Equity				
Share capital	27	4,602,046	4,602,046	4,602,046
Reserves		723,829	1,658,676	1,133,981
		5,325,875	6,260,722	5,736,027
Non-controlling interests		18,614	12,768	29,201
Total equity		5,344,489	6,273,490	5,765,228

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December		
		2016	2017	2018
		HK$'000	HK$'000	HK$'000
Investments in subsidiaries	12	766,341	766,345	766,344
Interests in associates	14	2,976,326	3,170,304	—
Property, plant and equipment	13	456	711	1,220
Available-for-sale financial assets	15	596,394	829,728	—
Convertible bonds receivables	16	249,928	—	—
Prepayments, deposits and other receivables	20	121,370	201,932	211,644
Loan receivables	18	4,448,262	1,050,173	1,372,146
Derivative financial assets	17	82,314	527,652	27,623
Financial assets at fair value through profit or loss	23	107,583	277,593	385,659
Financial assets at fair value through other comprehensive income	24	NA	NA	1,071,174
Amounts due from subsidiaries	12	13,345,763	13,779,835	10,495,049
Amounts due from fellow subsidiaries	21	898,131	108,973	64,693
Amount due from an associate	14	13,370	12,483	—
Time deposits with maturity over three months	22	26,801	800,005	1,381,624
Cash and cash equivalents	22	3,234,307	448,443	715,790
Total assets		26,867,346	21,974,177	16,492,966
Deferred tax liabilities	19	2,590	4,354	—
Borrowings	26	12,038,072	8,545,796	8,546,991
Amounts due to subsidiaries	12	7,507,594	8,088,521	2,985,781
Amounts due to fellow subsidiaries	21	1,488,761	77,606	92,463
Amounts due to related companies	21	—	—	42,408
Derivative financial liabilities	17	70,576	—	—
Other payables and accruals	25	598,633	143,550	26,379
Total liabilities		21,706,226	16,859,827	11,694,022
NET ASSETS		5,161,120	5,114,350	4,798,944
Equity				
Share capital	27	4,602,046	4,602,046	4,602,046
Reserves	27	559,074	512,304	196,898
TOTAL EQUITY		5,161,120	5,114,350	4,798,944

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Company							
	Share capital	Investment revaluation 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
For the year ended 31 December 2016								
At 1 January 2016	2,730,212	(121)	(3,089)	(271,026)	734,924	3,190,900	20,199	3,211,099
Issuance of new shares (note 27)	1,871,834	—	—	—	—	1,871,834	—	1,871,834
Profit and total comprehensive income for the year	—	(23,840)	—	(148,155)	433,780	261,785	(1,585)	260,200
Share of other reserve of associates (note 14)	—	—	1,356	—	—	1,356	—	1,356
Appropriations to statutory surplus reserve	—	—	3,659	—	(3,659)	—	—	—
At 31 December 2016	4,602,046	(23,961)	1,926	(419,181)	1,165,045	5,325,875	18,614	5,344,489

	Attributable to owner of the Company							
	Share capital	Investment revaluation 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
For the year ended 31 December 2017								
At 1 January 2017	4,602,046	(23,961)	1,926	(419,181)	1,165,045	5,325,875	18,614	5,344,489
Profit and total comprehensive income for the year	—	(8,476)	—	334,466	608,438	934,428	(5,846)	928,582
Share of other reserve of associates (note 14)	—	—	419	—	—	419	—	419
Appropriations to statutory surplus reserve	—	—	1,355	—	(1,355)	—	—	—
At 31 December 2017	4,602,046	(32,437)	3,700	(84,715)	1,772,128	6,260,722	12,768	6,273,490

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owner of the Company							
	Share capital	Investment revaluation 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
For the year ended 31 December 2018								
At 1 January 2018	4,602,046	(32,437)	3,700	(84,715)	1,772,128	6,260,722	12,768	6,273,490
Adjustment on adoption of HKFRS 9, net of tax (note 2.1.1)	—	5,718	—	—	(100,457)	(94,739)	—	(94,739)
At 1 January 2018	4,602,046	(26,719)	3,700	(84,715)	1,671,671	6,165,983	12,768	6,178,751
Profit and total comprehensive income for the year	—	(55,978)	—	50,183	690,089	684,294	16,433	700,727
Share of other reserve of associates (note 14)	—	—	352,750	—	—	352,750	—	352,750
Appropriations to statutory surplus reserve	—	—	4,849	—	(4,849)	—	—	—
Dividends (note 36)	—	—	—	—	(1,467,000)	(1,467,000)	—	(1,467,000)
Recycle to retained profits upon disposal of associates	—	25,187	(354,104)	—	328,917	—	—	—
At 31 December 2018	4,602,046	(57,510)	7,195	(34,532)	1,218,828	5,736,027	29,201	5,765,228

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2016	2017	2018
		HK$'000	HK$'000	HK$'000
Net cash (used in)/generated from operations	30	(952,780)	2,010,210	(459,454)
Interest income received		152,714	100,862	140,754
Interests paid		(527,554)	(601,479)	(1,096,604)
Income tax (paid)/refunded		(10,443)	(1,547)	39
Net cash (used in)/generated from operating activities		(1,338,063)	1,508,046	(1,415,265)
Cash flows from investing activities				
Acquisition of interests in associates	14	(2,260,488)	—	—
Repayment from an associate		36,827	600	12,616
Decrease/(increase) in time deposits with maturity over three months		438,873	(834,180)	(718,877)
(Increase)/decrease in structured bank deposits		(18,061)	(206,499)	23,210
Payment of purchase of vessels and property, plant and equipment		(3,486,053)	(4,522,108)	(1,289,907)
Purchase of available-for-sale financial assets		(598,891)	(528,812)	NA
Purchase of financial assets at fair value through profit or loss		—	(195,295)	(197,704)
Purchase of financial assets at fair value through other comprehensive income		NA	NA	(397,407)
Dividend income received from associates		76,752	74,686	74,027
Dividend income received from available-for-sale financial assets		16,262	39,666	NA
Dividend income received from financial assets at fair value through other comprehensive income		NA	NA	40,815
Proceeds on disposal of property, plant and equipment		—	184	—
Proceeds on disposal of available-for-sale financial assets		—	308,880	NA
Proceeds on disposal of financial assets at fair value through profit or loss		—	—	82,789
Proceeds on disposal of financial assets at fair value through other comprehensive income		NA	NA	77,594
Proceeds on disposal of derivative financial instruments		—	—	454,279
Proceeds on disposal of convertible bonds receivables		—	360,634	—
Proceeds on disposal of associates		—	—	6,418,894
Net cash (used in)/generated from investing activities		(5,794,779)	(5,502,244)	4,580,329
Cash flows from financing activities				
Advance from a non-controlling interest		7,402	9,558	647
Advance from Holding Company		—	—	68,475
Repayment to Holding Company		(38,286)	—	—
Proceeds from issuance of shares		1,164,630	—	—
Proceeds of bank borrowings		10,944,584	9,636,735	7,210,509
Repayment of bank borrowings		(2,787,757)	(8,264,940)	(4,253,708)
Repayment of bonds		(6,204,640)	—	(4,762,315)
Dividend paid	36	—	—	(1,467,000)
Net cash generated from/(used in) from financing activities		3,085,933	1,381,353	(3,203,392)
Net decrease in cash and cash equivalents		(4,046,909)	(2,612,845)	(38,328)
Cash and cash equivalents at the beginning of the year		7,654,418	3,583,734	1,018,922
Effect of foreign exchange rate changes on cash and cash equivalents		(23,775)	48,033	(56,534)
Cash and cash equivalents at the end of the year	22	3,583,734	1,018,922	924,060

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

CSSC (Hong Kong) Shipping Company Limited (the "Company") was incorporated in Hong Kong as a limited liability company on 25 June 2012. The registered office and principal place of business of the Company is at Room 1801, 18th Floor, Worldwide House, No. 19 Des Voeux Road Central, Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in provision of leasing business, ship brokerage services and financing business acts (the "Listing Business").

The directors of the Company (the "Directors") consider the ultimate holding company of the Company to be China State Shipbuilding Corporation Limited, which is incorporated in the People's Republic of China (the "PRC").

The Directors consider the immediate holding company of the Company (the "Holding Company") to be China State Shipbuilding Corporation Limited. On 19 September 2018, the Holding Company changed from China State Shipbuilding Corporation Limited to CSSC International Holding Company Limited, a private company incorporated in Hong Kong.

The Historical Financial Information contained in this Prospectus does not constitute the Company's statutory annual consolidated financial statements for any of the financial years ended 31 December 2016, 2017 and 2018. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company's statutory auditor, "Baker Tilly Hong Kong Limited", has delivered the financial statements for 2016 and 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's statutory auditor has reported on these financial statements for 2016 and 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

In 2018, the Company's statutory auditor has been appointed to PricewaterhouseCoopers.

The Company's direct or indirect interests in its subsidiaries as at 31 December 2016, 2017 and 2018 are set out in note 12.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, financial assets at fair value through profit or loss, available-for-sale financial assets, convertible bonds receivables, structured bank deposits and financial assets at fair value through other comprehensive income.

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

2.1.1 Changes in accounting policies

All effective standards, amendments and improvements to existing standards and interpretations, which are mandatory for financial periods beginning on or after 1 January 2018, are consistently applied to the Group for the Track Record Period, except for HKFRS 9. The Group has applied HKFRS 15 consistently throughout the Track Record Period.

The Group has applied HKFRS 9 "Financial Instruments" for the first time commencing 1 January 2018.

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 "Financial Instruments — Disclosures". The accounting policies were changed to comply with HKFRS 9.

In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated. Any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the period beginning on 1 January 2018, with the difference recognised in opening retained profits and other reserve.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies (Continued)

(i) Classification and measurement of financial instruments

The total impact on the Group's equity due to reclassification and remeasurement of financial instruments as at 1 January 2018 is as follows:

	Note	HK$'000
Provision of impairment—HKAS 39		341,066
Increase in provision for loan receivables	(ii)	46,750
Change in provision for prepayments, deposits and other receivables	(ii)	—
Others		387
Provision of impairment—HKFRS 9		388,203
Share of impact from associates to retained profits for increase in provisions under HKFRS 9		53,320
Share of impact from associates for remeasurement of financial assets		(5,718)
		47,602

Management has assessed the business models and the contractual terms of the cash flows applying to the financial assets held by the Group at the date of initial application of HKFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate HKFRS 9 categories. According to the classification, the Group's financial assets measured at fair value through profit or loss or amortised cost under HKAS 39 continues to be measured on the same basis under HKFRS 9.

The reclassifications for the Group's financial assets on 1 January 2018, the date of initial application of HKFRS 9, are summarised as follows:

	Originally stated under HKAS 39	Reclassifications under HKFRS 9	Remeasurement under HKFRS 9	Carrying values under HKFRS 9
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets	829,728	(829,728)	—	NA
Financial assets at fair value through other comprehensive income	NA	829,728	—	829,728
	829,728	—	—	829,728

(ii) Impairment of financial assets

The Group has financial assets at amortised cost subject to HKFRS 9's new expected credit loss model ("ECL"):

The Group revised its impairment methodology under HKFRS 9 for such assets. Although cash and cash equivalents and time deposits measured at amortised costs and deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies (Continued)

(ii) Impairment of financial assets (Continued)

- Loan receivables and other receivables

  For loan receivables and other receivables outstanding at 1 January 2018, adjustments of HK$47,137,000 on provisions for loan receivables and other receivables were recognised in the opening retained profits. The Group applies a three stage approach to measure ECL prescribed by HKFRS 9. Impairment methodology applied has been described in Note 3.1(a).

2.1.2 New standards, amendments and improvements to existing standards and interpretations that have been issued but are not effective for the Track Record Period and have not early adopted

The followings are new standards, amendments and improvements to existing standards and interpretations which have been issued and are effective for the future reporting periods and have not been early adopted by the Group in preparing the Historical Financial Information:

		Effective for accounting periods beginning on or after	Note
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019	
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1 January 2019	
HKFRS 10 (Amendment) and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined	
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures	1 January 2019	
HKFRS 16	Leases	1 January 2019	(i)
HK(IFRIC)—Int 23	Uncertainty over income tax treatments	1 January 2019	
Annual improvements project (Amendment)	Annual improvements 2015 – 2017 cycle	1 January 2019	
HKFRS 3 (Amendment)	Definition of business	1 January 2020	
HKAS 1 (Amendment) and HKAS 8 (Amendment)	Definition of material	1 January 2020	
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020	
HKFRS 17	Insurance contracts	1 January 2021	

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards, amendments and improvements to existing standards and interpretations that have been issued but are not effective for the Track Record Period and have not early adopted (Continued)

Note:

(i) HKFRS 16 ''Leases''

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for in the statements of financial position for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

The Group is a lessor of various vessels which are currently classified as operating leases and finance leases. The Group's current accounting policy for such leases is set out in Note 2.20. The accounting for lessor will not significantly change.

The Group's future operating lease commitments as lessee are not reflected in the consolidated statements of financial position but are disclosed in Note 31. As at 31 December 2016, 2017 and 2018, the Group's total operating lease commitments amounted to HK$20,472,000, HK$6,812,000 and HK$3,577,000 respectively. HKFRS 16 provides new provisions for the accounting treatment of leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and liabilities in the consolidated statements of financial position. Operating expenses under otherwise identical circumstances will decrease, and depreciation, amortisation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the financial position as right of use assets and lease liabilities.

The adoption of this standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Under the simplified transition approach, (i) comparative information for prior periods is not restated; (ii) the date of initial application of HKFRS 16 is the first day of annual reporting period in which the Group first applies the requirement of HKFRS 16, i.e. 1 January 2019; and (iii) all right-of-use assets will be measured at the amount of the lease liability on adoption. The directors anticipate that the application of HKFRS 16 in the future will result in an increase in assets and liabilities, which is likely to have impact on the Group's financial position unless the underlying assets is of low value or they are short term leases. However, the directors anticipate that the net impact on the Group's financial performance is limited.

For the other new standard, amendments and improvements to existing standards and interpretations presented, management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and/or the presentation of its financial statements will result.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.2 Consolidation and equity accounting

(i) Subsidiaries

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

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint ventures

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

(iv) Equity accounting

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.2 Consolidation and equity accounting (Continued)

(iv) Equity accounting (Continued)

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.7.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

Investments in associates are accounted for using equity method of accounting after initially being recognised at costs (note 2.2(iv)).

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors has appointed executive directors of the Group as the chief operating decision-maker ("CODM") to assess the financial performance and position of the Group, make strategic decisions and corporate planning.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). United States dollars ("US$") is the functional currency of the Group and the Company. The Historical Financial Information are presented in Hong Kong dollars ("HK$"), which is the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.5 Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

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

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

(iii) Group companies

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment (Continued)

also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is the Group's policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

2.7 Impairment of non-financial assets

Goodwill that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.7 Impairment of non-financial assets (Continued)

recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Non-current assets held for sale

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

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

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

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

2.9 Investments and other financial assets

Under HKAS 39 for the periods before 1 January 2018

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

a. Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.9 Investments and other financial assets (Continued)

Under HKAS 39 for the periods before 1 January 2018 (Continued)

(i) Classification (Continued)

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables comprise of other receivables, amounts due from group companies and related companies, cash and cash equivalents and time deposit with maturity over 3 months.

c. Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

(ii) Recognition and derecognition

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' — in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency — translation differences related to changes in the amortised cost of the security

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.9 Investments and other financial assets (Continued)

Under HKAS 39 for the periods before 1 January 2018 (Continued)

(iii) Measurement (Continued)

are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income

- for other monetary and non-monetary securities classified as available-for-sale — in other comprehensive income.

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payments is established.

Interest on available-for-sale securities, and loans and receivables calculated using the effective interest method is recognised in the profit or loss as part of other income.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or "events") has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expendient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.9 Investments and other financial assets (Continued)

Under HKFRS 9 for the period beginning on or after 1 January 2018

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

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

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

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

(ii) Recognition and derecognition

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

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

(iii) Measurement

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.9 Investments and other financial assets (Continued)

Under HKFRS 9 for the period beginning on or after 1 January 2018 (Continued)

(iii) Measurement (Continued)

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

(iv) Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through statement of other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in statement of other comprehensive income is reclassified from equity to profit or loss.
- Fair value at profit or loss ("FVTPL"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)", net in the period in which it arises.

(v) Equity instruments

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.9 Investments and other financial assets (Continued)

Under HKFRS 9 for the period beginning on or after 1 January 2018 (Continued)

(vi) Impairment

For financial assets originally categorised as loans and receivables under HKAS 39 which all have been classified as financial assets at amortised cost under HKFRS 9 from 1 January 2018 and financial assets at fair value through other comprehensive income—debt instruments, the Group has determined that reliably assessing the probability of default of the counterparties at the initial recognition of each financial asset would result in undue cost and effort. As permitted by a transition provision in HKFRS 9, provision for impairment of receivables account for these financial assets will be determined based on whether their credit risk are low at each reporting date, and if so by recognising a 12 months expected losses amount. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts account will be recognised as equal to lifetime expected losses (note 3.1(a)).

2.10 Offsetting financial instruments

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

2.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank and on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.12 Share capital

Ordinary shares are classified as equity (note 27).

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

2.13 Other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.14 Borrowings (Continued)

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

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

2.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.16 Current and deferred income tax

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

Current income tax

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.16 Current and deferred income tax (Continued)

the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2.17 Employee benefits

(i) Short-term obligations

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.17 Employee benefits (Continued)

(ii) Pension obligations

The Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and who are eligible to participate in the MPF Scheme.

