中遠海運國際(香港)有限公司
COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

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

PERSEVERANCE FOR A SUSTAINABLE FUTURE

Annual Report 2020

Vision

COSCO SHIPPING International aims to build a world-class, China's leading shipping services industrial cluster and a non-financial business investment platform that meets the investment needs and adapts to the strategies and principal development direction of COSCO SHIPPING Group, with the goal of "larger scale, stronger profitability, superior anti-cyclical capability and globalisation", through deepening our penetrating in Hong Kong, gaining our foothold in the Bay Area, and going global.

Corporate Profile

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

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

Mission

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

CONTENTS

Definitions and Glossary

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

"associates"	the meaning ascribed to it in the Listing Rules;
"Beijing COSCO SHIPPING Ship Trading"	北京中遠海運船舶貿易有限公司 (Beijing COSCO SHIPPING Ship Trading Co., Ltd.*), a wholly-owned subsidiary of the Company;
"Board"	the board of Directors;
"connected person(s)"	the meaning ascribed to it in the Listing Rules;
"China Shipping"	中國海運集團有限公司 (China Shipping Group Company Limited*), a PRC state-owned enterprise and a wholly-owned subsidiary of COSCO SHIPPING;
"ClarkSea Index"	a weighted average index of earnings for the main vessel types where the weighting is based on the number of vessels in each fleet sector;
"COSCO"	中國遠洋運輸有限公司 (China Ocean Shipping Company Limited*), a PRC state-owned enterprise and a wholly-owned subsidiary of COSCO SHIPPING;
"COSCO Kansai Companies"	COSCO Kansai (Tianjin), COSCO Kansai (Shanghai), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai) collectively;
"COSCO Kansai Paint (Shanghai)"	中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Shanghai)"	中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Tianjin)"	COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd., a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Zhuhai)"	COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd., a non-wholly owned subsidiary of the Company;
"COSCO SHIPPING"	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a company established in the PRC and the holding company of COSCO SHIPPING (Hong Kong) and the ultimate holding company of the Company;
"COSCO SHIPPING Group"	COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective subsidiaries;
"COSCO SHIPPING (Hong Kong)"	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company and a wholly-owned subsidiary of COSCO SHIPPING;
"COSCO SHIPPING International" or "Company"	COSCO SHIPPING International (Hong Kong) Co., Ltd., the shares of which are listed on the Stock Exchange;
"COSCO SHIPPING International Trading"	中遠海運國際貿易有限公司 (COSCO SHIPPING International Trading Company Limited*), a wholly-owned subsidiary of the Company;
"dead weight tonnage" or "DWT"	the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew, etc. at a specified draft;
"Director(s)"	the director(s) of the Company;

Definitions and Glossary

“Double Rich”	Double Rich Limited, an associate of the Company;
“GDP”	Gross Domestic Product;
“Group”	the Company and its subsidiaries;
“HK COSCO SHIPPING Insurance Brokers”	COSCO SHIPPING (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IMF”	International Monetary Fund;
“Jotun COSCO”	Jotun COSCO Marine Coatings (HK) Limited, a joint venture of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Nasurfar Changshu”	常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*), an associate of the Company;
“PRC”	the People’s Republic of China;
“Share(s)”	the share(s) of HK$0.10 each in the capital of the Company;
“Shareholders”	the holders of the Share(s) of the Company;
“Sinfeng”	Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	the meaning ascribed to it in the Listing Rules;
“United States”	the United States of America;
“Yuantong”	Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company; and
“14th Five-Year Plan”	the 14th Five-Year Plan for National Economic and Social Development of the PRC.

** for identification purposes only*

Company Information

DIRECTORS

Executive Directors

Mr. Zhu Jianhui *(Chairman and Managing Director)*
Mr. Ma Jianhua

Non-executive Directors

Mr. Feng Boming
Mr. Chen Dong

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Chiu Shui Suet

AUDIT COMMITTEE

Mr. Kwong Che Keung, Gordon *(committee chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

REMUNERATION COMMITTEE

Mr. Jiang, Simon X. *(committee chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Kwong Che Keung, Gordon
Mr. Zhu Jianhui

NOMINATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(committee chairman)*
Mr. Jiang, Simon X.
Mr. Kwong Che Keung, Gordon
Mr. Zhu Jianhui

CORPORATE GOVERNANCE COMMITTEE

Mr. Zhu Jianhui *(committee chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Kwong Che Keung, Gordon

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Zhu Jianhui *(committee chairman)*
Mr. Ma Jianhua
Mr. Feng Boming

RISK MANAGEMENT COMMITTEE

Mr. Zhu Jianhui *(committee chairman)*
Mr. Ma Jianhua
Mr. Chen Dong

INDEPENDENT AUDITOR

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

LEGAL ADVISERS

Linklaters
Sit, Fung, Kwong & Shum
Conyers Dill & Pearman

PRINCIPAL BANKERS

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

Company Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

INVESTOR RELATIONS

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

FINANCIAL CALENDAR

2020 Annual General Meeting	: 29th May 2020
Announcement of 2020 Interim Results	: 20th August 2020
Announcement of 2020 Annual Results	: 25th March 2021
2021 Annual General Meeting:	: 28th May 2021

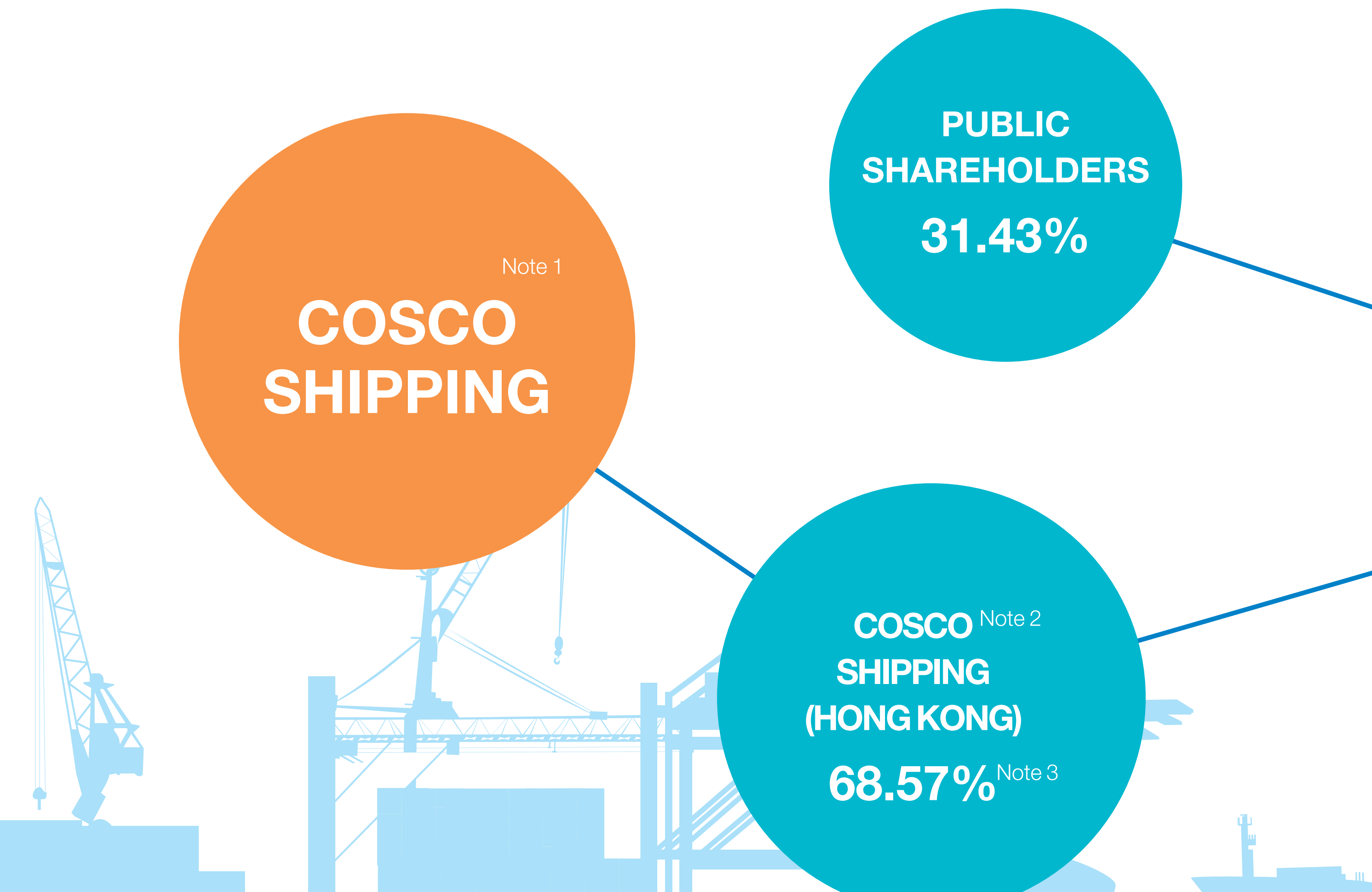
DIVIDENDS

2020 Interim Dividend	: 6.5 HK cents per share
Proposed 2020 Final Dividend	: 15.5 HK cents per share
Dividends for the year 2020	: 22 HK cents per share

Corporate Structure

SHIPPING SERVICES

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



GENERAL TRADING

General Trading	中遠海運國際貿易有限公司 (COSCO SHIPPING International Trading Company Limited*) 100%

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

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

Note 3
To the best of the knowledge and belief of the Directors, COSCO SHIPPING (Hong Kong) held 68.57% issued share capital of the Company as at 19th March 2021.

** for identification purposes only*


NO SMOKING
SAFETY+FIRST
COSCO SHIPPING

Pursuit of Excellence

The Group pursues excellence on its operations and the development of its two platforms, aims to become a global leading shipping services company.

Financial Highlights

	2020 HK$'000	2019 HK$'000	Change
ANNUAL RESULTS HIGHLIGHTS			
For the year ended 31st December			
Revenue	**3,442,894**	3,265,745	5%
Gross profit	**628,531**	555,210	13%
Operating profit	**132,500**	84,662	57%
Profit before income tax	**405,025**	385,748	5%
Profit attributable to equity holders	**338,523**	330,607	2%
Basic earnings per share (HK cents)	**22.08**	21.57	2%
Dividends per share (HK cents)	**22.00**	16.50	33%
Dividend payout ratio (%)	**100%**	76%	24pts

	2020 HK$'000	2019 HK$'000	Change
BALANCE SHEET HIGHLIGHTS			
As at 31st December			
Total assets	**9,938,694**	9,376,946	6%
Total liabilities	**1,510,980**	1,158,727	30%
Net assets attributable to shareholders	**8,113,043**	7,926,405	2%
Net cash	**6,429,536**	6,258,342	3%
Net assets per share (HK$)	**5.29**	5.17	2%
Net cash per share (HK$)	**4.19**	4.08	3%
Return on total assets (%)	**3.51**	3.55	(0.04pts)
Return on shareholders' equity (%)	**4.22**	4.19	0.03pts

	2020	2019
KEY FINANCIAL RATIOS		
For the year ended 31st December		
Gross profit margin	**18.3%**	17.0%
Interest coverage	**83.0 times**	97.6 times
Current ratio	**6.0 times**	7.5 times
Liquidity ratio	**5.7 times**	7.2 times
Total liabilities/total assets	**15.2%**	12.4%
Total borrowings/total assets	**0.9%**	0.7%

Financial Highlights

	2020 HK$'000	2019 HK$'000	Change
SEGMENT REVENUE*			
For the year ended 31st December			
Shipping Services			
Coatings	**1,085,028**	1,002,416	8%
Marine equipment and spare parts	**1,315,925**	1,262,058	4%
Ship trading agency	**90,934**	84,978	7%
Insurance brokerage	**92,207**	83,396	11%
Marine fuel and other products	**70,404**	47,033	50%
	2,654,498	2,479,881	7%
General Trading	**788,396**	785,864	0%
Total	**3,442,894**	3,265,745	5%

* external customers only

	2020 HK$'000	2019 HK$'000	Change
SEGMENT PROFIT BEFORE INCOME TAX			
For the year ended 31st December			
Shipping Services			
Coatings	**123,166**	49,068	151%
Marine equipment and spare parts	**74,126**	67,077	11%
Ship trading agency	**73,706**	56,008	32%
Insurance brokerage	**64,856**	58,459	11%
Marine fuel and other products	**27,451**	42,475	(35%)
	363,305	273,087	33%
General Trading	**10,292**	6,742	53%
Corporate and others	**31,428**	105,919	(70%)
Total	**405,025**	385,748	5%

Highlights of the Year 2020

MARCH

4th

Mr. Wang Yuhang has resigned as executive director and chairman of the Board due to work designation; and Mr. Zhu Jianhui, executive director and managing director of the Company, has been re-designated from vice chairman to chairman of the Board.

23rd

The Company announced the 2019 annual results. The profit attributable to equity holders of the Company was HK$331 million and the basic and diluted earnings per share was 21.57 HK cents.

APRIL

9th

A special general meeting was held in Hong Kong with the resolution in relation to the adoption of share option incentive scheme passed by the shareholders of the Company by way of poll.

MAY

19th

Mr. Ma Jianhua has been re-designated from non-executive director to executive director.

29th

An annual general meeting was held in Hong Kong with all resolutions passed by the shareholders of the Company.

JULY

7th

A special general meeting was held in Hong Kong with the resolution in relation to approving the new financial services master agreement and the continuing connected transactions contemplated thereunder passed by the shareholders of the Company by way of poll.

AUGUST

20th

The Company announced the 2020 interim results. The profit attributable to equity holders of the Company was HK$132 million and the basic and diluted earnings per share was 8.59 HK cents.

10 years+ 商界展關懷 caringcompany®
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Awards and Recognitions

1

2

3

4

5

1 Gold Award for brilliant participation in the "Sowers Action Challenging 12 Hours Charity Marathon 2019" held by Sowers Action.

2 "10 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service in recognition of the Company's contribution and commitment to caring for its employees, the environment and the community over ten consecutive years.

3 Certificate of Excellence in 2020 HKIRA's Award.

4,5 Annual Report 2019 won Gold Award in the "Annual Report: Shipping Services" and Bronze Award in the "Financial Data: Shipping Services" in the 34th International ARC Awards.

Chairman's Statement

> "The excellent counter-cyclical and operational resilience of COSCO SHIPPING International, which allows us to sustain in the long-run and pursue our goal to become a leading international shipping services company."

Zhu Jianhui
Chairman

Chairman's Statement

To all shareholders,

On behalf of the Board, I am pleased to report to you the 2020 annual results and future directions of the Group.

The profit attributable to equity holders of the Company for 2020 was HK$338,523,000 (2019: HK$330,607,000), representing a year-on-year increase of 2%. The basic earnings per share were 22.08 HK cents (2019: 21.57 HK cents). The Board recommended the payment of a final dividend of 15.5 HK cents. The dividend per share for the year 2020, including the interim dividend and final dividend per share, will amount to 22 HK cents (2019: 16.5 HK cents) in total, representing a year-on-year increase of 33%, a dividend payout ratio of approximately 100% (2019: 76%).

Chairman's Statement

COSCO SHIPPING International revised its dividend policy in 2015, pursuant to which, the Company's annual dividend payout ratio shall not be less than 50% of net profit prior to obtaining practical progress in significant investment projects. In recent years, the dividend payout ratio of the Company has been maintained at a high level of about 75%. This year, the Company has decided to further increase its dividend payout ratio approximately 100% in the midst of the current difficult macroeconomic environment, so as to tide over the difficulties with shareholders, which also demonstrates its long-standing business philosophy of maximising shareholders' returns. In view of the intricated macro environment at this moment, the Company will adopt prudent investment principles and attitudes to make good use of our capital, striving for great shareholders' returns.

BUSINESS DEVELOPMENT AND PERFORMANCE

In 2020, the Coronavirus Disease 2019 ("COVID-19") pandemic raged across the world with repeated outbreaks. The global economies took a hard hit and fell into recession. The economic recession dealt a blow to the confidence in investment of all sectors. The new build vessel orders decreased in both quantity and price worldwide. Transactions of new build vessel orders amounted to approximately 55.23 million DWT worldwide, down 14% year on year (according to the Clarkson report). The Clarkson Newbuilding Price Index (in US dollars) fell to 125.67 at the end of the year, down 3.2% year on year, which is the 16th consecutive month of year-on-year decline. By virtue of the decisive measures rapidly adopted in the PRC, domestic economic activities took the lead in the recover from the pandemic. The continued prosperity of the container liner market also contributed to the gradual recovery in the new build vessel market in the fourth quarter.

In the context of such macro environment, COSCO SHIPPING International fought against the pandemic with concerted efforts, and promptly resumed its production once the pandemic was eased. Adhering to the concept of customer first, we strengthened market development, technological innovation and product optimisation, striving to enhance efficiency. Significant results have been achieved in marketing, cost control, service efficiency and product standards. In spite of such macro adversity, the shipping business, the core business of the Group, attained remarkable results by successfully improving quality and efficiency and achieving steady growth, highlighting the excellent counter-cyclical and operational resilience of COSCO SHIPPING International, which allows us to sustain in the long-run and pursue our goal to become a leading international shipping services company.

For ship trading agency services, in response to the impact of the pandemic on shipowners and shipyards on contract performance and delivery, we took lead to provide value-added services to assist shipowners in completing the legal risk investigation of ship construction contracts. We facilitated communications and negotiations between shipowners and shipyards to ensure that ships can be delivered with high quality on time, which won the trust and praise of customers. For insurance brokerage and marine spare parts businesses, we made full use of our advantages in channels, continued to diversify product offerings, tapped into new sources of profits, and secured major customer groups outside COSCO Group, thereby further expanding our market share. For coating business, COSCO Kansai Companies intensified efforts in reforms, and its product quality and services in respect of container coatings further gained recognition in the industry. It also acquired a number of core major customers outside the Group, and recorded rapid growth in the revenue from external customers year on year, contributing to the steady improvement in both market share and overall profitability. Leveraging its leading position and leading technical standards, Jotun COSCO continued to provide customers with high-quality solutions, continuously improving customer satisfaction and loyalty, and successfully improved gross profit margins through cost control and full use of the range of mark-up.

In 2020, central banks lowered their benchmark interest rates for multiple times and implemented easing policies to cope with the economic impact of the pandemic, which put pressure on the Group's interest income, which decreased by 34% year on year. Considering that the low interest rate environment is likely to sustain, we will use funds cautiously and effectively to strive for higher cash returns for the Company under strict risk control.

CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT

COSCO SHIPPING International pays attention to its role as an exemplar and has established a sound corporate governance system as well as a comprehensive management mechanism to promote corporate social responsibility.

The Company always strives to maintain high standard of corporate governance. In 2020, the Company continuously put forward its financial management, strengthened its financial control in the course of various business reforms, enhanced monitoring on the financial risks of our customers, and implemented strict financial evaluation and access mechanism. The Company continuously optimised its internal control and risk management system, made effective use of information technology, and enhanced the risk control process, thereby further promoting management awareness of compliance operations. The Company continuously pays close attention to cost control and achieved significant results in reducing expenses while enhancing efficiency.

The Company continues to monitor the environment, social and governance ("ESG") issues. Since 2018, the Company has engaged consultants to provide professional advice on its ESG-related regulatory framework, data calculation and reporting, and actively improved its ESG standard, thus further improving its works on sustainable development. During the year, we reviewed the Stock Exchange's amendments to the ESG Reporting Guide for listed companies and the relevant provisions in the Listing Rules, and has been putting intensive efforts in the governance enhancement of the Group in terms of ESG issues.

Chairman's Statement

In response to the severe situation of the novel coronavirus infection, we established a pandemic prevention and control team right at the early stage, implemented a series of regular pandemic prevention measures, and instantaneously resumed work and production in the second quarter, thereby mitigating the negative impact of the pandemic. Up to now, there has been no confirmed case of COVID-19 among the companies under directly management of the Group, successfully ensuring the safety and health of all personnel, and affirming our efforts in disease prevention and control.

In fulfilling corporate social responsibility, the Company attaches great importance to internal operating issues such as production safety and employee welfare, as well as external civil responsibilities such as environmental protection and charity. Dedicated divisions are responsible for facilitating works in relation to employees and social welfare. The Company actively participates in numerous community building and voluntary activities, committing to making contribution to the society. In 2020, the Company was awarded the 10 Year Plus Caring Company Logo granted by the Hong Kong Council of Social Service and the Gold Award for brilliant participation from Sowers Action, highlighting the high level of public recognition of the Company's performance of social responsibility.

PROSPECTS

Looking forward into 2021, there will be a great rebound in global economic growth . The IMF forecasts global GDP growth of 5.1% in 2021 which is mainly attributable to the gradual easing of the pandemic as a result of the expected increase in the ability to respond to the pandemic worldwide after vaccines are marketed. However, factors such as the unpredictability of the pandemic, and the continuation of unilateralism and trade protectionism, also indicate the accelerated evolvement of the current changes unseen in a century. In terms of the PRC economy, 2021 is the first year of the "14th Five-Year Plan". It is expected that the macroeconomic policies of the PRC will maintain a high degree of continuity, stability and sustainability. The "14th Five-Year Plan" proposes to accelerate the establishment of a "dual circulation" development pattern in which domestic economic cycle plays a leading role while international economic cycle remains its extension and supplement, which will undoubtedly provide the Company with vast development opportunities.

Adhering to the concept of innovative development, we will promote information development to achieve efficient operations and continue to create value for customers.

Leveraging COSCO SHIPPING Group's brand and group advantages, as well as its own advantages in services and products, the Company will enhance industrial synergy, and consolidate and expand its position as the first choice of shipping service supplier within COSCO SHIPPING Group, so as to enhance its own operating standards and profitability while contributing to the overall deployment of the Group in terms of industrial chain operations. At the same time, we will increase efforts in the development of outside COSCO SHIPPING Group's businesses. Adhering to the concepts of customer-driven, value-based marketing, and market-oriented, we will further extend our foothold in the shipping service industry chain, provide services which serve as a complement to such gaps and blanks, and continue to solve the difficulties and pain points of customers, so as to improve customer satisfaction and loyalty, expand market share, increase the proportion of customers, enhance market presence, and secure the foundation for development of the Company.

The Company will further accelerate the research and implementation of major investment operations, and seize major strategic opportunities such as the Belt and Road Initiative, the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Port, using a multi-pronged approach to discover project resources. Focusing on the development of emerging industries, the Group will explore cooperation opportunities with professional institutions, actively develop new businesses with significant volumes, and strive for the launch of new projects. The Group has been maintaining stable cash flow with strong financial foundation, which not only allows us to overcome any challenge, but also provides us with unique advantages in exploring good development opportunities.

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

Zhu Jianhui
Chairman

Hong Kong, 25th March 2021

Management Discussion and Analysis

OVERALL ANALYSIS OF RESULTS

In 2020, the Group achieved positive results in market expansion and cost control continuously. During the year, profit attributable to equity holders of the Company was HK$338,523,000 (2019: HK$330,607,000), representing an increase of 2% as compared to 2019. The basic and diluted earnings per share were 22.08 HK cents (2019: 21.57 HK cents), representing an increase of 2% as compared to 2019.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue was HK$3,442,894,000 (2019: HK$3,265,745,000), representing an increase of 5% as compared to 2019. Revenue from the core business of shipping services was HK$2,654,498,000 (2019: HK$2,479,881,000), representing an increase of 7% as compared to 2019, and accounted for 77% (2019: 76%) of the Group's revenue. The wide spread of the COVID-19 epidemic had affected part of the businesses in China, however, the Group reacted to the crisis promptly, achieved positive results for the measures in enhancing quality and efficiency, resulting in the increase of revenues from all core business segments as compared to last year. Revenue from general trading segment was HK$788,396,000 (2019: HK$785,864,000), representing a slight increase as compared to 2019, and accounted for 23% (2019: 24%) of the Group's revenue.

Gross Profit and Gross Profit Margin

During the year, the Group's gross profit was HK$628,531,000 (2019: HK$555,210,000), representing an increase of 13% as compared to 2019. The overall average gross profit margin was 18% (2019: 17%), increased by one percentage point as compared to 2019. The increase was mainly because of the improvement in performance of coatings business.

Management Fee Income

During the year, there was a management fee income of HK$117,328,000 (2019: HK$107,726,000) arising from the provision of management services by the Company in relation to the day-to-day business operations and management of COSCO SHIPPING (Hong Kong) and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.), representing an increase of 9% as compared to 2019.

Other Income and Gains/(Losses) — Net

During the year, other income and gains/(losses) — net was HK$11,933,000 (2019: net loss of HK$23,587,000), mainly because the net exchange losses, as compared to 2019, decreased substantially to HK$13,245,000 (2019: HK$41,966,000).

Selling, Administrative and General Expenses

During the year, selling, administrative and general expenses was HK$625,292,000 (2019: HK$554,687,000), representing an increase of 13% as compared to 2019, mainly due to the increase in selling expenses and employee benefit expenses.


SHIPPING SERVICES INDUSTRIAL CLUSTER
Production and Sale of Coatings
Ship Trading Agency Services
Supply of Marine Equipment and Spare Parts
Insurance Brokerage Services
Trading and Supply of Marine Fuel and Related Products
COSCO SHIPPING

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

Core Business Coverage

Management Discussion and Analysis

Operating Profit

Due to increase in overall gross profit, and decrease in net exchange losses, the Group's operating profit increased by 57% to HK$132,500,000 (2019: HK$84,662,000).

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, was HK$137,635,000 (2019: HK$207,849,000), representing a decrease of 34% as compared to 2019, mainly attributable to the decrease in interest rate of bank deposits as compared to 2019.

Finance Costs

Finance costs, which primarily represented interest expenses on short-term borrowings and other finance charges, was HK$4,939,000 (2019: HK$3,992,000), representing an increase of 24% as compared to 2019.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was HK$108,807,000 (2019: HK$48,798,000), representing an increase of 123% as compared to 2019. This item primarily comprised the share of profits of Jotun COSCO of HK$99,518,000 (2019: HK$41,252,000) and Nasurfar Changshu of HK$6,683,000 (2019: HK$6,028,000) which were included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates was HK$31,022,000 (2019: HK$48,431,000), representing a decrease of 36% as compared to 2019. This item primarily represented the share of profit of Double Rich of HK$29,329,000 (2019: HK$47,070,000) which was included in the marine fuel and other products segment.