The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds. The Group has no further payment obligations once the contribution has been paid. The Group's contributions to the scheme are recognised as employee benefit expenses when they are due. When employees leave the scheme prior to the full vesting of the employer's voluntary contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The Group in the PRC participates in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and contributes to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

(iii) Termination benefits

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

2.18 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.18 Provisions (Continued)

discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.19 Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the contract of services transferred to customer, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Finance lease income — see 2.20(a).

Operating lease income — see 2.20(b).

Interest income — recognised using the effective interest method.

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

a) Revenue recognised under HKFRS 15

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

2.20 Leases

As a lessee

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

As a lessor

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2 Summary of significant accounting policies (Continued)

2.20 Leases (Continued)

As a lessor (Continued)

(a) Finance lease

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

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

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

(b) Operating lease

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

3 Financial risk management

3.1 Financial risk factors

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk

The Group's credit risk are primarily attributable to financial instruments, loan receivables, deposits and other receivables, amounts due from the Holding Company, fellow subsidiaries, associates and related companies, time deposits, structured bank deposits, financial assets at fair value through other comprehensive income — debt instruments, and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In this respect, management considers the credit risk is significantly reduced.

The amounts due from the Holding Company, fellow subsidiaries, associates and related companies are considered by management to be fully recoverable.

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

For deposits, other receivables and financial assets at fair value through other comprehensive income-debt instruments, management makes periodic collective assessments as well as individual assessment on the recoverability with no significant credit risk identified.

Impairment allowance policies for loan receivables

Under HKAS 39 for the periods before 1 January 2018

The Group assesses at the end of each reporting periods whether there is objective evidence that a financial asset or group of financial assets is impaired.

Management makes periodic assessment on the recoverability of loan and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of loan and other receivables falls within the recorded allowances and management is of the opinion that adequate provision for uncollectible receivables has been made in the Historical Financial Information.

The Group's policy requires a review of the financial statements of the lessee or its parent company and a valuation of the residual value of the assets under the lease regularly as circumstances require. Follow-up actions are carried out on overdue amounts to minimise credit risk exposures.

Under HKFRS 9 for the periods beginning on or after 1 January 2018

The Group applies ECL model for impairment assessment. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. No significant credit risk is conscious for the reporting period. For loan receivables (including finance lease receivables), the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, especially the following indicators are incorporated:

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

To manage risk arising from loan receivables, standardised credit management procedures are performed. For pre-approval investigation, the Group optimises the review process by using big data technology through its platform and system, including credit analysis, assessment of collectability of borrowers, monitoring the cash flow status, possibility of misconduct and fraudulent activities. In terms of credit examining management, specific policies and procedures are established to assess loans offering. For subsequent monitoring, the Group monitors the cash flow and operation status of each borrowers. Once the loan was issued, all borrowers would be assessed by fraud examination model to prevent fraudulent behaviours. In post-loan supervision, the Group establishes risk monitoring alert system through periodical monitoring. The estimation of credit exposure for risk management purposes is complex and requires use of models as the exposure varies with changes in market conditions, expected cash flows and passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default corrections between counterparties. The Group measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). This is consistent with the general approach used for the purposes of measuring ECL under HKFRS 9.

(i) ECL model for loan receivables, as summarised below:

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) ECL model for loan receivables, as summarised below (Continued):

- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to "Stage 3". The expected credit loss is measured on lifetime basis.
- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The impairment of loan receivables was provided based on the "three-stages" model by referring to the changes in credit quality since initial recognition.

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

(1) Significant increase in credit risk ("SICR")

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

(2) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, when the borrower is more than 90 days past due on its contractual payments. This has been applied to all loan receivables held by the Group.

(3) Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The ECL are the discounted product of the PD, EAD, and LGD.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each portfolio. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summarised. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(i) ECL model for loan receivables, as summarised below (Continued):

(4) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Group has performed historical analysis and identified the per capita disposable income of urban residents as the key economic variables impacting credit risk and expected credit losses.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(5) Grouping of instruments for losses measured on a collective basis

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

(ii) Provision for impairment

The provision for impairment recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to loan receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional provisions for new financial instruments recognised, as well as releases for loan receivables derecognised in the period;
- Loan receivables derecognised and write-offs of provisions related to assets that were written off during the period.

The following tables explain the changes in the provision for impairment of loan receivables between the beginning and the end of the year:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Provision for impairment of loan receivables as at 1 January 2018	25,496	175,622	187,085	388,203
Transfer from stage 1 to stage 2	(1,462)	82,516	—	81,054
Transfer from stage 2 to stage 3	—	(23,964)	29,373	5,409
Loan receivables originated/(derecognised) during the year	8,689	(12,090)	(30,924)	(34,325)
Provision for impairment of loan receivables as at 31 December 2018	32,723	222,084	185,534	440,341
Expected default rate	0.2%	7.5%	17.0%	

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

(ii) Provision for impairment (Continued)

The gross carrying amounts of the loan receivables explain their significance to the changes in the provision as discussed above:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Loan receivables as at 1 January 2018	11,652,460	2,542,243	619,583	14,814,286
Transfer from stage 1 to stage 2	(1,031,200)	1,031,200	—	—
Transfer from stage 2 to stage 3	—	(214,250)	214,250	—
Loan receivables originated/(derecognised) during the year other than write-off	3,573,412	(406,964)	259,263	3,425,711
Loan receivables as at 31 December 2018	14,194,672	2,952,229	1,093,096	18,239,997

(iii) Write-off policy

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity.

The Group may write-off loan receivables that are still subject to enforcement activity.

(iv) Modification

The Group rarely modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. The Group considers the impact from such modification is not significant.

(b) Liquidity risk

The Group is responsible for its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The tables below analyse the Group's financial assets and liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial assets and liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Financial assets

	As at 31 December 2016					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments and financial assets at fair value through profit or loss	189,897	—	—	—	189,897	189,897
Available-for-sale financial assets	596,394	—	—	—	596,394	596,394
Convertible bonds receivables	345,860	—	—	—	345,860	345,860
Loan receivables	4,149,661	2,124,653	3,445,660	5,603,527	15,323,501	12,556,774
Other receivables (excluding prepayments)	26,816	—	—	—	26,816	26,816
Amounts due from Holding Company, fellow subsidiaries, associates and related companies	1,476,471	—	—	—	1,476,471	1,476,471
Cash and cash equivalents and time deposits with maturity over three months	3,610,535	—	—	—	3,610,535	3,610,535
Structured bank deposits	128,867	—	—	—	128,867	128,867
	10,524,501	2,124,653	3,445,660	5,603,527	21,698,341	18,931,614

	As at 31 December 2017					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments and financial assets at fair value through profit or loss	805,245	—	—	—	805,245	805,245
Available-for-sale financial assets	829,728	—	—	—	829,728	829,728
Loan receivables	1,965,172	1,828,689	4,055,775	9,866,840	17,716,476	14,473,220
Other receivables (excluding prepayments)	115,342	—	—	—	115,342	115,342
Amounts due from Holding Company, fellow subsidiaries, associates and related companies	673,603	—	—	—	673,603	673,603
Cash and cash equivalents and time deposits with maturity over three months	1,879,903	—	—	—	1,879,903	1,879,903
Structured bank deposits	335,366	—	—	—	335,366	335,366
	6,604,359	1,828,689	4,055,775	9,866,840	22,355,663	19,112,407

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2018					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments and financial assets at fair value through profit or loss and other comprehensive income	1,484,456	—	—	—	1,484,456	1,484,456
Loan receivables	3,682,543	2,230,199	6,105,591	10,314,592	22,332,925	17,799,656
Other receivables (excluding prepayments)	66,334	—	—	—	66,334	66,334
Amounts due from associates and fellow subsidiaries	138,939	—	—	—	138,939	138,939
Cash and cash equivalents and time deposits with maturity over three months	2,503,918	—	—	—	2,503,918	2,503,918
Structured bank deposits	312,156	—	—	—	312,156	312,156
	8,188,346	2,230,199	6,105,591	10,314,592	26,838,728	22,305,459

Financial liabilities

	As at 31 December 2016					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000
Other payables and accruals (excluding deposits received)	17,248	—	—	—	17,248	17,248
Amounts due to a non-controlling interest, related companies and fellow subsidiaries	1,556,213	327,176	76,798	—	1,960,187	1,960,187
Bonds payable	70,081	4,192,504	—	—	4,262,585	4,122,423
Bank borrowings	4,721,574	3,920,730	8,327,253	4,588,417	21,557,974	19,118,085
Derivative financial instruments	70,576	—	—	—	70,576	70,576
	6,435,692	8,440,410	8,404,051	4,588,417	27,868,570	25,288,519

	As at 31 December 2017					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amounts
	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000
Other payables and accruals (excluding deposits received)	47,062	—	—	—	47,062	47,062
Amounts due to a non-controlling interest, related companies and fellow subsidiaries	509,641	45,981	76,798	—	632,420	632,420
Bonds payable	4,842,045	—	—	—	4,842,045	4,762,315
Bank borrowings	2,456,756	6,706,537	5,567,271	8,729,349	23,459,913	19,977,814
	7,855,504	6,752,518	5,644,069	8,729,349	28,981,440	25,419,611

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2018					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	After 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000
Other payables and accruals (excluding deposits received)	96,682	—	—	—	96,682	96,682
Amounts due to a non-controlling interest, related companies and fellow subsidiaries	434,977	143,513	15,666	3,687	597,843	597,843
Bank borrowings	7,365,170	1,662,407	1,298,462	19,740,874	30,066,913	22,567,489
	7,896,829	1,805,920	1,314,128	19,744,561	30,761,438	23,262,014

(c) Cash flow and fair value interest rate risk

The Group's exposure to interest rate risk arises primarily from its bank borrowings with floating interest rates which expose the Group to cash flow interest rate risk. The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group currently does not use derivatives to hedge against the interest rate risk. However, the Group will monitor interest rate exposure and consider hedging significant interest rate exposure should the need arises.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowing at the end of the each of the reporting period:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Variable rate balances			
Bank borrowings	15,107,054	15,773,831	19,980,241

(ii) Sensitivity analysis

At 31 December 2016, 2017 and 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation and retained profits by HK$126,144,000, HK$131,711,000 and HK$166,835,000. Other components of equity would not be affected by the changes in interest rates.

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Foreign currency risk

The Group has foreign currency sales, purchases and fund remittances, which expose the Group to foreign currency risk. Since the fluctuation of US$ and HK$ is minimal under the Linked Exchanged Rate System, the directors of the Company consider the Group mainly exposes to Euro ("EUR"), Swiss Franc ("CHF"), Singapore dollars ("SGD") and Renminbi ("RMB"). The Group manages the foreign exchange risks by performing regular reviews of the Group's net foreign exchange exposure.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Foreign currency risk (Continued)

The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities at the reporting dates for Track Record Period, are as follows:

	As at 31 December 2016				As at 31 December 2017				As at 31 December 2018		
	EUR	CHF	SGD	RMB	EUR	CHF	SGD	RMB	EUR	SGD	RMB
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments, deposits and other receivables	24,988	—	1,675	8,099	327	—	338	1,008	—	1,585	13,789
Amounts due from fellow subsidiaries	—	47,613	—	—	—	56,046	—	410	369	—	—
Amounts due from related companies	—	—	—	375	—	—	—	—	—	—	—
Amounts due from associates	—	—	—	—	—	—	—	—	—	24,841	—
Time deposits with maturity over three months	—	—	—	26,801	—	—	—	60,976	1,381,624	—	—
Structured bank deposits	—	—	—	128,867	—	—	—	335,366	—	—	312,156
Cash and cash equivalents	811,788	154	1,444	185,695	44,165	517	735	370,585	250,633	2,399	54,041
Other payables and accruals	—	—	(3,847)	(29,083)	—	—	(618)	(20,752)	—	—	(9,938)
Amounts due to fellow subsidiaries	(148)	—	—	(56,128)	(166)	—	—	(60,866)	—	—	(15,666)
Borrowings	(4,122,423)	—	—	—	(4,762,315)	—	—	—	—	—	—
Net exposure	(3,285,795)	47,767	(728)	264,626	(4,717,989)	56,563	455	686,727	1,632,626	28,825	354,382

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Foreign currency risk (Continued)

The following table details the Group's sensitivity to a 5%, 5% and 5% increase in the relevant functional currencies against HK$ as at 31 December 2016, 2017 and 2018. 5% is the sensitivity rate used for Track Record Period when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for 5%, 5% and 5% change in foreign currency rates during the Track Record Period. A positive/negative number indicates an increase/a decrease in profit for the year where respective functional currencies strengthening 5%, 5% and 5% as at 31 December 2016, 2017 and 2018. During the Track Record Period, for a 5%, 5% and 5% weakening of respective functional currencies against HK$, there would be an equal but opposite impact on the profit for the year.

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
EUR	(137,182)	(196,976)	68,162
CHF	1,994	2,362	—
SGD	(30)	19	1,203
RMB	11,050	28,671	14,795

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors its capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "bank borrowings" and "bonds payable" as shown in the consolidated statements of financial position) less cash and bank balances. Total capital is calculated as "equity" shown in the consolidated statements of financial position plus net debt.

The gearing ratios as at 31 December 2016, 2017 and 2018 were as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Borrowings (Note 26)	23,240,508	24,740,129	22,567,489
Less: Cash and cash equivalents (Note 22)	(3,583,734)	(1,018,922)	(924,060)
Net debt	19,656,774	23,721,207	21,643,429
Total equity	5,344,489	6,273,490	5,765,228
Total capital	25,001,263	29,994,697	27,408,657
Gearing ratio	79%	79%	79%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.3 Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

The following table presents the Group's financial assets and financial liabilities that are measured at fair value as at 31 December 2016, 2017 and 2018.

(i) Fair value hierarchy

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2016					
Financial assets					
Derivative financial assets	17	—	—	82,314	82,314
Convertible bonds—Embedded derivative	16	—	—	25,836	25,836
Financial assets at fair value through profit or loss	23	—	—	107,583	107,583
Available-for-sale financial assets	15	596,394	—	—	596,394
Structured bank deposits	22	—	128,867	—	128,867
Total financial assets at fair values		596,394	128,867	215,733	940,994
Financial liabilities					
Derivative financial liabilities	17	—	70,576	—	70,576
At 31 December 2017					
Financial assets					
Derivative financial assets	17	—	410,656	116,996	527,652
Financial assets at fair value through profit or loss	23	—	—	277,593	277,593
Available-for-sale financial assets	15	829,728	—	—	829,728
Structured bank deposits	22	—	335,366	—	335,366
Total financial assets at fair values		829,728	746,022	394,589	1,970,339
At 31 December 2018					
Financial assets					
Derivative financial assets	17	—	27,623	—	27,623
Financial assets at fair value through profit or loss	23	197,704	—	187,955	385,659
Financial assets at fair value through other comprehensive income	24	914,548	—	156,626	1,071,174
Structured bank deposits	22	—	312,156	—	312,156
Total financial assets at fair values		1,112,252	339,779	344,581	1,796,612

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(i) Fair value hierarchy (Continued)

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(ii) Valuation techniques used to determine fair values (Continued)

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

	Fair value at				Range of inputs			
Description	31 December 2016 HK$'000	31 December 2017 HK$'000	31 December 2018 HK$'000	Unobservable inputs	2016	2017	2018	Relationship of unobservable inputs to fair value
Convertible bonds—embedded derivatives . . .	25,836	—	—	Discount rate for lack of marketability	15%	—	—	The higher the discount rate for lack of marketability and expected volatility, the lower the fair value
				Expected volatility	15%	—	—	
Investment in unlisted equity securities	107,583	82,797	—	Discount rate for lack of marketability	20%	20%	—	The higher the discount rate for lack of marketability and expected volatility, the lower the fair value
				Expected volatility	20%	20%	—	
Put option of the investment in unlisted equity securities	82,314	116,996	—	Discount rate for lack of marketability	20%	20%	—	The higher the discount rate for lack of marketability and expected volatility, the lower the fair value
				Expected volatility	20%	20%	—	
Investments in wealth management portfolio	—	194,796	187,955	Expected rate of return	—	5%-6%	5%-6%	The higher the expected rate of return the higher the fair value
Debt instruments—unlisted debts	—	—	156,626	Discount rate for lack of marketability	—	—	15%-20%	The higher the discount rate for lack of marketability, the lower the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

It is estimated that on the assumption of a movement of 5% increase/decrease of (i) the expected volatility; (ii) the discount rate for lack of marketability; and/or (iii) the expected rate of return, where applicable, with all other variables held constant, the profit before income tax for the years ended 31 December 2016, 2017 and 2018 would have been decreased/(increased) by approximately HK$1,082,000, HK$(1,768,000) and HK$(887,000), respectively and the Group's equity would have been decreased/(increased) by approximately HK$1,082,000, HK$(1,768,000) and HK$3,005,000, respectively, which are not significant to the financial performance and financial position of the Group.

(iii) Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(iii) Valuation processes (Continued)

team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least annually.

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

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by internal credit risk management of Group.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

Changes in level 2 and 3 fair values are analysed at the end of each reporting periods during the half-yearly valuation discussion between the CFO and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

There was no transfer among level 1, 2 and 3 during each of the years ended 31 December 2016, 2017 and 2018.

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

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at 31 December 2016, 2017 and 2018.

4 Significant accounting judgements and estimates

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4 Significant accounting judgements and estimates (Continued)

In the process of applying the Group's accounting policies, management has made the following judgements and estimates, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

(i) Recognition of commission income

The Group has recognised commission income when the respective shipbuilding contracts have been concluded and when the management considered that such income is highly probable that will not be subsequently reversed.