Income Tax Expenses

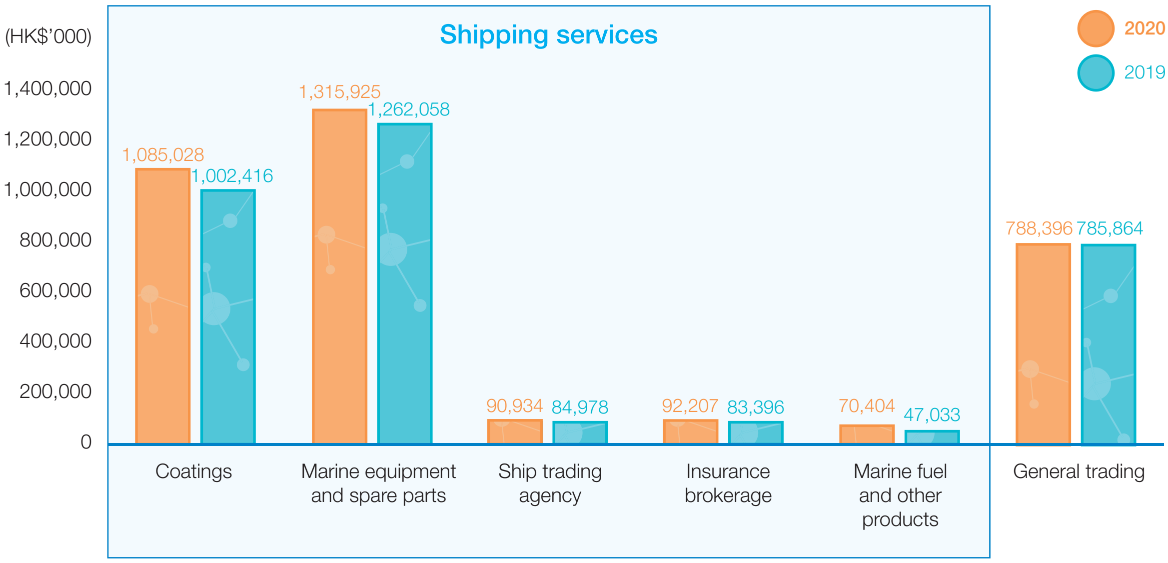
During the year, the Group's income tax expenses was HK$57,489,000 (2019: HK$52,440,000), representing an increase of 10% as compared to 2019. The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, increased from 18% in 2019 to 22% mainly attributable to the increase in deferred income tax charge — net for the year.

Profit Attributable to Equity Holders

During the year, profit attributable to equity holders of the Company was HK$338,523,000 (2019: HK$330,607,000), representing an increase of 2% as compared to 2019, mainly due to the increase in the profits of core business of shipping services, which was partially offset by the decrease in finance income.

FINANCIAL RESULTS

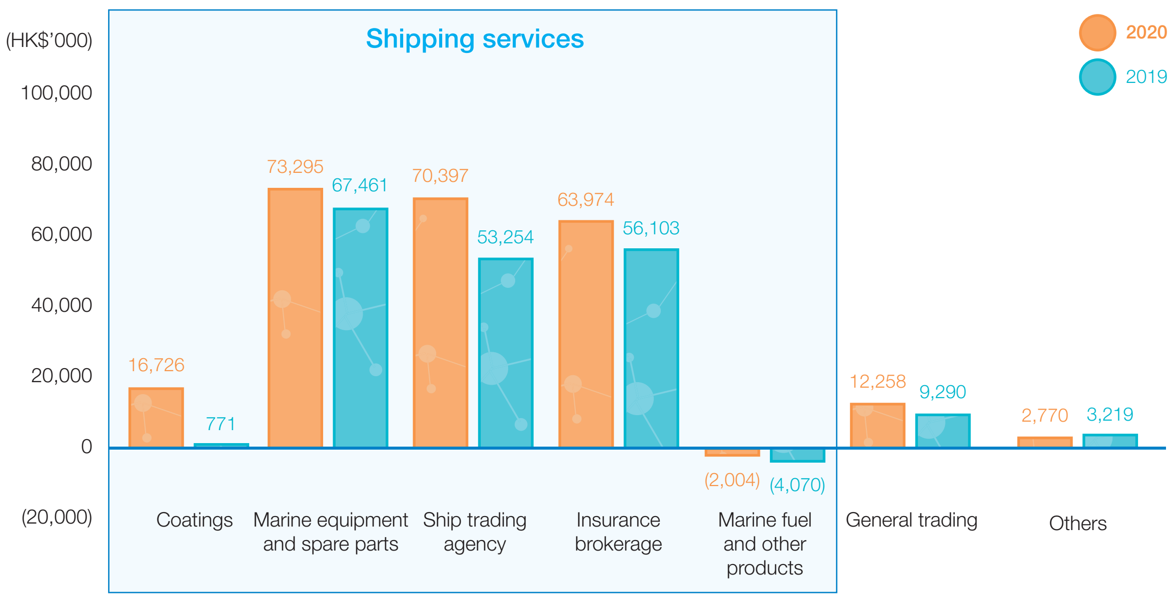
SEGMENT REVENUE*



* external customers only

Revenue from the core shipping services businesses increased by 7% to HK$2,654,498,000 (2019: HK$2,479,881,000) and accounted for 77% (2019: 76%) of the Group's revenue. The increase in revenue was mainly due to increase of revenues from all core business segments.

SEGMENT OPERATING PROFIT



Segment operating profit from shipping services was HK$222,388,000 (2019: HK$173,519,000), representing an increase of 28% as compared to 2019. It was mainly due to increase in segment operating profits from ship trading agency and coatings as compared to 2019.

FINANCIAL RESULTS (Continued)

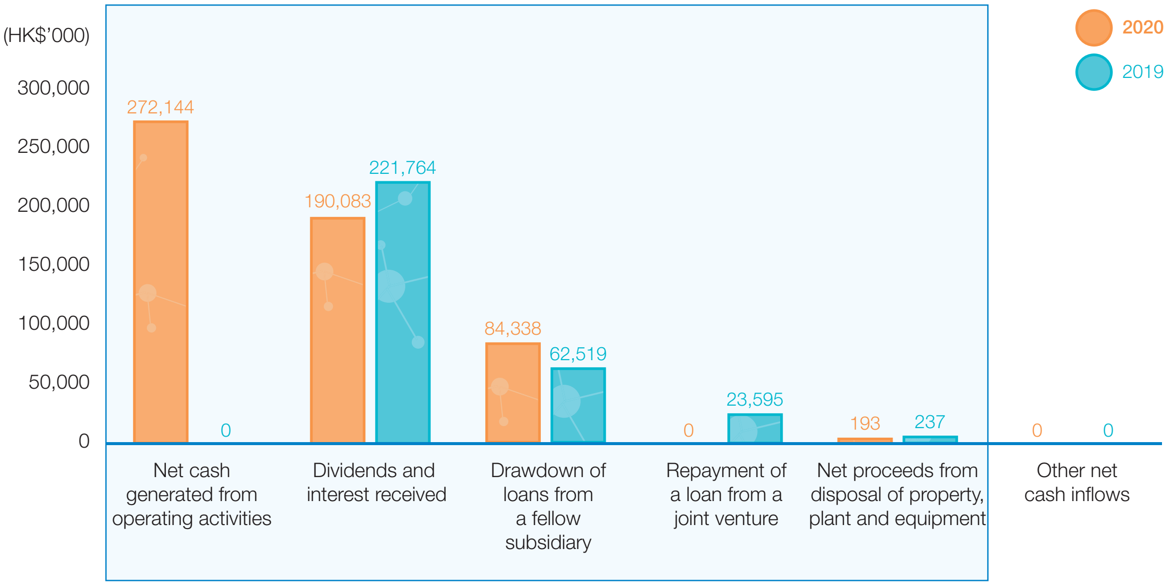
For the year ended 31st December	2020 HK$'000	2019 HK$'000	Change HK$'000	%	Remark
Shipping services	**222,388**	173,519	48,869	28	It was mainly attributable to the increase in segment operating profits from ship trading agency and coatings as compared to 2019.
General trading	**12,258**	9,290	2,968	32	It was mainly attributable to the increase in sales volume of asphalt as compared to 2019.
Others	**2,770**	3,219	(449)	(14)	
Corporate expenses, net of income	**(104,382)**	(100,924)	(3,458)	3	
Elimination of segment income from corporate headquarters	**(534)**	(442)	(92)	21	
Operating profit	**132,500**	84,662	47,838	57	
Finance income-net	**132,696**	203,857	(71,161)	(35)	It was mainly attributable to decrease in interest rate of bank deposit as compared to 2019.
Share of profits of joint ventures	**108,807**	48,798	60,009	123	As a result of the increase in sales volume and constant improvement in gross profit margin of Jotun COSCO as compared to 2019.
Share of profits of associates	**31,022**	48,431	(17,409)	(36)	It was mainly attributable to the inventory impairment provision made by Double Rich as a result of a fall in the net realisable value of inventories.
Profit before income tax	**405,025**	385,748	19,277	5	
Income tax expenses	**(57,489)**	(52,440)	(5,049)	10	The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, increased from 18% in 2019 to 22% mainly attributable to the increase in deferred income tax charge — net for the year.
Profit for the year	**347,536**	333,308	14,228	4	

FINANCIAL RESULTS (Continued)

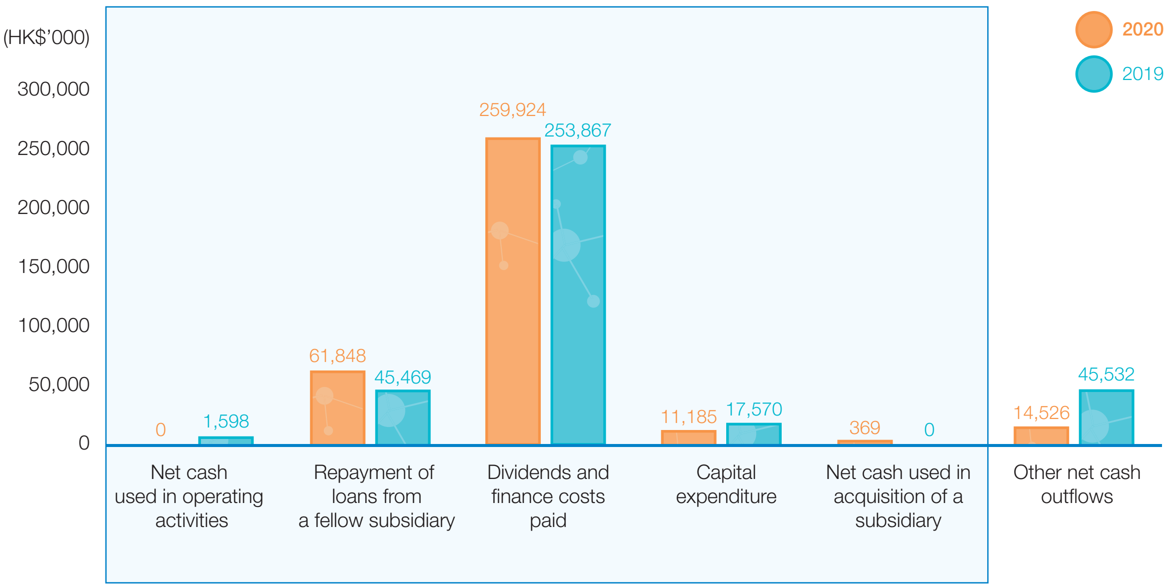
As at 31st December	2020 HK$'000	2019 HK$'000	Change HK$'000	%	Remark
Intangible assets	**109,044**	105,617	3,427	3	
Property, plant and equipment, right-of-use assets and investment properties	**469,910**	442,388	27,522	6	
Investments in joint ventures	**562,668**	437,419	125,249	29	
Investments in associates	**167,403**	147,693	19,710	13	
Other non-current assets	**95,521**	119,555	(24,034)	(20)	
Inventories	**366,348**	305,997	60,351	20	
Trade receivables — net	**723,564**	689,626	33,938	5	
Other receivables	**922,259**	805,188	117,071	15	
Cash (including restricted bank deposits and current deposits and cash and cash equivalents)	**6,518,647**	6,319,741	198,906	3	(a), (b)
Other current assets	**3,330**	3,722	(392)	(11)	
Total assets	**9,938,694**	9,376,946	561,748	6	
Deferred income tax liabilities	**83,233**	67,743	15,490	23	
Trade payables, other payables and contract liabilities	**1,309,582**	1,007,490	302,092	30	
Current income tax liabilities	**18,038**	13,778	4,260	31	
Short-term borrowings	**89,111**	61,399	27,712	45	
Lease liabilities	**11,016**	8,317	2,699	32	
Non-controlling interests	**314,671**	291,814	22,857	8	
Total liabilities and non-controlling interests	**1,825,651**	1,450,541	375,110	26	
Net assets attributable to equity holders	**8,113,043**	7,926,405	186,638	2	

(a) MAJOR SOURCES AND USE OF CASH

CASH INFLOWS



CASH OUTFLOWS

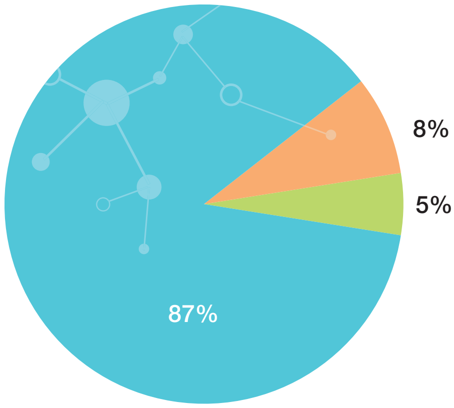


Cash (including restricted bank deposits and current deposits and cash and cash equivalents) increased by HK$198,906,000 in aggregate during the year. Sources of cash principally included net cash generated from operating activities of HK$272,144,000, dividends and interest received of HK$190,083,000, drawdown of loans from a fellow subsidiary of HK$84,338,000 and net proceeds from disposal of property, plant and equipment of HK$193,000. Use of cash principally included repayment of loans from a fellow subsidiary of HK$61,848,000, dividends and finance costs paid of HK$259,924,000, capital expenditure of HK$11,185,000, net cash used in acquisition of a subsidiary of HK$369,000 and other net cash outflows of HK$14,526,000.

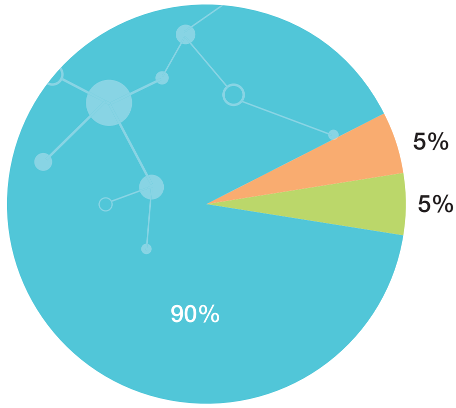
(b) ANALYSIS OF CASH

CLASSIFIED BY NATURE

2020



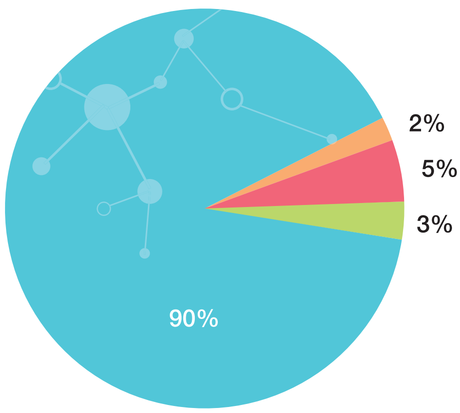
2019



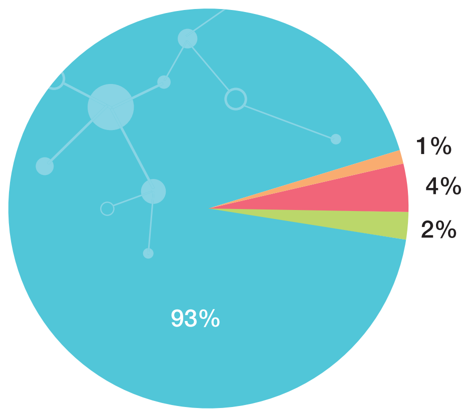
Deposits in a fellow subsidiary   Short-term bank deposits   Cash at bank and on hand

CLASSIFIED BY CURRENCY

2020



2019



Renminbi   Hong Kong dollars   United States dollars   Others

Management Discussion and Analysis

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's main sources of liquidity comprised cash, bank balances and non-committed unutilised banking facilities. The liquidity is primarily for financing of general working capital requirements, dividend payments and future capital expenditure. As at 31st December 2020, deposits and cash and cash equivalents held by the Group accounted for 76% (2019: 78%) of the Group's total current assets.

As at 31st December 2020, the Group's total assets increased by 6% to HK$9,938,694,000 (2019: HK$9,376,946,000). Total liabilities increased by 30% to HK$1,510,980,000 (2019: HK$1,158,727,000). The Group remained cautious about potential credit risks that surrounded the shipping services industry. All business units focused on internal management, receivables management, working capital management and costs control.

Net asset value attributable to shareholders was HK$8,113,043,000 (2019: HK$7,926,405,000). Net asset value per share, calculated based on the 1,532,955,429 shares in issue during the year (2019: 1,532,955,429 shares), was HK$5.29 (2019: HK$5.17), increased by 2% as compared to the end of 2019.

As at 31st December 2020, the Group's total short-term borrowings were HK$89,111,000 (2019: HK$61,399,000), which were mainly for the purpose of working capital requirement for general trading business. For the maturity profile, please refer to the table below. The Group's total cash on hand (represented total restricted bank deposits and current deposits and cash and cash equivalents) increased by 3% to HK$6,518,647,000 (2019: HK$6,319,741,000) and non-committed unutilised standby banking facilities increased by 67% to HK$682,594,000 (2019: HK$409,665,000) respectively. The gearing ratio, which represented total borrowings over total assets, was 0.9% (2019: 0.7%).

Debt Analysis

	31st December 2020 HK$'000	%	31st December 2019 HK$'000	%
Classified by maturity:				
— repayable within one year	**89,111**	**100**	61,399	100
Classified by type of loan:				
— unsecured	**89,111**	**100**	61,399	100
Classified by currency:				
— Renminbi	**89,111**	**100**	61,399	100

The Group had restricted bank deposits of HK$13,600,000 (2019: HK$5,582,000) for meeting the statutory requirement of its insurance brokerage business in China and deposits pledged for issuance of bills in China.

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

TREASURY POLICY

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

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

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

The Group maintained a healthy cash position. As at 31st December 2020, the Group had net cash, which represented total restricted bank deposits and current deposits and cash and cash equivalents, less short-term borrowings, of HK$6,429,536,000 (2019: HK$6,258,342,000). To enhance the Group's finance income and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mixture of stable and conservative financial products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions in Hong Kong, China, Singapore, Japan, Germany and the United States. During the year, the Group strengthened its funds management and had actively negotiated with banks to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved a 2.14% rate of return on the Group's cash for the year, representing 189 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of December 2020. The Group had no financial instruments for interest rate hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2020, sales to the largest customer and aggregate sales to the five largest customers accounted for 7% and 22% respectively (2019: 4% and 16% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 4% and 13% respectively (2019: 4% and 13% respectively) of the total cost of sales of the Group.

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

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

EMPLOYEES

As at 31st December 2020, excluding joint ventures and associates, the Group had 833 (2019: 901) employees, of which 185 (2019: 168) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK$455,491,000 (2019: HK$406,220,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

The share option incentive scheme of the Company has been adopted by the Shareholders at the special general meeting on 9th April 2020 (the "Share Option Incentive Scheme"). The Company granted an aggregate of 23,830,000 share options to certain directors of the Company and employees of the Group to subscribe for a total of 23,830,000 Shares at a price of HK$2.26 per share on 28th April 2020 under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted are exercisable from 28th April 2022 to 27th April 2026 in batches.

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

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

REVIEW OF BUSINESS OPERATIONS

In 2020, the global market was dominated by the COVID-19 epidemic which led to brief suspension of operating activities in supply chain across industries, resulting in a global economic recession. Meanwhile, business confidence and economic activities around the globe were impacted by factors such as intricate international affairs, as well as increasing conflicts in trade and geopolitical risks. Nonetheless, the easing fiscal and monetary policies implemented by countries have played a positive role in the second half of the year, facilitated a rebound in industrial production and household spending, contributed to a recovery in port and shipping activities and stabilised the container shipping market. China took the lead in the recovery from the epidemic with effective control since February. Work and production resumption has been taking place rapidly and orderly with the implementation of regular epidemic prevention and control in Mainland China. According to the estimation by the National Bureau of Statistics of China, China will achieve an approximately 2.3% year on year economic growth in 2020 demonstrating the resilience and strength of China's economy and a constant trend of stable and steady economic growth.

As to the shipping market, shipping enterprises were being cautious on capital expenditures in the face of increasing uncertainties of global economy. In 2020, according to the ClarkSea Data, the global shipping trade volume decreased by 3.8% year on year to 11.5 billion tonnes, while as of the end of 2020, the average value of the ClarkSea Index dropped by only 2% year on year. In particular, the oil tanker market performed remarkably during the first half of the year, which contributed to the highest level of full-year revenue since 2015. A V-shape recovery by container shipping after the second quarter was recorded as the lease rates of major vessel types and freight rates returned to peak levels. The shipping industry showed signs of recovery in the second half of the year, which motivated ship-owners to expedite new build vessels delivery and led to an upward trend of both the prices of and demand for containers.

The Group has been striving to enhance the quality and efficiency of our operations over the past two years, improving the technical content of products and seizing market share. All its hard efforts paid off during the year. Though confronted with various macroeconomic challenges, the Group's profit before income tax increased by 5% year on year. In particular, profit before income tax of the core shipping services business surged by 33% year on year, demonstrating the continuous improvement of the Group's operational efficiency, profitability, stability and quality of the Group's businesses.

1. Core Business — Shipping Services

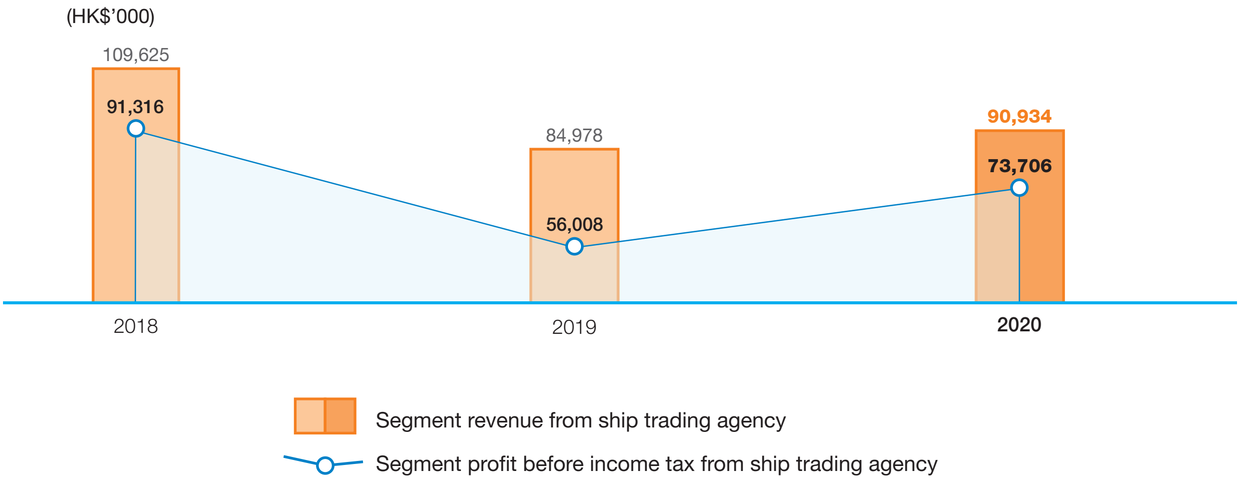
The Group's core shipping services business mainly include ship trading agency services, insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products.

During the year, revenue from the Group's shipping services was HK$2,654,498,000 (2019: HK$2,479,881,000), representing an increase of 7% year on year. The increase in revenue was mainly due to the increase in all core business segments. Profit before income tax from shipping services was HK$363,305,000 (2019: HK$273,087,000), representing an increase of 33% year on year.

1.1 Ship Trading Agency Services

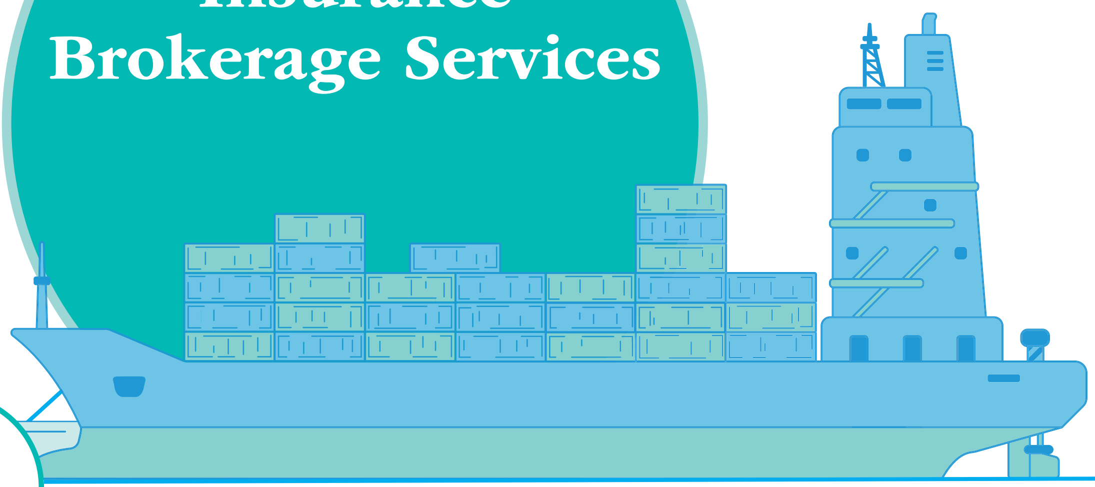
The Group's ship trading agency business is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for shipping enterprises.

During the year, revenue from the ship trading agency segment of the Group increased by 7% year on year to HK$90,934,000 (2019: HK$84,978,000). Segment profit before income tax was HK$73,706,000 (2019: HK$56,008,000), representing an increase of 32% year on year, mainly attributable to year on year increases in the number of new build vessels delivery and commission income.



During the year, the Group's aggregate number of new build vessels delivery was 35 (2019: 28), totalling 2,811,900 dead weight tonnages (2019: 2,830,750 dead weight tonnages). A total of 19 (2019: 22) new build vessels have been ordered through the Group, totalling 1,277,600 dead weight tonnages (2019: 3,260,780 dead weight tonnages). In addition, the sale and purchase of a total of 29 (2019: 34) second-hand vessels through the Group were recorded, totalling 407,529 dead weight tonnages (2019: 1,579,110 dead weight tonnages).