Generally a shipbuilding contract will be executed in several phrases. The risk of default will gradually decrease when the contract progresses. The Group considered that they will be entitled to recognise such income when the shipbuilding contract is at a stage which is highly probable that will not be subsequently reversed. The determination of whether such income will not be subsequently reversed depends on assessment which involved critical judgements by management.

(ii) Classification of leases

The Group has entered into certain agreements whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased vessels to the lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the vessels from its consolidated statements of financial position and has instead, recognised finance lease receivables (Note 18). Otherwise the Group includes the vessels under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgements by management.

(iii) Useful lives and residual value of property, plant and equipment

The Group estimates residual values of its vessels by reference to the lightweight tonnes of the vessels and the average demolition steel price of similar vessels in the market.

The Group estimates the useful life of its vessels with reference to the average historical useful life of similar vessels, their expected usage, expected repair and maintenance programme, and technical or commercial obsolescence arising from changes or improvements in the shipping market.

(iv) Impairment loss for loan receivables, other receivables and financial assets at fair value through other comprehensive income-debt instruments

Under HKAS 39, the Group reviews loan receivables, other receivables and financial assets at fair value through other comprehensive income-debt instruments portfolio on a regular basis, evaluates any indicators of impairment, and assesses impairment loss in the case of impairment under specific circumstances. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Objective evidence may

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4 Significant accounting judgements and estimates (Continued)

(iv) Impairment loss for loan receivables, other receivables and financial assets at fair value through other comprehensive income-debt instruments (Continued)

include observable data indicating that there is an adverse change in the payments status of borrowers in a Group (e.g. payment delinquency or default in interest or principal payments), or national or local economic conditions that correlate with defaults on assets in the portfolio. The impairment loss amount of an individual loan receivable and other receivable is measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. When assessing the impairment loss of loan receivables, other receivables and financial assets at fair value through other comprehensive income-debt instruments portfolio under the collective evaluation method, management uses estimates based on historical loss experience, which subjects to adjustments according to observable data to reflect the current economic conditions, for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Under HKFRS 9, the provision of impairment of loan receivables is based on assumptions about risk of default and expected credit loss rates. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting periods. Details of assumptions and inputs used are disclosed in note (3.1 (a)).

(v) Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of property, plant and equipment is lower than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, the Group assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate. The Group estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(vi) Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(vii) Estimation of the fair values of financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets (note 3.3).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5 Segment information and revenue

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

The segment information provided to the executive directors for the years ended 31 December 2016, 2017 and 2018 are as follows:

The Group derives revenue from the transfer of services in the following:

	Leasing services	Shipbroking services	Other services	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2016				
Segment revenue	714,489	152,519	164,633	1,031,641
Inter-segment revenue	—	—	—	—
Revenue from external customers	714,489	152,519	164,633	1,031,641
For the year ended 31 December 2017				
Segment revenue	1,035,209	32,413	262,327	1,329,949
Inter-segment revenue	—	—	—	—
Revenue from external customers	1,035,209	32,413	262,327	1,329,949
For the year ended 31 December 2018				
Segment revenue	1,493,262	102,826	508,723	2,104,811
Inter-segment revenue	—	—	—	—
Revenue from external customers	1,493,262	102,826	508,723	2,104,811

Commission income, including in shipbroking services segment, are recognised at point in time method during the Track Record Period.

Segment assets and liabilities

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

Geographic information

During the Track Record Period, the Group provided majority of leasing services and financing and other services to customers mainly located in PRC, Asia, United States and Europe.

The Group's assets, consisted of its property, plant and equipment, joint ventures, associates, financial instruments and others. The vessels (included in property, plant and equipment) are primarily utilised across geographical markets throughout the world. Accordingly, it is impractical to present the locations of the vessels by geographical areas and thus presented as unallocated assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5 Segment information and revenue (Continued)

Information about major customers

External customers contribute over 10% of total revenue of the Group for any of years ended 31 December 2016, 2017 and 2018, are as follows:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Customer A	327,140	328,010	329,975
Customer B	157,446	182,590	195,235
Customer C	112,816	7,932	84,097
Customer D	80,603	185,338	428,753
Customer E	37,640	116,450	262,917
Customer F	31,796	125,182	190,343
	747,441	945,502	1,491,320

Revenue by business activities

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance lease income	319,856	540,195	892,080
Operating lease income	394,633	495,014	601,182
Interest income from loan borrowings	164,633	262,327	508,723
Commission income	152,519	32,413	102,826
	1,031,641	1,329,949	2,104,811

6 Other income and other gains/(losses), net

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Dividend income	16,262	39,666	47,545
Interest income from			
—Financial assets at fair value through profit or loss	—	—	4,940
—Financial assets at fair value through other comprehensive income	NA	NA	29,888
—Convertible bonds	28,830	22,835	—
—Bank deposits	114,185	56,923	85,130
—Amounts due from fellow subsidiaries	9,699	21,104	20,796
Loss on disposals of property, plant and equipment	—	(1,444)	—
Foreign exchange gain/(loss), net (note (i))	174,592	(566,146)	(297,399)
Net (loss)/gain on changes in fair value of derivative financial instruments	(141,641)	449,915	45,750
Net gain from settlement of convertible bonds	—	26,437	—
Net loss on changes in fair value of financial assets at fair value through profit or loss	—	(4,454)	(6,849)
Others	5,773	9,799	10,382
	207,700	54,635	(59,817)

Note:

(i) The foreign exchange is mainly arising from translation difference of bond payables (note 26) and deposit denominated in EUR (note 22).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

7 Finance costs and bank charges

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Interest and charges on bonds	313,880	133,932	19,499
Interest and charges on borrowings	342,287	645,407	1,129,161
Less: finance costs capitalised	(48,626)	(53,820)	(104,165)
Bank charges	5,753	1,645	1,660
	613,294	727,164	1,046,155

8 Profit from operations

Profit from operations is stated after charging the followings:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Ship management fee	18,123	16,394	18,046
Crew expenses	12,875	36,868	47,039
Listing expenses	—	—	16,399
Legal and professional fee	5,187	5,308	1,846
Auditor's remuneration	1,040	1,453	3,792
Rental and utilities expenses	8,715	7,538	8,640

9 Income tax expenses/(credit)

The Group mainly operates in Hong Kong, PRC, British Virgin Islands and Marshall Islands.

Hong Kong profits tax is provided at 16.5% based on assessable profits arising in Hong Kong during the years ended 31 December 2016, 2017 and 2018.

For the years ended 31 December 2016, 2017 and 2018, the PRC corporate income tax is charged at the statutory rate of 25% of the assessable income as determined with the relevant tax rules and regulations of the PRC.

Income tax expenses in the consolidated statements of comprehensive income represent:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Hong Kong profits tax			
—current year	—	—	—
—under-provision in prior years	101	—	—
	101	—	—
Oversea corporate income tax			
—current year	10,023	7,943	9,376
—over-provision in prior years	—	(73)	(44)
	10,023	7,870	9,332
Deferred tax (note 19)	644	8,328	(11,439)
	10,768	16,198	(2,107)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

9 Income tax expenses/(credit) (Continued)

Reconciliation between income tax expenses and profit before income tax at the applicable tax rate:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	442,963	618,790	704,415
Less:			
Share of results of associates	(211,506)	(259,095)	(81,004)
	231,457	359,695	623,411
Calculated at tax rate of 16.5%	38,190	59,350	102,863
Effect of different tax rates in other countries	(44,406)	(107,406)	(151,041)
Income not subject to tax	(72,983)	(143,189)	(82,497)
Expenses not deductible for tax purpose	82,529	198,055	141,446
Tax effect of tax loss not recognised	7,368	5,822	1,320
Utilisation of previously unrecognised tax loss	(675)	(4,689)	(2,715)
Withholding tax for associates' undistributed earnings	644	8,328	(11,439)
Under/(over)-provision in prior years	101	(73)	(44)
Income tax expenses/(credit)	10,768	16,198	(2,107)

At 31 December 2016, 2017 and 2018, the Group has not recognised deferred income tax assets in respect of tax losses of approximately HK$16,644,000, HK$18,437,000 and HK$8,134,000. Deferred income tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams. The Group had no other significant deferred taxation not provided for during the years ended 31 December 2016, 2017 and 2018. Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such unremitted earnings in the unforeseeable future.

At 31 December 2016, 2017 and 2018, the Group's tax losses will expire:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
2020	18,756	—	—
No expiry date	81,546	116,828	49,297
	100,302	116,828	49,297

10 Employee benefits expenses

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages, salaries, and other allowances (including Directors' emoluments (note 11))	23,787	26,770	45,824
Retirement benefit costs	3,491	3,427	5,411
	27,278	30,197	51,235

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

10 Employee benefits expenses (Continued)

(a) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group include 1, 1 and 2 directors for the years ended 31 December 2016, 2017 and 2018 respectively, whose remuneration are reflected in the analysis presented in note 11.

The remuneration paid to the remaining 4, 4 and 3 individuals are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	**HK$'000**	**HK$'000**
Wages, salaries, and other allowances	3,346	4,172	4,710
Retirement benefit costs	501	508	514
	3,847	4,680	5,224

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of individuals: Year ended 31 December		
	2016	**2017**	**2018**
Nil to HK$1,000,000	1	—	—
HK$1,000,001 to HK$1,500,000	3	4	—
HK$1,500,001 to HK$2,000,000	—	—	3

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any for the five highest paid individuals during the years ended 31 December 2016, 2017 and 2018.

11 Benefits and interests of Directors

(a) Directors' emoluments

The remuneration represents remuneration received from the Group by these Directors in their capacity as employees to the Company and no Directors waived any emolument during the years ended 31 December 2016, 2017 and 2018.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

11 Benefits and interests of Directors (Continued)

(a) Directors' emoluments (Continued)

The remuneration of every Director is set out below:

Name of Directors	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of Directors' other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2016:							
YANG LI	—	748	427	—	161	—	1,336
HAN GUANG DE	—	—	—	—	—	—	—
XU XING	—	—	—	—	—	—	—
ZENG XIANG XIN	—	—	—	—	—	—	—
Total	—	748	427	—	161	—	1,336
For the year ended 31 December 2017:							
YANG LI	—	766	584	—	212	—	1,562
HU KAI	—	154	—	—	48	—	202
HAN GUANG DE	—	—	—	—	—	—	—
XU XING	—	—	—	—	—	—	—
ZENG XIANG XIN	—	—	—	—	—	—	—
Total	—	920	584	—	260	—	1,764
For the year ended 31 December 2018:							
YANG LI	—	864	744	—	189	—	1,797
HU KAI	—	864	236	40	206	—	1,346
HAN GUANG DE	—	—	—	—	—	—	—
XU XING	—	—	—	—	—	—	—
Total	—	1,728	980	40	395	—	3,143

No director fees were paid to these Directors in their capacity as Directors and no emoluments were paid by the Company to the Directors as an inducement to join the Company, or as compensation for loss of office during the years ended 31 December 2016, 2017 and 2018.

Mr. Zeng Xiang Xin resigned as the director of the Company on 31 July 2017. Mr. Xu Xing and Mr. Han Guang De resigned as the directors of the Company on 28 September 2018.

Mr. Hu Kai was appointed as the Company's director on 18 August 2017. Mr. Yang Li and Mr. Hu Kai were re-designated as executive directors on 28 September 2018. Mr. Zhong Jian and Mr. Li Chaokun were appointed as the Company's non-executive directors on 28 September 2018. During the Track Record Period, the non-executive directors had not been appointed and had not received any remuneration.

Discretionary bonuses are determined based on the overall performance of the individual and the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

11 Benefits and interests of Directors (Continued)

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by any Directors in respect of their other services in connection with the management of the affairs of the Group undertaking during the Track Record Period.

(c) Directors' termination benefits

No payment was made to Directors as compensation for the early termination of the appointment during the Track Record Period.

(d) Consideration provided to third parties for making available Directors' services

During the Track Record Period, no payment has been made to the employee or Directors for making available the service of them as a director of the Company.

(e) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such Directors

During the Track Record Period, there are no loans, quasi-loans and other dealing arrangements in favour of Directors, or controlled bodies corporate by and connected entities with such Directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's and Group's business to which the Company and Group was a party and in which a director of the Company had a material interest, whether directly to indirectly; subsisted at the end of the year or at any time during the Track Record Period.

12 Investments in subsidiaries

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Unlisted investments, at cost	766,341	766,345	766,344
Amounts due from subsidiaries	13,345,763	13,779,835	10,495,049
Amounts due to subsidiaries	(7,507,594)	(8,088,521)	(2,985,781)

As at 31 December 2016, the amounts due from/(to) subsidiaries are unsecured and repayable on demand except for the amount due from a subsidiary of HK$15,455,000 is interest bearing at 3.5% per annum, the remaining amounts are interest free.

As at 31 December 2017 and 2018, the amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Investments in subsidiaries (Continued)

Particulars of the Company's subsidiaries at 31 December 2016, 2017 and 2018 are as follows:

Name	Country/place of Incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held				Principal activities and place of operation	Note
			31 December			Date of this report		
			2016	2017	2018			
Zhongqiao Shipping Limited	Hong Kong	HK$10,000	100%	100%	100%	100%	Operating Leasing	(ii)
New Pearl River Shipping Limited	Hong Kong	HK$1	NA	100%	100%	100%	Finance leasing	(ii)
CP Worldwide Holding Company Limited	British Virgin Islands ("BVI")	US$100	75%	75%	75%	75%	Investment holding	(iii)
CP Shanghai Shipping S.A.	Marshall Islands	—	75%	75%	75%	75%	Operating Leasing	(iii)
CP Guangzhou Shipping S.A.	Marshall Islands	—	75%	75%	75%	75%	Operating Leasing	(iii)
CP Tianjin Shipping S.A.	Marshall Islands	—	75%	75%	75%	75%	Operating Leasing	(iii)
CP Chongqing Shipping S.A.	Marshall Islands	—	75%	75%	75%	75%	Operating Leasing	(iii)
CP Nanjing Shipping S.A.	Marshall Islands	—	75%	75%	75%	75%	Operating Leasing	(iii)
CP Shenzhen Shipping S.A.	Marshall Islands	—	75%	75%	75%	75%	Operating Leasing	(iii)
CSSC Financial Leasing (Shanghai) Company Limited* 中船融資租賃(上海)有限公司	The PRC	RMB100,000,000	100%	100%	100%	100%	Finance leasing	(iv)
Shanghai Jiabojiang Ship Leasing Co., Ltd.* (上海佳駁江船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
Shanghai Jiabohe Ship Leasing Co., Ltd.* (上海佳駁河船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
Shanghai Jiabohu Ship Leasing Co., Ltd.* (上海佳駁湖船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
Shanghai Jiabohai Ship Leasing Co., Ltd.* (上海佳駁海船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
Shanghai Jiabowang Ship Leasing Co., Ltd.* (上海佳駁汪船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
Shanghai Jiaboyang Ship Leasing Co., Ltd.* (上海佳駁洋船舶租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
CSSC Financial Leasing (Tianjin) Company Limited* (中船融資租賃(天津)有限公司)	The PRC	RMB500,000,000	100%	100%	100%	100%	Finance leasing	(iv)
CSSC Ruiyun (Tianjin) Financial Leasing Co., Ltd.* (中船瑞雲(天津)融資租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
CSSC Jiyun (Tianjin) Financial Leasing Co., Ltd.* (中船吉雲(天津)融資租賃有限公司)	The PRC	RMB100,000	100%	100%	100%	100%	Finance leasing	(iv)
CSSC Capital 2015 Limited	BVI	US$100	100%	100%	100%	100%	Bond issuing	(iii)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held 31 December 2016	2017	2018	Date of this report	Principal activities and place of operation	Note
CHA Great Worldwide Holding Company	BVI	US$1	100%	100%	100%	100%	Investment holding	(iii)
CHA First Shipping S.A.	Marshall Islands	US$1	100%	100%	100%	100%	Finance leasing	(iii)
CHA Second Shipping S.A.	Marshall Islands	US$1	100%	100%	100%	100%	Finance leasing	(iii)
CHC Holding Company Group Limited	BVI	US$1	100%	100%	100%	100%	Investment holding	(iii)
CHC First Shipping S.A.	Marshall Islands	US$1	100%	100%	100%	100%	Operating Leasing	(iii)
CHC Second Shipping S.A.	Marshall Islands	US$1	100%	100%	100%	100%	Operating Leasing	(iii)
CHC Third Shipping S.A.	Marshall Islands	US$1	100%	100%	100%	100%	Operating Leasing	(iii)
Lianhuashan Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Pearl River Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Kylin Offshore Engineering Pte Ltd.	Singapore	SGD10,000,000	70%	70%	70%	70%	Marine engineering business	(v)
Fortune 2014 Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Beijing Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Shanghai Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Fuzhou Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Guangzhou Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Quanzhou Shipping Limited	Hong Kong	HK$1	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Xiamen Shipping Limited	Hong Kong	HK$1	100%	100%	100%	100%	Operating Leasing	(ii)
Fortune Daocheng Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Yading Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Star I Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Operating Leasing	(iii)
Fortune Star II Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Operating Leasing	(iii)
Fortune Maritime I Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Operating Leasing	(iii)
Fortune Sea I Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Operating Leasing	(iii)
Fortune Sea II Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Operating Leasing	(iii)
Fortune Sea III Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Operating Leasing	(iii)
Fortune Jupiter Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Lianjiang Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held				Principal activities and place of operation	Note
			31 December			Date of this report		
			2016	2017	2018			
Fortune Eris Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Moon Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune January Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune February Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune June Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune August Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune September Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune October Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Putuoshan Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Shenjiamen Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Zhujiajian Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Mars Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Spring Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Summer Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Autumn Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Winter Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Season Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Mercury Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Chile Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Brazil Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
CP Jinan Shipping S.A.	Marshall Islands	—	75%	100%	100%	100%	Operating leasing	(iii)
CP Xian Shipping S.A.	Marshall Islands	—	75%	100%	100%	100%	Operating leasing	(iii)
CP Hangzhou Shipping S.A.	Marshall Islands	—	75%	100%	100%	100%	Operating leasing	(iii)
CP Fuzhou Shipping S.A.	Marshall Islands	—	75%	100%	100%	100%	Operating leasing	(iii)
Fortune Saturn Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Taizhou Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Venus Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held				Principal activities and place of operation	Note
			31 December			Date of this report		
			2016	2017	2018			
Fortune Tianhe Shipping Limited	Hong Kong	HK$1	100%	100%	100%	100%	Finance leasing	(ii)
Fortune Haizhu Shipping Limited	Hong Kong	HK$1	100%	100%	100%	100%	Finance leasing	(ii)
Fortune Liwan Shipping Limited	Hong Kong	HK$1	100%	100%	100%	100%	Finance leasing	(ii)
Fortune Nansha Shipping Limited	Hong Kong	HK$1	100%	100%	100%	100%	Finance leasing	(ii)
Fortune Ricardo Shipping Limited	Hong Kong	HK$1	100%	100%	100%	100%	Finance leasing	(ii)
Fortune Zeus Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Qian Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Kun Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Zhen Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Xun Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Kan Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Li Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Gen Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Dui Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Poseidon Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Eos Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Qinglong Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Baihu Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Haumea Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Aquarius Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Santorini Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Crete Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Pisces Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Suez I Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Suez II Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Suez III Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Tianxia Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held				Principal activities and place of operation	Note
			31 December			Date of this report		
			2016	2017	2018			
Fortune Xuanyuan Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Jessica Investments Company Limited	BVI	US$100	NA	100%	100%	100%	Finance leasing	(iii)
Fortune Jessica Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Finance leasing	(iii)
Fortune East Sea Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Aspiration Investments Company Limited	BVI	US$100	NA	100%	100%	100%	Finance leasing	(iii)
Fortune Aspiration I Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Finance leasing	(iii)
Fortune Aspiration II Shipping Limited	Marshall Islands	US$100	NA	100%	100%	100%	Finance leasing	(iii)
CSSC Capital 2013 Limited	BVI	—	100%	NA	NA	NA	Bond issuing	(iii)
Fortune Pluto Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Dormant	(iii)
Fortune Neptune Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Earl Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Emma Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Empire Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Epoch Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Essence Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Excellency Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Elmar Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Elsa Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Eudora Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Ernest Shipping S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Operating Leasing	(iii)
Fortune Uranus Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Dormant	(iii)
SWS JU2000E Holdco Limited	BVI	US$100	100%	100%	100%	100%	Dormant	(iii)
SWS Fortune S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Dormant	(iii)
SWS Wealth S.A.	Marshall Islands	US$100	100%	100%	100%	100%	Dormant	(iii)
Fortune Ceres Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment Holding	(iii)
Fortune Makemake Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Dormant	(iii)
Fortune May Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Dormant	(iii)
Fortune July Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Dormant	(iii)
Fortune November Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Dormant	(iii)
Fortune Capricorn Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Dormant	(iii)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held				Principal activities and place of operation	Note
			31 December			Date of this report		
			2016	2017	2018			
Fortune Aries Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Caribbean I Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Caribbean II Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Caribbean III Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Caribbean IV Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Caribbean V Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Caribbean VI Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Arctic I Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Arctic II Shipping Limited	Marshall Islands	US$100	100%	100%	100%	100%	Operating leasing	(iii)
Fortune Baltic Holding Company Limited	BVI	US$100	100%	100%	100%	100%	Investment holding	(iii)
Fortune Bec I Shipping Limited	Cyprus	EUR1,000	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Bec II Shipping Limited	Cyprus	EUR1,000	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Bec III Shipping Limited	Cyprus	EUR1,000	100%	100%	100%	100%	Finance leasing	(iii)
Fortune Bec IV Shipping Limited	Cyprus	EUR1,000	100%	100%	100%	100%	Finance leasing	(iii)
Fortune CD Aurora Holding Company Limited	BVI	US$100	NA	100%	100%	100%	Dormant	(iii)
Fortune CD Astraeus Shipping Limited	Hong Kong	HK$100	NA	100%	100%	100%	Dormant	(vi)
Fortune CD Heracles Shipping Limited	Hong Kong	HK$100	NA	100%	100%	100%	Dormant	(vi)
Fortune CD Prometheus Shipping Limited	Hong Kong	HK$100	NA	100%	100%	100%	Dormant	(vi)
Fortune Victoria Peak Holding Company	BVI	US$100	NA	100%	100%	100%	Investment Holding	(iii)
Fortune Hefei Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Wuhan Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Nanchang Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Datong Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Changsha Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Nanning Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Hebrews Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Ephesians Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Matthew Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Lanzhou Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Lasa Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Wuxi Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Suzhou Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Lyra Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Leo Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Grus Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

12 Investments in subsidiaries (Continued)

Name	Country/place of Incorporation/ establishment	Issued and fully paid share capital/ registered capital	Effective interest held				Principal activities and place of operation	Note
			31 December			Date of this report		
			2016	2017	2018			
Fortune Aquila Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Colossians Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Philippians Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Kowloon Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Central Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Wanchai Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Lantau Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Harbin Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Changchun Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Qingdao Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Shijiazhuang Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Shenyang Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Tsingyi Shipping Limited	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Guilin Shipping Limited.	Marshall Islands	US$100	NA	NA	100%	100%	Dormant	(iii)
Fortune Evolution Investments Company Limited	BVI	US$100	NA	NA	100%	100%	Dormant	(iii)
CP Chartering Company Limited	BVI	US$1	NA	NA	75%	75%	Operating Leasing	(iii)

Note:

(i) All companies now comprising the Group have adopted 31 December as their financial year end date.

(ii) The statutory financial statements for the years ended 31 December 2016 and 2017 were audited by Baker Tilly Hong Kong Limited, Certified Public Accountants in Hong Kong.

(iii) No audited financial statements were issued for these subsidiaries as they are not required to issue audited financial statements under the statutory requirement of their places of incorporation.

(iv) The statutory financial statements of these subsidiaries for the years ended 31 December 2016 and 2017 were audited by Baker Tilly China Certified Public Accountants. The statutory financial statements of these subsidiaries for the year ended 31 December 2018 were audited by PricewaterhouseCoopers Zhong Tian LLP.

(v) The statutory financial statements of these subsidiaries for the years ended 31 December 2016, 2017 and 2018 were audited by Baker Tilly TFW LLP.

(vi) No audited financial statements have been prepared for this Company as this Company has not yet commenced its business operation.

*The English name of these subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

13 Property, plant and equipment

The Group

	Construction in progress	Vessels	Motor vehicles	Office equipment	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 January 2016	465,336	3,758,031	1,166	2,273	2,805	4,229,611
Additions	767,281	7,191	925	919	—	776,316
Transfer	(416,405)	416,405	—	—	—	—
Exchange differences	52	97	(75)	(98)	(63)	(87)
At 31 December 2016 and 1 January 2017	816,264	4,181,724	2,016	3,094	2,742	5,005,840
Additions	1,590,193	12,574	—	585	116	1,603,468
Transfer	(418,359)	418,359	—	—	—	—
Disposal	—	—	—	—	(2,719)	(2,719)
Exchange differences	399	1,610	185	211	158	2,563
At 31 December 2017 and 1 January 2018	1,988,497	4,614,267	2,201	3,890	297	6,609,152
Additions	868,684	—	—	920	—	869,604
Transfer	(1,166,049)	1,166,049	—	—	—	—
Exchange differences	62	448	86	—	—	596
At 31 December 2018	1,691,194	5,780,764	2,287	4,810	297	7,479,352

	Construction in progress	Vessels	Motor vehicles	Office equipment	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Accumulated depreciation						
At 1 January 2016	—	286,646	220	687	439	287,992
Charge for the year	—	114,362	340	652	575	115,929
Exchange differences	—	(1)	(14)	(30)	(12)	(57)
At 31 December 2016 and 1 January 2017	—	401,007	546	1,309	1,002	403,864
Charge for the year	—	135,077	398	900	149	136,524
Disposal	—	—	—	—	(1,091)	(1,091)
Exchange differences	—	(6)	70	118	58	240
At 31 December 2017 and 1 January 2018	—	536,078	1,014	2,327	118	539,537
Charge for the year	—	149,062	390	680	60	150,192
Exchange differences	—	(1,262)	—	—	—	(1,262)
At 31 December 2018	—	683,878	1,404	3,007	178	688,467

	Construction in progress	Vessels	Motor vehicles	Office equipment	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net carrying amounts						
At 31 December 2016	816,264	3,780,717	1,470	1,785	1,740	4,601,976
At 31 December 2017	1,988,497	4,078,189	1,187	1,563	179	6,069,615
At 31 December 2018	1,691,194	5,096,886	883	1,803	119	6,790,885

At 31 December 2016, 2017 and 2018, certain items of the Group's property, plant and equipment with aggregate net carrying amounts of HK$2,939,571,000, HK$2,842,655,000 and HK$2,745,739,000 respectively, were pledged to secure general banking facilities granted to the Group (note 26).

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

13 Property, plant and equipment (Continued)

The Company

	Office equipment	Total
	HK$'000	HK$'000
Cost		
At 1 January 2016	452	452
Additions	340	340
At 31 December 2016 and 1 January 2017	792	792
Additions	542	542
At 31 December 2017 and 1 January 2018	1,334	1,334
Additions	861	861
At 31 December 2018	2,195	2,195
Accumulated depreciation		
At 1 January 2016	202	202
Charge for the year	134	134
At 31 December 2016 and 1 January 2017	336	336
Charge for the year	287	287
At 31 December 2017 and 1 January 2018	623	623
Charge for the year	352	352
At 31 December 2018	975	975
Net carrying amounts		
At 31 December 2016	456	456
At 31 December 2017	711	711
At 31 December 2018	1,220	1,220

14 Interests in associates

The Group

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
At the beginning of the year	3,180,033	5,449,298	5,881,965
Share of impact of adoption of HKFRS 9	—	—	(47,602)
Acquisition	2,260,488	—	—
Share of results of associates	211,506	259,095	81,004
Share of other comprehensive (loss)/income	(21,343)	(21,878)	22,389
Share of other reserves	1,356	419	352,750
Dividends	(76,752)	(74,686)	(67,297)
Disposals	—	—	(6,378,128)
Exchange differences	(105,990)	269,717	170,857
At the end of the year	5,449,298	5,881,965	15,938
Amounts due from associates	38,057	37,457	24,841

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14 Interests in associates (Continued)

The Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
At the beginning of the year	3,163,365	2,976,326	3,170,304
Share of impact of adoption of HKFRS 9	—	—	5,292
Share of result of an associate	19,462	25,473	(87,268)
Share of other comprehensive (loss)/income	(75)	33	1,189
Share of other reserves	378	419	352,750
Dividends	(12,299)	(6,272)	—
Disposals	—	—	(3,502,744)
Exchange differences	(194,505)	174,325	60,477
At the end of the year	2,976,326	3,170,304	—
Amount due from an associate	13,370	12,483	—

Amounts due from associates of the Group and the Company are unsecured, interest free and repayable on demand.

Goodwill of HK$262,588,000, HK$262,588,000 at 31 December 2016 and 2017 respectively were included in the interests in associates of the Group.

There is no goodwill in the interests in associates of the Group at 31 December 2018.

Particulars of the Group's material associates as at 31 December 2016, 2017 and 2018 are as follows:

Name	Place of incorporation/ registration and operation	Percentage of equity attributable to the Company 31 December 2016	2017	2018	Principal activities
CSSC Offshore & Marine Engineering (Group) Company Limited ("CSSC OME")#	The PRC	24.47%	24.47%	NA	Manufacturing of vessel
Bank of Tianjin Co., Ltd.^#	The PRC	4.99%	4.99%	NA	Banking business and financial services
Nor Solan I Pte Ltd.	Singapore	28%	28%	28%	Chartering services
Nor Solan II Pte Ltd.	Singapore	28%	28%	28%	Chartering services

^ In 2016, the Group acquired 4.99% equity interests in Bank of Tianjin Co., Ltd. ("Bank of Tianjin"), at a consideration of HK$2,260,488,000. One director was appointed by the Group to participate in the financial and operating policy decisions of Bank of Tianjin.

In June 2018, the Group has a concrete plan and an intention to dispose the investments in associates, Bank of Tianjin and CSSC OME to a fellow subsidiary. Therefore, the respective interests in associates have been reclassified to non-current assets held for sale and subsequently measured at a lower of carrying value or fair value less cost to dispose at the date of transfer. In September 2018, the Group has completed the disposal of the investments to the Holding Company with total consideration of HK$6,418,894,000 and it results in a profit of HK$40,766,000.

The above associates have been accounted for using the equity method in the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14 Interests in associates (Continued)

Summarised financial information of the associates, which are individually material to the Group amended to adjustments made by the entity which used the equity method, including fair value adjustments and modifications for differences in accounting policies, and reconciled to the carrying amounts of the Group's interests in the Historical Financial Information, is disclosed below:

CSSC OME

Summarised financial information

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Equity attributable to owners of the associate	11,555,336	12,348,106	N/A
Group's share of net assets of the associate	2,827,604	3,021,582	N/A
Goodwill	133,762	133,762	N/A

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue	26,074,504	26,456,977	N/A
Profit for the year	96,804	119,328	N/A

On 8 April 2015, CSSC OME issued 382,971,727 A shares (represent 46.62% of the enlarged shareholding of CSSC OME) to the Holding Company and independent third parties. Further to the issuance of the shares, the effective shareholding of the Group in CSSC OME was decreased by 9.1% which was accounted for as a deemed disposal of partial interests in an associate. The gain arising from the deemed disposal of partial interests in an associate was credited to profit or loss, amounting to HK$817,427,000.

Bank of Tianjin

Summarised financial information

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Equity attributable to owners of the associate	46,577,477	52,269,750	NA
Group's share of net assets of the associate	2,324,216	2,561,218	NA
Goodwill	128,826	128,826	NA

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Revenue	29,754,526	35,579,980	NA
Profit for the year	5,045,143	4,675,291	NA

In 2016, the Group entered into a subscription agreement with Bank of Tianjin pursuant to which the Group agreed to acquire the shares allotted by Bank of Tianjin which represent

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14 Interests in associates (Continued)

4.99% equity interests in Bank of Tianjin at consideration of HK$2,260,488,000. One director was appointed by the Group to participate in the financial and operating policy decisions of Bank of Tianjin.

	At acquisition date
	HK$'000
Consideration paid	2,260,488
Less: fair value of the net assets of the associate acquired	(2,131,662)
Goodwill	128,826

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Share of the associates' profit for the year	3,097	1,440	834
Share of the associates' other comprehensive income	165	247	—
Aggregate carrying amounts of the Group's interests in the associates	19,930	21,617	15,938

15 Available-for-sale financial assets

The Group and the Company

	As at 31 December	
	2016	2017
	HK$'000	HK$'000
Preferred shares	289,657	653,398
Bonds	306,737	176,330
	596,394	829,728

At 1 January 2018, due to adoption of HKFRS 9, these assets are reclassified as financial assets at fair value through other comprehensive income (note 24).

16 Convertible bonds receivables

The Group

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Convertible Bond I (note (i))	249,928	—	—
Convertible Bond II (note (ii))	95,932	—	—
	345,860	—	—

The Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Convertible Bond I (note (i))	249,928	—	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16 Convertible bonds receivables (Continued)

The convertible bonds contain two components: debt and conversion option components. The debt component is accounted for as loans and receivables while the conversion option component is accounted for as derivative financial instrument which is carried at fair value through profit or loss.

Note:

(i) On 9 September 2015, the Group and the Company have subscribed a convertible bond (the "Convertible Bond I") in a principal amount of US$30,000,000 (approximately equivalent to HK$234,000,000) at a conversion price of HK$1.26 per share, which was issued by Carnival Group International Holding Limited. The Convertible Bond I was secured, interest bearing at 8% per annum and was early redeemed in 2017.

The debt component of Convertible Bond I is measured at amortised cost and the effective interest rate of the debt component of the Convertible Bond I is 9.03%. The conversion option component is presented as embedded derivative in note (iii).

(ii) On 21 September 2015, the Group has subscribed a convertible bond (the "Convertible Bond II") in a principal amount of US$10,000,000 (approximately equivalent to HK$78,000,000) at a conversion price of HK$0.65 per share, which was issued by Yuan Heng Gas Holdings Limited. The Convertible Bond II was unsecured, interest bearing at 6% per annum and matured in 2017.

The debt component of Convertible Bond II is measured at amortised cost and the effective interest rate of the debt component of the Convertible Bond II is 6%. The conversion option component is presented as embedded derivative in note (iii).

(iii) Embedded derivative

Conversion options embedded in convertible bonds receivables represent the conversion option components of convertible bonds receivables from Convertible Bond I and Convertible Bond II, which are measured at fair value using a binomial option pricing model, at initial recognition and at the end of each reporting period.