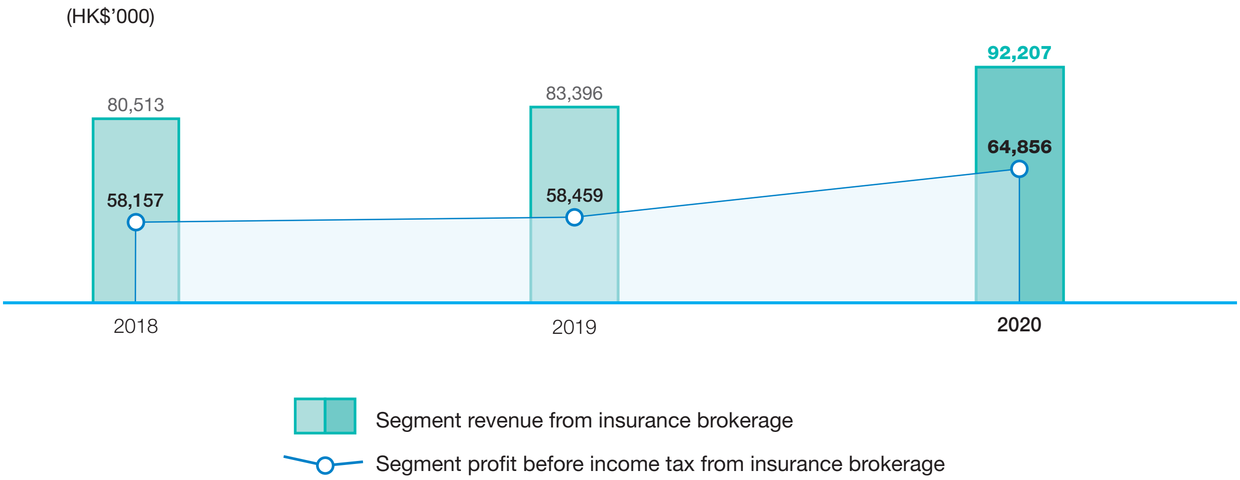
Insurance Brokerage Services



1.2 Insurance Brokerage Services

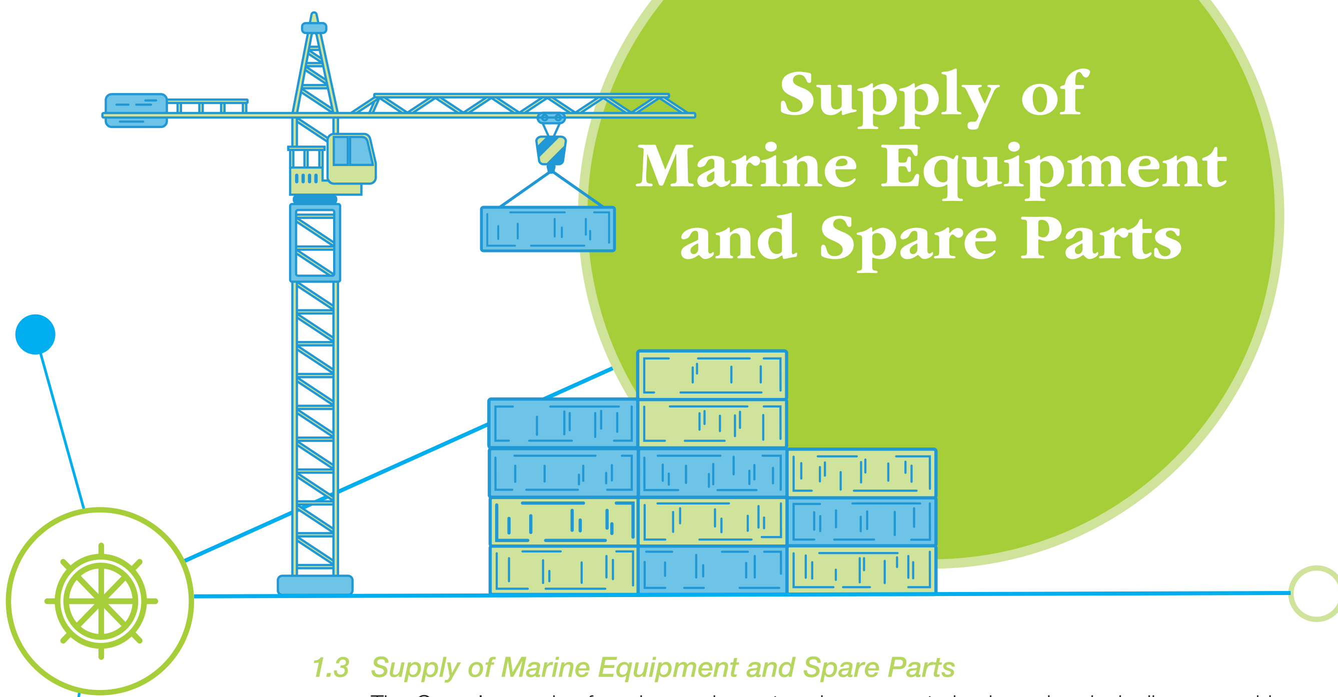
The Group's insurance brokerage services business is primarily engaged in the insurance and reinsurance intermediary services of marine and non-marine insurance, including the provision of professional insurance brokerage services such as risk assessment and analysis, designing insurance and reinsurance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

During the year, revenue from insurance brokerage services segment of the Group was HK$92,207,000 (2019: HK$83,396,000), representing an increase of 11% year on year. Segment profit before income tax was HK$64,856,000 (2019: HK$58,459,000), representing an increase of 11% year on year, which was mainly attributed to considerable year on year growth in business volume of indemnity insurance business and non-marine insurance business.


(HK$'000)
80,513
58,157
83,396
58,459
92,207
64,856
2018
2019
2020
Segment revenue from insurance brokerage
Segment profit before income tax from insurance brokerage


COSCO SHIPPING

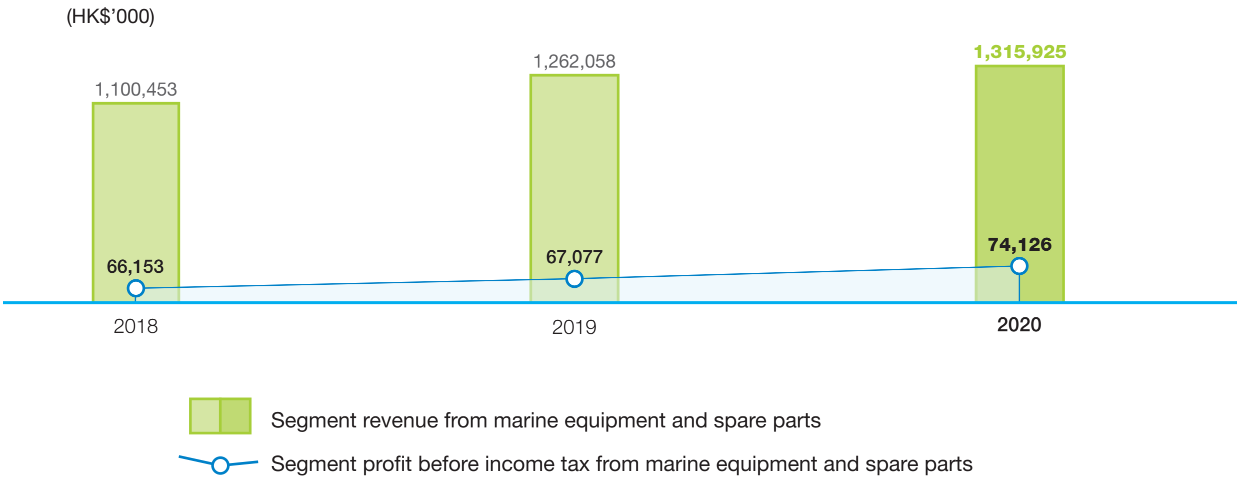
Supply of Marine Equipment and Spare Parts

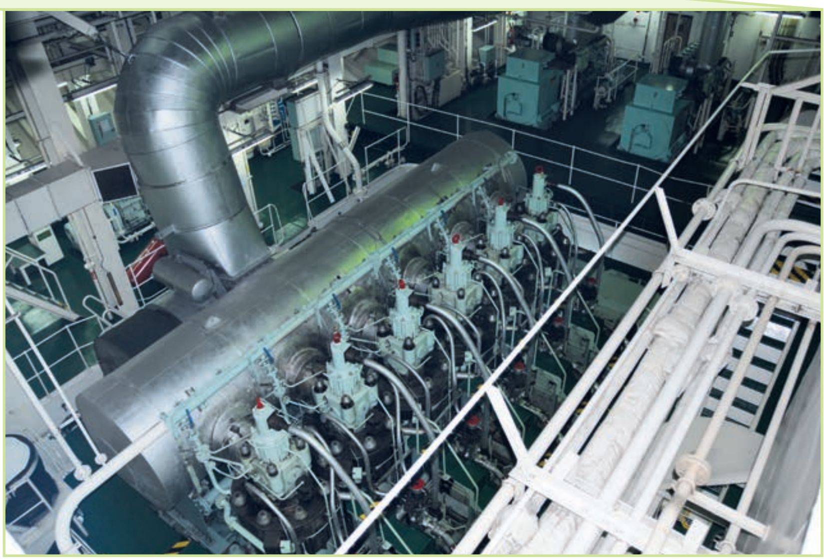


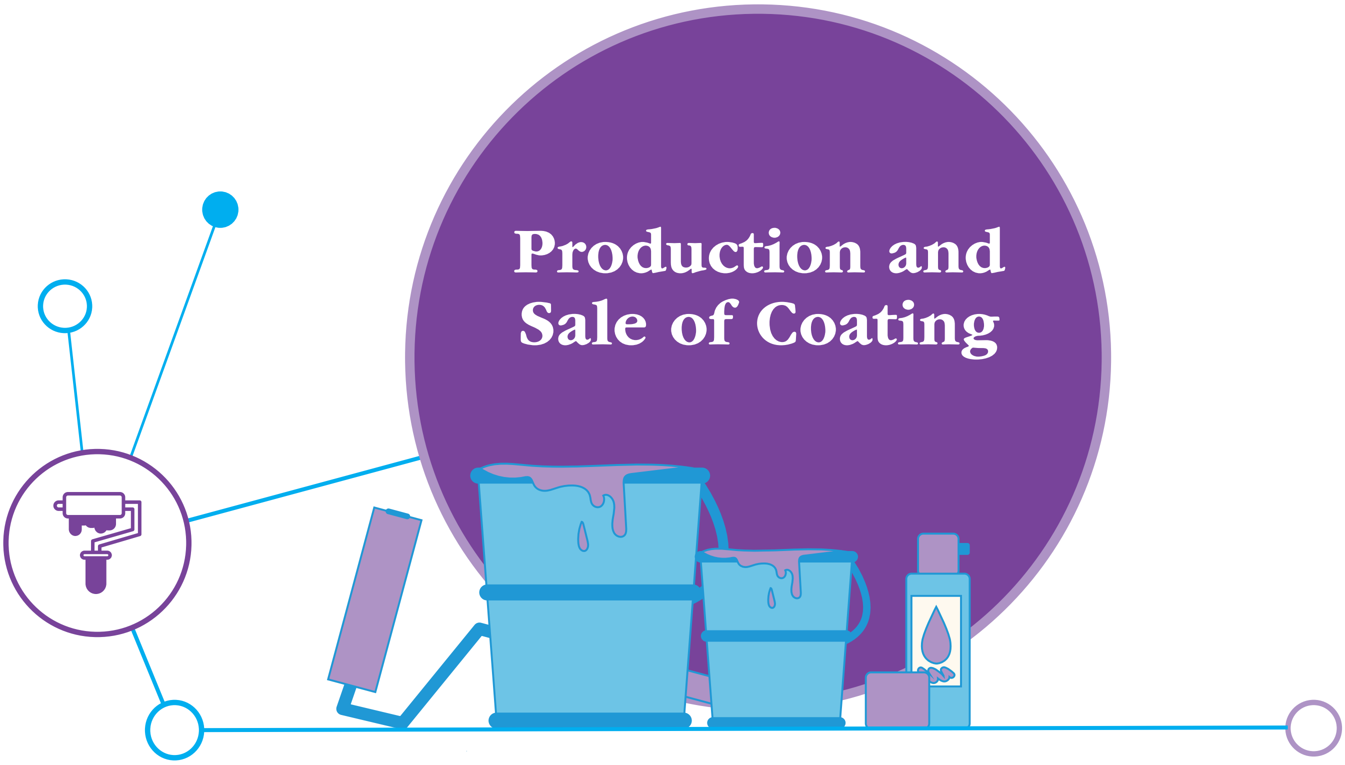
1.3 Supply of Marine Equipment and Spare Parts

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

During the year, the Group's revenue from marine equipment and spare parts segment was HK$1,315,925,000 (2019: HK$1,262,058,000), representing an increase of 4% year on year, which was mainly attributable to the increase in business volume from COSCO SHIPPING Group. Segment profit before income tax was HK$74,126,000 (2019: HK$67,077,000), representing an increase of 11% year on year.


(HK$'000)
1,100,453
1,262,058
1,315,925
66,153
67,077
74,126
2018
2019
2020
Segment revenue from marine equipment and spare parts
Segment profit before income tax from marine equipment and spare parts



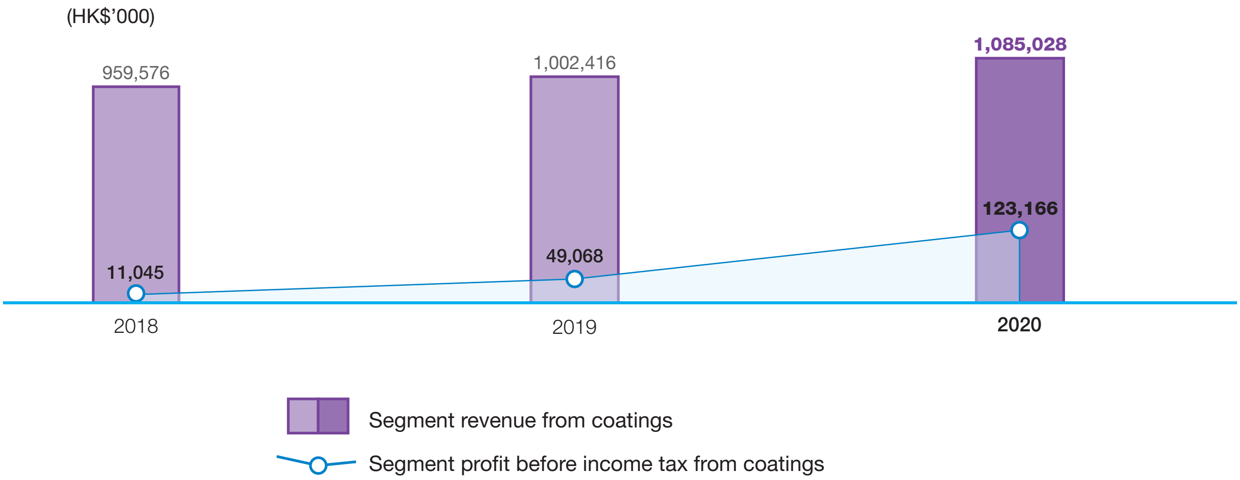


1.4 *Production and Sale of Coatings*

The coating business of the Group primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai), COSCO Kansai Paint (Shanghai) and COSCO Kansai (Shanghai) are non-wholly owned subsidiaries of the Company. COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai), which have their own plants, are principally engaged in the production and sale of coatings, while COSCO Kansai (Shanghai) is primarily engaged in the sale of coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and Jotun A/S, Norway, an international coating supplier, is principally engaged in the production and sale of marine coatings. Nasurfar Changshu, in which the Company held 33% equity interest, is principally engaged in the research and development, production and sales of biochemical products, which is beneficial to the extension of the Group's industry chain of coatings and related products.

During the year, the Group's revenue from coatings segment was HK$1,085,028,000 (2019: HK$1,002,416,000), representing an increase of 8% year on year. Segment profit before income tax was HK$123,166,000 (2019: HK$49,068,000), representing an increase of 151% year on year, which was mainly due to the increases in the business volume and product selling prices of COSCO Kansai Companies, as well as the significant increase in the share of profit from Jotun COSCO.

For container coatings, as COSCO Kansai Companies' water-based coatings had gained market recognition steadily, the market share of container coatings business was further improved, with both business volume and product selling prices going up. The gross profit margin improved as a result of the effective implementation of the Group's strict control of production costs. During the year, the sales volume of container coatings increased by 19% to 29,392 tonnes (2019: 24,772 tonnes) year on year. The sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 18,033 tonnes (2019: 17,655 tonnes), representing an increase of 2% year on year.



For marine coatings, the sales volume of Jotun COSCO's coatings for new build vessels amounted to 46,161,000 litres (2019: 45,050,000 litres), representing an increase of 2% year on year. Sales volume of coatings for repair and maintenance was 27,674,000 litres (2019: 25,144,000 litres), up by 10% year on year. The sales volume of Jotun COSCO's marine coatings amounted to 73,835,000 litres (equivalent to approximately 99,677 tonnes) (2019: 70,194,000 litres (equivalent to approximately 94,762 tonnes)), up by 5% year on year. During the year, the Group's share of profit from Jotun COSCO was HK$99,518,000 (2019: HK$41,252,000), representing an increase of 141% year on year. It was mainly attributable to the increase in sales volume and decrease in raw material prices which lead to a constant improvement in gross profit margin. This validated the effectiveness of Jotun COSCO's measures on continuously strengthening its overall profitability and stability.

During the year, the Group's share of profit from Nasurfar Changshu was HK$6,683,000 (2019: HK$6,028,000), representing a year on year increase of 11%.

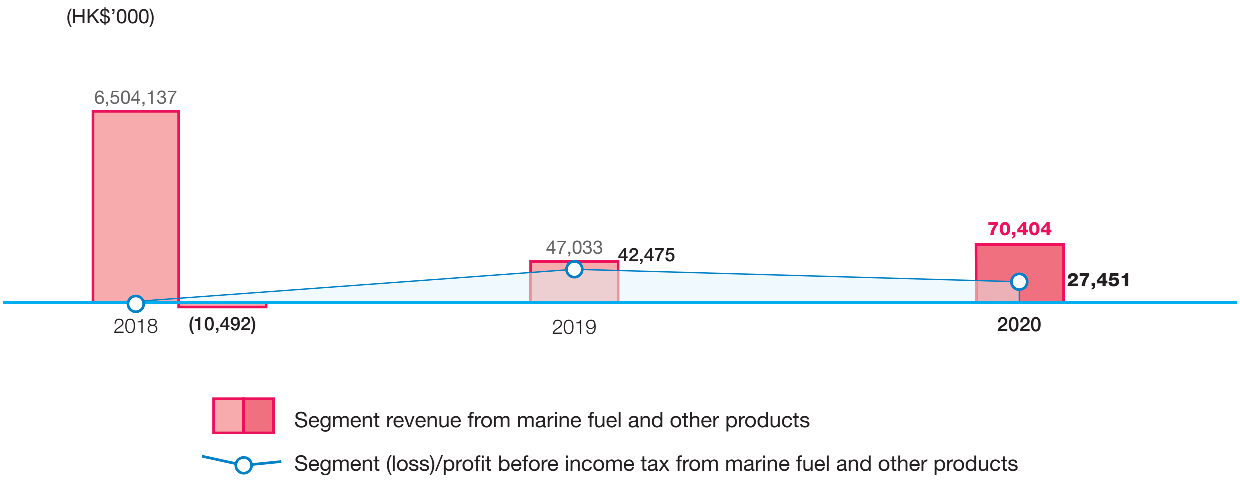
1.5 *Trading and Supply of Marine Fuel and Related Products*

The Group's trading and supply of marine fuel and related products business is primarily engaged in the supply, trading and brokerage services of marine fuel and related products with business network covering major oil ports such as Singapore and Malaysia, etc..

During the year, revenue from marine fuel and other products segment of the Group was HK$70,404,000 (2019: HK$47,033,000), and sales volume of marine fuel products was 24,382 tonnes (2019: 12,805 tonnes), representing an increase of 90% year on year. In view of the liquidation filed by Coastal Oil Singapore Pte Ltd, a major supplier of Sinfeng, at the end of 2018 ("Coastal Oil's Liquidation"), the Group deliberately trimmed down Sinfeng's business as a measure of further risk control. For details of information in relation to Coastal Oil's Liquidation and the matters arising subsequent to Coastal Oil's Liquidation, please refer to the announcement of the Company dated 4th January 2019. Management is of the view that this event would not have a material impact to the Group's financial information for the year ended 31st December 2020 after taking into account of the professional opinion of Sinfeng's legal adviser in respect of the aforesaid matters.

Double Rich, in which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and marine fuel supply services in Hong Kong and also at the same time, in sourcing products such as light diesels and fuel oil. Its major customers are ship-owners and ship operators. During the year, the Group's share of profit from Double Rich was HK$29,329,000 (2019: HK$47,070,000), representing a decrease of 38% as compared to 2019, which was primarily due to the inventory impairment provision made as a result of a fall in the net realisable value of inventories.

During the year, profit before income tax from marine fuel and other products segment was HK$27,451,000 (2019: HK$42,475,000), representing a decrease of 35% year on year, which was mainly due to the decrease in the share of profit from Double Rich.



2. General Trading

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

During the year, although the sales volume of asphalt increased by 33% year on year to 222,618 tonnes (2019: 167,166 tonnes), however, due to the year on year decline in asphalt price, revenue from general trading segment of the Group amounted to HK$788,396,000 (2019: HK$785,864,000), representing the year on year increase of 0.3%. Segment profit before income tax was HK$10,292,000 (2019: HK$6,742,000), representing an increase of 53% year on year, as a result of the net foreign exchange gains of HK$258,000 during the year (2019: net foreign exchange losses of HK$4,523,000).

EVENT AFTER THE BALANCE SHEET DATE

COSCO has gratuitously transferred 100% of its equity interest in COSCO SHIPPING (Hong Kong) to China Shipping at nil consideration. COSCO and China Shipping are the PRC state-owned enterprises and wholly-owned subsidiaries of COSCO SHIPPING. Upon completion of the internal restructuring, China Shipping, in place of COSCO, becomes the sole shareholder of COSCO SHIPPING (Hong Kong) and an indirect controlling shareholder of the Company and COSCO SHIPPING remains as the ultimate holding company of the Company, details of which were disclosed in the announcement of the Company dated 1st March 2021.


IoT
COSCO SHIPPING

Moving Forward for Sustainable Development

COSCO SHIPPING International leverages on the strong support from its ultimate holding company, COSCO SHIPPING, adheres to the two strategic directions for development, namely "unified operational platform for shipping services industrial cluster" and the "non-financial business investment platform", in order to accomplish sustainable business development and create greater returns for shareholders.

Profile of Directors and Senior Management

DIRECTORS

Mr. Zhu Jianhui
(Chairman and Managing Director)

aged 58, has been the Chairman of the Board of the Company since March 2020, the Managing Director of the Company since January 2018 and the Executive Director of the Company since August 2016. He also had been the Vice Chairman of the Board of the Company from August 2016 to March 2020. Mr. Zhu is chairman of Corporate Governance Committee, Strategic Development Committee, Risk Management Committee, member of Remuneration Committee and Nomination Committee of the Company. Mr. Zhu leads overall management and operation, strategic development and human resources management of the Company. He is also director, chairman and president of COSCO SHIPPING (Hong Kong) Co., Limited and non-executive director of Piraeus Port Authority S.A. (listed on Athens Stock Exchange) and the director of Hainan Harbor & Shipping Holding Co., Ltd. He had been the manager of China Ocean Shipping Agency Nantong (Penavico Nantong), the deputy general manager of China Ocean Shipping Agency (Shanghai), the deputy general manager of China Ocean Shipping Agency head office, the deputy general manager of COSCO Logistics Co., Ltd., the general manager of China Ocean Shipping Tally Company and the general manager of Dalian Ocean Shipping Company. Mr. Zhu possesses extensive professional knowledge in ocean shipping and logistics management and also has rich experience in corporate operation and management. Mr. Zhu graduated from Shanghai Maritime College and obtained a Master's degree. He is a senior economist.

Mr. Ma Jianhua

aged 58, has been the Non-executive Director of the Company since October 2018 and re-designated as Executive Director of the Company in May 2020, and the member of Strategic Development Committee and Risk Management Committee of the Company. He is also Deputy General Manager of the Company and director and vice president of COSCO SHIPPING (Hong Kong) Co., Limited. Mr. Ma was the non-executive director of COSCO SHIPPING Holdings Co., Ltd. (listed in Shanghai and Hong Kong). He was also the deputy head of the human resources and labor department and the research officer of the Ministry of Transport of the PRC, the deputy party secretary and the leader of the discipline inspection team of Shenzhen Maritime Safety Administration, the deputy director of the general office and the deputy secretary of Chongqing municipality of the PRC, the party secretary and the deputy general manager of COSCO Logistics Co., Ltd., the party secretary and the deputy general manager of COSCO Shipbuilding Industry Company Limited, the supervisor, party secretary and deputy general manager of COSCO SHIPPING Holdings Co., Ltd.. Mr. Ma has extensive experience in transportation and logistics management, human resources management and modern corporate governance, etc.. Mr. Ma graduated from the Party School of the Central Committee of the Communist Party of China majoring in economics and management and is a senior engineer.

Mr. Feng Boming

aged 51, has been the Non-executive Director and member of Strategic Development Committee of the Company since January 2018. He is also director of COSCO SHIPPING (Hong Kong) Co., Limited, executive director of COSCO SHIPPING Holdings Co., Ltd. (listed in Shanghai and Hong Kong), executive director and chairman of COSCO SHIPPING Ports Limited (listed in Hong Kong), executive director of Orient Overseas (International) Limited (listed in Hong Kong), non-executive director of Piraeus Port Authority S.A. (listed on Athens Stock Exchange) and Qingdao Port International Co., Ltd. (listed in Shanghai and Hong Kong), and director of COSCO SHIPPING Investment Holdings Co., Limited (formerly known as COSCO SHIPPING Financial Holdings Co., Limited) and Hainan Harbor & Shipping Holding Co., Ltd. He was the supervisor of the Strategic Management Implementation Office of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company) and COSCO SHIPPING Holdings Co., Ltd., the manager of the Commercial Section of the Trade Protection Division of COSCO SHIPPING Lines Co., Ltd., the general manager of COSCO (Cayman) Mercury Co., Ltd., the general manager of the Management and Administration Department of COSCO Holdings (Hong Kong) Co., Ltd., the general manager of COSCO International Freight (Wuhan) Co., Ltd., and the general manager of the Strategy and Corporate Management Division of 中國遠洋海運集團有限公司 (China COSCO SHIPPING Corporation Limited). He was also non-executive director of COSCO SHIPPING Holdings Co., Ltd. (listed in Shanghai and Hong Kong), COSCO SHIPPING Energy Transportation Co., Ltd. (listed in Shanghai and Hong Kong) and COSCO SHIPPING Development Co., Ltd. (listed in Shanghai and Hong Kong), and also director of COSCO SHIPPING Bulk Co., Ltd.. Mr. Feng has over 20 years of work experience in the shipping industry and has extensive experience in port management and operation, corporate strategy management, business management and container shipping management. He graduated from Wuhan Institute of Water Transportation Engineering, major in Transportation Administrative Engineering and from The University of Hong Kong with a master's degree in Business Administration and is an economist.

Profile of Directors and Senior Management

Mr. Chen Dong

aged 46, has been the Non-executive Director and member of Risk Management Committee of the Company since January 2018. He is also general manager of Finance and Accounting Division of 中國遠洋海運集團有限公司 (China COSCO SHIPPING Corporation Limited), director of COSCO SHIPPING (Hong Kong) Co., Limited and non-executive director of COSCO SHIPPING Ports Limited (listed in Hong Kong), and director of COSCO SHIPPING Specialized Carriers Co., Ltd. (listed in Shanghai), COSCO SHIPPING Bulk Co., Ltd. and COSCO SHIPPING Investment Holdings Co., Limited (formerly known as COSCO SHIPPING Financial Holdings Co., Limited). Mr. Chen was the deputy head of Risk Control Section under the Planning and Finance Department, the deputy head of the Finance Section under Planning and Finance Department and senior manager of the Finance and Taxation Management Office, the assistant to the general manager of the Finance Department and the deputy general manager of the Finance Department of 中國海運(集團)總公司 (China Shipping (Group) Company). He was the non-executive director of COSCO SHIPPING Development Co., Ltd. (listed in Shanghai and Hong Kong) and non-executive director of COSCO SHIPPING Holdings Co., Ltd. (listed in Shanghai and Hong Kong). Mr. Chen has over 20 years of working experience in shipping enterprises and has extensive experience in risks control, taxation management and finance. Mr. Chen obtained a Master's degree in Economics from Shanghai University of Finance and Economics and is a senior accountant.

Mr. Tsui Yiu Wa, Alec

aged 71, has been the Independent Non-executive Director of the Company since February 2004 and is chairman of Nomination Committee, member of Audit Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Tsui is director of Industrial and Commercial Bank of China (Asia) Limited and also independent non-executive director of a number of listed companies in Hong Kong, namely, Pacific Online Limited, Hua Medicine as well as independent director of two companies listed overseas including ATA Creativity Global (formerly known as ATA Inc.) (listed on NASDAQ) and Melco Resorts & Entertainment Limited (listed on NASDAQ). Mr. Tsui graduated from the University of Tennessee, the United States and was awarded a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering and had completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University, the United States. He was the chairman of Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000 and the adviser and council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. Mr. Tsui was the chairman and director of WAG Worldsec Corporate Finance Limited and previously served as the independent non-executive director of the listed companies in Hong Kong, namely, Summit Ascent Holdings Limited until his resignation in September 2018, Kangda International Environmental Company Limited until his resignation in April 2019, DTXS Silk Road Investment Holdings Company Limited until his retirement in May 2020 and Melco Resorts and Entertainment (Philippines) Corporation (listed in the Republic of Philippines in December 2012 and delisted in June 2019) until his resignation in November 2020.

Mr. Jiang, Simon X.

aged 67, has been the Independent Non-executive Director of the Company since April 2007 and is chairman of Remuneration Committee, member of Audit Committee, Nomination Committee and Corporate Governance Committee of the Company. He is an independent non-executive director of PetroChina Company Limited (listed in Hong Kong, Shanghai and New York) and chairman of Cyber City International Limited. Mr. Jiang is also a director of China Foundation for Disabled Persons and a senior associate at the Judge Business School of Cambridge University of England. He is currently a member of the United Nations Investments Committee. Mr. Jiang received his Bachelor's degree from Beijing Foreign Studies University, Master's degree from Australian National University and Doctorate's degree in Economics from Cambridge University of England. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, a trustee of Cambridge China Development Trust, a director of Zi Corporation, the advisory board member of Capital International Inc. of United States and Rothschild Investment Bank of England and a member of the 11th and 12th Sessions of the National Committee of the Chinese People's Political Consultative Conference, and the independent non-executive director of China Petroleum & Chemical Corporation (listed in Shanghai and Hong Kong) until his retirement in May 2018. He has experience in fund management.

Mr. Kwong Che Keung, Gordon

aged 71, has been the Independent Non-executive Director of the Company since July 2020 and is chairman of Audit Committee, member of Nomination Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Kwong is also independent non-executive director of a number of listed companies in Hong Kong, namely, Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited, Henderson Investment Limited, Henderson Land Development Company Limited and NWS Holdings Limited. He is also an independent non-executive director of Piraeus Port Authority S.A. (listed on Athens Stock Exchange), a fellow subsidiary of the Company. Mr. Kwong was the managing director of the Company from 1998 to 2001. He was an independent non-executive director of OP Financial Limited until his retirement in August 2019 and an independent non-executive director of Global Digital Creations Holdings Limited until his retirement in May 2020. Mr. Kwong graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants respectively. Mr. Kwong was a partner of an international big four accounting firm from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong Limited from 1992 to 1997, during which he had also acted as the convener of both the listing committee and the compliance committee of The Stock Exchange of Hong Kong Limited. He has over 40 years of experience in accounting and auditing.

Profile of Directors and Senior Management

The Directors' interests in shares and underlying shares of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as at 31st December 2020 which were required to be notified the Company and the Stock Exchange, are disclosed in the section headed "Directors' Interests in Securities" of the Directors' Report.

Mr. Zhu Jianhui is director, chairman and president of COSCO SHIPPING (Hong Kong). Mr. Ma Jianhua is director and vice president of COSCO SHIPPING (Hong Kong). Mr. Feng Boming is director of COSCO SHIPPING (Hong Kong). Mr. Chen Dong is general manager of Finance and Accounting Division of COSCO SHIPPING and director of COSCO SHIPPING (Hong Kong). COSCO SHIPPING (Hong Kong) is the substantial shareholder of the Company and the wholly-owned subsidiary of COSCO SHIPPING. As such, COSCO SHIPPING (Hong Kong) and COSCO SHIPPING is deemed to have, an interest in the shares of the Company which would fall to be discussed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO respectively, details of which are disclosed in the section headed "Substantial Shareholders" of the Directors' Report.

Save as disclosed in the Directors' respective biographical details under "Profile of Directors and Senior Management" and other part in this annual report, the Directors (a) have not held any directorships in other listed public companies whether in Hong Kong or overseas in the past three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company as at 31st March 2021.

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

The Directors referred to under "Profile of Directors and Senior Management" (except Mr. Ma Jianhua, Mr. Feng Boming and Mr. Chen Dong) received the Directors' emoluments for the year 2020 which will be determined with reference to the prevailing market conditions, director's experience, qualifications and responsibilities involved in the Company. The details of the emoluments of the Directors for the year ended 31st December 2020 on a named basis are disclosed in note 25 to the financial statements.

SENIOR MANAGEMENT

Mr. Liu Xianghao

aged 48, has been the Deputy General Manager of the Company since April 2018. He is also vice president of COSCO SHIPPING (Hong Kong) Co., Limited. Mr. Liu had been the deputy manager of Secretariat of Executive Division, the deputy manager of Secretarial Office of Executive Division, the deputy director and director of Executive Division, the director of Office of Board of Directors/General Manager's Office of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the deputy director and director of General Manager's Office, the director of Office of Board of Directors/General Manager's Office of China COSCO Holdings Company Limited and the executive director and managing director of the Company. Mr. Liu is familiar with the operation of listed companies and has extensive experience in auditing and corporate management. Mr. Liu obtained a Bachelor's degree in Economics from Nankai University and a Master's degree in Business Administration from China Europe International Business School, and is an accountant.

Mr. Wang Wei

aged 49, has been the Deputy General Manager of the Company since April 2018. He is also vice president of COSCO SHIPPING (Hong Kong) Co., Limited. Mr. Wang had been the deputy manager of Executives Management Department of Organisation Division/Human Resources Division, the manager of Executives Management Department of Organisation Division/Human Resources Division and the deputy general manager of Organisation Division/Human Resources Division of 中國遠洋運輸（集團）總公司 (China Ocean Shipping (Group) Company), the deputy general manager of Organisation Division/Human Resources Division, general manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited, the director of COSCO (Hong Kong) Group Limited, the director of COSCO Shipping Co., Ltd. and the non-executive director of COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited) and the non-executive director of the Company. Mr. Wang is familiar with the operation of listed companies and has extensive experience in human resources management. Mr. Wang graduated from Renmin University of China, major in Human Resources Management.

Mr. Zhou Liliang

aged 59, has been the Deputy General Manager of the Company since April 2018. He is also vice president of COSCO SHIPPING (Hong Kong) Co., Limited. He had been the deputy division chief of Safety Supervision Bureau of Ministry of Transport of the PRC; the vice consultant, the consultant of the General Office of Ministry of Transport of the PRC; deputy general manager of COSCO International Freight Co., Ltd; deputy general manager of COSCO Logistics Co., Ltd; general manager of COSCO West Asia FZE and general manager of COSRACO L.L.C.. Mr. Zhou has extensive experience in corporate management, strategic operation and logistics, also in transportation management and traffic infrastructure construction aspects. He obtained a Master's degree in Dalian Maritime University.

Mr. Wang Guorong

age 58, has been the Deputy General Manager of the Company since April 2020. He is also vice president of COSCO SHIPPING (Hong Kong) Co., Limited. Mr. Wang was the general manager of 天遠國際勞務合作公司 (Tianyuan International Cooperation Company), the general manager of ship management department of 中遠散貨運輸有限公司 (COSCO Bulk Carrier Co., Ltd.), the deputy general manager of 中遠散貨運輸有限公司 (COSCO Bulk Carrier Co., Ltd.) and the general manager of 中遠散貨運輸有限公司 (COSCO Bulk Carrier Co., Ltd.) and the chairman of COSCO SHIPPING (Tianjin) Co., Ltd.. Mr. Wang has extensive experience in the operation and management of bulk carrier, international shipping and corporate management. He holds an Executive Master degree of Business Administration (EMBA) of Nankai University and is a senior engineer.

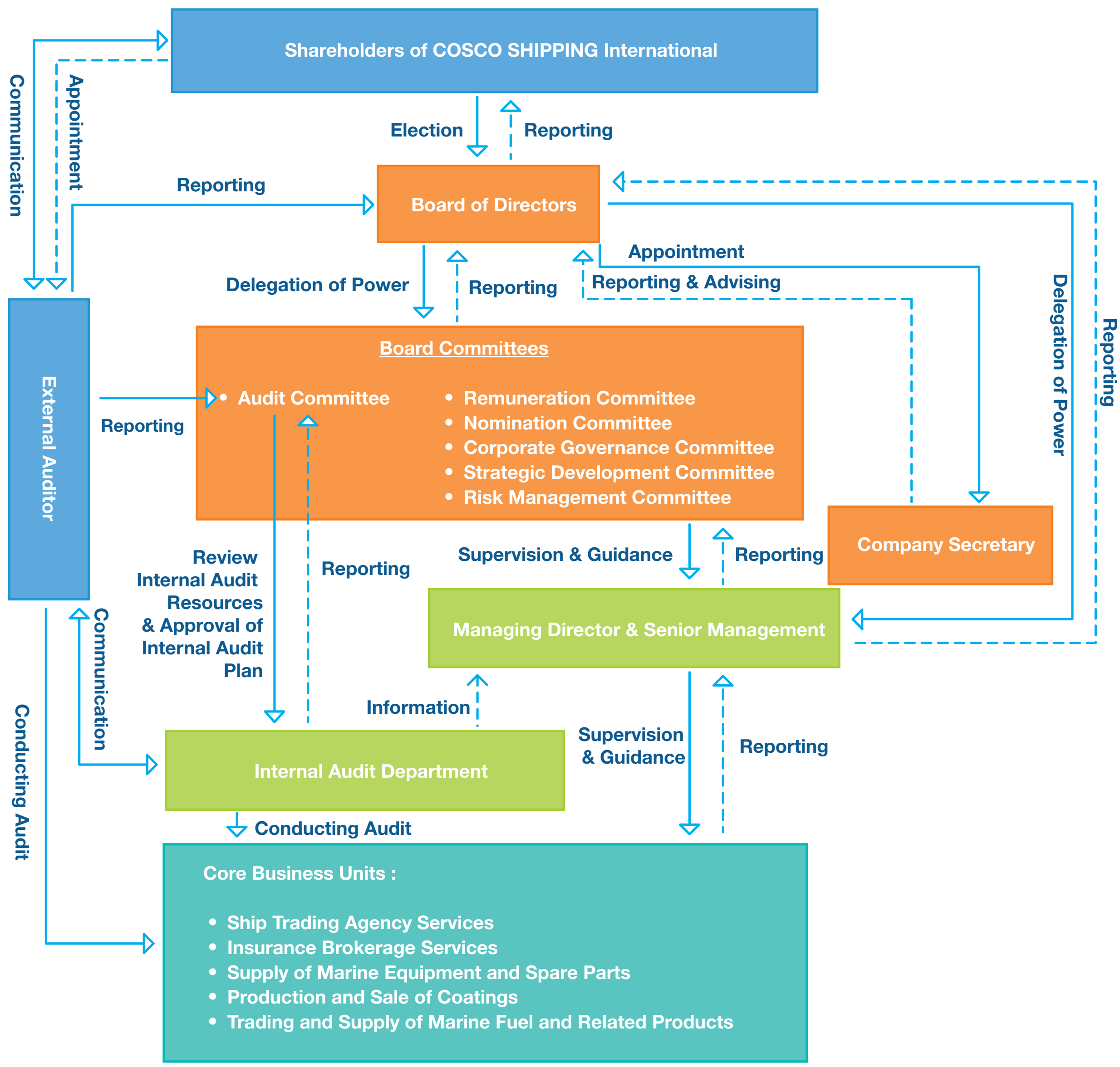
Ms. Chiu Shui Suet

aged 54, has been the Company Secretary of the Company since October 2005. She is also the secretary of six Board Committees of the Company and the company secretary of various subsidiaries of the Company. Ms. Chiu is in charge of corporate governance, legal, company secretarial, investor relations and related matters of the Company. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton in 1996 and completed her Postgraduate Certificate in Laws at the City University of Hong Kong in 1998. Ms. Chiu was admitted as a solicitor in Hong Kong in 2000. Besides being a member of the Law Society of Hong Kong, she is also a fellow of both The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries, holding Chartered Secretary and Chartered Governance Professional dual designations. Prior to joining the Company, Ms. Chiu had worked for various entities including accounting firms, legal firm and listed companies. She is well conversant with business law and company law and has extensive experience and solid knowledge in dealing with the company secretarial, corporate governance and legal matters for private and listed companies.

Corporate Governance Report

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

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



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

The Company also maintains an employee handbook providing guidance to employees on matters such as ethical standards, business conduct, employees conduct and reporting any misconduct within the Group. The employee handbook applies to all employees of the Group who must ensure strict compliance with the policies therein. Through the establishment of a performance charter for the management and appropriate appraisal mechanisms, the Company has been able to align the interests of the management and all the staff with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all staff, the Company has identified, formulated and implemented a corporate culture that is considered appropriate for its special circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Group. In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in light of local and international best practices. The Company had applied the principles and complied with the CG Code throughout the year ended 31st December 2020, except (a) (i) Mr. Feng Boming, the Non-executive Director, was unable to attend the annual general meeting held on 29th May 2020 due to other business engagement; (ii) Mr. Feng Boming and Mr. Chen Dong, both the Non-Executive Directors, were unable to attend the special general meetings held on 9th April 2020 and 7th July 2020 respectively due to other business engagement; and (iii) Mr. Alexander Reid Hamilton, the ex-Independent Non-executive Director, was unable to attend the special general meeting held on 9th April 2020 due to illness, a deviation from the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings; and (b) Mr. Zhu Jianhui, the Managing Director, has been re-designated from Vice Chairman to Chairman on 4th March 2020 and the roles of Chairman and Managing Director are performed by the same individual which deviates from code provision A.2.1 of the CG Code. However, the Board believes that the roles of Chairman of the Board and Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he acts for the benefit and in the best interests of the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategic and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management levels, there is no other matter deviated from the CG Code. The Company will continue to review its corporate governance policies and compliance with the Listing Rules and will continue to comply with the relevant provisions as set out in the CG Code.

THE BOARD

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

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

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

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company which include evaluating businesses and operational performance, ensuring effective implementation of the Board's decisions, ensuring adequate funding and monitoring performance of the management of the Group. The segregation of duties and responsibilities between the Board and the management is clearly defined in the internal guidelines of the Company. The senior management of the Company is being closely monitored by the Board through the Managing Director and is accountable for the performance of the Company as measured against the business targets and management directions set by the Board. The Managing Director and the management of relevant subsidiaries and divisions of the Company closely communicated to review and discuss on operational and financial matters in order to enhance and strengthen internal communications and cooperation within the Group. The delegated functions and work tasks were periodically reviewed.

Remuneration of Directors

The Company's Human Resources Division assists Remuneration Committee to discharge its duties by providing relevant remuneration data and market conditions information for Remuneration Committee's consideration. The remuneration of Executive Directors and the senior management of the Company is determined with reference to the Company's performance as well as remuneration benchmarks in the industry and the prevailing market conditions. Emoluments paid to Directors and the senior management of the Company by band for the year are disclosed in notes 24 to 25 to the financial statements of this annual report.

Nomination, Appointment and Re-election of Directors

The Company adopted the Director Appointment Policy (available on the Company's website) which provides framework and standards for the appointment of high calibre directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee is responsible for identifying and nominating suitable candidates for the Board's consideration. Pursuant to the bye-laws of the Company, any Director appointed to fill vacancy shall hold office until the next following general meeting or annual general meeting of the Company and shall then be eligible for re-election at that meeting, and every Director is subject to retirement by rotation at least once every three years and shall be eligible for re-election at such annual general meeting of the Company. Any further re-appointment of an Independent Non-executive Director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the Shareholders. In addition, Nomination Committee recommended the proposal of Directors' re-election in the 2021 annual general meeting of the Company. Mr. Zhu Jianhui, being the Executive Director, has entered into a letter of appointment with the Company on 29th May 2020 for a term commencing from 29th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Mr. Ma Jianhua, being the Executive Director, has entered into a letter of appointment with the Company on 19th May 2020 for a term commencing from 19th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Each of Mr. Feng Boming and Mr. Chen Dong, being the Non-executive Director, has entered into a letter of appointment with the Company on 29th May 2020 for a term commencing from 29th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X., being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 29th May 2020 for a term commencing from 29th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Mr. Kwong Che

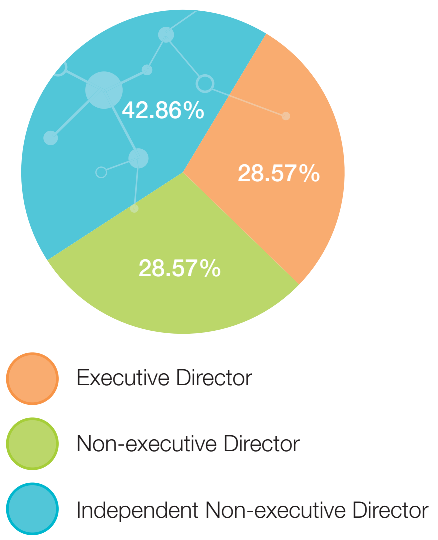
Keung, Gordon, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 9th July 2020 for a term commencing from 9th July 2020 to the conclusion of the 2022 annual general meeting of the Company. Each of the above letters of appointment is subject to termination by either party giving one month's prior notice in writing or such other shorter notice period as may be agreed by both parties. In addition to the Independent Non-executive Directors and the Non-executive Directors, all Executive Directors were appointed for a specific term and letters of appointment setting out the key terms and conditions of appointment were entered into between the Company and each of the Directors, details of which are set out in the "Directors' Report" of this annual report.

Except Mr. Alexander Reid Hamilton, the Independent Non-executive Director and audit committee chairman since 9th June 2011, passed away on 21st April 2020. The Board is saddened and grateful for his services and contribution during his tenure of office. To comply with the requirement of the Listing Rules, Mr. Kwong Che Keung, Gordon was appointed as Independent Non-executive Director and audit committee chairman on 9th July 2020. Save as disclosed above, the Board had all the times during the year met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise and audit committee comprised three non-executive directors.

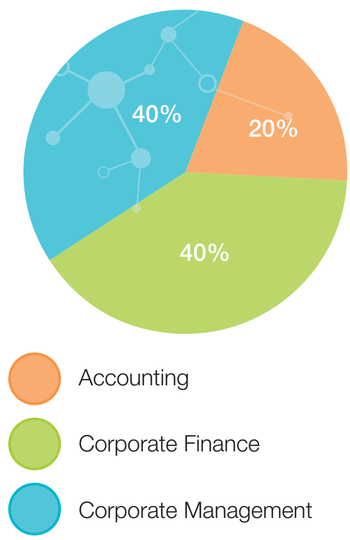
Board Diversity

The Company adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board. The Company believes that a diversity of perspectives can be achieved through consideration of a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationships between Board members. The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

Board Composition



Professional Experience



Induction and Continuous Professional Development

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

Corporate Governance Report

Directors' Responsibilities for Financial Reporting and Disclosures

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

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

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

Securities Transactions of Directors and Relevant Employees

The Company has adopted a Code of Conduct regarding Securities Transactions of Directors and Employees (the "Securities Code") (available on the Company's website) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules. In order to ensure Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year of 2020, all Directors confirmed that they had complied with the required standards as set out in the Model Code and the Securities Code during the year.

Board Meetings

The Board met regularly and held four regular meetings in 2020. Notice of meeting was given to the Directors at least 14 days prior to each regular Board meeting. The Directors were invited to include any matters which they thought appropriate in the agenda. Agenda and board papers with adequate information were sent to all Directors at least 3 days before the meeting in order to ensure that they had sufficient time to review the board papers and prepare for the meeting. At each regular Board meeting, the Directors were properly briefed on the Company's current situation and issues arising at such meeting. Executive Director(s) and/or chairman of Board Committees and/or the senior management of the Company reported to the Board on various aspects, including the business performance, financial performance, corporate governance, risk management and internal control, etc.. Queries raised by the Directors were responded promptly by the senior management of the Company. Directors were encouraged to make an active contribution to the Board's affairs and express their views and concerns. Sufficient time was allowed for the Directors to discuss matters about which they were concerned. For Director who was unable to attend the regular Board meeting, he was properly briefed the matters to be discussed in advance and his view expressed prior to the meeting was reported to the Board.

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

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

	Annual General Meeting	Special General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Corporate Governance Committee Meeting	Strategic Development Committee Meeting	Risk Management Committee Meeting
Executive Directors									
Mr. Zhu Jianhui(1)	1/1	2/2	4/4	N/A	9/9	4/4	2/2	2/2	1/1
Mr. Ma Jianhua(2)	1/1	2/2	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Non-executive Directors									
Mr. Feng Boming	0/1	0/2	3/4	N/A	N/A	N/A	N/A	2/2	N/A
Mr. Chen Dong	1/1	0/2	2/4	N/A	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors									
Mr. Tsui Yiu Wa, Alec	1/1	2/2	4/4	3/3	9/9	4/4	2/2	N/A	N/A
Mr. Jiang, Simon X.	1/1	2/2	4/4	3/3	9/9	4/4	2/2	N/A	N/A
Mr. Kwong Che Keung, Gordon(3)	N/A	N/A	2/2	2/2	2/2	1/1	1/1	N/A	N/A
Ex-Directors									
Mr. Wang Yuhang(4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Liu Gang(5)	N/A	1/1	1/1	N/A	N/A	N/A	N/A	1/1	N/A
Mr. Alexander Reid Hamilton(6)	N/A	0/1	1/1	0/1	2/2	1/1	1/1	N/A	N/A

Notes:

(1) Mr. Zhu Jianhui was re-designated from Vice Chairman to Chairman on 4th March 2020.
(2) Mr. Ma Jianhua was re-designated from Non-executive Director to Executive Director on 19th May 2020.
(3) Mr. Kwong Che Keung, Gordon was appointed as Independent Non-executive Director on 9th July 2020.
(4) Mr. Wang Yuhang resigned as Executive Director and Chairman on 4th March 2020.
(5) Mr. Liu Gang resigned as Executive Director on 19th May 2020.
(6) Mr. Alexander Reid Hamilton passed away on 21st April 2020.

Board Committees

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

(a) Audit Committee

Members	Three Independent Non-executive Directors, namely, Mr. Kwong Che Keung, Gordon (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X..	
Major responsibilities	—	reviewing the accounting policies and supervising the Company's financial reporting process;
	—	monitoring the performance of both the internal and external auditors;
	—	monitoring the effectiveness of the financial reporting, risk management and internal control systems;
	—	ensuring compliance with applicable statutory accounting and reporting requirements;
	—	reviewing the financial information of the Company; and
	—	acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2020	—	reviewing and making recommendations for the Board's approval on 2019 annual results announcement, the audited consolidated financial statements for the year ended 31st December 2019, 2020 interim results announcement, interim report 2020 and the unaudited condensed consolidated financial information for the six months ended 30th June 2020;
	—	reviewing the report of external auditor;
	—	reviewing the continuing connected transactions of the Group for the year ended 31st December 2019 and for the six months ended 30th June 2020 respectively;
	—	reviewing the effectiveness of the risk management and internal control systems of the Group for the year ended 31st December 2019;
	—	reviewing the compliance of code of conduct self-evaluation report of the Group for the year ended 31st December 2019;
	—	making recommendations to the Board, subject to the Shareholders' approval at the 2020 annual general meeting, the re-appointment of PricewaterhouseCoopers as the external auditor of the Company;
	—	reviewing the internal audit work and approve the internal audit plan for the year 2021 and external audit plan for the year ended 31st December 2020;
	—	reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting function, and their training programmes and budget; and
	—	reviewing on the updated Listing Rules' requirements on Environment, Social & Governance Reporting and the proposed action plan.

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

The Company adopted a Whistleblowing Policy (available on the Company's website) under which employees of the Group have been provided a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group. The policy includes the establishment of an electronic reporting mailbox and a hotline. All reporting is treated as confidential and in a sensitive manner. The chairman of Audit Committee would review the complaint and decide how the investigation should proceed. During the year, no complaint from the employees of the Group was received.

(b) Remuneration Committee

Members	Three Independent Non-executive Directors, namely, Mr. Jiang, Simon X. (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Kwong Che Keung, Gordon; and an Executive Director, namely, Mr. Zhu Jianhui.
Major responsibilities	— making recommendations to the Board on the policy for the remuneration of the Directors and senior management of the Company; — ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice; — determining the remuneration packages of individual Executive Directors and senior management of the Company with delegated responsibility by the Board; and — making recommendations to the Board on the remuneration of Non-executive Directors.
Major work performed during the year 2020	— reviewing and determining the salary of Mr. Zhu Jianhui, the Executive Director, Managing Director and Chairman of the Board; — reviewing and making the recommendation to the Board on the proposed share option incentive scheme and the grants of share options; — reviewing and making recommendations to the Board on the Directors' fees of Independent Non-executive Directors for the year 2020; — reviewing the remuneration report of the Group including determining the salary package for senior management of the Company; and — reviewing and approving the terms set out in the letter of appointments with Directors.