Movements of Group's convertible bonds receivables during the Track Record Period are as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
At beginning of the year	396,693	345,860	—
Imputed interest income on convertible bonds receivables	28,830	22,835	—
Interest income received on convertible bonds receivables	(12,773)	(34,498)	—
Proceeds from redemption upon maturity	—	(308,361)	—
Loss arising on change in fair value of conversion option components	(66,890)	—	—
Settlement of convertible bonds receivables—conversion option components	—	(25,836)	—
At end of the year	345,860	—	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16 Convertible bonds receivables (Continued)

Movements of Company's convertible bonds receivables during the Track Record Period are as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
At beginning of the year	299,663	249,928	—
Imputed interest income on convertible bonds receivables	20,627	11,217	—
Interest income received on convertible bonds receivables	(9,306)	(18,612)	—
Proceeds from redemption of principal upon maturity	—	(230,361)	—
Loss arising on change in fair value of conversion option components	(61,056)	—	—
Settlement of convertible bonds receivables — conversion option components	—	(12,172)	—
At end of the year	249,928	—	—

17 Derivative financial instruments

The Group and the Company

	Assets			Liabilities		
	As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Foreign forward contracts (note (a))	—	279,977	—	70,576	—	—
Foreign currency swap (note (b))	—	97,918	—	—	—	—
Interest rate swap (note (c))	—	32,761	—	—	—	—
Put option on unlisted equity securities	82,314	116,996	—	—	—	—
Cross currency swap (note (d))	—	—	27,623	—	—	—
	82,314	527,652	27,623	70,576	—	—

Note:

(a) Foreign forward contracts

In 2015, the Group and the Company have entered foreign forward contracts of hedging EUR versus US$, and US$ versus RMB with total notional principal amounts of EUR40,000,000 (approximately equivalent to HK$375,400,000) and US$63,000,000 (approximately equivalent to HK$491,400,000) respectively.

As at 31 December 2016 and 2017, total notional principal amounts of the outstanding foreign forward contracts hedging EUR versus US$ was EUR372,000,000 (approximately equivalent to HK$3,491,220,000).

These contracts have been settled during the year ended 31 December 2018.

(b) Foreign currency swap

As at 31 December 2017, the notional principal amounts of the outstanding foreign currency swap of the Group and the Company were EUR96,000,000 (approximately equivalent to HK$900,960,000).

The foreign currency swap has been matured and settled during the year ended 31 December 2018.

(c) Interest rate swap

As at 31 December 2017, the notional principal amounts of the outstanding interest rate swap for the Group and the Company were US$500,000,000 (approximately equivalent to HK$3,900,000,000).

The interest rate swap has been matured and settled during the year ended 31 December 2018.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

17 Derivative financial instruments (Continued)

(d) Cross currency swap

As at 31 December 2018, the Group and the Company have entered cross currency swap contracts with total notional principal amounts of US$500,000,000 (approximately equivalent HK$3,900,000,000).

18 Loan receivables

The Group

	As at 31 December 2016		
	Gross amount	Impairment loss	Net carrying amount
	HK$'000	HK$'000	HK$'000
Loan borrowings (note (i))	2,716,966	(178,077)	2,538,889
Loans to fellow subsidiaries (note (ii))	2,927,447	—	2,927,447
Loan to an associate (note (iii))	668,908	—	668,908
Finance lease receivables (note (v))	6,603,184	(181,654)	6,421,530
	12,916,505	(359,731)	12,556,774

	As at 31 December 2017		
	Gross amount	Impairment loss	Net carrying amount
	HK$'000	HK$'000	HK$'000
Loan borrowings (note (i))	4,888,642	(57,616)	4,831,026
Loan to a joint venture (note (iv))	14,385	—	14,385
Finance lease receivables (note (v))	9,911,259	(283,450)	9,627,809
	14,814,286	(341,066)	14,473,220

	As at 31 December 2018		
	Gross amount	Impairment loss	Net carrying amount
	HK$'000	HK$'000	HK$'000
Loan borrowings (note (i))	7,892,193	(88,077)	7,804,116
Loans to joint ventures (note (iv))	505,607	—	505,607
Finance lease receivables (note (v))	9,842,197	(352,264)	9,489,933
	18,239,997	(440,341)	17,799,656

Note:

(i) As at 31 December 2016, 2017 and 2018, loan borrowings were secured, interest bearing at rates ranging from 2.5% to 15%, 4.9% to 15% and 4.9% to 15% per annum and repayable in 2017 to 2023, 2018 to 2023 and 2019 to 2028 respectively.

As at 31 December 2016, 2017 and 2018, none of loan borrowings had been written off.

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:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	150,006	473,562	1,010,119
More than 1 year but less than 2 years	67,725	100,392	630,629
Between 2 to 5 years	157,247	56,846	1,661,565
Over 5 years	2,163,911	4,200,226	4,501,803
	2,538,889	4,831,026	7,804,116

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

18 Loan receivables (Continued)

(ii) Loans to fellow subsidiaries were interest free and secured by trade receivables of fellow subsidiaries and fully settled in 2017. As at 31 December 2016, except for amounts in aggregate of HK$2,233,254,000 which were repayable within one year, the remaining balance was not repayable within one year from the end of the reporting periods.

(iii) Loan to an associate was secured by trade receivables of the associate, interest free and fully settled in 2017. As at 31 December 2016, the amounts in aggregate of HK$668,908,000 were repayable within one year, the remaining balance was not repayable within one year from the end of the reporting periods.

(iv) Loans to joint ventures were unsecured, interest bearing at rates ranging from 4.15% to 4.34% and from 4.69% to 5.30% per annum for the year ended 31 December 2017 and 2018 respectively, and repayable on demand.

(v) During the Track Record Period, the amounts were secured and interest bearing at rates ranging as below:

	As at 31 December		
	2016	2017	2018
Finance lease receivables	4%-10%	4%-10%	4%-10%

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance lease receivables	8,716,829	12,358,578	11,597,082
Guaranteed residual value	293,351	454,871	506,337
Gross investment in leases	9,010,180	12,813,449	12,103,419
Less: Unearned finance income	(2,406,996)	(2,902,190)	(2,261,222)
Net investments in leases	6,603,184	9,911,259	9,842,197
Less: accumulated allowance for impairment	(181,654)	(283,450)	(352,264)
Finance lease receivables—net	6,421,530	9,627,809	9,489,933

Reconciliation between the gross investment in finance leases at the end of each reporting periods and the present value of minimum lease payments receivable under such leases at the end of each reporting periods is set out below.

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Gross investment in finance leases	9,010,180	12,813,449	12,103,419
Less: Unguaranteed residual values	—	—	—
Minimum lease payments receivable	9,010,180	12,813,449	12,103,419
Less: Unearned finance income related to minimum lease payments receivable	(2,406,996)	(2,902,190)	(2,261,222)
Present value of minimum lease payments receivable	6,603,184	9,911,259	9,842,197

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

18 Loan receivables (Continued)

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 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Gross investment in finance leases			
—Within 1 year	1,097,493	1,477,225	1,872,853
—More than 1 year but less than 2 years	1,362,735	1,728,297	1,341,362
—Between 2 to 5 years	3,288,413	3,998,929	3,720,179
—Over 5 years	3,261,539	5,608,998	5,169,025
	9,010,180	12,813,449	12,103,419

The carrying amounts of the Group's loan receivables approximate their fair values and are mainly denominated in HK$ and US$.

Movement of provision for impairment loss of the Group are as follows:

	HK$'000
At 1 January 2016	210,210
Provision for during the year	226,075
Reversal of during the year	(76,554)
At 31 December 2016	359,731
Provision for during the year	23,545
Reversal of during the year	(42,210)
At 31 December 2017	341,066
Adoption of HKFRS 9	47,137
At 1 January 2018	388,203
Provision for during the year	65,948
Reversal of during the year	(13,810)
At 31 December 2018	440,341

As at 31 December 2016, 2017 and 2018, there is no loan receivables past due but not impaired.

The Company

	As at 31 December 2016		
	Gross amount	Impairment loss	Net carrying amount
	HK$'000	HK$'000	HK$'000
Loan borrowings (note (i))	259,274	(78,933)	180,341
Loans to fellow subsidiaries (note (ii))	2,927,447	—	2,927,447
Loan to an associate (note (iii))	668,908	—	668,908
Loans to subsidiaries (note (iv))	671,566	—	671,566
	4,527,195	(78,933)	4,448,262

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

18 Loan receivables (Continued)

	As at 31 December 2017		
	Gross amount	Impairment loss	Net carrying amount
	HK$'000	HK$'000	HK$'000
Loan borrowings (note (i))	233,960	(76,024)	157,936
Loans to subsidiaries (note (iv))	892,237	—	892,237
	1,126,197	(76,024)	1,050,173

	As at 31 December 2018		
	Gross amount	Impairment loss	Net carrying amount
	HK$'000	HK$'000	HK$'000
Loan borrowings (note (i))	141,423	(3,001)	138,422
Loans to subsidiaries (note (iv))	837,384	—	837,384
Loan to joint ventures (note (v))	396,340	—	396,340
	1,375,147	(3,001)	1,372,146

Note:

(i) As at 31 December 2016, 2017 and 2018, loan borrowings were secured, interest bearing at rates ranging from 2.3% to 15%, 4.9% to 15% and 4.9% to 15% per annum and repayable in 2017 to 2023, 2018 to 2023 and 2019 to 2023.

As at 31 December 2016, 2017 and 2018, none of loan borrowings had been written off.

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

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	—	57,544	138,422
More than 1 year but less than 2 years	65,566	100,392	—
Between 2 to 5 years	114,775	—	—
	180,341	157,936	138,422

Note:

(ii) Loans to fellow subsidiaries were interest free and secured by trade receivables of fellow subsidiaries. As at 31 December 2016, except for amounts in aggregate of HK$2,223,254,000 which were repayable within one year, the remaining balance was not repayable within one year from the end of the reporting periods.

(iii) Loan to an associate was secured by trade receivables of the associate, interest free and fully settled in 2017. As at 31 December 2016, the amounts in aggregate of HK$668,908,000 were repayable within one year, the remaining balance was not repayable within one year from the end of the reporting periods.

(iv) As at 31 December 2016, loan to subsidiaries were secured by vessels of the subsidiaries, interest bearing at LIBOR +3% to 6% per annum and repayable by instalment up to 2018. As at 31 December 2017 and 2018, loan receivables from subsidiaries were secured by vessels of the subsidiaries, interest bearing at LIBOR +3% to 6% per annum and repayable by instalment up to 2020.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

18 Loan receivables (Continued)

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

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within 1 year	383,313	354,971	678,613
More than 1 year but less than 2 years	285,927	537,266	158,771
Between 2 to 5 years	2,326	—	—
	671,566	892,237	837,384

(v) Loans to joint ventures were unsecured, interest bearing at rates ranging from 4.15% to 4.34% and from 4.69% to 5.30% per annum for the year ended 31 December 2017 and 2018 respectively, and repayable on demand.

(vi) As at 31 December 2016, 2017 and 2018, there is no loan receivables past due but not impaired.

19 Deferred tax liabilities

The Group

The followings are deferred tax liabilities recognised and movements thereon during the years ended 31 December 2016, 2017 and 2018:

	Withholding tax on undistributed earnings
	HK$'000
At 1 January 2016	2,210
Charged to profit or loss (note 9)	644
Exchange difference	(177)
At 31 December 2016 and 1 January 2017	2,677
Charged to profit or loss (note 9)	8,328
Exchange difference	173
At 31 December 2017 and 1 January 2018	11,178
Credited to profit or loss (note 9)	(11,439)
Exchange difference	261
At 31 December 2018	—

The Company

	Withholding tax on undistributed earnings
	HK$'000
At 1 January 2016	2,210
Charged to profit or loss	557
Exchange difference	(177)
At 31 December 2016 and 1 January 2017	2,590
Charged to profit or loss	1,597
Exchange difference	167
At 31 December 2017 and 1 January 2018	4,354
Credited to profit or loss	(4,456)
Exchange difference	102
At 31 December 2018	—

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

20 Prepayments, deposits and other receivables

The Group

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments for vessels acquisition for finance leasing	2,415,350	890,274	34,087
Prepayments for ship managers	113,854	163,893	163,682
Interest receivables	11,341	30,012	54,088
Other receivables	15,475	85,330	12,246
	2,556,020	1,169,509	264,103

The Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Prepayments for ship managers	104,052	138,056	156,726
Interest receivables	11,012	23,702	52,872
Other receivables	6,306	40,174	2,046
	121,370	201,932	211,644

The carrying amounts of these receivables of the Group and the Company approximate their fair values as at 31 December 2016, 2017 and 2018.

21 Amounts due from/(to) fellow subsidiaries, Holding Company, related companies and a non-controlling interest

The Group

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amount due from Holding Company (note (ii))	68,475	68,475	—
Amounts due from fellow subsidiaries (note (i))	1,367,487	566,136	114,098
Amounts due from related companies (note (v))	2,452	1,535	—

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amount due to a non-controlling interest (note (iii))	78,192	87,750	88,397
Amounts due to fellow subsidiaries (note (iv))	1,879,525	539,693	439,013
Amounts due to related companies (note (v))	2,470	4,977	70,433

The Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amounts due from fellow subsidiaries (note (i))	898,131	108,973	64,693
Amounts due to fellow subsidiaries (note (iv))	1,488,761	77,606	92,463
Amounts due to related companies (note (v))	—	—	42,408

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

21 Amounts due from/(to) fellow subsidiaries, Holding Company, related companies and a non-controlling interest (Continued)

Note:

(i) The amounts due from fellow subsidiaries are unsecured, interest free, repayable on demand and are denominated in HK$, US$ and CHF, which are non-trade nature.

(ii) The amount due from Holding Company is unsecured, interest free, repayable on demand and denominated in RMB, which are non-trade nature.

(iii) The amount due to a non-controlling interest is unsecured, interest free, repayable on demand and denominated in US$, which are non-trade nature.

(iv) The amounts due to fellow subsidiaries are unsecured, interest bearing at rates ranging from nil to 0.01% and mainly denominated in US$. As at 31 December 2016, 2017 and 2018, except for the amounts in aggregate of HK$1,475,551,000, HK$416,914,000 and HK$346,550,000 respectively, which are repayable within one year, which are non-trade nature, the remaining balance is not repayable within one year from the end of each reporting periods. All the remainings are trade nature.

(v) The amounts due from/(to) related companies are unsecured, interest free, repayable on demand and denominated in HK$ and US$, which are non-trade nature.

22 Cash at bank

The Group

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Time deposits with maturity over three months (note (i))	26,801	860,981	1,579,858
Cash at bank and on hand (note (ii))	3,583,734	1,018,922	924,060
Total	3,610,535	1,879,903	2,503,918
Structured bank deposits (note (iii))	128,867	335,366	312,156

The Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Time deposits with maturity over three months (note (i))	26,801	800,005	1,381,624
Cash at bank and on hand	3,234,307	448,443	715,790
Total	3,261,108	1,248,448	2,097,414

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

22 Cash at bank (Continued)

The carrying amounts of the Group's cash and cash equivalents and time deposits are denominated in following currencies:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
CHF	154	517	—
EUR	811,789	44,165	1,632,256
HK$	21,859	8,990	60,594
RMB	185,695	431,561	54,041
SGD	1,444	735	2,399
US$	2,589,594	1,393,935	754,628
	3,610,535	1,879,903	2,503,918

The carrying amounts of the Company's cash and cash equivalents and time deposits are denominated in following currencies:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
CHF	154	517	—
EUR	808,747	44,001	1,632,256
HK$	19,202	8,868	60,514
RMB	39,648	5,884	1,249
US$	2,393,357	1,189,178	403,395
	3,261,108	1,248,448	2,097,414

Note:

(i) The short-term bank deposits are with original maturity over three months and carried interests at the prevailing market interest during Track Record Period. The effective interest rates on deposits with bank as at 31 December 2016, 2017 and 2018 are 1.95%, 2.07% and 4.11% per annum respectively.

(ii) At 31 December 2016, 2017 and 2018, the bank balances of the Group denominated in RMB amounted to HK$185,695,000, HK$431,561,000 and HK$54,014,000, respectively. These bank balances are not freely convertible into other currencies, however, subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(iii) As at 31 December 2016, 2017 and 2018, the Group's structured bank deposits are principal-protected and placed with the PRC banks. These deposits are with original maturity dates more than three months, interest bearing, denominated in RMB. The carrying amounts of structured bank deposits approximate their fair values.