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

(c) Nomination Committee

Members	Three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec (committee chairman), Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon; and an Executive Director, namely, Mr. Zhu Jianhui.
Major responsibilities	— reviewing the structure, size and composition of the Board; — making recommendations to the Board on the appointment and succession planning for the Directors; — assessing the independence of Independent Non-executive Directors; — monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Non-executive Directors; and — monitoring and reviewing the implementation of the Board Diversity Policy.
Major work performed during the year 2020	— recommending the re-designation of Mr. Zhu Jianhui from Vice Chairman to Chairman of the Board; — recommending the re-designation of Mr. Ma Jianhua from Non-executive Director to Executive Director; — recommending the nomination of Mr. Kwong Che Keung, Gordon as Independent Non-executive Director; and — conducting a review of the Board diversity, assessing the independence of Independent Non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the annual general meeting of 2021.

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

(d) Corporate Governance Committee

Members	An Executive Director, namely, Mr. Zhu Jianhui (committee chairman); and three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon.
Major responsibilities	— formulating and reviewing the Company's policies and practices on corporate governance; — reviewing and monitoring the training and continuous professional development of Directors and/or senior management of the Company; and — reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the annual report.
Major work performed during the year 2020	— reviewing the continuous professional development of Directors, the Company's compliance status of the CG Code for the year ended 31st December 2019 and the disclosure of the corporate governance report in the annual report of 2019; and — reviewing the Company's compliance status of the CG Code for the six months ended 30th June 2020.

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

(e) Strategic Development Committee

Members	Two Executive Directors, namely, Mr. Zhu Jianhui (committee chairman) and Mr. Ma Jianhua; and a Non-executive Director, namely Mr. Feng Boming.
Major responsibilities	— reviewing the annual strategic development plan of the Company and monitoring the implementation of strategies; — reviewing the major investment projects and financing proposals; — reviewing the major capital deployment and project on operation of assets; — reviewing the strategic direction of the Company's business and operational management; and — reviewing and evaluating the project evaluation system(s).
Major work performed during the year 2020	— reviewing and discussing the report on the implementation of strategic development plan for the year 2019 and the strategic development plan for 2020; and — recommending to the Board for approval in relation to a proposed asset acquisition.

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

(f) Risk Management Committee

Members		Two Executive Directors, namely, Mr. Zhu Jianhui (committee chairman) and Mr. Ma Jianhua; and a Non-executive Director, namely, Mr. Chen Dong.
Major responsibilities	—	monitoring the risk management framework to identify and deal with risks faced by the Group (including operational, regulatory and financial risks etc.);
	—	reviewing and assessing the Group's risk management framework; and
	—	monitoring the implementation of risk control.
Major work performed during the year 2020	—	reviewing and discussing the risk management report for 2020 in relation to the analysis on risks identified, improvement of internal control and risk management system and the risk management plan for 2021.

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

INTERNAL CONTROL AND RISK MANAGEMENT

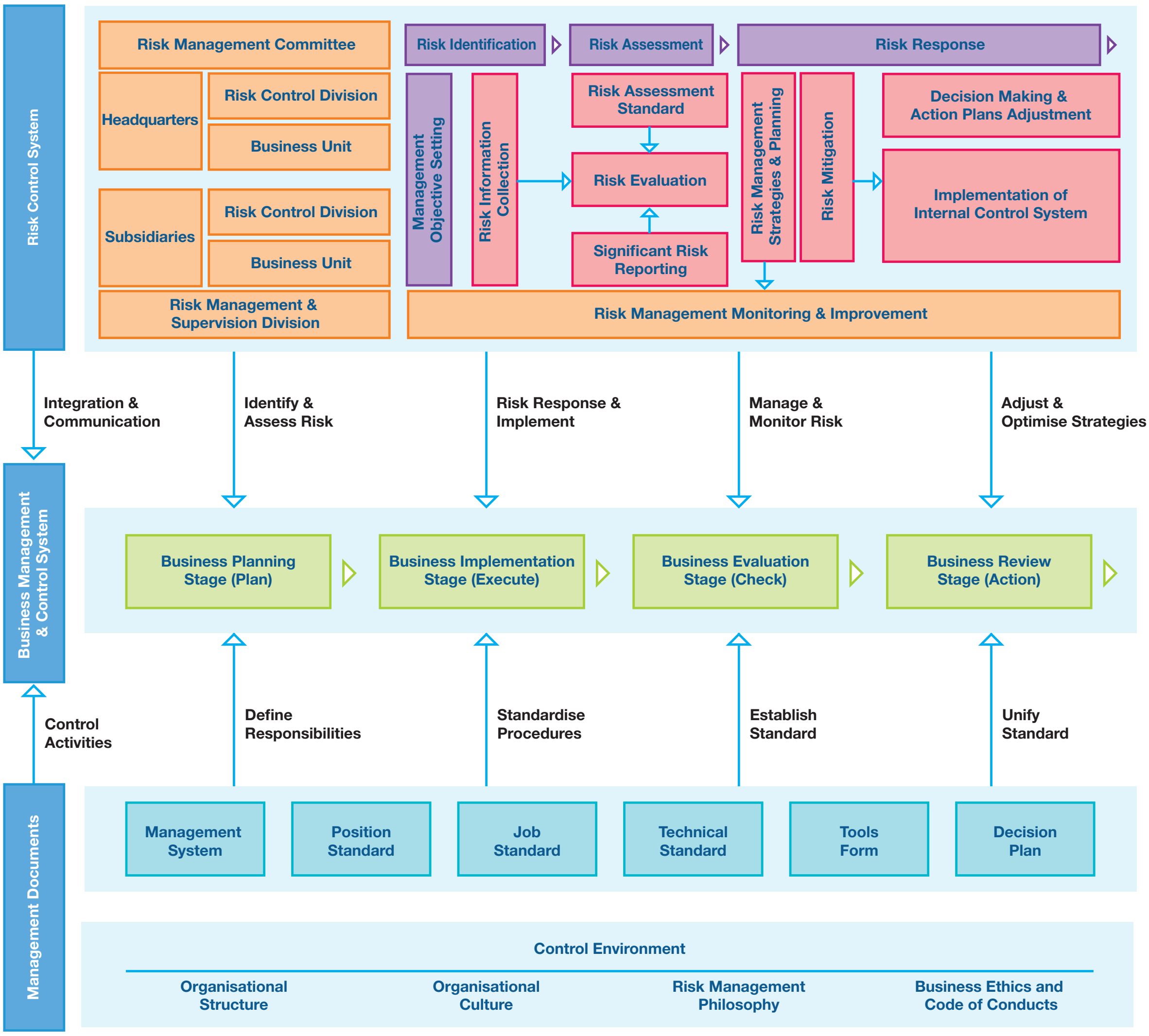
Responsibility

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

Framework and Approach

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

Risk Management Framework of the Group



Control Environment

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

Control Activities

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

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

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

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

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

— the application of Enterprise Resource Planning (ERP) systems and other relevant information technology in business processes to strengthen internal controls and promote internal efficiency.

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

Risk Management Process

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

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

Major Operational Risk Factors and Measures

The annual risk assessment is performed by means of survey and questionnaire that conducted by core divisions and business units. The questionnaire includes the assessment of two aspects regarding possibility and impact of specific risks on the company's risk register. In 2020, according to the Company's risk assessment, the identified top five risks were systemic risk caused by the epidemic, macroeconomic risks, trade receivable risk, price risk and market competition risk.

For systemic risk caused by the epidemic, as COVID-19 spread across the world and reappeared repeatedly in 2020, which posed health risks to personnel and caused business interruptions, the Company's production and operational performance, as well as the realisation of financial indicators, was affected to varying degrees. The Company and its subsidiaries were committed to complying with the control measures of local governments, adjusting the production and operation plans and implementing epidemic prevention work based on their own circumstances, so as to minimise the impact of COVID-19 on the Company's operations.

For macroeconomic risk, as a result of the significant changes, such as the trade war between the United States and China and further escalation of international sanctions, in the political and social environment, the Company's operational and financial performance was adversely affected. After giving full consideration to the business environment from a variety of perspectives in combination with their industry experience, the management adjusted the Group's strategy in a timely manner and improved the internal management capabilities and anti-risk capabilities in order to minimise the adverse impacts caused by the changes in the environment. By, among other things, organising subsidiaries to rationalise the areas that could expose the Company to sanction risks, the Company enhanced risk management awareness and strengthened business management processes.

For trade receivable risk, the Finance & Accounting Division had established receivables communications and feedback mechanisms and arranged monthly follow-up to mitigate bad debts risk, and regularly held receivable meeting with the business units in order to strengthen the collection of receivables. Each business unit assigned designated person to follow up the receivables, and, in response to COVID-19, the Company requested its subsidiaries to submit monthly reports regarding the impact of COVID-19 on accounts receivable, attaching great importance to and enhancing the receivables management capabilities.

Corporate Governance Report

For price risk, rising raw material prices led to higher production costs and affected the Company's overall profitability. As crude oil prices fluctuated sharply at the beginning of the year, the Company promptly organised relevant subsidiaries to carry out risk investigation and risk research to assess risks and formulate countermeasures. Among them, COSCO SHIPPING International Trading adhered to the strategies of determining purchase volume based on sales volume, and strictly controlled procurement progress and inventory risk exposure scale to cope with the impact of price fluctuations. Meanwhile, to deal with the risk of price fluctuations of basic raw materials for container coatings posed by the tightened national environmental protection policies, COSCO Kansai Companies expanded their raw material procurement channels, sought alternative raw materials to improve their bargaining power, and made full use of data analysis to adjust the selling prices in alignment with the raw material price fluctuation, thus maintaining reasonable profitability.

For market competition risk, the continuous expansion of the existing competitors or the growing number of potential competitors had intensified competition in the market which had a significant impact on business and operating performance. The Company and its subsidiaries had laid a good foundation for its sustainable and healthy development and coped with the market competition risks by paying close attention to industry trends, adopting flexible communication mechanisms, timely grasping market trends, maintaining quality customers, steadily expanding the market, and striving to reduce management costs.

Internal Audit and Control Effectiveness

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

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

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

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

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

EXTERNAL AUDITOR

During the year, the remuneration paid or payable to the Company's external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group were approximately HK$3,559,000 and HK$1,326,000 respectively. These amounts excluded remuneration paid or payable to other external auditors of subsidiaries of the Company which were included in Auditors' remuneration disclosed in note 23 to the financial statements.

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

COMPANY SECRETARY

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

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

COMMUNICATION WITH SHAREHOLDERS

In order to ensure the Shareholders are provided with comprehensive, equal and timely access to balanced and understandable information about the Company, the Shareholders Communication Policy (available on the Company's website) was adopted and the Board is responsible to review the policy on a regular basis in order to ensure its effectiveness.

The Board believes that the general meetings provide an opportunity for communication between the Shareholders and the Board members. During the year, an annual general meeting of the Company was held on 29th May 2020 (the "2020 AGM"). Shareholders were given at least 20 clear business days' notice of the 2020 AGM. Besides, a special general meeting of the Company was held on 9th April 2020 ("9th April 2020 SGM") and a special general meeting of the Company was held on 7th July 2020 ("7th July 2020 SGM") (collectively "2020 SGMs"). Shareholders were given at least 10 business days' notice of the 2020 SGMs. The Chairman and the chairmen of relevant committees attended the 2020 AGM. The representative from PricewaterhouseCoopers, the external auditor of the Company attended the 2020 AGM to answer questions if necessary about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. The representative of the legal adviser attended 9th April 2020 SGM to answer questions if necessary about the share option incentive scheme. The representatives of the independent financial adviser and the legal adviser attended 7th July 2020 SGM to answer questions if necessary about the continuing connected transactions and discloseable transaction. Q&A sessions had been provided to the Shareholders to raise their concern at the 2020 AGM and the 2020 SGMs respectively. The chairman of each of the 2020 AGM and the 2020 SGMs explained the detailed procedures for conducting a poll at such meetings. At the 2020 AGM and the 2020 SGMs, separate resolution for each substantially separate issue was proposed in order to avoid bundling resolutions. The poll voting results of the 2020 AGM and the 2020 SGMs were published on the websites of the Stock Exchange and the Company on the same day after the meeting.

Shareholders' Rights

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

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

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

Corporate Governance Report

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

Shareholders' Enquiries

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

Procedures for Shareholders to make proposals at general meeting

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

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

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

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

CONSTITUTIONAL DOCUMENTS

There was no change to the memorandum of association and bye-laws of the Company during the year ended 31st December 2020.

INFORMATION DISCLOSURE

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

By order of the Board

Chiu Shui Suet
Company Secretary

Hong Kong, 25th March 2021

Prospects

Looking forward into 2021, the global economic growth is expected to rebound expressively. GDP growth projected by the IMF is 5.1% in 2021, mainly attributable to improving capability on pandemic control all over the world and the global economy may enter a post-epidemic growth period. However, epidemic will remain a major threat to social and economic development before the popularisation of vaccination.

2021 will be the opening year of 14th Five-Year Plan. China plans to maintain continuity, stability and sustainability in its macro policies and form a “new development pattern centring on internal circulation with the domestic and international markets promoting each other”. With the supply-side structural reform as the main line and reform and innovation as the fundamental driving force, China aims to scientifically and precisely carry out its macro policies to keep the economic indicators within a reasonable range, stimulate internal demand, consolidate scientific development as strategic pillars and expand the scale of opening-up at a high standard. Undoubtedly, this will provide plentiful and various development opportunities for the Company.

For the ship trading agency services, the Group will continue with the furtherance of information construction and strengthen market research, so as to improve the value of its service content.

For insurance brokerage services, in order to pursue further growth, the Group will fully exploit its channel advantage, deeply explore the service needs within and outside the COSCO SHIPPING Group and broaden its comprehensive business scope.

For the supply of marine equipment and spare parts, through information construction, the Group will enhance its capacity of procurement, logistics and other one-stop services, maintaining a high level of customer satisfaction.

For container coatings, the Group will insist on the philosophy of innovation, professionalism and taking the lead, continue to optimise the product formula, refine on the environment protection, sustainability and other characteristics of our products, which serve as our competitive advantage in seizing more market share and enhancing the profitability and gross profit margin.

For marine coatings, the Group will endeavour to embark on the development and upgrades of new business and products, thereby strengthening our competitive edges and consolidating our market position.

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

Investor Relations

INVESTOR RELATIONS MANAGEMENT STRATEGY

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

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

COMPREHENSIVE INVESTOR RELATIONS MAINTENANCE

In 2020, the COVID-19 epidemic raged around the globe, which led to brief suspension of operating activities in various industry chains and triggered financial market turmoil in the second quarter. After the United States stock market saw market wide circuit breakers for four times in March, oil prices also incredibly went negative in April due to business confidence hitting record lows, and a dampened demand for oil resulting from the lockdown measures implemented by countries. Despite an economic recession and soaring unemployment around the world, investors around the world swiftly adopted a positive stance after the third quarter, and financial markets rebounded in a robust manner with new highs in the global stock market capitalisation as a result of the news of vaccine research and development, large-scale quantitative easing carried out by central banks, and massive fiscal stimulus packages rolled out by various governments.

Stepping into 2021, the market is looking for gradual recovery of global economy from the pandemic as widespread vaccination to be achieved. However, large-scale quantitative easing has caused a growing investors' concern over inflation expectations and increasing volatility in stock and bond markets. Adhering to excellent corporate governance and investor communications strategies, the Company has been committed to responding promptly to investors' enquiries, to ensure investors' full understanding of the Company's operations and strategic direction, and actively promote our corporate culture which places emphasis on shareholders returns, as well as the investment value and prospects of COSCO SHIPPING International to the potential investors.

The Company performs regular analysis of shareholders structure, measuring the shareholding distribution between institutional and retail shareholders as well as their investment orientations and origins and closely monitoring the changes of their equity interests, in order to identify the Company's position in the capital market and facilitate daily maintenance of investors relations management. According to the Bloomberg Terminal, as at the end of 2020, the top 10 institutional shareholders' shareholding in COSCO SHIPPING International accounted for 2.07% (as at the end of 2019: 5.50%) of the total issued share capital of the Company. These institutional shareholders are based in Hong Kong, the United States, Singapore, Malaysia, and Europe, all of which focus on long-term value investing and are large investment institutions with high reputation in the industry.

DIVERSIFIED, REAL-TIME AND TRANSPARENT COMMUNICATION CHANNELS

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

KEY CONCERNS BY SHAREHOLDERS AND INVESTORS IN 2020

- Core business — The performance of the five segments of shipping service
- The positioning of the marine fuel business within the Company and future arrangements related to Coastal Oil in Singapore
- The utilisation plan of the large sum of idle cash on hand and potential investment direction
- Reasons for and future directions of the increase in shareholdings by the parent company
- The possibility of a higher dividend payout ratio and share repurchase

SHARE PRICE PERFORMANCE

On the last trading day of 2020, the closing share price of COSCO SHIPPING International was HK$2.37 (2019: HK$2.05) per share. The number of shares in issue of COSCO SHIPPING International was 1,532,955,429 shares (2019: 1,532,955,429 shares). The market capitalisation of the Company was HK$3,633,104,000 (2019: HK$3,142,559,000). During the year, the highest share price was HK$2.82 and the lowest share price was HK$1.54. The daily average trading volume and daily average trading turnover were 1,421,000 shares (2019: 578,000 shares) and HK$3,254,000 (2019: HK$1,323,000), respectively.

DIVIDEND POLICY

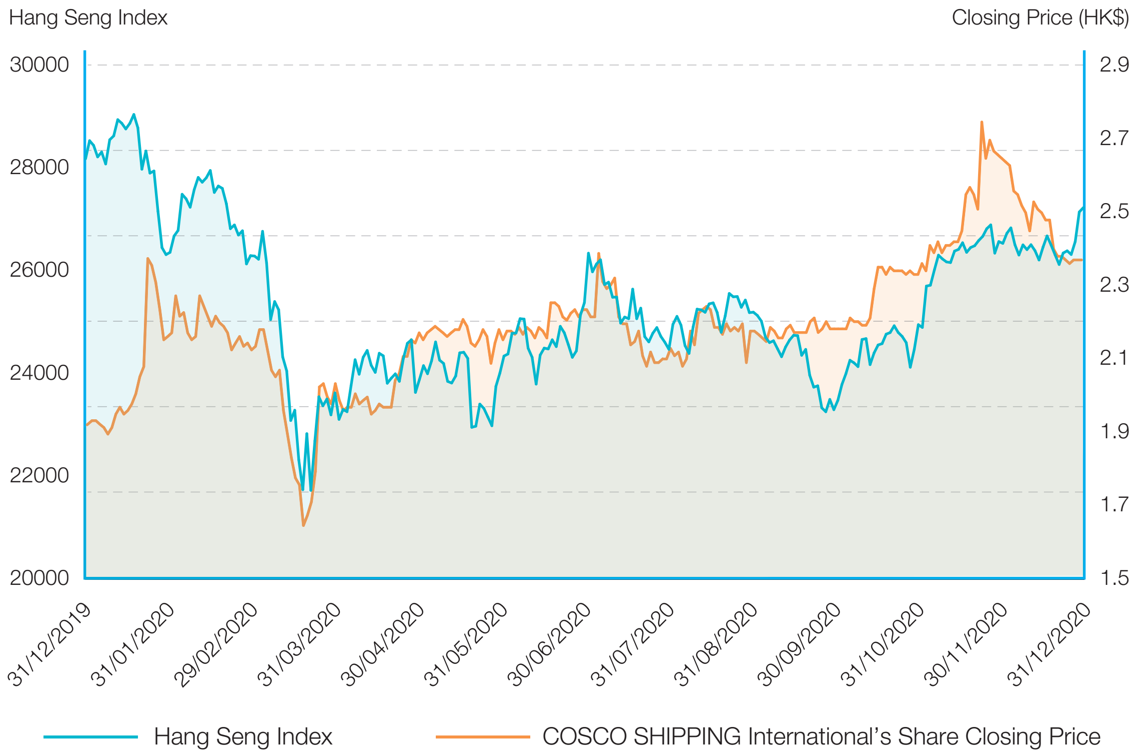
COSCO SHIPPING International's annual dividend payout ratio is not less than 50% of net profit prior to obtaining practical progress in major investment projects in the future. In case the Company publishes major transaction announcement in relation to investment project, the annual dividend payout ratio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

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

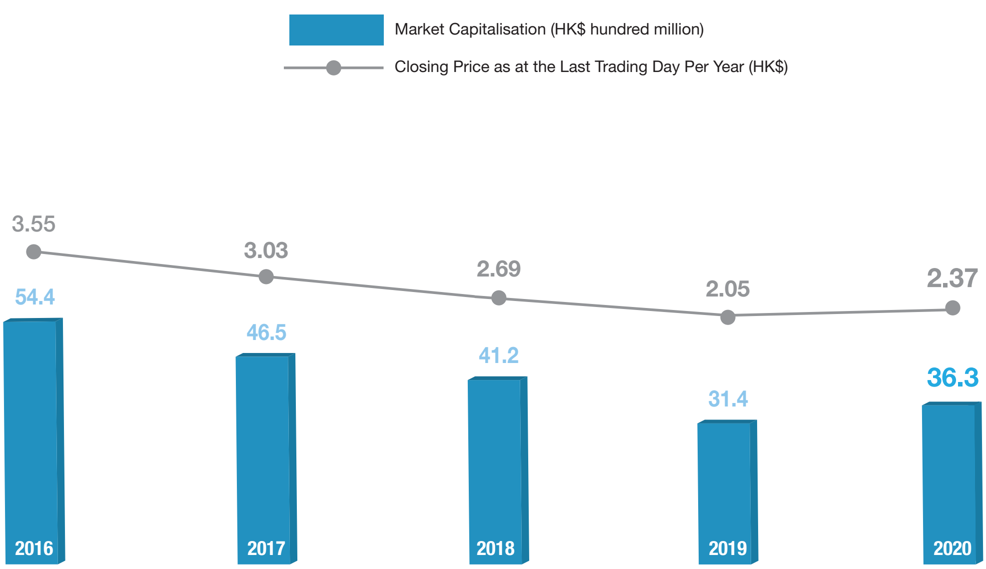
The basic and diluted earnings per share of the Company for 2020 were 22.08 HK cents (2019: 21.57 HK cents). The Board proposed the 2020 final dividend of 15.5 HK cents (2019: 9.5 HK cents) per share. Together with the interim dividend of 6.5 HK cents (2019: 7.0 HK cents) per share paid, annual dividends per share for 2020 were 22 HK cents (2019: 16.5 HK cents).

The annual dividend payout ratio of 2020 was approximately 100% (2019: 76%).

COSCO SHIPPING INTERNATIONAL'S SHARE PRICE PERFORMANCE VS HANG SENG INDEX IN 2020



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



A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended and as at 31st December	2016	2017	2018	2019	**2020**
Total number of shares issued (million)	1,533	1,533	1,533	1,533	**1,533**
Closing price[Note 1] (HK$)	3.55	3.03	2.69	2.05	**2.37**
Market capitalisation[Note 1] (HK$ hundred million)	54.4	46.5	41.2	31.4	**36.3**
Basic earnings per share (HK cents)	15.47	23.26	18.67	21.57	**22.08**
Price/earnings ratio[Note 1] (times)	23.0	13.0	14.4	9.5	**10.7**
Dividends per share (HK cents)	14.5	18.0	14.0	16.5	**22.0**
Dividend payout ratio[Note 2] (%)	61%	77%	75%	76%	**100%**
Net assets value per share (HK$)	5.02	5.16	5.12	5.17	**5.29**
Return on total assets (%)	2.5%	3.8%	3.0%	3.6%	**3.5%**
Return on shareholders' equity (%)	3.1%	4.6%	3.6%	4.2%	**4.2%**
Cash-to-shareholders' equity ratio (%)	86%	82%	81%	80%	**80%**
Current ratio (times)	6.4	6.4	7.8	7.5	**6.0**
Liquidity ratio (times)	6.2	6.1	7.5	7.2	**5.7**
Interest coverage (times)	69.9	85.7	103.2	97.6	**83.0**

Notes:

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

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

1.1 Reporting Scope

This report sets out the key impacts and achievements of the principal activities of COSCO SHIPPING International (Hong Kong) Co., Ltd. ("COSCO SHIPPING International" or the "Company") and its subsidiaries (collectively, the "Group") with regards to its commitments to environment, social and governance ("ESG").

The reporting scope covers the main business segments of the Group, including ship trading agency services, insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of other related shipping products and services. The general disclosure in this report reflects the ESG related strategies, policies objectives, management approach and initiatives adopted by the Group, unless otherwise specified, and the key performance indicators (KPIs) cover all subsidiaries of the Group, and are presented in aggregate figures.

1.2 Reporting Period

Unless otherwise stated, this report covers the performance and measures of the Group's sustainable development during the year ended 31 December 2020.

1.3 Reporting Standards

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("HKEx"). The disclosure of this report fulfils the "Comply or Explain" provisions and reports on all recommended disclosures of the Guide. The disclosure encompassed in this report follows the reporting principles of materiality, quantification, balance and consistency, and takes into account the impacts on the Group's stakeholders and operations.

We seek to fulfil our duty as a responsible corporate social citizen by establishing a sustainable operating environment, building a solid foundation for enhancing long-term shareholder returns, and striving to contribute to the communities where we operate.

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

2.1 Environmental, Social and Governance Structure

The Group keeps abreast of the rising expectations on corporate sustainable development with respect to the latest Guide issued by HKEx that puts great emphasis on the Board involvement in the governance of ESG issues. We remain anchored with our environmental and social commitments and have defined clear responsibilities for the Board and a governance structure amongst the Group that lays a solid foundation for our sustainable development.

ESG Committee (the "Committee") is planned to be established to oversee the Group's ESG-related strategies, policies and development plans. Delegated by the Board, the Committee is expected to comprise at least one Executive Director serving as the Committee chairman, a deputy general manager of the Company and a representative from each Divisions closely related to the Group's ESG matters.

The Committee will meet at least once a year and whenever necessary to closely monitor the implementation and effectiveness of ESG policies and initiatives, as well as to identify, assess and manage ESG-related risks, opportunities and topics material to our business operations on a regular basis. To set forth the overall direction in ESG, the Committee will also stipulate the Group's ESG vision, strategies and targets with efforts to assess the achievement progress. Being constantly aware of the regulatory requirements, the Committee will assume the responsibilities of coordinating the preparation of ESG reports and monitoring the Group's compliance to relevant laws and regulations. In regard of the above matters, the Committee is required to report to the Board and offer suggestions when applicable.

As the Group comprises a wide range of business segments, internal collaboration is essential to progress towards sustainable development as a whole. Subsidiaries submit their annual quantitative performance figures and highlights of their management approach, practices and initiatives to the headquarters while the Group sets out strategic directions for the overall business development and sustainability. To strengthen the collective efforts, implementation of strategies is kept closely in track and ESG matters are constantly reported.

2.2 Environmental, Social and Governance Management Approach

ESG factors are taken into careful considerations in the formulation of the Company's sustainable management approach and strategies. Given our diversified business operations, relevant policies are developed in correspondence to the business models and segments while assessments of ESG risks are conducted separately for our production segments and office operations. In view of the ever-changing business and social-economic environment, we continue to monitor and review our management approach and policies to maintain the alignment with the latest market trends, industry and regulatory requirements.

To address the surging concerns of the society and more stringent regulations on environmental protection, the Group's coating production and sales business units have established their respective environmental policies in compliance with the Environmental Management System Certification's management measures outlined by the International Organisation for Standardisation ("ISO"). Apart from reaching globally recognised standards, we also put tremendous efforts in monitoring and minimising the environmental impacts pertaining to our operations. We have continued to invest and upgrade the equipment to reduce Volatile Organic Compounds ("VOCs") emissions stemming from their operations. Jotun COSCO has also adopted an "One Factory One Policy" ("一廠一策") implementation plan that details the emergency procedures on tackling air pollutions in response to the regional contingency plan of Qingdao.

Apart from our environmental management efforts, we endeavour to promote occupational health and safety ("OHS") and product quality amongst our operations and to drive continuous management improvements in upholding stringent OHS and quality standards. We have continued our accreditations of Quality Management System Certification (ISO9001), Occupational Health and Safety Management Systems Certifications (ISO45001:2018) and Environmental and Energy Management System Certification (ISO14001).

3. DETERMINATION OF MATERIALITY

3.1 Stakeholder Engagement

We value opinions from our stakeholder groups that have impacts and/or are potentially impacted by our operations, as well as those external organisations that have expertise in aspects that we consider material. We engage with them and collect their feedback through diverse channels on a regular basis, which is vital for our review and formulation of strategies and plans in relation to business and sustainable development.

Communication channels corresponding to the identified stakeholders at our daily operations are summarised as follow:

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

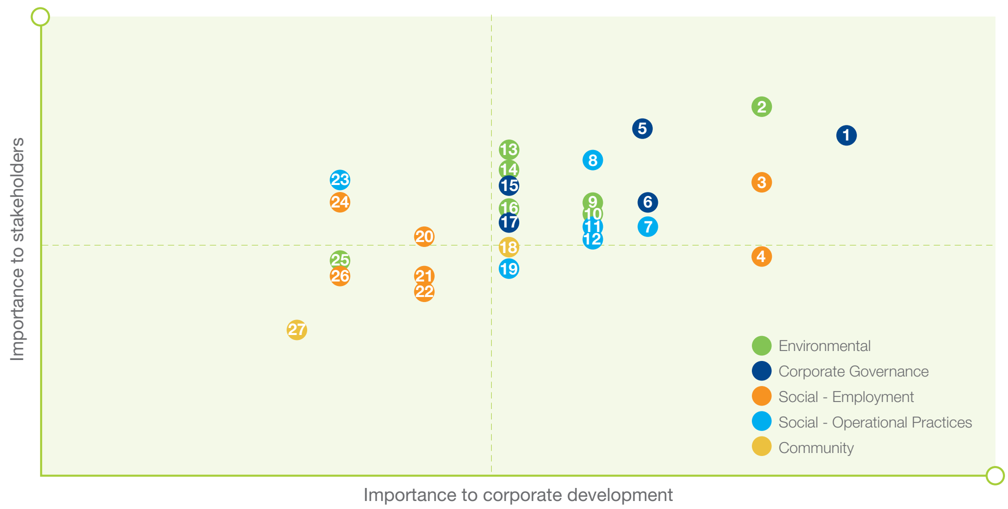
3.2 Materiality Assessment

To determine the material ESG issues, we commissioned an external professional consultancy to carry out a stakeholder engagement and materiality assessment for 2020. To maintain an objective judgement and measurement, we incorporated feedback from our internal stakeholders, the Group's employees with key ESG managing responsibilities, through interviews, together with continual observations on the changing regulatory requirements, industrial development, market trends and other insights gained from the regular stakeholder engagement exercises during the year.

The results of the materiality assessment were illustrated in two dimensions, namely "Importance to stakeholders" and "Important to corporate development" to prioritise the ESG issues identified. In view of the COVID-19 pandemic and changing regulatory environment, the Group put more emphasis on workplace health and safety and response to climate change by means of low-carbon operations and climate-related risk adaptation. The ranking of the 27 ESG topics, covering corporate governance, environmental, employment and operational practices, were thus reviewed and updated to reflect the latest development of our ESG considerations in conducting our business, and taken into thorough considerations for the preparation and compilation of this report.

The following list and materiality matrix summarise the material issues relevant to us.

2020 Materiality Matrix of ESG Topics of COSCO SHIPPING International



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

4. ENVIRONMENTAL PROTECTION

As we strive to conduct our business in an environmentally sustainable manner, we are dedicated to minimising the adverse impacts induced by our business operations. We are mindful of our roles in promoting a green and healthy shipping industry to attain a sustainable future and long-term success. Going beyond legal compliance, the Group adopts proactive approaches in emission reduction, resource optimisation and biodiversity conservation. To achieve this, we continued to explore and introduce the application of innovative technologies and brought to the markets and customers our products with more environmentally friendly features and considerations. Besides, we strive to create an environment-conscious workplace and cultivate employees' awareness through regular training.

The Group strictly abides with the applicable environmental laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Promotion of Clean Production, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on the Prevention and Control of Pollution by Environmental Noise Pollution and the Environmental Protection Tax Law of the People's Republic of China, as well as a range of local rules and standards concerning the prevention and control of environmental pollutions by discarded dangerous chemicals, standards of air pollutants and integrated wastewater discharge standards in its all operating locations. In 2020, there was no case of non-compliance concerning our operating practices.

Internally, the Group established a comprehensive environmental management system and a set of environmental policies in line with ISO 14001 requirements to guide its subsidiaries' considerations and adherence to the operating standards, as well as planning in continuous performance improvement. In 2020, COSCO Kansai Companies and Jotun COSCO remained certified with ISO 14001 for their respective environmental management systems. The Group's robust internal risk control and management framework adopts a top-down approach to identify environmental risks from daily business operations and ensure the risks are overseen by the management and properly addressed at operational levels.

In addition, we commissioned independent parties to perform regular audits on our performance and help identify improvement potentials of various environmental matters, including wastewater, exhaust gas, and noise. In this regard, COSCO Kansai Companies employed additional measures in response to the tightening pollutant discharge standards as required in the operating permits.

4.1 Environmental-conscious Operations

4.1.1 Air Emission Reduction

The Group's major air emissions are VOCs originated from its coatings production businesses, which are in the forms of benzene, toluene and xylene volatiles, and particulate matters. In view of the tightening national and local emission standards, we continued to strengthen our control on emissions through different initiatives, from product development, material selection, production technologies and efficiency improvement to emission removal. Our transition from solvent-based to water-based coatings has contributed significantly to our VOCs emission reduction achievements.

COSCO Kansai Companies and Jotun COSCO enhance their production practices by adopting regenerative thermal oxidizers (RTO) technology. This technology allows for decomposition of VOCs from exhaust gas before emission, achieving a purification degree of 99.5%. In addition, COSCO Kansai Companies were equipped with multiple exhaust gas after-treatment facilities for a comprehensive emission control mechanism. For example, the bag-type dust collectors and integrated exhaust gas treatment equipment with spray, primary and medium filters, zeolite runner and catalytic oxidation features to help capture VOCs and particulate matters from the production exhaust.

COSCO Kansai Companies also reduce direct VOCs emissions to air by ensuring entrances of workshops are properly closed and all production systems are confined. By installing forklift induction automatic access control systems and activated carbon absorbers, it constantly maintained a VOCs level below the requirements in "Emission Control Standard of Volatile Organic Compounds for Industrial Enterprises (工業企業揮發性有機物排放控制標準)". In 2020, the COSCO Kansai Companies further invested and completed the installation of the online VOCs and Nitrogen Oxide (NOx) emission monitoring systems as required by the local authorities.

Jotun COSCO formulated corresponding implementation plans in Qingdao factory in response to the Governments' initiatives of "One Factory One Policy", in which it detailed the delegated working teams and emergency emission reduction measures for the factory under the pre-warning of the weather pollution conditions. Also, our factories are subject to the Government's periodic inspections or investigations. In 2020, the Jinshan factory passed a comprehensive inspection conducted by the Government agencies and scientific institutions for its compliance on VOCs emission standards.

On the other hand, Jotun COSCO upgraded its VOCs abatement equipment. In 2020, Jotun COSCO installed five high-speed and automated rolling doors in production workshops to minimise VOCs emission arising through direct exposure to the air. About 198 kg of VOCs emission is expected to be further reduced upon the installation completion. In recognition of its continuous efforts, Jotun COSCO was awarded the "Green Factory of China Coating Industry" and "Advanced Enterprise of Low VOC Promotion" in 2020.

4.1.2 Waste management

The Group is aware of the impact of waste generated from its production operations and always strives to improve its waste management. COSCO Kansai Companies established a hazardous waste management plan with clear responsibilities to guide factories' appropriate hazardous waste treatment, disposal and recycling.

To reduce the amount of waste sending landfills and impacts of hazardous waste to the environment and people, COSCO Kansai Companies and Jotun COSCO strive to utilise all materials and maximise its values. Among our factories, we adopted refined production models to reserve the materials use and practiced active recycling and reuse of materials and waste, including residues from exhaust gas treatment, wastes from manufacturing workshops and R&D laboratories, cleaning solvents, chemical raw materials and their packaging. This year, Jotun COSCO further introduced recyclable packaging drums to reduce packaging waste.

In addition to the waste reduction initiatives, COSCO Kansai Companies set up a specific on-site warehouse with anti-seepage and corrosion prevention design for temporary and classified hazardous waste storage to avoid mistreatment and unintended contact. Designated staff carry out regular management and counting on the waste collected and stored on-site, and qualified third parties are then engaged to arrange proper disposal of the hazardous waste. Meanwhile, non-hazardous waste is stored in a separate warehouse and handled on a monthly basis. Our Safety Management Department oversees the entire waste management process in line with all applicable laws and regulations. During the year, we organised training on waste management to familiarise the whole company with the Group's expectations and updated waste handling practices.

4.1.3 Wastewater Management

Although we do not consume and discharge a significant amount of freshwater and wastewater respectively in our coating production operations, we are dedicated to managing our consumption and discharge consciously.

By recycling and reusing wastewater, we strive to minimise the use of freshwater and wastewater discharge. We conducted a quarterly wastewater analysis to ensure the wastewater discharge quality complies with the prescribed requirements listed in the relevant standards, such as "Integrated Wastewater Discharge Standard (污水綜合排放標準)". We also commissioned qualified service agencies to facilitate our wastewater treatment before discharging into the environment.

Types and respective emissions data of coating manufacturing subsidiaries of the Group

	Unit	2020	2019	2018
Wastewater				
Wastewater	metric tons	**23,726**	27,374	20,227
Waste gas				
VOCs and Benzene[Note 1]	metric tons	**3.91**	3.38	10.88
Toluene[Note 1]	metric tons	**0.53**	0.13	0.37
Xylene[Note 1]	metric tons	**0.65**	0.19	0.73
Particulate matter[Note 1]	metric tons	**2.31**	1.38	1.71
Other exhaust gas emission	metric tons	**3.91**	0	0
Wastes				
Solid wastes (Hazardous)	metric tons	**1,439**	1,484	1,332
Solid wastes (Non-hazardous)	metric tons	**246.4**	277.5	274.9
Package materials				
Coating package materials[Note 1]	metric tons	**5,442**	5,100	4,014

Note:

1 The increase in the corresponding emissions resulted from the increase in production quantity in 2020.

4.1.4 Resources Optimisation

The Group is committed to ensuring its efficient use of resources. We consistently introduced energy-saving technologies and promoted the importance of efficient resource consumption to our employees. In particular, COSCO Kansai Companies formulated “Energy Resource Conservation Control Procedure (能源資源節約控制程序)” to provide employees clear guideline for optimal use of resources, including water, electricity, and stream in the production process, together with reward and accountability mechanism to encourage collaborative efforts.

In 2020, Jotun COSCO installed air compressors that recycle residual heat for operational use and, as a result, to reduce overall energy consumption. In addition, we also introduced machinery powered by renewable energy such as solar and wind energy, to gradually phase out traditional fossil-fuel powered electrical machinery.

Meanwhile in our non-production operations, we remain committed to creating a green office and working environment through various resource-saving measures. For example, the companies regulate air conditioners to maintain a comfortable indoor temperature and conduct inspections on a regular basis to switch off unused electrical appliances to avoid unnecessary consumption. In supporting green commuting, we encourage employees to make great use of digital communication technologies whenever possible. We also advocate traveling with public transport and managing business travel arrangement with considerations of the environmental impacts. Maintaining a clear record of vehicle fuel and other energy consumption also facilitates our identification of reduction potential. Also, we displayed educational posters on prominent locations to drive employees’ responsible consumption behaviours.

Energy Consumption of the Group

	Unit	2020	2019	2018
Energy consumption				
Total electricity consumption[Note 1]	kWh	**6,409,646**	6,437,058	6,124,244
Electricity consumption density per m^2 of floor area[Note 1]	kWh/m^2	**142.60**	143.44	136.84
Electricity consumption density per employee[Note 1]	kWh/employee	**7,694.65**	7,144.35	6,991.15
Total diesel consumption[Note 2]	liter	**66,620**	80,805	N/A
Total petrol consumption[Note 2]	liter	**26,060**	45,271	N/A
Total natural gas consumption[Note 2, 3]	cubic meter	**213,273**	108,863	N/A
Water consumption				
Total water consumption[Note 4, 5]	metric tons	**41,463**	37,707	27,523
Water consumption density per m^2 of floor area[Note 4]	metric tons/m^2	**1.14**	1.03	0.73

Notes:

1 The office of Beijing COSCO SHIPPING Ship Trading had its power supply controlled by the local property management office or proprietors who did not provide sub-meters for the units occupied. Thus, the data relating to electricity consumption does not include Beijing COSCO SHIPPING Ship Trading.

2 The fuel consumption data is newly disclosed in 2020. Data prior to 2019 is not available.

3 The increase in total natural gas consumption resulted from the implementation of RTO technologies and the increase in production quantity in the COSCO Kansai (Zhuhai) plant in 2020.

4 The members of the Group had their water supply controlled by their respective property management offices who did not provide sub-meters for the units that they occupied. Thus, the data relating to water consumption and density in 2020 only covers COSCO Kansai Companies.

5 The increase in total water consumption resulted from the increase in production quantity in 2020.

Greenhouse gas ("GHG") emissions data of the Group

	Unit#	2020	2019	2018
Scope 1				
Total emissions[Note 1]	metric tons	**708.22**	572.07	419.84
Petrol	metric tons	**70.57**	122.59	136.55
Diesel	metric tons	**176.52**	214.10	191.58
Natural gas[Note 1]	metric tons	**461.14**	235.38	91.71
Scope 2				
Total emissions[Note 2]	metric tons	**5,218**	5,457	5,206
Electricity[Note 2]	metric tons	**5,218**	5,457	5,206
Scope 3				
Total emissions[Note 3]	metric tons	**448.05**	597.10	625.27
Business travel[Note 3]	metric tons	**190.50**	336.11	290.57
Paper consumption	metric tons	**257.55**	260.99	334.70
Total GHG				
Total GHG emissions (Scopes 1, 2 and 3)	metric tons	**6,374**	6,626	6,251
GHG emissions per m^2 of floor area (Scopes 1, 2 and 3)	metric tons/m^2	**0.14**	0.15	0.14
GHG emissions per employee (Scopes 1, 2 and 3)	metric tons/employee	**7.65**	7.35	7.14

\# GHG emissions data are presented in carbon dioxide equivalent.

Notes:

1 The increase in total natural gas consumption and respective GHG emissions resulted from the implementation of RTO technologies and the increase in production quantity in the COSCO Kansai (Zhuhai) plant in 2020.

2 The office of Beijing COSCO SHIPPING Ship Trading had its power supply controlled by the local property management office or proprietors who did not provide sub-meters for the units occupied. Thus, the data relating to electricity consumption and respective GHG emissions does not include Beijing COSCO SHIPPING Ship Trading.

3 The emissions data relating to business travel excludes the business travel of management nominated by Japanese shareholder of COSCO Kansai Companies.

4.2 Biodiversity and Marine Environment Conservation

The Group is dedicated to conserving the marine environment and biodiversity as it is where we create values for our customers and the world as a shipping service company. Our products strictly comply with all applicable laws and regulation, including the Performance Standard for Protective Coatings (PSPC) by the International Maritime Organization (IMO), the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the "AFS Convention") and the International Convention for the Prevention of Pollution from Ships (MARPOL). We closely monitor the development updates on relevant legislations or product standards. The GB 30981 Limit of Harmful Substances of Industrial Protective Coatings has been a focus for us since its latest implementation in 2020. We arranged seminars to communicate the regulations for our R&D departments and revisited the formula of our products to ensure they are up to standards.

COSCO Kansai Companies offer tine-free proof coating products with detailed and comprehensive material safety data sheet (MSDS) for shipping companies' detailed considerations and use with confidence. It also appoints professional environmental agencies to conduct annual VOCs inspections and risk assessments on its coating products to ensure the effectiveness and protective features do minimal harms to the marine lives. Meanwhile, Jotun COSCO previously introduced Sea Quantum — the green hydrolysing antifouling coatings containing no biocides or metal toxins with solvent-free and low VOCs materials and gained significant recognitions as one of the leading green anti-fouling coatings globally. This year, it launched a brand-new solvent-free and VOCs-free universal primer Jotacote Universal S120, aiming to cause zero impact on the marine environment.

To reaffirm our commitments to biodiversity conservation, COSCO Kansai Companies and Jotun COSCO both signed the "Responsibility for Prevention and Control of Soil Pollution (土壤污染防治責任書)" and engaged third party organisations to formulate the corporate land use survey plans and conduct ground-water quality testing to prevent any adverse impacts induced by our operations to the surrounding environment. Furthermore, Jotun COSCO also conducted assessments with respect to the "JCMC Soil Self-Testing Scheme (中遠佐敦土壤自行監測方案)" to identify and mitigate any potential risks of soil pollutions.

4.3 Green Products and Services Innovation

The Group strives to make good use of its growing and prolonged presence in the market landscape to provide customers sustainable solutions and to facilitate sustainable development of the shipping industry.

Jotun COSCO offered Hull Performance Solutions (HPS) supported by advanced big data analysis, real-time ship hull monitoring system and high-tech antifouling coating technology to maximise hull performance. Since 2011, the solution has been applied to over 1,100 vessels, contributing to over 40 million tons of CO_2 reduction. Motivated by the impressive result achieved above, Jotun COSCO further launched Hull Skating Solutions (HSS) in 2020, featuring the latest antifouling coating technology, big data applications and underwater cleaning robotics to help achieve significant energy saving and emissions reduction.

At the same time, we also provide environmental liability insurance and professional consultation services in our insurance brokerage services segment, which help build customers' capacity in pursuing continuous improvement of environmental performance. Further, we organised seminars hosted by the Protection and Indemnity Club and lawyers for ship owners to gain insights into the development of international policies and industry best practices.

4.4 Climate-related Risk Adaptation

As threats related to climate change are more evident and have become one of the major challenges to our business, we continue to study the impacts and to enhance our internal capacity in adapting to the environment with increasing climate-related risks, particularly with extreme weather like frequent typhoon and abnormal precipitation. As such, we strive to build up our business climate resilience and adopt precautionary measures to get our business prepared for any potential impact.

Our coating production businesses have been closely monitoring the climate-related risks that may impact our business operations. COSCO Kansai Companies and Jotun COSCO stipulated a set of emergency management plans and a natural disaster contingency plan respectively. We also conduct annual emergency drills to improve the preparedness of our plant operation and to facilitate effective internal communication in response to different natural disasters. For example, the Tianjin plant formulated flood prevention and extreme cold weather response plans, while the Zhuhai plant established response plans on storm, flood and heatstroke prevention. COSCO Kansai Companies also delegated emergency response teams for the effective implementation of plans and monitoring of the climate situations.

5. HEALTH AND SAFETY PROTECTION

The Group attaches the utmost importance to the health and safety of its employees. To this end, we have a set of safety production and supervision management policies in place. The policies adhere to two basic principles, namely "Share Responsibilities in One Post, Joint Management and Accountability for Delinquency (一崗雙責、齊抓共管、失職追責)" and "Safety as an Essential Component in Managing the Industry, Business, as well as Manufacturing and Operation (管行業必須管安全、管業務必須管安全、管生產經營必須管安全)". We promote accountability among employees and divisions. All employees are responsible for cultivating a safe workplace culture and all departments are accountable to ensure production safety. The heads of corresponding divisions and the Group's headquarters will further oversee safety production.

We comply with applicable safety laws and regulations, such as "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases", "Production Safety Law of the People's Republic of China" and "Fire Control Law of the People's Republic of China" and Hong Kong's Occupational Safety and Health Ordinance, etc.. During the reporting period, we did not violate any relevant laws and regulations regarding occupational health and safety.

5.1 Safety Committee

Under the well-established management system, the Group formed the Safety Committee in 2006 with an aim of promoting "Safety First, Precaution as Crucial and Consolidated Governance (安全第一、預防為主、綜合治理)". The Committee comprises of the Company's senior management. The committee is headed by the Group's director responsible for the production safety and consists of general managers from various divisions of the headquarters, including human resources, finance & accounting and audit & supervision, as members.

The primary responsibilities of the Safety Committee are as follows:

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

5.2 Production Safety Management

The Group believes that a robust production safety management system is the key to drive long-term business success. We uphold the long-term safety goal of achieving "zero casualties" and continuously measure our OHS performance. We review and update internal OHS targets annually. This year, we have successfully achieved 2020 targets with zero significant fire accidents, traffic accidents, equipment accidents and work-related fatality, and annual work-related injury rate less than 5%.

The operations of COSCO Kansai Companies and Jotun COSCO, which are mainly engaged in manufacturing activities, are exposed to relatively significant safety concerns. COSCO Kansai Companies have formulated "Occupational Health and Safety Management Procedure" to stipulate the accountability for safety production in different divisions and to ensure the effective implementation of safety policies and standards. It also provides guidelines for the correct occupational health and safety procedures for various business activities. To further minimise OHS risk, COSCO Kansai Companies conduct regular OHS risk identification aiming to identify and control OHS hazards at an early stage. Besides, the local Government and appointed third parties pay regular visits and conduct safety inspections at our factories. Upon the inspections completed, the government authority would send us enforcement documents on safety production, requiring the plants to address the risk points. In 2020, the identified hazards include fire protection measures, brightness, accessibility and separation distance of equipment and facilities, etc.. COSCO Kansai Companies took immediate corrective measures and summarised the rectifications into a report submitted to the relevant authority.

In the meantime, both COSCO Kansai Companies and Jotun COSCO certified their production facilities with the latest ISO45001:2018 standards, to guide our daily practices up to international standards. We also formulated an OHS manual to prevent and control foreseeable workplace accidents. The management identifies and assesses potential OHS risks and then set out precautionary measures in the OHS manual. We compiled an OHS risk control handbook that set out measures to prevent employees from exposing to hazards including chemicals, dust, noise, extreme temperature, hygiene and manual lifting.

Employees working in manufacturing plants are at higher risks of chemical and toxic substances exposure. In addition to providing appropriate personal protective equipment, we also adopted a "STOP" principle to minimise the adverse health impacts on our employees. The principle comprises four distinct aspects, namely Replacement, Engineering Control, Management Measures and Individual Protection.

Replacement

- Use alternative materials with less hazardous substances or materials with low physical contact risk, such as liquid materials or pastes, instead of powder

Engineering Control

- Enclosed operation is preferred
- Sites are equipped with ventilation facilities and specify technical requirements in accordance with characteristics of the substances

Management Measures

- Provide training to employees to better understand the risks associated with hazardous chemicals
- Regularly assess the exposure level of chemical substances
- Provide risk-related health assessments for employees in specific positions

Individual Protection

- Provide personal protective equipment (PPE) based on risk exposure and risk assessment
- Require employees to fully comply with PPE protection rules and requirements

5.2.1 Production Safety

The Group pays extra attention to protecting the employees working in manufacturing plants. Jotun COSCO has formulated the "Chemical Safety Technical Specification" which provides detailed information on chemical hazards and records the potential risks of chemicals used in our production operations to the environment and humans. Employees are provided with clear instruction on the production procedures in accordance with guidelines, such as limiting the exposure to xylene and ethylbenzene, to ensure hazardous chemical and toxic substances are handled in a professional and proper manner. We also require our plants to develop comprehensive control measures including a high-degree engineering control and personal protection. Besides, we formulated emergency response plans for handling different incidents such as first-aid for chemical contact, fire protection, chemicals leakage and waste handling. We formulated our operational specifications in compliance with international standards, such as International Maritime Dangerous Goods Code (IMDG Code) of the United Nations, International Air Transport Association (IATA) and International Maritime Organisation to ensure appropriate paint transportation requirements.

Inspection on Safety Standards

Meanwhile, COSCO Kansai Companies appointed an internal safety investigation team to conduct safety inspections quarterly. It is composed of professionals in relevant fields such as electrical, mechanical and operational. In case of any safety hazards identified, the team reports to the relevant management departments and ensures appropriate follow-up measures are taken to improve address the concerns. Our senior management also guides regular safety inspections at plants to further ensure production safety. During the year, the factories of COSCO Kansai Companies have conducted over 300 inspections on OHS. To highlight, the Zhuhai plant achieved a 100% rectification rate by addressing all of the 381 risk points identified across the year.

Since 2012, the Group has adopted the Safety Management Self-Assessment System ("SMSA") for its coating business companies to measure the effectiveness of safety measures. The SMSA was developed in accordance with the national safety technical specification of coating industry such as the "Production Safety Law of the People's Republic of China", the "Regulation on the Safety Management of Hazardous Chemicals", "General Norms for Safety Standardization of Hazardous Chemical Enterprises", "Guidelines for Work Safety Standardisation of Coating Enterprises" and "The Safety Technical Specification of Coating Manufacturer".

Particularly, the SMSA helps monitor the major 10 safety management aspects, namely governance structure, risk and environmental factors control, laws and regulations and management policy, training and education, production facilities, operation safety, product safety and hazard notification, OHS hazards, accident and emergency response as well as inspection and self-assessment. The Group conducts SMSA examinations biannually based on the Likelihood Exposure Consequences ("LEC") method. If any potential hazards are found during the inspection, the relevant departments must formulate corresponding remedial measures or corrective measures within the specified time.