23 Financial assets at fair value through profit or loss

The Group and the Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Unlisted equity securities	107,583	82,797	—
Investments in wealth management products	—	194,796	385,659
	107,583	277,593	385,659

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

24 Financial assets at fair value through other comprehensive income

The Group and the Company

	As at 31 December 2018
	HK$'000
Equity instrument	
— Listed perpetual securities	520,614
Debt instrument	
— Listed debts	393,934
— Unlisted debt	156,626
	1,071,174

The movements of financial assets at fair value through other comprehensive income are as follows:

	2018		
	Equity instrument	Debt instrument	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2018	–	–	—
Reclassification from available-for-sale financial assets upon adoption of HKFRS 9	653,398	176,330	829,728
At 1 January 2018 under HKFRS 9	653,398	176,330	829,728
Addition during the year	–	397,407	397,407
Disposal during the year	(77,594)	–	(77,594)
Net change in fair value	(55,190)	(23,177)	(78,367)
At 31 December 2018	520,614	550,560	1,071,174

25 Other payables and accruals

The Group

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accruals	2,981	5,718	15,660
Deposits received	871,018	402,344	262,168
Other payables	14,267	41,344	81,022
	888,266	449,406	358,850

The Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Accruals	529	1,083	11,394
Deposits received	598,081	140,909	9,223
Other payables	23	1,558	5,762
	598,633	143,550	26,379

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26 Borrowings

The Group

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Bank borrowings — secured (note a)	19,118,085	19,977,814	22,567,489
Bonds payable (note b)	4,122,423	4,762,315	—
	23,240,508	24,740,129	22,567,489

The Company

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Bank borrowings — secured (note a)	12,038,072	8,545,796	8,546,991

Note:

(a) Bank borrowings

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

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
On demand and within 1 year	4,287,484	1,943,658	7,159,770
More than 1 year but less than 2 years	3,572,865	6,111,250	1,566,560
Between 2 to 5 years	7,346,666	4,440,915	1,177,954
After 5 years	3,911,070	7,481,991	12,663,205
	19,118,085	19,977,814	22,567,489

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

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
On demand and within 1 year	3,728,579	1,323,134	6,980,431
More than 1 year but less than 2 years	3,046,049	5,434,297	1,566,560
Between 2 to 5 years	5,263,444	1,788,365	—
	12,038,072	8,545,796	8,546,991

The weighted average interest rates of the borrowings of the Group and the Company for the years ended 31 December 2016, 2017 and 2018 were as follows:

	As at 31 December		
	2016	2017	2018
Bank borrowings	from 2.40% to 4.60%	from 2.48% to 4.90%	from 2.87% to 4.98%

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26 Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of each reporting periods is as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Variable rate balances			
Bank borrowings	15,107,054	15,773,831	19,980,241

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the end of each reporting periods is as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Variable rate balances			
Bank borrowings	12,038,072	8,528,200	8,546,991

As at 31 December 2016, 2017 and 2018, the Group's bank borrowings were secured by certain of property, plant and equipment (note 13) and the Holding Company's guarantee.

(b) Bonds payable

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
US$ Bond (Note (i))	—	—	—
EUR Bond (Note (ii))	4,122,423	4,762,315	—
	4,122,423	4,762,315	—

Note:

(i) On 12 December 2013, a subsidiary of the Group issued a credit enhanced bond (the "US$ Bond") with an aggregate principal amount of US$800,000,000 (approximately equivalent to HK$6,240,000,000) due on 12 December 2016 with a coupon interest rate of 2.75% per annum and the interest is payable semi-annually.

(ii) On 17 February 2015, a subsidiary of the Group issued a credit enhanced bond (the "EURO Bond") with an aggregate principal amount of EUR500,000,000 (approximately HK$4,275,000,000) at issue price 99.907% of par value with a coupon interest rate of 1.7% per annum due on 19 February 2018 and the interest is payable annually.

27 Capital and reserve

(a) Share capital

	No. of share	Share capital
	'000	HK$'000
Issued and fully paid ordinary shares		
As at 1 January 2016	2,730,212	2,730,212
Allotment of shares	1,871,834	1,871,834
As at 31 December 2016, 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	4,602,046	4,602,046

On 17 June 2016 and 29 September 2016, 677,662,245 and 1,194,172,439 ordinary shares of HK$1 each were issued and allotted to the Holding Company, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

27 Capital and reserve (Continued)

(a) Share capital (Continued)

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally.

(b) Components of the Company's capital and reserves

Details of changes in the Company's equity for the Track Record Period are set out below:

	Investment revaluation reserve	Other reserve	Exchange reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	(121)	(4,717)	(148,701)	879,122	725,583
Loss and total comprehensive loss for the year	(2,572)	—	(78,916)	(85,399)	(166,887)
Share of other reserve of associates	—	378	—	—	378
At 31 December 2016 and 1 January 2017	(2,693)	(4,339)	(227,617)	793,723	559,074
Loss and total comprehensive loss for the year	13,435	—	177,658	(238,282)	(47,189)
Share of other reserve of associates	—	419	—	—	419
At 31 December 2017 and 1 January 2018	10,742	(3,920)	(49,959)	555,441	512,304
Adjustment on adoption of HKFRS 9, net of tax	5,292	—	—	—	5,292
At 1 January 2018	16,034	(3,920)	(49,959)	555,441	517,596
Profit and total comprehensive income for the year	(78,922)	—	(60,477)	932,951	793,552
Share of other reserve of associates	—	352,750	—	—	352,750
Dividends (note 36)	—	—	—	(1,467,000)	(1,467,000)
Recycle to retained profits upon disposal of associate	718	(353,126)	—	352,408	—
As at 31 December 2018	(62,170)	(4,296)	(110,436)	373,800	196,898

28 Financial instruments by category

The Group

Financial assets

As at 31 December 2016

	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	—	82,314	—	82,314
Financial assets at fair value through profit or loss	—	107,583	—	107,583
Available-for-sale financial assets	—	—	596,394	596,394
Convertible bonds receivables	320,024	25,836	—	345,860
Loan receivables	12,556,774	—	—	12,556,774
Other receivables (excluding prepayments)	26,816	—	—	26,816
Amount due from Holding Company	68,475	—	—	68,475
Amounts due from fellow subsidiaries	1,367,487	—	—	1,367,487
Amounts due from associates	38,057	—	—	38,057
Amounts due from related companies	2,452	—	—	2,452
Time deposits with maturity over three months	26,801	—	—	26,801
Cash and cash equivalents	3,583,734	—	—	3,583,734
Structured bank deposits	—	128,867	—	128,867
Total	17,990,620	344,600	596,394	18,931,614

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

28 Financial instruments by category (Continued)

Financial assets (Continued)

As at 31 December 2017

	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	—	527,652	—	527,652
Financial assets at fair value through profit or loss	—	277,593	—	277,593
Available-for-sale financial assets	—	—	829,728	829,728
Loan receivables	14,473,220	—	—	14,473,220
Other receivables (excluding prepayments)	115,342	—	—	115,342
Amount due from Holding Company	68,475	—	—	68,475
Amounts due from fellow subsidiaries	566,136	—	—	566,136
Amounts due from associates	37,457	—	—	37,457
Amounts due from related companies	1,535	—	—	1,535
Time deposits with maturity over three months	860,981	—	—	860,981
Cash and cash equivalents	1,018,922	—	—	1,018,922
Structured bank deposits	—	335,366	—	335,366
Total	17,142,068	1,140,611	829,728	19,112,407

As at 31 December 2018

	Amortised at costs	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	—	27,623	—	27,623
Financial assets at fair value through profit or loss	—	385,659	—	385,659
Financial assets at fair value through other comprehensive income	—	—	1,071,174	1,071,174
Loan receivables	17,799,656	—	—	17,799,656
Other receivables (excluding prepayments)	66,334	—	—	66,334
Amounts due from fellow subsidiaries	114,098	—	—	114,098
Amounts due from associates	24,841	—	—	24,841
Time deposits with maturity over three months	1,579,858	—	—	1,579,858
Cash and cash equivalents	924,060	—	—	924,060
Structured bank deposits	—	312,156	—	312,156
Total	20,508,847	725,438	1,071,174	22,305,459

The Group

Financial liabilities

As at 31 December 2016

	Financial liabilities at fair value	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000	HK$'000
Derivative financial instruments	70,576	—	70,576
Borrowings	—	23,240,508	23,240,508
Other payables and accruals (excluding deposits received)	—	17,248	17,248
Amount due to a non-controlling interest	—	78,192	78,192
Amounts due to related companies	—	2,470	2,470
Amounts due to fellow subsidiaries	—	1,879,525	1,879,525
Total	70,576	25,217,943	25,288,519

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

28 Financial instruments by category (Continued)

Financial liabilities (Continued)

As at 31 December 2017

	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000
Borrowings	24,740,129	24,740,129
Other payables and accruals (excluding deposits received)	47,062	47,062
Amount due to a non-controlling interest	87,750	87,750
Amounts due to related companies	4,977	4,977
Amounts due to fellow subsidiaries	539,693	539,693
Total	25,419,611	25,419,611

As at 31 December 2018

	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000
Borrowings	22,567,489	22,567,489
Other payables and accruals (excluding deposits received)	96,682	96,682
Amount due to a non-controlling interest	88,397	88,397
Amounts due to related companies	70,433	70,433
Amounts due to fellow subsidiaries	439,013	439,013
Total	23,262,014	23,262,014

The Company

Financial assets

As at 31 December 2016

	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	—	82,314	—	82,314
Financial assets at fair value through profit or loss	—	107,583	—	107,583
Available-for-sale financial assets	—	—	596,394	596,394
Convertible bonds receivables	237,756	12,172	—	249,928
Loan receivables	4,448,262	—	—	4,448,262
Other receivables (excluding prepayments)	17,318	—	—	17,318
Amounts due from subsidiaries	13,345,763	—	—	13,345,763
Amounts due from fellow subsidiaries	898,131	—	—	898,131
Amount due from an associate	13,370	—	—	13,370
Time deposit with maturity over three months	26,801	—	—	26,801
Cash and cash equivalents	3,234,307	—	—	3,234,307
Total	22,221,708	202,069	596,394	23,020,171

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

28 Financial instruments by category (Continued)

Financial assets (Continued)

As at 31 December 2017

	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	—	527,652	—	527,652
Financial assets at fair value through profit or loss	—	277,593	—	277,593
Available-for-sale financial assets	—	—	829,728	829,728
Loan receivables	1,050,173	—	—	1,050,173
Other receivables (excluding prepayments)	63,876	—	—	63,876
Amounts due from subsidiaries	13,779,835	—	—	13,779,835
Amounts due from fellow subsidiaries	108,973	—	—	108,973
Amount due from an associate	12,483	—	—	12,483
Time deposits with maturity over three months	800,005	—	—	800,005
Cash and cash equivalents	448,443	—	—	448,443
Total	16,263,788	805,245	829,728	17,898,761

As at 31 December 2018

	Amortised at costs	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	—	27,623	—	27,623
Financial assets at fair value through profit or loss	—	385,659	—	385,659
Financial assets at fair value through other comprehensive income	—	—	1,071,174	1,071,174
Loan receivables	1,372,146	—	—	1,372,146
Other receivables (excluding prepayments)	54,918	—	—	54,918
Amounts due from subsidiaries	10,495,049	—	—	10,495,049
Amounts due from fellow subsidiaries	64,693	—	—	64,693
Time deposits with maturity over three months	1,381,624	—	—	1,381,624
Cash and cash equivalents	715,790	—	—	715,790
Total	14,084,220	413,282	1,071,174	15,568,676

The Company

Financial liabilities

As at 31 December 2016

	Financial liabilities at fair value	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000	HK$'000
Derivative financial instruments	70,576	—	70,576
Borrowings	—	12,038,072	12,038,072
Other payables and accruals (excluding deposits received)	—	552	552
Amounts due to fellow subsidiaries	—	1,488,761	1,488,761
Amounts due to subsidiaries	—	7,507,594	7,507,594
Total	70,576	21,034,979	21,105,555

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

28 Financial instruments by category (Continued)

Financial liabilities (Continued)

As at 31 December 2017

	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000
Borrowings	8,545,796	8,545,796
Other payables and accruals (excluding deposits received)	2,641	2,641
Amounts due to fellow subsidiaries	77,606	77,606
Amounts due to subsidiaries	8,088,521	8,088,521
Total	16,714,564	16,714,564

As at 31 December 2018

	Financial liabilities at amortised cost	Total
	HK$'000	HK$'000
Borrowings	8,546,991	8,546,991
Other payables and accruals (excluding deposits received)	17,156	17,156
Amounts due to fellow subsidiaries	92,463	92,463
Amounts due to subsidiaries	2,985,781	2,985,781
Amounts due to related companies	42,408	42,408
Total	11,684,799	11,684,799

29 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

29 Related party transactions (Continued)

Relationship and details of transactions between the Group and related parties are disclosed below:

Name of the related parties	Relationship with the Group
Shanghai Waigaoqiao Shipbuilding Co., Ltd. (上海外高橋造船有限公司)	Fellow subsidiary
Chengxi Shipyard Co., Ltd. (中船澄西船舶修造有限公司)	Fellow subsidiary
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd (滬東中華造船（集團）有限公司)	Fellow subsidiary
Shanghai Shipyard Co., Ltd. (上海船廠船舶有限公司)	Fellow subsidiary
China Shipbuilding Trading Co., Ltd. (中國船舶工業貿易公司)	Fellow subsidiary
Shanghai Jiangnan-Changxing Shipbuilding Company Limited (上海江南長興重工有限責任公司)	Fellow subsidiary
China United Shipbuilding Company Limited (華聯船舶有限公司)	Fellow subsidiary
Shanghai Yangtze International Travel Service Co., Ltd. (上海揚子國際旅行社有限公司)	Fellow subsidiary
Shanghai Skyway General Aviation Company (上海中瑞通用航空有限公司)	Fellow subsidiary
Shanghai Ruizhou Property Development Company Limited (上海瑞舟房地產發展有限公司)	Fellow subsidiary
Shanghai Huachuan Asset Management Company Limited (上海華船資產管理有限公司)	Fellow subsidiary
CSSC Shanghai Shipping Industrial Company Limited (中船上海船舶工業有限公司)	Fellow subsidiary
Zhong Chuan Finance Company Limited (中船財務有限責任有限公司)	Fellow subsidiary
China State Shipbuilding Corporation (中國船舶工業集團有限公司)	Ultimate holding company and Holding Company (prior to 19 September 2018)
Guangzhou Shipyard International Company Limited (廣船國際有限公司)	Note (i)
CSSC Huangpu Wenchong Shipbuilding Company Limited (中船黃埔文沖船舶有限公司)	Note (ii)

Note (i)
During the Track Record Period, Guangzhou Shipyard International Company Limited was an associate of the Group and it became a fellow subsidiary after the disposal to Holding Company on 28 September 2018.

Note (ii)
During the Track Record Period, CSSC Huangpu Wenchong Shipbuilding Company Limited was an associate of the Group and it became a fellow subsidiary after the disposal to Holding Company on 28 September 2018.

(a) *Transactions with related parties*

Save as disclosed in elsewhere of the report, the Group entered into the following related party transactions during the Track Record Period:

(i) Transactions with fellow subsidiaries:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Finance lease income	2,396	1,989	1,298
Commission income	117,717	18,709	81,980
Interest income	9,699	21,104	—
Interest expenses	(49,198)	—	—
Purchase of vessels and offshore equipment	(1,223,389)	(1,706,138)	(1,296,815)
Other operating expenses	(1,513)	(1,777)	(1,444)
Rental and utilities expenses	(5,409)	(6,209)	(8,128)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

29 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

(ii) Transactions with ultimate holding company:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Guarantee expenses	(11,272)	(30,322)	(39,646)

(iii) Transactions with associates:

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Commission income	22,920	4,869	8,292
Purchase of vessels and offshore equipment	(313,811)	(216,725)	(155,266)

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

(b) Balances with related parties

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Amounts due from			
—Holding Company	68,475	68,475	—
—Fellow subsidiaries	1,367,487	566,136	114,098
—Associates	38,057	37,457	24,841
—Related companies	2,452	1,535	—
Loans to joint ventures	—	14,385	505,607
Loans to fellow subsidiaries	2,927,447	—	—
Loan to an associate	668,908	—	—
Amounts due to			
—A non-controlling interest	78,192	87,750	88,397
—Related companies	2,470	4,977	70,433
—Fellow subsidiaries	1,879,525	539,693	439,013

(c) Key management personnel compensations

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

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Wages, salaries and bonuses	4,521	5,676	7,458
Retirement benefit costs	662	768	909
	5,183	6,444	8,367

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

30 Note to consolidated statements of cash flows

(a) Reconciliation from profit before income tax to net cash (used in)/generated from operations

	Year ended 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Profit before income tax	442,963	618,790	704,415
Adjustments for:			
—Finance costs and bank charges	613,294	727,164	1,046,155
—Interest income	(152,714)	(100,862)	(140,754)
—Depreciation	115,929	136,524	150,192
—Dividend income	(16,262)	(39,666)	(47,545)
—Loss on disposal of property, plant and equipment	—	1,444	—
—Gain on disposal of associates	—	—	(40,766)
—Provision for /(reversal of) impairment of loan receivables, net	149,521	(18,665)	52,138
—Net loss/(gain) on changes in fair value of derivative financial instruments	141,641	(449,915)	45,750
—Net gain from settlement of convertible bonds	—	(26,437)	—
—Net loss on changes in fair value of financial assets at fair value through profit or loss	—	4,454	6,849
—Share of results of associates	(211,506)	(259,095)	(81,004)
Operating profit before changes in working capital	1,082,866	593,736	1,695,430
Loan receivables	(2,108,287)	2,528,964	(2,535,437)
Prepayments, deposits and other receivables	(63,542)	(138,565)	52,760
Amounts due from fellow subsidiaries	(1,147,879)	801,351	452,038
Amounts due from related companies	(1,909)	917	1,535
Other payables and accruals	(245,967)	(438,860)	(90,556)
Amounts due to fellow subsidiaries	1,534,025	(1,339,832)	(100,680)
Amounts due to related companies	(2,087)	2,499	65,456
Net cash (used in)/generated from operations	(952,780)	2,010,210	(459,454)

Material non cash transactions

(i) During the years ended 31 December 2016, 2017 and 2018, the Group has transferred from prepayments to finance lease receivables upon the delivery of the respective vessels for finance leasing and commencement of the respective finance lease arrangements amounting to HK$3,301,208,000, HK$4,426,745,000 and HK$890,274,000, respectively.

(ii) During the year ended 31 December 2016, the amount due to Holding Company amounting to HK$677,015,000 was capitalised as part of the consideration of share issuance.

(b) Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Cash and cash equivalents (note 22)	(3,583,734)	(1,018,922)	(924,060)
Borrowings (note 26)	23,240,508	24,740,129	22,567,489
Amount due to a non-controlling interest (note 21)	78,192	87,750	88,397
Net debt	19,734,966	23,808,957	21,731,826

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

30 Note to consolidated statements of cash flows (Continued)

(b) Net Debt Reconciliation (Continued)

Reconciliation of liabilities from financing activities:

	Amounts due to a non-controlling interest	Amounts due to Holding Company	Borrowings
	HK$'000	HK$'000	HK$'000
As at 1 January 2016	70,790	677,015	21,203,954
Advances from/(to)	7,402	(38,286)	—
Proceeds of bank borrowing	—	—	10,944,584
Repayment of bank borrowing	—	—	(2,787,757)
Repayment of bonds	—	—	(6,204,640)
Foreign exchange adjustments	—	—	(1,373)
Other non-cash movements	—	(638,729)	—
Financial costs incurred	—	—	85,740
As at 31 December 2016	78,192	—	23,240,508
Advances from	9,558	—	—
Proceeds of bank borrowing	—	—	9,636,735
Repayment of bank borrowing	—	—	(8,264,940)
Foreign exchange adjustments	—	—	2,141
Financial costs incurred	—	—	125,685
As at 31 December 2017	87,750	—	24,740,129
Advances from	647	—	—
Proceeds of bank borrowing	—	—	7,210,509
Repayment of bank borrowing	—	—	(4,253,708)
Repayment of bonds	—	—	(4,762,315)
Foreign exchange adjustments	—	—	(316,677)
Financial costs incurred	—	—	(50,449)
As at 31 December 2018	88,397	—	22,567,489

31 Operating lease arrangements

The Group

As lessor

For the years ended 31 December 2016, 2017 and 2018, the Group leases its vessels under operating lease arrangements, which leases negotiated for terms of 1 to 12 years, 1 to 12 years and 1 to 12 years respectively. None of the leases includes contingent rentals.

At 31 December 2016, 2017 and 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	360,889	433,420	390,641
In the second to fifth year inclusive	1,305,674	1,311,450	1,698,505
After five years	1,873,254	1,551,345	904,264
	3,539,817	3,296,215	2,993,410

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

31 Operating lease arrangements (Continued)

As lessee

For the years ended 31 December 2016, 2017 and 2018, the Group leases certain items of office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from 2 to 5 years, 2 to 3 years and 1 to 2 years respectively.

At 31 December 2016, 2017 and 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	9,059	3,498	2,903
In the second to fifth year inclusive	11,413	3,314	674
	20,472	6,812	3,577

The Company

As lessee

For the years ended 31 December 2016, 2017 and 2018, the Company leases certain items of office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years, 2 to 3 years and 1 to 2 years, respectively.

At 31 December 2016, 2017 and 2018, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Within one year	654	2,476	2,734
In the second to fifth year inclusive	—	3,129	674
	654	5,605	3,408

32 Capital commitments

The Group

Capital commitments outstanding at 31 December 2016, 2017 and 2018 not provided for are as follows:

	As at 31 December		
	2016	2017	2018
	HK$'000	HK$'000	HK$'000
Contracted for:			
—Construction of vessels	13,657,525	13,084,864	8,901,233

The Company

There are no capital commitments outstanding at 31 December 2016, 2017 and 2018 not provided for.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

33 Contingencies

The Group and the Company do not have material contingent liabilities as at 31 December 2016, 2017 and 2018.

34 Earnings per share

(a) Basic

The basic earnings per share is calculated on the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
Profit attributable to equity holders of the Company (in HK$'000)	433,780	608,438	690,089
Weighted average number of shares in issue (in thousands)	3,400,232	4,602,046	4,602,046
Basic earnings per share (in HK$)	0.128	0.132	0.150

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there are no potentially dilutive ordinary shares issued during the Track Record Period.

35 Reserves

(a) Investment revaluation reserve

Investment revaluation reserve as at 31 December 2016, 2017 and 2018 represents the reserve of the fair value change from available-for-sale financial assets and financial assets at fair value through other comprehensive income.

(b) Exchange reserve

Exchange reserve as at 31 December 2016, 2017 and 2018 represents the exchange difference arising from the Group's non-monetary items.

(c) Other reserve

Other reserve as at 31 December 2016, 2017 and 2018 represents the statutory surplus reserve and other reserve.

36 Dividends

HK$1,467,000,000 of interim dividends have been declared and paid by the Group to the Holding Company on 28 September 2018.

37 Subsequent events

There is no significant subsequent events subsequent to 31 December 2018.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The information set forth in this appendix does not form part of the Accountant's report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the Reporting Accountant of the Company, as set forth in Appendix I to the prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in the prospectus and the "Accountant's Report" set forth in Appendix I to the prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set forth below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2018 as if the Global Offering had taken place on 31 December 2018.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2018 or at any future dates following the Global Offering. It is prepared based on the consolidated financial information of the Group as at 31 December 2018 as set forth in the Accountant's Report of the Group, the text of which is set out in Appendix I to the prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 December 2018 (Note 1)	Estimated net proceeds from the Global Offering (Note 2)	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at 31 December 2018	Unaudited pro forma adjusted net tangible assets per share (Note 3)
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$1.34 per share	5,736,027	1,990,922	7,726,949	1.26
Based on an Offer Price of HK$1.42 per share	5,736,027	2,111,066	7,847,093	1.28

Notes:

(1) The audited consolidated net tangible assets attributable to the equity holders of the Company as at 31 December 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 31 December 2018 of HK$5,736.0 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer price of HK$1.34 per Share and HK$1.42 per Share after deduction of the underwriting fees and other related expenses payable by the Company.

(3) The unaudited pro forma net tangible assets per Shares is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,136,066,234 Shares were in issue assuming that the Global Offering has been completed on 31 December 2018 but takes no account of any Share which be allotted and issued or repurchased by the Company pursuant to the Issuing Mandate and the Repurchase Mandate.

(4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 December 2018.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CSSC (Hong Kong) Shipping Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CSSC (Hong Kong) Shipping Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated 28 May 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 December 2018 as if the proposed initial public offering had taken place at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 May 2019

This appendix contains a summary of the Articles of Association of our Company. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, a copy of the Articles of Association is available for inspection.

The Articles of Association were adopted on by our sole Shareholder on 6 May 2019 and became effective on Listing. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, the Companies (WUMP) Ordinance and other ordinances, subsidiary legislation and the Listing Rules.

CHANGES IN CAPITAL

Our Company may from time to time alter its share capital as permitted by section 170 of the Companies Ordinance. As permitted by the Companies Ordinance or any other applicable ordinance, statute, act or law, our Company may from time to time buy back its own shares or to give directly or indirectly, by means of loan, guarantee, provision of security or otherwise, financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company. Should our Company buy back our own shares, the share buy-back shall not be required to be made ratably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares provided always that any such share buy-back or financial assistance shall only be made or given in accordance with any relevant rules or regulations issued by the Stock Exchange or the SFC from time to time.

Subject to the provisions of the Companies Ordinance, our Company may from time to time by ordinary resolution:

(a) consolidate all of its shares into smaller number of shares than its existing number;

(b) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, or have been forfeited in accordance with the Articles of Association; and

(c) sub-divide its shares into larger number of shares than its existing number subject nevertheless to the provisions of the Companies Ordinance, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any restrictions as compared with the others as our Company has power to attach to the new shares.

Our Company may by special resolution reduce its share capital subject to any conditions prescribed by law.

MODIFICATION OF RIGHTS

Without prejudice to any special rights conferred on the holders of any existing shares, the shares in the original or any increased capital of our Company may, as permitted by the Companies Ordinance, be divided into different classes of shares as our Company may from time to time determine by a special resolution in a general meeting.

Any special rights (unless otherwise provided by the terms of issue) attached to the shares or any class of the shares (if the capital is divided into different classes of shares) may, subject to the provisions of section 180 of the Companies Ordinance, be varied or abrogated either with the consent in writing of the holders of not less than 75% of the total voting rights of the holders of the shares or shares of that class (if the capital is divided into different classes of shares) or with the sanction of a special resolution passed at a general meeting of the holders of the shares or at a separate general meeting of the holders of the shares of that class (if the capital is divided into different classes of shares). To every such separate general meeting the provisions of the Articles of Association relating to general meeting shall *mutatis mutandis* apply, but so that the necessary quorum shall be not less than two persons holding or representing by proxy one-third of the total voting rights of holders of shares of that class, and at an adjourned meeting one person holding shares of that class or his proxy, and that any holder of shares of the class present in person or by proxy may demand a poll.

TRANSFERS OF SHARES

The instrument of transfer of any share shall be in writing and in any usual form or in any other form which our Directors approve including the standard form of transfer as prescribed by the Stock Exchange and shall be executed by or on behalf of the transferor and by or on behalf of the transferee.

The instrument of transfer by or on behalf of the transferor and by or on behalf of the transferee, or shall be executed with a manual signature or machine imprinted signature in accordance with the Articles of Association. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Our Board may, in its absolute discretion without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists. Our Board may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

Our Board may also decline to recognise any instrument of transfer unless:

(a) a fee of such amount of not more than the maximum amount as may from time to time be permitted under the rules prescribed by the Stock Exchange or such lesser sum as our Board may from time to time require is paid to our Company in respect of such instrument of transfer;

(b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer;

(c) the instrument of transfer is in respect of only one class of share;

(d) the shares concerned are free of any lien in favour of our Company;

(e) the instrument of transfer is properly stamped; and

(f) the shares concerned are fully paid up.

If our Board shall refuse to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal provided that if any of the transferor or transferee should request for a statement of the reasons for the refusal, our Board must within 28 days after receiving the request send the statement of the reasons or register the transfer.

No transfer of share (not being a fully paid up share) shall be made to an infant or to a person of unsound mind or under other legal disability.

GENERAL MEETINGS

Our Company shall hold annual general meetings within such period as required by the Companies Ordinance . Subject to the Articles of Association , the annual general meeting shall be convened by our Board to be held at such time and place as it thinks fit. General meetings include other meetings of shareholders which are not annual general meetings.

Our Board may, whenever it thinks fit, convene a general meeting. If our Directors are required to call a general meeting under section 566 of the Companies Ordinance, they must call it in accordance with section 567 of the Companies Ordinance. If our Directors do not call a general meeting in accordance with section 567 of the Companies Ordinance, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves call a general meeting in accordance with section 568 of the Companies Ordinance.

NOTICE OF GENERAL MEETINGS

An annual general meeting shall be called by at least 21 clear days' notice in writing, and all other general meetings of our Company shall be called by at least 14 clear days' notice in writing. The notice shall specify the place (if the meeting is held at two or more places, the principal place of the meeting and other place(s) of meeting), the day and the hour of meeting, and shall be given, in manner hereinafter mentioned or in such other manner (if any) as may be prescribed by our Company in general meeting, to such persons as are entitled to receive such notices from our Company under the Articles of Association; however, subject to the provisions of the Companies Ordinance, a meeting of our Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles of Association, be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat; and

(b) in the case of any other general meeting, by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all shareholders.

In the case of a meeting convened for passing a special resolution, the notice shall specify the intention to propose the resolution as a special resolution. In the case of an annual general meeting, the notice shall also specify the meeting as such.

The accidental omission to give any notice or to send any instrument of proxy to, or the non-receipt of any notice or any instrument of proxy by, any person entitled to receive notice shall not invalidate any resolution passed or any proceeding at any such meeting.

VOTING AT GENERAL MEETINGS

Subject to the rules prescribed by the Stock Exchange from time to time, any vote of shareholders at a general meeting shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. On any resolution where a vote is not required under the Companies Ordinance, the Listing Rules, the Articles of Association or such other laws or regulations as applicable to our Company, if any, to be held on a poll, a poll may be demanded before or on the declaration of the result of the show of hands:

(a) by the chairman of the meeting (if the chairman, before or on the declaration of the result on a show of hands, knows from the proxies received by our Company that the result on a show of hands will be different from that on a poll, the chairman must demand a poll); or

(b) by at least three shareholders present in person or by proxy for the time being entitled to vote at the meeting; or

(c) by any shareholder(s) present in person or by proxy and representing not less than 5% of the total voting rights of all the shareholders having the right to attend and vote at the meeting; or

(d) by any shareholder(s) present in person or by proxy having the right to attend and vote at the meeting and representing one-tenth or more of the total amount of capital that have been paid up of all shareholders having the right to attend and vote at the meeting.

Subject to any special rights, privileges or restrictions as to voting for the time attached to any class or classes of shares (if any), at any general meeting on a show of hands, every shareholder who is present in person or by proxy or by representative duly authorised under section 606 of the Companies Ordinance shall have one vote. On a poll every shareholder present in person or by proxy shall have one vote for every share of which he is the holder.

Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Any corporation which is a shareholder of our Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any general meeting or meeting of the holders of shares of any class of our Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise as if it were an individual shareholder.

If a clearing house (or its nominee(s)) is a shareholder of our Company, it may authorise or appoint such person(s) as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of our Company or at any general meeting or meeting of the holders of shares of any class of our Company, provided that , if more than one person is so authorised or appointed, the authorisation or instrument of proxy shall specify the number and class of shares in respect of which each such person is so authorised or appointed. A person so authorised or appointed shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee(s)) which he represents as that clearing house (or its nominee(s)) could exercise as if such person were an individual shareholder including, where applicable, the right to vote individually on a show of hands notwithstanding any contrary provisions contained in the Articles of Association.

APPOINTMENT, ROTATION AND REMOVAL OF DIRECTORS

Our Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to our Board. Any Director so appointed shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at an annual general meeting. Our Company may by ordinary resolution elect any person to be a Director.

At each annual general meeting, one-third of our Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to but not less than one-third) or such higher number of Directors to be determined by our Board, or a number determined by such other manner of rotation as may be required by the Listing Rules or other codes, rules and regulations as may be prescribed by the applicable regulatory authority from time to time shall retire from office. Subject to the provisions in relation to rotation and retirement of directors under the Listing Rules, each Director shall retire by rotation every three years at the annual general meeting. Our Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. Our Company at any general meeting at which any Directors retire in manner aforesaid may fill the vacated office by electing a like number of persons to be Directors.

Notwithstanding the Articles of Association or any agreements entered into between our Company and our Directors may provide otherwise, a Director shall vacate his office even before the expiration of his term:

(a) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(b) if he becomes a lunatic or of unsound mind or a patient for the purpose of any statute relating to mental health and our Directors resolve that his office be vacated;

(c) if he absents himself from the meetings of our Board during a continuous period of 30 days, without special leave of absence from our Board, and his alternate Director (if any) shall not during such period have attended in his stead, and our Board passes a resolution that he has by reason of such absence vacated his office;

(d) if he ceases to be a Director by virtue of any provision of the Companies Ordinance or the Companies (WUMP) Ordinance or he becomes prohibited from being a Director by laws;

(e) if by notice in writing delivered to our Company at its registered office that he resigns his office;

(f) in the case of a Director who holds any executive office, his appointment as such is terminated or expires and our Directors resolve that his office be vacated;

(g) if he is convicted of an indictable offence;

(h) if he shall be removed from office by notice in writing served upon him signed by all his co-Directors; or

(i) if he shall be removed from office by an ordinary resolution of our Company, provided that the Director shall be entitled to the rights to protest against the removal pursuant to the Companies Ordinance, including the right to be heard on the resolution at the general meeting at which the resolution relating to his removal is voted on.

QUALIFICATION OF DIRECTORS

A Director shall not be required to hold any qualification shares but shall nevertheless be entitled to attend and speak at all general meeting or meeting of the holders of shares of any class of our Company.

BORROWING POWERS

Our Board may from time to time at its discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum(s) of money for our Company and to mortgage or charge our Company's undertaking, property and uncalled capital or any part thereof.

DIRECTORS' REMUNERATION AND EXPENSES

Our Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Directors may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees.

Our Directors shall also be entitled to be reimbursed all travelling, hotel accommodation and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

Our Board may grant special remuneration to any Director who, at the request of our Company, shall perform any special or extra services to our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged.

DIRECTORS' INTERESTS

Subject to the Companies Ordinance and the Articles of Association, in the case where a Director or an intending Director entered into a contract with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other mater whatsoever, such contract or arrangement shall not be void as a result of his appointment as a Director nor shall any Director so contracting be liable to account to our Company or the shareholders for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of fiduciary relationship thereby established.

A Director shall not vote or be counted in the quorum on any resolution of our Board concerning his own appointment as the holder of any office with our Company or any other company in which our Company is interested (including the variation of the terms or the termination thereof).

A Director or any of his connected entities who is in any way, whether directly or indirectly, interested in a transaction, contract or arrangement (or a proposed transaction, contract or arrangement) with our Company that is significant in relation to our Company's business shall declare the nature and extent of his interest (or the connected entity's interest, as the case may be) at the meeting of our Board at which the question of entering into the transaction, contract or arrangement is first taken into consideration, or in any other case by notice in writing and sent to other Directors, or by general notice sent to our Board or our Company, in each case in accordance with the Companies Ordinance.