Particularly, the VOCs level of our production areas has drawn our attention and inputs for continuous improvement. This year, Jotun COSCO has adjusted certain production specifications in order to reduce VOCs level in the working area. We initiated the use of 50% medical alcohol to replace xylene solvents for cleaning equipment and ground operations. The VOCs level has dropped sharply by more than 85% as a great result, providing employees with more confidence and protection. Meanwhile, COSCO Kansai Companies invited external experts to examine on their production procedures. The level of VOCs was one of the graded criteria and subject to in-depth measurement. We took the suggestions given by the experts seriously to further improve our workplace environmental quality.

On the other hand, COSCO Kansai Companies procured numbers of explosion-proof trucks with higher protective features. These trucks do not produce any spark during operations and thus eliminate the risks of explosion and fire hazards inside our factories. Meanwhile, we require all employees to hold relevant certificates or to attend training before operating any machineries, including but not limited to the certificates for operating trucks, electricians and electric welders.

SMSA Evaluation of COSCO Kansai Companies

Summary Sheet of SMSA Evaluation of COSCO Kansai Companies in Previous Years

	Tianjin plant		Shanghai plant		Zhuhai plant	
Year	**First half of the year**	**Second half of the year**	**First half of the year**	**Second half of the year**	**First half of the year**	**Second half of the year**
2020	139	141	139	140	140	139
Average value for the assessment from 2012 to 2020	135	135	136	134	137	137

Work-related fatalities and injury cases during the reporting year of the Company

	For the year ended 31st December		
	2020	2019	2018
Work-related fatalities (No. of person)	**Nil**	Nil	Nil
Work injury cases (No. of case)	**Nil**	3	Nil

5.2.2 Occupational Health and Safety

The Group strives to ensure the health of employees and cultivate their awareness of maintaining safe operating practices. In addition to the general medical care, we offer all employees annual physical examinations. Employees engaged in duties with higher OHS risks are provided with a specific medical assessment, aiming for early diagnosis of occupational diseases and potential injuries. When abnormal examination results obtained, responsible departments will offer the employee a follow-up examination for a refined assessment on the particular issues. Meanwhile, new joiners and transferred employees are required to undergo health check-ups prior to their onboarding day. As a responsible employer, we also offer post-employment medical examinations for employees leaving their positions.

To ensure employees are fully aware of the potential OHS risks at work and corresponding measures, we provide them with extensive safety training. The training content covers fire safety, use of firefighting equipment, occupational hygiene, medical emergency, safety laws and regulations, accident cases sharing, hazardous chemical safety, special equipment safety and more. Through training, we aim to equip employees with necessary safety knowledge and skills. We also share with new joiners the OHS matters that required their extra attention in written documents prior to their report of duties. In 2020, due to the COVID-19 pandemic, some operating regions of the Group were not able to deliver the safety training in face-to-face arrangement. To ensure employees were updated with the latest information regarding workplace and production safety, we uploaded the training materials, test questions and videos to an online platform and a mobile application for their study at anytime and anywhere. Also, we strive to advocate innovative thinking and introduced interactive training, cloud classroom, VR technologies and safety knowledge competition to raise employees' awareness with memorable experience and fun.


Safety Knowledge Competition


Interactive Safety Training Event

We have also organised the "Safety Month" to familiarise employees with the fire safety equipment and equip them with ability to respond swiftly under emergencies. COSCO Kansai Companies have provided trainings and drills for the three manufacturing plants specifically to strengthen the capabilities of evacuation, firefighting and rescue. For example, the Tianjin plant and Shanghai plant organised fire drills with focuses on erosive material leakage and evacuation and simulation of fire accident in laboratory respectively. Meanwhile, Jotun COSCO invited the local fire brigades and government bodies to assist in the drill for incidents of hazardous chemical leakage. We also organised a plant-level fire and evacuation drill in the production area.


Fire Drills and Training on Fire Safety

Evacuation and Rescue Training

5.3 Non-Production Safety Management

Our non-production businesses such as ship trading agency services, insurance brokerage services and the supply of marine equipment and spare parts, are exposed to lower health and safety risks. Upholding our deep-rooted spirit of "safety first", we adopted a series of safety measures to further eliminate OHS risks in the offices across our non-production businesses.

We continued to organise the "Safety Month" event during the year. Apart from fire drills and fire safety training, we also arranged a team for safety inspections to ensure proper measures are adopted within our properties and offices. Besides, we invited property management companies to deliver training and strengthen employees' awareness of safety hazards in typhoons and rainy seasons. This helps minimise risks of injury at employees' day-to-day performance of duties. To maintain a comfortable working environment for employees, we also monitored the properties management companies and air-conditioning technicians to conduct air quality tests. We constantly monitored the test progress and results so as to ensure a good indoor air quality for employees.

During the year, different business segments organised educational events to promote fire safety awareness among employees and conducted inspections to identify fire risks of the offices. We also ensured the fire-fighting equipment within the office area and escape route are in good conditions.

5.4 Reporting and Investigation Mechanism

The Group established a reporting and investigation mechanism for safety incidents. We adopted an accountability system and clarified the duties of responsible personnel. In case of any safety accidents, the relevant personnel are required to immediately report to the head of relevant departments and then notify the Safety Committee Office within 60 minutes and submit a complete accident report. The Safety Committee Office conducts preliminary verification and inspection on the accident and further report the Group's Safety Committee. Based on the severity of the incident, the Group sends out a specific investigation team for internal investigations and, if necessary, invite internal and external experts to conduct in-depth investigation on the root causes and losses of the incidents. They also help identify the accountable parties and provide effective suggestions for risk mitigation.

According to our accountability system, relevant employees shall be subject to admonitory interview or warnings based on the severity of the incident. Upon detection of any concealment of facts, delay report and omitted report or failure to demonstrate immediate and sustained improvement, the personnel may be subject to disciplinary actions.

In 2020, the Group received no recorded incidents of non-compliance with relevant laws, regulations and standards with significant impacts. The Group also maintains zero work-related fatalities (2019: Nil), nor any significant production safety accidents.

5.5 COVID-19 Responses

The COVID-19 pandemic has certainly posed severe health and safety risks on our employees. The Group has taken various measures in response to the situation and strives to ensure employees are free from risks of infection at work by upholding high standards of environmental hygiene and providing employees with sufficient resources.

At Group level, we formed a Pandemic Control Taskforce and stipulated a COVID-19 response plan. Led by the Chairman of the Board, the Taskforce implemented a three-level response mechanism and provided employees with clear guidelines and procedures for their safe and smooth resumption of work when a stable situation was observed. Meanwhile, the Group's Human Resources Department has formed a commanding committee office to report to the Taskforce to further streamline the pandemic prevention work.

The Group paid continuous and close attention to the development of the pandemic and abided by local regulations to implement corresponding work and operational arrangements. We actively sourced pandemic prevention supplies and personal protective equipment, such as gloves, masks and sanitisers, for distribution to employees. We kept close record of the number of the materials on a daily basis to ensure sufficient inventory and effective distribution of resources.

To create a safe working environment and prevent infection among employees, we required employees to wear masks and take body temperature before entering the offices. Additional masks, thermometers, disinfectants and other prevention materials were prepared for them. Also, we commissioned a third party to carry our disinfection work at our workplace and ordered lunch for employees during severe pandemic to reduce their chance of infection when dining out. Besides, employees returning from high-risk areas were required to undergo quarantine according the regulatory and internal standards. In response to the social distancing rules and measures, we allowed flexible working hours, work from home arrangement or "A/B Shift" arrangement, by which employees can avoid commuting in rush hours and thus reduce close contact with people.

Office Disinfection

Knowledge Contest on COVID–19

Temperature Checking

We provided training to employees to enhance their knowledge of the virus and increase their awareness of infection prevention. The training courses covered tips for pandemic prevention, the national quarantine regulations, the internal tracing mechanism, possible routes of transmission, relevant symptoms, etc.. We aimed to remind employees of being alert and protecting themselves from infection inside and outside the workplace.

6. EMPLOYEE EMPOWERMENT

Our employee management strategy adheres to four management principles, namely, managing by regulations, establishing a fair and open system, meritocracy and emphasizing the coexistence of rights and obligations.

We regard our employees as a crucial contributing factor to drive our long-term business success. To attract and retain talents, the Group offers competitive compensation and benefits, together with great development opportunities based on a well-established appraisal and recognition system. We strive to nurture a continuous learning culture to help employees unleash their great potential. We take various initiatives and invest in our employees to promote good work-life balance and to create a supportive and inclusive workplace that embraces employees with diverse interests and background.

We are committed to quality, professionalism and integrity throughout our business. We strictly comply with the employment laws and regulations, including "Employment Ordinance" and the "Employees' Compensation Ordinance" in Hong Kong and the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Disabled Persons" in Mainland China. In 2020, there is no non-compliance case reported regarding our employment practices.

	For the year ended 31st December		
	2020	2019	2018
Total Number of Employees	**833**	901	876
By gender			
Male	**616**	669	652
Female	**217**	232	224
By region			
Hong Kong	**185**	168	196
Mainland China	**611**	697	644
Oversea	**37**	36	36
By age group			
Below or equal 30	**58**	79	110
31 to 50	**598**	649	627
Over 50	**177**	173	139

	For the year ended 31st December		
	2020	2019	2018
Overall Turnover Rate of Employee	**12%**	7%	10%
By gender			
Male	**9%**	7%	10%
Female	**15%**	7%	11%
By region			
Hong Kong	**6%**	14%	24%
Mainland China	**13%**	6%	6%
Oversea	**3%**	0%	0%
By age group			
Below or equal 30	**17%**	13%	5%
31 to 50	**8%**	5%	10%
Over 50	**18%**	13%	14%

6.1 Inclusive and Supportive Workplace

We are committed to fostering an inclusive and supportive workplace where every employee is fairly treated and respected regardless of their gender, age, family status, race, religion, nationality, sexual orientation or disability. We offer competitive remuneration packages, including basic salary, incentive bonus, mandatory provident fund. Our comprehensive benefits include paid annual leave, paid sick leave, medical insurance, healthcare benefits, further educational opportunities and training subsidies. Also, additional leave options such as paid wedding leave and employee paternity leave are available subject to employees' specific needs. In view of the changing working and lifestyles of the modern societies, we formulated the "Flexible Working Time Policy" to enable employees' pursuit of diverse personal development.

We prohibit any use of child labour and forced labour in our operations by setting our standardised recruitment procedures with comprehensive employment related policies in place, including the "Administrative Measures on Recruitment and Employment" and the "Administrative Measures on Labour Contract". We also regularly update and verify employees' personal information to ensure no violation of any regulations and policies.

To create a family-friendly workplace, we cooperated with the United Nations Children's Fund (UNICEF) and participated in the "Say Yes to Breastfeeding" campaign by setting up a nursing room in a designated office area to show our fully support to working mothers.

6.2 Employee Training and Development

Equipping employees with skills and knowledge is always the key to our long-term business success. We, therefore, formulated "Management Methods for Setting Up of Professional Talent Pool (專業人才庫建設管理辦法)" to facilitate our talent management. The Group offers a structured leadership development plan, which is managed and reviewed by a dedicated team under the leadership of the Human Resources Division. We regularly review the talent pool categorized by various businesses and industries. We have an incentive mechanism in place to offer bonus and development opportunities, including training courses, academics conferences, and exchange programmes, to accelerate the growth of talented individuals.

To recognise and motivate employees with outstanding performance, we conduct regular performance assessments to evaluate employee contribution and provide them with timely feedback. We employed an updated online performance assessment system to streamline and facilitate the assessment process. The system also creates anonymous accounts to collect and consider feedback from other members of the teams in the evaluation process to make comprehensive assessment on participating employees.

We strive to promote a continuous learning culture to enrich our employee's capabilities. The Group developed a comprehensive training and development system with four training categories in response to employees' specific training needs:

➢ We provide induction training for all new employees to introduce corporate strategic plans, policies, and logistics rules to better integrate them into our organisation. We also ensure they are aware of our occupational health and safety standards and other standard operating procedures, as well as our expectations on their workplace behaviours, through induction training.

- Regular assessments are conducted by our Human Resources Division and various divisions to identify key training aspects tailored to our business needs. We also invite relevant experts and professionals to host training programmes to give presentations.

- We provide general employees with regular training and keep them abreast of the related market and regulatory information.

- We encourage employees to participate in external training programmes such as certificates, diplomas, degree courses, lectures, seminars, and conferences by providing training subsidies.

In 2020, we invited Liquefied Natural Gas ("LNG") experts to host a specific training on LNG-powered vessels for employees to strengthen their professional knowledge and introduce them with the latest development trends of the shipping industry. Besides, general data management training was also conducted for employees to further enhance their skills required to perform their duties.

Training on LNG-powered Vessels

General data management training

	For the year ended 31st December		
	2020	2019	2018
Total no. of training hours received[Note]	**12,254 hours**	16,254 hours	13,911 hours
Average no. of training hours per employee rate of employees trained by employee category[Note]			
Senior	**23 hours/86%**	35 hours/89%	18 hours/81%
Middle-level	**16 hours/94%**	27 hours/49%	24 hours/55%
General	**14 hours/85%**	19 hours/97%	16 hours/88%
Average no. of training hours per employee rate of employees trained by gender category[Note]			
Male	**15 hours/84%**	18 hours/90%	13 hours/84%
Female	**14 hours/96%**	29 hours/79%	32 hours/76%

Note:

The decrease in total and average number of training hours resulted from the disruption of business operations due to COVID-19 pandemic in 2020.

6.3 Employee Well-being

6.3.1 Employee Communication

The Group recognises frequent and open dialogues with our employees as the key of building mutual trust and respect. Therefore, we constantly collect employees' feedback and opinions via diverse communication channels. Under our "Implementation Award Measures for Reasonable Recommendations (合理化建議獎勵實施辦法)", employees are encouraged and incentivised to submit their recommendations to the management. Our recommendation team are responsible for assessing and reviewing the proposals and then approving the provision of monetary incentives for employees' outstanding suggestions based on the actual benefits brought to the companies. The programme aims to foster an open and dynamic culture that encourages the internal improvement driven by employees' observations and open sharing.

Besides, a human resources mailbox was also set up on the Group's internal system homepage, serving as a regular platform for employees to voice out their concerns. The Human Resources Division helps gather the incoming mails and transfer enquiries to relevant departments for the formulations and implementations of follow-up actions for not only an individual, but for every one's sake.

6.3.2 Employee Work-Life Balance

It is the Group's commitment to improving the health and wellness of its employees by creating a workplace with work-life balance. We provide them with recreational and team-building exercises such as sports activities and interest classes to improve their wellbeing. We aim to motivate employees to attain higher morale and build stronger team bonding, thereby increasing productivity and sense of belonging at work.

To facilitate the interactions between employees, we established an employee association, which helps bring employees together by setting up a volunteer team and coordinating different volunteer services.

We offered employees different welfare services and activities. In 2020, we arranged free hair-cutting services for front-line employees working under the emergency of COVID-19 pandemic. We also provided employees with online food ordering services to reduce their risk of contacting COVID-19 by avoiding their visits to markets and other crowded areas. In December 2020, as the COVID-19 situation in Mainland China remained stable, we organised the annual badminton competition and arranged fruit distribution at work to promote a healthy lifestyle among employees.

Hair-cutting Services for Employees

Annual Badminton Competition

7. BUSINESS DEVELOPMENT AND COLLABORATION

The Group values the collaboration with its business partners and the quality of products and services as the fundamentals of our sustainable business development. As such, we devote effort to build a responsible supply chain and ensure customer satisfaction towards the products and services we deliver. With an aim of upholding business ethics in our operations and keeping potential risks at a minimum level, relevant policies and standards supervising our business conducts and operations are in place to maintain a high standard of integrity.

7.1 Supply Chain Management

7.1.1 Sustainable Procurement

The Group seeks to establish a green and responsible supply chain with carefully selected suppliers that fulfil our high-standard requirements on sustainability. A set of standardised procurement procedures were set out to facilitate the selection and assessment of suppliers with consideration of their environmental and social impacts. We select supplier in accordance with the specifications outlined in the "Procurement Management Measures" and the "Supplier Management Measures" which require potential suppliers to meet the Group's expectations on aspects namely environmental protection, health and safety. At the early stage of selection, we carry out screening based on the accreditation of ISO9001, ISO14001 and ISO45001 for key suppliers involved in our coating production business. Relevant terms are also incorporated in the contracts to further ensure their compliance. Only selected suppliers are added in the Group's procurement supplier database where purchasing units reach out to the suppliers that fulfil the specific requirements.

To ensure our sustainability performance and reputation along the supply chain, we continuously monitor the compliance status of shortlisted suppliers and update the database every three years to exclude suppliers who fail to comply with relevant laws and regulations. In case of any non-compliance with the safety regulations, we shall terminate our relationships or contracts with the concerned suppliers and, when they have properly addressed and resolved the matters, we assess the effectiveness of their measures and the readiness to re-establish partnership. In addition, we have other sustainable procurement policies in place to facilitate the selection and engagement with suppliers, including the "Tendering Procurement Management Measures", "Non-tendering Procurement Management Measures", "Centralised Procurement Management Measures", "Special Affiliated Enterprises Management Measures" and "Procurement, Outsourcing and Supplier Management Supervision Measures".

Apart from the standardised supplier selection measures, we customise and implement special management procedures on our suppliers whose product or service supplies are particularly material to our operations. For instance, the "Asphalt Supplier Management System" has been implemented to evaluate the sustainability performance of asphalt suppliers, including their initiatives in fire prevention and environmental assessment.

7.1.2 Supplier Monitoring and Supervision

Through our supplier monitoring mechanism, suppliers' performance is evaluated and reviewed on a yearly basis in accordance with a comprehensive set of quantitative indicators, including fundamental capability, cost competitiveness, delivery fulfilment, quality control, customer service, business innovation, and safety and environmental protection. We provide preventive and improvement suggestions to suppliers based on their evaluation results and supervise their implementation in attempt to enhance their product and service quality. Penalties and immediate termination of the contractual relationship will be given to suppliers who fail to maintain professional conducts or qualifications on safety and environmental protection, and those committed bribery and other commercial misbehaviours.

To prioritise suppliers with outstanding sustainability performance, the supplier rating system has been established to rank suppliers based on their evaluation result. The rating system classifies suppliers into five levels, that are "A — Strategic Suppliers", "B — Quality Suppliers", "C — Qualified Suppliers", "D — Negative Suppliers", and "E — Eliminated Suppliers". Ratings are jointly reviewed by the supplier purchasing departments as well as the user departments every year to ensure credibility. Partnership opportunities or extensions are favourably given to suppliers receiving higher ratings. Suppliers being absent or failed in the annual inspection or have not maintained a partnership with the Group for three consecutive years shall be excluded from the database.

Besides, the Group takes a proactive role in supporting the localisation of supply chain to reduce the delivery time and environmental footprints due to transportation and to boost local economic development.

	For the year ended 31st December		
	2020	2019	2018
Mainland China	**766**	857	686
Hong Kong	**245**	290	223
Other Countries	**557**	761	619

7.2 Product Quality and Responsibility

It is a longstanding commitment of the Group to deliver high-quality products and services that take the business operations, as well as health and safety, of our customers into account. In adherence to both the internal guidelines and international standards on product quality and safety, we strictly monitor the execution of technical standards and ensure the product and service quality throughout the lifecycle of our products from sourcing raw materials, production, sales and marketing to recall, return and replacement.

Internal policies on Health, Safety, Environment and Quality (HSEQ) are developed in line with international standards focusing on subsidiaries involved in chemical productions. A comprehensive set of control procedures are in place to monitor and evaluate the quality of our coating products. Tests and inspections are carried out for intermediate and final products to determine their compliance with our quality control requirements. To create values with safe and environmentally conscious products, we strive to achieve the technical requirements of the Ministry of Emergency Management of the PRC and have complied with the followings:

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

During the reporting period, the Group was not aware of any non-compliance with relevant standards, rules and regulations that had a significant impact on the Group.

Apart from the implementation of internal policies and adherence to industry standards, raising the awareness and promoting technical knowledge exchange on product responsibility among suppliers, customers and the industry are equally essential to progress towards a responsible market. During the year, we communicated with our suppliers more frequently in view of the market fluctuations. Prices were updated every month and new suppliers were introduced to maintain a healthy competition, reducing costs and enhancing cost efficiency. Jotun COSCO also organised a discussion session introducing green solutions and antifouling coating techniques, as well as coating-related standards, laws and regulations.

One step further, we continued to explore opportunities in making effective use of the latest technologies to provide innovative solutions to satisfy customers' demands systematically. Jotun COSCO applied ship coating solutions for the first auto-cargo ship in China. Upon understanding the coating needs of the new types of ship, we attempted to lower the risk of corrosion and thus to reduce the frequency of ship maintenance. Jotun COSCO utilised the world's leading coating techniques and took reference from the cases of auto-cargo ships in other countries. We will keep up with the latest market of auto-cargo ships and to claim the leading position in the expanding market.

Discussions with Customers on Product Solutions and Big Data Technology

7.3 Customer Care

7.3.1 Customer Satisfaction

The Group values the opinions from customers as an important driver for its continuous business improvement. We keep close monitoring of our customer satisfaction through survey that delves into the multiple facets of customer experience, covering the quality of service by sales and technical service personnel, delivery, ordering and invoicing, and the overall experience in contact with us.

Procedures for handling complaints are in place to address customers' concerns about our products and services. COSCO Kansai Companies and Jotun COSCO stipulated the "Administrative Procedure for Customer Feedback" to enable systematic management of complaints and to guarantee complaints handling in a fair, consistent and expeditious manner. Upon the receipt of complaints, relevant personnel are delegated to investigate the case and take corresponding measures as appropriate to avoid reoccurrence of similar issues. Meanwhile, our "Process for Paint Return" spells out the management's awareness of the return of disqualified products and the necessary measures to be taken to address the issues.

During the reporting period, we did not receive any major products and services related complaint and recall of product due to any safety and health reasons.

Also, we seek to maintain close customer relationships to better understand their needs, thereby delivering products and services with satisfactory feedback. In amid of the COVID-19 pandemic, Yuantong conducted meetings utilising an online video conferencing system with ship owners and production plants to keep up the close relationships, minimising the impacts induced by the pandemic on our trading businesses, such as irregular delivery dates and longer quotation periods. Our insurance brokerage services also paid visits to clients to discuss on the relevant measures in business continuity under the pandemic, the shipping market and other concerned topics, seeking to offer all-round risk management advise from an insurance perspective.

Technical Discussions with Ship Owners and Production Plants

7.3.2 Customer Privacy

The Group stresses the importance of customer privacy in our business operations with strict compliance with applicable local and international laws and regulations, including the "Personal Data (Privacy) Ordinance" in Hong Kong. Jotun COSCO also adheres to the "EU General Data Protection Regulation (GDPR)". The "Binding Corporate Rules (BCR)" is also established to call for employees' compliance with the same system on privacy protection.

In close observation of international statutory standards, we put in place a series of internal policies to ensure information confidentiality and to avoid the leakage of sensitive information of stakeholders. The "Information Management Method" affirms the four basic principles — "Truth, Accuracy, Completeness and Timeliness" — in our approach of information dissemination. To securely protect all trade secrets and customer information, we formulated the "Administrative Measures on the Protection of Trade Secrets" following the Anti-Unfair Competition Law of the People's Republic of China", the "Interim Provisions on the Protection of Trade Secrets of Central Enterprises" promulgated by the State-owned Assets Supervision and Administration Commission of the State Council, and the "Administrative Measures on the Protection of Trade Secrets of China COSCO Shipping Corporation Limited". Our "Staff Management Measures" are in practice to prohibit any leakage of customer information and strategic cooperation agreements to any third parties.

During the reporting period, there was no complaint regarding breaches of customer privacy or loss of customer data.

7.4 Anti-Corruption

7.4.1 Anti-corruption Policy

The Group holds zero tolerance towards any forms of corruption and bribery, abiding by national laws including the "Criminal Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China" and the "Bidding Law of the People's Republic of China". In consideration of the importance of corporate ethics and anti-corruption, topics in relation to business ethics and code of conduct were incorporated into the Group's risk management framework and were subject to close monitoring.

The Group established the "Professional Ethics and Code of Conduct for the Staff of COSCO SHIPPING International" (the "Code") to require employees' acknowledgement and adherence to the provisions listed in order to practise high integrity and moral standards. We also offer guidelines for employees' appropriate behaviours in occasions that they may encounter. In particular, the Code highlights that any staff should not use their authority to engage in bribery behaviour or to receive inappropriate benefits, seize any business opportunities from the Group, use company assets in any form for personal interests, and engage in other activities that may potentially compromise the interests of the Group. Employees are also expected to maintain long-lasting relationships with our suppliers, contractors and customers that rest on mutual trust. For any breaches of the Code, the concerned personnel shall be subject to disciplinary punishment, including the termination of employment. For any breaches suspected of regulation and law violations, the Group shall report the relevant cases to corresponding authorities and cooperate for the further investigations.

To maintain openness, probity and accountability, the Group's "Whistleblowing Policy for COSCO SHIPPING International" ("Whistleblowing Policy") details the reporting channels for employees to raise concerns in suspicion anonymously. Upholding confidentiality, the Whistleblowing Policy ensures that the identities of employees making the allegation are not disclosed or accessed without consents. Any attempt to interfere in the investigation process is regarded as a severe disciplinary breach. The Board assumes the overall responsibilities in ensuring effective implementation and enforcement of the policy, maintaining a high degree of corporate justice.

7.4.2 Anti-corruption Supervision

The Group strictly forbids any kinds of corruption activities, including but not limited to receiving benefits and rebates from business partners, colluding with suppliers, committing fraud and forging business volume. Adopting the principle of "whoever takes charge should be responsible (誰主管誰負責)", managers in relation shall be responsible while the individuals who commit the mentioned activities remain liable. In case of any identified behaviour of transferring benefits, we shall undergo investigation involving not only the liable personnel, but the entire business unit. As set out in the "Measures for Managing Performance Examination of Companies under Direct Management", restrictive indicators on management transactions, risk and internal control and other requirements on employee ethics and anti-corruption are closely tracked and evaluated in our business assessment guidelines.

Supervising the implementation of anti-corruption policies, dedicated divisions and various business units exert extensive efforts in preventing any unethical business behaviours. The Audit & Supervision Division of the headquarters of the Company oversees the related matters at the Group level. As specified in the "Measures for Managing Special Affiliated Enterprises", the Audit & Supervision Division also supervises special affiliated enterprises via a range of channels, namely special examination, efficiency supervision and audit on either a regular or irregular basis. The delegates of each business unit shoulder the responsibilities of rolling out anti-corruption initiatives. Departments are in charge of guiding their own suppliers to provide products and services in accordance with the Group's procurement and supply chain management policies, while the Audit & Supervision Division oversees the inspection and assessment in relation to the implementation of practices. Further, subsidiaries shall be responsible for reporting employees' compliance with the Code to the Audit & Supervision Division.