Subject to the Listing Rules and save as otherwise provided by the Articles of Association, a Director and his alternate shall not vote (nor be counted in the quorum) on any resolution of our Board approving any transaction, contract or arrangement in which he or any of his close associates has directly or indirectly, material interests (other than an interest in shares, debentures or other securities of, or otherwise in or through, our Company), but this prohibition shall not apply to any of the following matters namely:

(a) any transaction, contract or arrangement for the giving by our Company to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(b) any transaction, contract or arrangement for the giving by our Company of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether solely or jointly under a guarantee or indemnity or by giving of security;

(c) any transaction, contract or arrangement concerning an offer of the shares or debentures or other securities of or by our Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder of that company, or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in 5% or more of the shares of any class of such company or of the voting rights;

(e) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries, including:

(i) the adoption, modification or operation of any employee's share scheme or any share incentive or share option scheme of our Company or its subsidiaries under which the Director or his close associate(s) may benefit; or

(ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme of our Company or its subsidiaries, which relates to the Director or his close associate(s) and employees of our Company or any of its subsidiaries and does not accord to any Director or his close associate(s) as such any privilege or advantage not generally accorded to persons to whom such arrangement relates; and

(f) any contract, transaction or arrangement in which the Director or any of his close associates is interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his or their interest in shares or debentures or other securities of our Company.

Where a company in which a Director and any of his close associates in aggregate own 5% or more (within the meaning as described above) is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.

As permitted by the Companies Ordinance and the Listing Rules, in respect of any transaction, contract or arrangement between our Company and its connected person(s) (as defined in the Listing Rules), where a Director or his close associate(s) only holds office with our Company and/or any of its subsidiaries and does not have any other relationship with such connected person(s), then the Director shall not been deemed to interested in such transaction, contract or arrangement by virtue only of the relevant office.

DIVIDENDS

Our Company may by ordinary resolutions declare dividends in any currency, but no dividends shall exceed the amount recommended by our Board. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide: (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; and (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

Our Board may from time to time pay to the shareholders such interim dividends as appear to our Board to be in the interest of our Company and, in particular if at any time the capital of our Company is divided into different classes, our Board may pay such interim dividends in respect of those shares in the capital of our Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend. Provided that our Board acts *bona fide*, our Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. Our Board may also pay half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if it is of the opinion that the profits justify the payment.

With the sanction of an ordinary resolution or on the recommendation of our Board, the payment of dividend may be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of our Company or any other company, or in any one or more of such ways, with or without offering any rights to shareholders to elect to receive such dividend in cash.

Our Board may resolve elect to receive further shares in respect of all (or some part) of any dividend specified by the ordinary resolution (the "**scrip dividend**") in the general meeting of our Company in accordance with the Articles of Association. The basis of such allotment shall be determined by our Board and our Board shall give notice in writing to the shareholders of their rights of election in respect of the scrip dividend and shall specify the procedures to be followed and the place at which and the latest date and time by which the duly completed forms for election must be lodged. The further shares allotted shall rank *pari passu* in all respects with the other shares save only as regards participation in the relevant dividend or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed, and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

UNTRACEABLE SHAREHOLDERS

Without prejudice to the rights of our Company and the provisions under the Articles of Association, our Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

Our Company shall have the power to sell, in such manner as our Board thinks fit, any shares of a shareholder who is untraceable, but no such sale shall be made unless:

(a) all cheques or warrants for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles of

Association of our Company have remained uncashed for a total of not less than three times;

(b) so far as it is aware at the end of the relevant period, our Company has not at any time during the relevant period received any indication of the existence of the shareholder who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or otherwise; and

(c) our Company has caused an advertisement to be inserted in an English language newspaper and a Chinese language newspaper giving notice of its intention to sell such shares and has notified the Stock Exchange of such intention and a period of three months has elapsed since the date of such advertisement.

For this purpose, "relevant period" means the period commencing 12 years before the date of publication of the relevant advertisement and ending at the expiry of the period referred to in that paragraph.

To give effect to any such sale, our Board may authorise any person to transfer the said shares. The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former shareholder for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it, and our Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of our Company or as it thinks fit.

WINDING UP

If our Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the shareholders in specie or kind the whole or any part of the assets of our Company and whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

INDEMNITY

Every Director, former Director, responsible person, officer or auditor of our Company shall be entitled to be indemnified out of the assets of our Company against all losses or liabilities (including any such liability as mentioned in section 468(4) of the Companies Ordinance) which he may sustain or incur in the execution of the duties of his office or otherwise in relation thereto. So far as may be permitted by the Companies Ordinance, if any Director, former Director, responsible person, officer or auditor shall become personally liable for the payment of any sum primarily due from our Company, our Board may execute or cause to be executed any mortgage , charge, or security over or affecting the whole or any part of the assets of our Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.

The above paragraph shall not apply to:

(a) any liability of the Director, former Director, responsible person, officer or auditor to pay:

  (i) a fine imposed in criminal proceedings; or

  (ii) a sum payable by way of a penalty in respect of non-compliance with any requirement of a regulatory nature; or

(b) any liability incurred by the Director, former Director, responsible person, officer or auditor:

  (i) in defending criminal proceedings in which the Director, former Director, responsible person, officer or auditor is convicted;

  (ii) in defending civil proceedings brought by our Company, or an associated company of our Company, in which judgement is given against the Director, former Director, responsible person, officer or auditor;

  (iii) in defending civil proceedings brought on behalf of our Company by a member of our Company or of an associated company of our Company, in which judgement is given against the Director, former Director, responsible person, officer or auditor;

  (iv) in defending civil proceedings brought on behalf of an associated company of our Company by a member of the associated company or by a member of an associated company of the associated company, in which judgement is given against the Director, former Director, responsible person, officer or auditor; or

  (v) in connection with an application for relief under section 903 or 904 of the Companies Ordinance in which the Court refuses to grant the Director, former Director, responsible person, officer or auditor relief.

So far as may be permitted by the Companies Ordinance, our Company may purchase and maintain for any officer of our Company:

(a) insurance against any liability to our Company, an associated company or any other party in respect of any negligence, default, breach of duty or breach of trust (save for fraud) of which he may be guilty in relation to our Company or an associated company; and

(b) insurance against any liability incurred by him in defending any proceedings, whether civil or criminal, taken against him for any negligence, default, breach of duty or breach of trust (including fraud) of which he may be guilty in relation to our Company or an associated company.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in Hong Kong as a private company with limited liability on 25 June 2012 under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) then in force. The registered office of our Company is at Unit 1801, 18/F, World-wide House, 19 Des Voeux Road Central, Hong Kong.

A summary of certain provisions of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in the Share Capital of our Company

On 25 June 2012, the share capital of our Company was HK$1,000,000 divided into 1,000,000 Shares.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company and up to the date of this prospectus:

(a) on 28 November 2012, the share capital of our Company was increased to HK$223,358,618 divided into 223,358,618 Shares by the injection of an additional capital of HK$222,358,618;

(b) on 23 December 2013, the share capital of our Company was increased to HK$855,445,896 divided into 855,445,896 Shares by the injection of an additional capital of HK$632,087,278;

(c) on 5 August 2014, the share capital of our Company was increased to HK$2,730,211,550 divided into 2,730,211,550 Shares by the injection of an additional capital of HK$1,874,765,654;

(d) on 17 June 2016, the share capital of our Company was increased to HK$3,407,873,795 divided into 3,407,873,795 Shares by the injection of an additional capital of HK$677,662,245; and

(e) on 29 September 2016, the share capital of our Company was increased to HK$4,602,046,234 divided into 4,602,046,234 Shares by the injection of an additional capital of HK$1,194,172,439.

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), there will be 6,136,066,234 Shares in issue.

Save as disclosed hereinabove, there had been no alteration in the share capital of our Company since its incorporation and up to the date of this prospectus.

3. Written Resolutions of our Sole Shareholder Passed on 6 May 2019

Written resolutions of our sole Shareholder were passed on 6 May 2019 pursuant to which, among other matters:

(a) the Articles of Association were adopted in substitution of and to the exclusion of the existing articles of association of our Company with effect from the Listing Date; and

(b) conditional upon (i) the Listing Division of the Stock Exchange granting the approval of the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued upon exercise of the Over-allotment Option); (ii) the Offer Price having been duly agreed between the Joint Global Coordinators (for themselves and/or on behalf of the Underwriters, as the case may be) and our Company; (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (iv) the obligations of the Underwriters under the Underwriting Agreements having become unconditional and the Underwriting Agreements not having been terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in such agreements:

(1) the Global Offering was approved and our Directors were authorised to approve the allotment and issue of the Shares pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this prospectus and the Application Forms;

(2) the Over-allotment Option was approved and our Directors were authorised to effect the same and to allot and issue such number of Shares upon exercise of the Over-allotment Option;

(3) the Issuing Mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than pursuant to (i) a rights issue; (ii) any scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on the Shares; or (iii) a specific authority granted by the Shareholders in a general meeting, such number of Shares representing up to 20% of the aggregate number of Shares immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), and such mandate to remain in effect until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required to be held by the Articles of Association or any applicable laws of Hong Kong, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such authority, which occurs first;

(4) the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other approved stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with the Listing Rules and all other applicable laws and rules, such number of Shares representing up to 10% of the aggregate number of Shares immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), and such mandate to remain in effect until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required to be held by the Articles of Association or any applicable laws of Hong Kong, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying such authority, whichever occurs first; and

(5) the extension of the Issuing Mandate to include the number of Shares which may be repurchased pursuant to the Repurchase Mandate.

4. Our Subsidiaries

See "History, Development and Corporate Structure — Corporate Structure" in this prospectus for details relating to our corporate structure.

For details relating to the alteration in the share capital of our major subsidiaries within the two years immediately preceding the date of this prospectus, see "History, Development and Corporate

Structure — Corporate History and Shareholding Changes of our Company and Major Subsidiaries and SPVs" in this prospectus.

5. Corporate Reorganisation

We did not undergo any reorganisation for the purpose of the Listing.

6. Repurchase of Shares

This paragraph sets out information required by the Stock Exchange to be included in this prospectus relating to the repurchase by our Company of our own securities.

(a) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by our sole Shareholder on 6 May 2019, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange, or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Ordinance or other applicable Hong Kong laws to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchase by our Company may be made out of our funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of Shares made for the purpose of the repurchase.

(c) *Reasons for Repurchases*

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of Repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of Hong Kong.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association, the Companies Ordinance and other applicable laws of Hong Kong.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified us that he/she/it has a present intention to sell any Share to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

7. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the agreement dated 12 September 2018 and entered into between our Company as vendor and CSSC International as purchaser in relation to the sale and purchase of 345,940,890 H shares of 中船海洋與防務裝備股份有限公司 (CSSC Offshore & Marine Engineering (Group) Company Limited) at a consideration of HK$3,498,861,672.11;

(b) the agreement dated 12 September 2018 and entered into between Fortune Eris as vendor and CSSC International as purchaser in relation to the sale and purchase of 303,193,000 H shares of 天津銀行股份有限公司 (Bank of Tianjin Co., Ltd.) at a consideration of HK$2,920,031,973.44;

(c) the agreement dated 12 September 2018 and entered into between Fortune Eris as vendor and CSSC International as purchaser in relation to the sale and purchase of 193,984,000 H shares of 國銀金融租賃股份有限公司 (China Development Bank Financial Leasing Co., Ltd.) at a consideration of HK$415,823,190.52;

(d) the agreement dated 12 September 2018 and entered into between Fortune Eris as vendor and CSSC International as purchaser in relation to the sale and purchase of 6,020,000 H shares of 光大證券股份有限公司 (Everbright Securities Company Limited) at a consideration of HK$82,403,977.41;

(e) the cornerstone investment agreement dated 24 May 2019 and entered into among our Company, China Reinsurance (Group) Corporation, China International Capital Corporation Hong Kong Securities Limited 中國國際金融香港證券有限公司 and Fortune (HK) Securities Limited, the details of which are set out in "Cornerstone Investors" in this prospectus;

(f) the cornerstone investment agreement dated 24 May 2019 and entered into among our Company, COSCO Shipping Financial Holdings Co., Limited 中遠海運金融控股有限公司, China International Capital Corporation Hong Kong Securities Limited 中國國際金融香港證券有限公司 and ABCI Capital Limited, the details of which are set out in "Cornerstone Investors" in this prospectus;

(g) the cornerstone investment agreement dated 24 May 2019 and entered into among our Company, Wison Engineering Services Co. Ltd. 惠生工程技術服務有限公司, China International Capital Corporation Hong Kong Securities Limited 中國國際金融香港證券有限公司 and CLSA Limited (中信里昂證券有限公司), the details of which are set out in "Cornerstone Investors" in this prospectus;

(h) the cornerstone investment agreement dated 24 May 2019 and entered into among our Company, 一汽財務有限公司 (First Automobile Finance Co., Ltd.) and China International Capital Corporation Hong Kong Securities Limited 中國國際金融香港證券有限公司, the details of which are set out in "Cornerstone Investors" in this prospectus; and

(i) the Hong Kong Underwriting Agreement.

8. Material Intellectual Property Rights

(a) Domain Name

As at the Latest Practicable Date, we had registered the following domain name which is material to our business:

Domain name	Registered owner	Validity period
csscshipping.net	Our Company	26 April 2019 to 26 April 2024

FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

9. Disclosure of Interests

(a) Interests of Directors and Chief Executive in the Share Capital of our Company

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of the Directors or chief executive of our Company will have any interests or short positions in the shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.

(b) Interests of Substantial Shareholders in the Share Capital of our Company

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have an interest or a short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares(1)	Approximately shareholding percentage
CSSC International	Beneficial owner(2)	4,602,046,234 (L)	75.0%
CSSC Group	Interest in a controlled corporation(2)	4,602,046,234 (L)	75.0%
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)	Beneficial owner	426,586,000(3) (L)	7.0%(3)

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Company will be approximately 75% directly owned by CSSC International. As at the Latest Practicable Date, CSSC International was wholly owned by CSSC Group. By virtue of the SFO, CSSC Group is deemed to be interested in the Shares held by CSSC International.

(3) The number of Shares and the approximate shareholding percentage are calculated based on the mid-point of the indicative Offer Price range.

10. Directors' Service Contracts and Letters of Appointment

Our Company entered into a service contract with each of our Executive Directors and a letter of appointment with each of our Independent Non-executive Directors on 6 May 2019. Each of the service contracts and the letters of appointment is for an initial term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

11. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to the Directors for the years ended 31 December 2016, 2017 and 2018 were HK$1.3 million, HK$1.8 million and HK$3.1 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended 31 December 2016, 2017 and 2018, by any of member of our Group to any of the Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending 31 December 2019 to be HK$2.6 million.

12. Directors' Competing Interests

None of our Directors or their respective close associates are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

13. Disclaimers

(a) Save as disclosed in this prospectus, none of the Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(b) Save as disclosed in this prospectus, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

OTHER INFORMATION

14. Tax, Estate Duty and Other Indemnity

CSSC International and CSSC Group, each being a Controlling Shareholder (collectively the "**Indemnifiers**"), have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities in respect of, among others:

(a) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation; and

(b) any expense, payment, sum, outgoing, fee, demand, claim, damages, loss, cost (including but not limited to legal and other professional costs), charge, liability, fines, penalty and tax in connection with any failure, delay or defect of corporate or regulatory compliance or error, discrepancy or missing document in the statutory records of any member of our Group under, or any breach of any provision of the Companies (WUMP) Ordinance, the Companies Ordinance or their subsidiary legislation on or before the Listing Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2018;

(b) to the extent that such taxation or liability falling on any member of our Group in respect of any accounting period commencing on or after 1 January 2019 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

   (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

   (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus;

(c) to the extent that such liability arises or is incurred as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practise thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including but without limitation the Hong Kong Inland Revenue Department, coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited consolidated accounts of our Group or the audited accounts of any member of our Group up to 31 December 2018 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Dealings in Shares registered on our register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax.

We have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

15. Sponsor's Fee and Independence

The Sole Sponsor will receive a fee of HK$1.6 million for acting as the sponsor for the Listing. The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

16. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (WUMP) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus (the "**Experts**") are set out below:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	A corporation licenced under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants
King & Wood Mallesons	Legal advisers as to PRC laws
Hogan Lovells	Legal advisers as to international sanctions laws
Frost & Sullivan International Limited	Industry consultant

17. Consents of Experts

Each of the Experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report, letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which they respectively appear.

18. Interests of Experts

None of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

19. Related Party Transactions

Details of the related party transactions are set out under note 29 to the Accountant's Report in Appendix I to this prospectus.

20. Promoter

Our Company has no promoter for the purpose of the Listing Rules and no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to any promoters within two years preceding the date of this prospectus.

21. Preliminary Expenses

The preliminary expenses incurred by our Company amounted to approximately HK$8,000 and were paid by our Company.

22. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

23. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

24. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group; and

(iii) no commission (except commission to sub-underwriters) has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Company.

(b) Save as disclosed in this prospectus, no share or loan capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Company has no outstanding convertible debt securities or debentures.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration are (i) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) written consents referred to in "Other Information — 17. Consents of Experts" in Appendix IV to this prospectus; and (iii) a copy of each of the material contracts referred to in "Further Information about our Business — 7. Material Contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons on 13th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(i) the Articles of Association;

(ii) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(iii) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(iv) the audited consolidated financial statements of our Group for the years ended 31 December 2016, 2017 and 2018;

(v) the material contracts referred to in "Further Information about our Business — 7. Material Contracts" in Appendix IV to this prospectus;

(vi) the service contracts and letters of appointment referred to in "Further Information about our Directors, Chief Executive and Substantial Shareholders — 10. Directors' Service Contracts and Letters of Appointment" in Appendix IV to this prospectus;

(vii) the written consents referred to in "Other Information — 17. Consents of Experts" in Appendix IV to this prospectus;

(viii) the legal opinion issued by King & Wood Mallesons, our legal advisers as to PRC laws, relating to our business operations and property interests in the PRC;

(ix) the legal memorandum issued by Hogan Lovells, our legal advisers as to international sanctions laws; and

(x) the F&S Report.

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