We seek to enhance employees' awareness on business integrity and honesty. Thus, departments and subsidiaries conduct an annual employee self-evaluation survey that examines a wide array of areas covered in relation to the Code, namely integrity and fairness, acceptance and provision of interest, conflict of interest, handling confidential information and company's property, and relationships with customers, suppliers and contractors. During the reporting period, more than 960 person-time of the self-evaluation survey were completed.

During the reporting period, the Group complied with all the relevant standards, rules and regulations. There was no legal case regarding corruption practices brought against the Group.

7.4.3 Anti-corruption Training

We regard training as an important precautionary measure to remind employees our commitments and standards of ethical business practices. In 2020, COSCO Kansai Companies invited representatives from the regulatory body to deliver an online seminar on fraud, introducing the national reform of anti-corruption system. HK COSCO SHIPPING Insurance Brokers also worked closely with the Hong Kong Independent Commission Against Corruption ("ICAC") to provide a training on anti-corruption and integrity. With short clips presenting the relevant cases handled by ICAC, employees were reminded of the common risks of integrity in the insurance industry and the central importance of protecting customers' assets as insurance intermediaries.

Seminar on Corporate Probity and Corruption Prevention

Anti-Bribery Compliance training by ICAC

8. COMMUNITY INVESTMENT

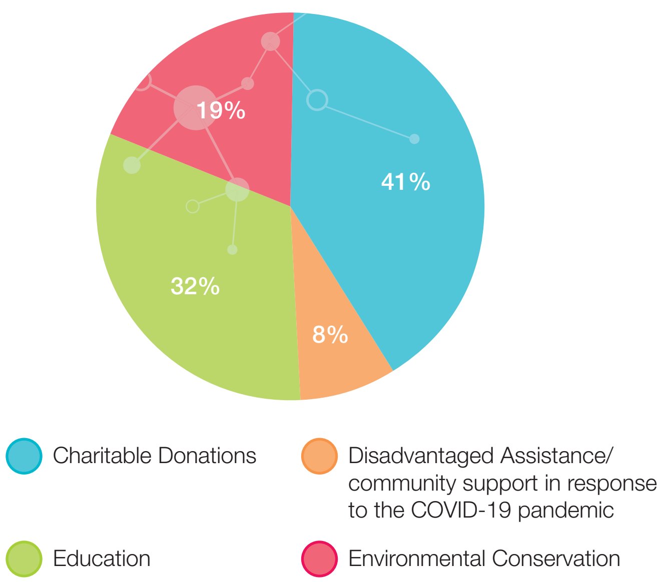
With a firm focus on "giving back to the community with what it gets from the community", the Group is committed to promoting and investing in the development and betterment of the communities in which it operates. Established in 2014, the Group's Charity Donation Policy underpins its attentiveness to local needs and interest of the people in each community. The policy details our partnership strategies with local NGOs and other like-minded charitable bodies, and the manners in which our philanthropic efforts are handled. The policy provides clear guidelines on determining the amount and method of community investment or donation events, together with information related to the annual charitable donation budgets.

We established volunteer teams and coordinated employees who are enthusiastic about serving the community to join us in sharing love and care with people in need. To encourage employees' active participations and show recognition for their on-going support and enthusiasm, we offered them volunteer holidays with a half-day or one-day paid leave respectively when they contributed more than 2 but less than 4 hours or 4 or more hours on the event day.

8.1 Contribution to Community

The Group's team slogan of "Our Passion to Serve" reaffirms our commitment to community engagement and investment. By regularly reviewing our community investment strategies, we strive to create long-term positive shared values through devotion of our resources and time. In 2020, our community contribution mainly focused on five major areas: charitable donations, environmental conservation, education, disadvantaged assistance and community support in response to the COVID-19 pandemic.

Resources Distribution in 2020



8.1.1 Charitable Donation

During the reporting period, the Group donated to various charities as a direct way to support the community. Details are as indicated in the table below:

Donation Organisation	Donation Amount (HK$)
World Wide Fund For Nature Hong Kong ("WWF")	50,000
The Neighbourhood Advice-Action Council	23,000
Sowers Action	166,000
UNICEF Hong Kong ("UNICEF HK")	30,000

8.1.2 Environmental Conservation

As a shipping services company, we recognise that our primary responsibilities for the environment begin with the sea and extend beyond the horizons. We are aware of the surging marine pollutions and other environmental problems and therefore strive to contribute by providing financial assistance and participating in activities to minimise the adverse impacts brought by human-activities.

During the reporting period, the Group donated HKD$50,000 and became a Silver member of WWF. Under the Corporate Membership Programme, the Group is committed to the partnership with WWF and funding its environmental conservation projects in transforming Hong Kong into a more sustainable city.

On the International Coastal Clean-up Day in September 2020, Jotun COSCO organised a beach cleaning event, with more than 20 senior management members participated. We aimed to fulfil our aspiration for raising internal and public awareness of waste reduction, as well as marine and environmental conservation.

Beach Cleaning Event

8.1.3 Education

We believe that young people are the future pillar of our society and the Group has an important role in empowering future generations. We invest in youth education and development to help inspire them with creativity, knowledge and skills beneficial for their future academic and career development.

In 2020, we continued to fund projects and education sponsorships to support under-resourced students in both Hong Kong and Mainland China under the partnership with Sowers Action. As part of the initiative, the Group donated to the Education Assistance Programs (內地助學項目) to improve the learning conditions of students living in impoverished mountainous areas, with an accumulated total of 1,244 students benefited.

Meanwhile, Jotun COSCO also funded RMB100,000 for the purchase of robots and pianos for primary schools in the Qingdao National high-tech Industrial Development Zone, students to pursue studies in technology and music. In December 2020, after the General Manager's visit paid to the primary and secondary schools in the national poverty-stricken counties of Yunnan provinces, Jotun COSCO has decided to set up scholarship programmes for outstanding students, with an aim to allow for access to quality education and resources.

Donation to primary schools in Mainland China

8.1.4 Disadvantaged Assistance

The Group embraces the uniqueness of each individual and truly understands that people are facing different challenges in their everyday life. With this in mind, we are committed to foster greater social integration and inclusiveness among the communities. We actively collaborate with local NGOs and mobilise our resources to respond appropriately to different community needs.

Since 2011, we have partnered with the Neighbourhood Advice-Action Council to organise volunteering activities to visit singleton elderlies during festive seasons. During Chinese Lunar New Year in 2020, the Group provided financial assistance to the Council for purchasing personal protective equipment and invited 39 members of our volunteer team to participate in the "Inheriting Love Deep Care Plan" hosted by the Sham Shui Po District Elderly

Community Centre of Neighbourhood Advice-Action Council. Our volunteers also prepared and distributed warm soup and festive gift bags, as well as conducted simple household safety inspection for the elderlies. In late October 2020, we, again, gathered 30 of our employee volunteers and their family members to distribute anti-pandemic supplies to elderlies living in Shek Kip Mei. We have contributed about 2,600 hours in total and reached out to more than 620 singletons and household-elderly in this event.

Inheriting Love Deep Care Event

Distribution of Anti-pandemic Supplies to Elderlies

8.1.5 Community Support in Response to COVID-19

The COVID-19 pandemic has brought unprecedented challenges to the global and local communities. As a responsible corporate citizen, the Group proactively sought to help relieve the burden of people in need during the challenging time.

In early 2020, we acknowledged that there were extremely high demands in anti-pandemic items, including medical masks and hand sanitizers, in which the low-income families encountered difficulties in affording and obtaining such supplies. Therefore, in Hong Kong, we identified an opportunity to help alleviate their burden by supporting UNICEF HK's "for every child, hygiene" emergency action to safeguard the health of disadvantaged children and their families living in sub-divided flats. The Group made an HK$30,000 in-kind donations to UNICEF HK and launched a donation website to raise funds to provide material support, particularly toilet disinfection services and hygiene bags, and share with them education resources on disease prevention. Since the launching of the donation website 6 months ago, we have raised HK$5,100 from our employees and business partners with their heart-warming love and care.

Home Visits during the "For every child, hygiene" Emergency Action

Due to the social distancing regulations and arrangements, remote schooling was widely adopted in Hong Kong, where students had to utilise digital devices and learning platforms to attend classes and perform their studies. Despite the technological advancement in nowadays societies, access to digital devices could be difficult for students from underprivileged families. To help maintain their learning progress and performance, the Group, as a bronze sponsor, donated HK$50,000 for the purchase of laptops under Sowers Action Hong Kong's "E-classroom Program". In October 2020, 22 employees and their family members joined us with Sower Action and paid visits to the beneficiary families living in Kwun Tong and delivered them material packages, including a laptop and anti-pandemic supplies.

Home visit during the "E-classroom Program"

Our community engagement and investment figures of 2020 are summarised in the table below.

	For the year ended 31st December		
	2020	2019	2018
Community Investment			
Corporate charitable donations & sponsorships (HK$)	**269,000**	294,000	293,000
Volunteer Participation			
Participants	**91**	401	283
Service hours	**546**	2,818	1,335
Beneficiaries			
Number of beneficiaries	**177**	224	158

9. AWARDS AND RECOGNITIONS

In 2020, the Group continued to prioritise sustainability in our business operations and achieved notable business successes. We are proud and honoured to receive recognition and awards from different parties in the market in diverse aspects.

The Group garnered the “Certificate of Excellence” from the Hong Kong Investor Relations Association. The award recognises the Group’s dedication to maintaining high standard investor relationship management despite the challenges brought by the COVID-19 pandemic. In addition, the Group’s 2019 Annual Report won a Gold Award of the “Annual Report” Category and a Bronze award of the “Financial Data” Category in the Shipping Service Industry in the 34th International ARC Awards held by MerComm, Inc. These accolades are a testament of the Group’s excellence in maintaining transparency and credibility through financial reporting among its global industrial peers.

For the 3rd consecutive year, the Group received the “10 Years Plus Caring Company Logo” awarded by the Hong Kong Council of Social Service in recognition of our contribution and commitment to caring for employees, the environment and the society. The programme encourages partnerships between the business and the social welfare communities to jointly promote corporate social responsibility.

Continued from the participation in the event, the Group was awarded the “2019 Gold Award for Outstanding Corporate Participation in the ’Challenging 12 Hours’ Marathon” hosted by Sower Action. Since 2008, we have sponsored the event for 13 consecutive years and continued to support Sower Action’s vision in promoting equitable wealth distribution and improving the learning conditions of underprivileged children. We are glad to receive this award from our long-standing community partners and look forward to the future collaborations.

The board of directors of the Company (the "Director(s)" or the "Board") presents this Directors' Report (the "Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2020.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2020 are set out in the consolidated income statement on page 134 of this annual report. The Board has recommended the payment of a final dividend of 15.5 HK cents (2019: 9.5 HK cents) per share for the year ended 31st December 2020. Subject to the approval of the shareholders of the Company (the "Shareholders") in the annual general meeting to be held on 28th May 2021, approximately HK$237,608,000 will be payable on 28th June 2021 to the Shareholders whose names appear on the register of members of the Company on 10th June 2021. The proposed final dividend together with the interim dividend of 6.5 HK cents per share, total dividends per share for the year 2020 are 22 HK cents (2019: 16.5 HK cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of shipping services and general trading. The shipping services business, the core business of the Group which includes ship trading agency services, insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products. The Group is committed to promoting green operation and actively implementing energy saving, emission reduction and recycling by implementing practices such as turning off all non-essential lights. In addition, the Group's coating business reflects the significant environmental impacts among other businesses and therefore the coating manufacturing subsidiaries of the Company in Mainland China strictly comply with the relevant laws and regulations in the People's Republic of China. Being people-oriented, the Group ensures that all staff is reasonably remunerated and maintains a good relationship with its customers and suppliers. Further discussion and analysis of the Group's activities as required by Schedule 5 to the Companies Ordinance of Hong Kong (Cap.622), including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2020, an indication of likely future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Prospects", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Five-Year Financial Summary" of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2020 calculated under Companies Act of Bermuda amounted to HK$7,471,654,000 (2019: HK$7,473,617,000).

BORROWINGS

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

RESERVES

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

SHARE CAPITAL

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "SHARE OPTION INCENTIVE SCHEME" on pages 120 to 123 and any outstanding share options granted thereunder, no equity-linked agreements which may result the Company issuing share was entered into or existed during the year.

DONATIONS

Donations made by the Group during the year amounted to approximately HK$269,000 (2019: HK$294,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 207 to 208.

DIRECTORS

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

Executive Directors

Mr. Zhu Jianhui *(Chairman and Managing Director)*
(re-designated from Vice Chairman to Chairman on 4th March 2020)
Mr. Ma Jianhua
(re-designated from Non-executive Director to Executive Director on 19th May 2020)
Mr. Wang Yuhang
(resigned as Executive Director and Chairman on 4th March 2020)
Mr. Liu Gang
(resigned as Executive Director on 19th May 2020)

Non-executive Directors

Mr. Feng Boming
Mr. Chen Dong

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Kwong Che Keung, Gordon
(appointed as Independent Non-executive Director on 9th July 2020)
Mr. Alexander Reid Hamilton
(passed away on 21st April 2020)

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

Mr. Wang Yuhang resigned as Executive Director and Chairman on 4th March 2020 due to change of work designation and Mr. Liu Gang resigned as Executive Director on 19th May 2020 due to retirement. Each of them confirmed that there was no disagreement with the Board needed to be brought to the attention of the Shareholders.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhu Jianhui, being the Executive Director, has entered into a letter of appointment with the Company on 29th May 2020 for a term commencing from 29th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Mr. Ma Jianhua, being the Executive Director, has entered into a letter of appointment with the Company on 19th May 2020 for a term commencing from 19th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Each of Mr. Feng Boming and Mr. Chen Dong, being the Non-executive Director, has entered into a letter of appointment with the Company on 29th May 2020 for a term commencing from 29th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X., being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 29th May 2020 for a term commencing from 29th May 2020 to the conclusion of the 2022 annual general meeting of the Company. Mr. Kwong Che Keung, Gordon, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 9th July 2020 for a term commencing from 9th July 2020 to the conclusion of the 2022 annual general meeting. Mr. Wang Yuhang, being the ex-Executive Director, has entered into a letter of appointment with the Company on 15th January 2018 for a term commencing from 15th January 2018 to the conclusion of the 2020 annual general meeting of the Company. Mr. Liu Gang, being the ex-Executive Director, has entered into a letter of appointment with the Company on 30th May 2018 for a term commencing from 30th May 2018 to the conclusion of the 2020 annual general meeting of the Company. Mr. Alexander Reid Hamilton, being the ex-Independent Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2018 for a term commencing from 30th May 2018 to the conclusion of the 2020 annual general meeting.

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

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

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

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

Mr. Wang Yuhang resigned as Executive Director and Chairman on 4th March 2020.

^ Mr. Liu Gang resigned as Executive Director on 19th May 2020.

* *for identification purposes only*

CONNECTED TRANSACTIONS

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

A. Continuing Connected Transactions

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

* *for identification purposes only*

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

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

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

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

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

* *for identification purpose only*

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

Caps with COSCO SHIPPING Group

	Caps for the year ending 31st December 2020	Caps for the year ending 31st December 2021	Caps for the year ending 31st December 2022
Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	**HK$1,600,000,000**	HK$1,690,000,000	HK$1,780,000,000
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	**US$45,000,000**	US$45,000,000	US$45,000,000
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	**HK$135,000,000**	HK$138,000,000	HK$140,000,000
Aggregate amount payable by the Group to COSCO SHIPPING Group for transactions contemplated under the Management Services Master Agreement	**HK$22,000,000**	HK$20,000,000	HK$21,000,000
Aggregate amount payable by the Group to COSCO SHIPPING Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO SHIPPING Group) for transactions contemplated under the Master Tenancy Agreement	**HK$30,000,000**	HK$31,000,000	HK$32,000,000
Amount of daily cash balance(s) of all cash deposits accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services and acceptance bill services) payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	**RMB725,000,000**	RMB730,000,000	RMB735,000,000
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO SHIPPING Finance for loan transactions contemplated under the Financial Services Master Agreement*	**RMB140,000,000**	RMB140,000,000	RMB140,000,000

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

The amount of the Supply Continuing Connected Transactions, the Fuel Oil Continuing Connected Transactions, the Purchase Continuing Connected Transactions, the Management Services Continuing Connected Transactions, the Tenancy Continuing Connected Transactions and the Financial Services Continuing Connected Transactions, (collectively called the "Continuing Connected Transactions with COSCO SHIPPING Group") for the financial year ended 31st December 2020 were as follows:

Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	HK$1,554,506,726
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	US$9,073,244
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$47,163,273
Aggregate amount payable by the Group to COSCO SHIPPING Group for transactions contemplated under the Management Services Master Agreement	HK$8,911,641
Aggregate amount payable by the Group to COSCO SHIPPING Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO SHIPPING Group) for transactions contemplated under the Master Tenancy Agreement	HK$22,243,289
Amount of daily cash balance(s) of all cash deposits accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services and acceptance bill services) payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	Not exceeded RMB725,000,000 with highest daily transaction volume of RMB301,933,537
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO SHIPPING Finance for loan transactions contemplated under the Financial Services Master Agreement*	Nil

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

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

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

The amount of the COSCO SHIPPING HK Management Services Continuing Connected Transactions for the financial year ended 31st December 2020 was HK$117,328,338.

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

The Independent Non-executive Directors had reviewed (1) the Supply Continuing Connected Transactions; (2) the Fuel Oil Continuing Connected Transactions; (3) the Purchase Continuing Connected Transactions; (4) the Management Services Continuing Connected Transactions; (5) the Tenancy Continuing Connected Transactions; (6) the Financial Services Continuing Connected Transactions; and (7) the COSCO SHIPPING HK Management Services Continuing Connected Transactions (collectively the "Group's Continuing Connected Transactions") and were of the opinion that the Group's Continuing Connected Transactions for the financial year ended 31st December 2020 had been entered into:

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

(ii) on normal commercial terms or better; and

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

For the purposes of Rule 14A.56 of the Listing Rules in relation to the Group's Continuing Connected Transactions, the Board engaged the auditor of the Company to report on the Group's Continuing Connected Transactions for the year ended 31st December 2020 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the Group's Continuing Connected Transactions for the year ended 31st December 2020 in accordance with Rule 14A.56 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

B. Connected Transaction

Entering into Asset Acquisition Agreement

On 21st September 2020, 中遠海運國際貿易有限公司(COSCO SHIPPING International Trading Company Limited*) ("CSITC"), a wholly-owned subsidiary of the Company, entered into the asset acquisition agreement with 深圳市中海海盛瀝青有限公司 (Shenzhen China Shipping Haisheng Asphalt Co., Ltd.*) ("Shenzhen Haisheng"), pursuant to which Shenzhen Haisheng agreed to sell and CSITC agreed to acquire the assets, including the structures and equipment within the asphalt depot ("Target Assets"), at a consideration of RMB16,277,000 (the "Acquisition Transaction"), completion of which would be subject to the fulfillment of conditions precedent. As the structures of the Target Assets are constructed on a parcel of land within Macun in Chengmai County in the Hainan Province of the PRC ("Leased Land"), on or before the completion of the Acquisition Transaction ("Completion"), 海南國盛石油有限公司(Hainan Guosheng Petroleum Co., Ltd.*) ("Hainan Guosheng") (as lessor) and CSITC (as lessee) would enter into the new lease agreement in respect of Leased Land for a term commencing from the date of Completion to 31st December 2032. Shenzhen Haisheng and Hainan Guosheng are both subsidiaries of COSCO SHIPPING, the ultimate holding company of the Company. Therefore, each of Shenzhen Haisheng and Hainan Guosheng is an associate and a connected person of the Company under the Listing Rules. The Acquisition Transaction and the transactions contemplated under the new lease agreement based on the value of the right-of-use assets to be recognised by the Group, constitute connected transactions of the Company under the Listing Rules, details of which were disclosed in the announcement of the Company dated 21st September 2020.

As informed by Shenzhen Haisheng that the time required for the coordination with the entities responsible for building, site investigation, design, construction, supervision and inspection of the asphalt depot to issue the necessary documents is longer than expected, the obtaining of the planning permit, construction permit and filing of construction inspection and acceptance by Shenzhen Haisheng would be delayed. In addition, for the purpose of the filings for fire safety of the asphalt depot, certain public facilities within the oil depot of Hainan Guosheng would also need to be upgraded and modified. It was therefore unlikely that Shenzhen Haisheng could complete the aforesaid outstanding conditions precedent within a short period of time. As such, CSITC and Shenzhen Haisheng were in the course of negotiating for the extension of long stop date for satisfaction of the outstanding conditions precedent to 31st March 2021, details of which were disclosed in the announcement of the Company dated 21st December 2020.

RELATED PARTY TRANSACTIONS

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

* *for identification purposes only*

Directors' Report

SHARE OPTION INCENTIVE SCHEME

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

1. Purpose of the Share Option Incentive Scheme

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

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

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

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

2. Participants of the Share Option Incentive Scheme

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

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

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

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

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

As at the date of the Report, a total of 26,290,000 Shares representing approximately 1.71% of the issued share capital of the Company may be issued upon exercise of all share options which had been granted and yet to be exercised under the Share Option Incentive Scheme.

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

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

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

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

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

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

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

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

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

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

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

8. Basis of determining the exercise price

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

9. Remaining life of the Share Option Incentive Scheme

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

Share Options

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

Category	Exercise price (HK$)	Outstanding as at 1st January 2020	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Outstanding as at 31st December 2020	Approximate % of total number of issued Shares	Exercisable period	Notes
Directors									
Mr. Zhu Jianhui	2.26	N/A	1,000,000	–	–	1,000,000	0.06%	28/04/2022–27/04/2026	1, 3
Mr. Ma Jianhua	2.26	N/A	1,000,000	–	–	1,000,000	0.06%	28/04/2022–27/04/2026	1, 3
Ex-director									
Mr. Liu Gang	2.26	N/A	800,000	–	–	800,000	0.05%	28/04/2022–27/04/2026	1, 3
			2,800,000	–	–	2,800,000			
Continuous contract employees	2.26	N/A	21,030,000	–	–	21,030,000	1.37%	28/04/2022–27/04/2026	1, 3
	2.184	N/A	2,460,000	–	–	2,460,000	0.16%	06/10/2022–05/10/2026	2, 3
			26,290,000	–	–	26,290,000			

Notes:

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

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

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

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

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

6 The fair values of the share options granted during the year are estimated based on the Binomial option pricing model, and such fair values and significant inputs into the model are as follows:

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

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2020, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

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

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

2. Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Nature of interest	Total number of ordinary shares of associated corporation held	Approximate percentage of the relevant class of total issued shares of associated corporation
Mr. Zhu Jianhui	China COSCO Holdings Company Limited ("China COSCO")*	Interest of spouse	Family	20,000 (A shares)	0.0003%
	China Shipping Container Lines Company Limited#	Interest of spouse	Family	10,000 (A shares)	0.0001%
Mr. Feng Boming	COSCO SHIPPING Development Co. Ltd.	Beneficial owner	Personal	29,100 (A shares)	0.0003%
	COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports")	Beneficial Owner	Personal	32,379	0.0009%
Mr. Kwong Che Keung, Gordon	COSCO SHIPPING Ports	Beneficial Owner	Personal	250,000	0.0075%

* China COSCO is now known as COSCO SHIPPING Holdings Co., Ltd.

\# China Shipping Container Lines Company Limited is now known as COSCO SHIPPING Development Co., Ltd.

3. Long positions in the underlying shares of equity derivatives of associated corporation

Share options

Name of Director	Name of associated corporation	Capacity	Nature of Interest	Exercise price (RMB)	Outstanding as at 1st January 2020	No. of share option granted during the year	No. of share option exercised during the year	No. of share option lapsed during the year	Outstanding as at 31st December 2020	Approximate % of total number of issued A shares of the associated corporation	Exercisable Period	Notes
Mr. Feng Boming	COSCO SHIPPING Holdings Co., Ltd.	Interest of spouse	Family	4.10	530,000	–	–	–	530,000	0.01%	03/06/2021– 02/06/2026	1, 3
		Personal interest	Beneficial owner	3.50	N/A	936,000	–	–	936,000	0.02%	30/05/2022– 28/05/2027	2, 3

Notes:

1 These share options were granted by COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") on 3rd June 2019 pursuant to the A share option incentive scheme adopted by COSCO SHIPPING Holdings on 30th May 2019.

2 These share options were granted by COSCO SHIPPING Holdings on 29th May 2020 pursuant to the A share option incentive scheme adopted on 30th May 2019 and revised scheme approved on 18th May 2020 by COSCO SHIPPING Holdings.

3 These share options will vest after 24 months from the date of grant ("Vesting Period"). Subject to the fulfillment of the relevant conditions, share option will be exercised in three batches after the expiry of the Vesting Period, i.e. (a) 33% of the share options can be exercised during the period from the first trading day after 24 months from the date of grant to the last trading day of the 36-month period from the date of grant.; (b) 33% of the share options can be exercised from the first trading day after 36 months from the date of grant to the last trading day of the 48-month period from the date of grant; and (c) 34% of the share options can be exercised from the first trading day after 48 months from the date of grant to the last trading day of the 84-month period from the date of grant.

Save as disclosed above and in the sub-section headed "Share Options" of "SHARE OPTION INCENTIVE SCHEME", none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange as at 31st December 2020.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2020, the following persons and entities, other than Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Nature of interest	Total number of ordinary shares of the Company held (Long positions)	Approximate percentage of total issued shares number of the Company
COSCO SHIPPING	Interest of controlled corporation	Corporate interest	1,042,507,486	68.00%
中國遠洋運輸有限公司 (China Ocean Shipping Company Limited*) ("COSCO")	Interest of controlled corporation	Corporate interest	1,042,507,486	68.00%
COSCO SHIPPING (Hong Kong)	Beneficial owner	Beneficial interest	1,042,507,486	68.00%

Note: COSCO SHIPPING (Hong Kong) has beneficial interest in 1,042,507,486 shares of the Company. Since COSCO SHIPPING (Hong Kong) is a wholly-owned subsidiary of COSCO which is in turn a wholly-owned subsidiary of COSCO SHIPPING, the interests of COSCO SHIPPING (Hong Kong) are deemed to be the interests of COSCO and in turn the interests of COSCO are deemed to be the interests of COSCO SHIPPING under the SFO.

COSCO and China Shipping Group Company Limited ("China Shipping") entered into a sale and purchase agreement on 1st March 2021 pursuant to which COSCO would gratuitously transfer its 100% equity interests in COSCO SHIPPING (Hong Kong) to China Shipping. Upon the completion of the internal restructuring, China Shipping, in place of COSCO, becomes the sole shareholder of COSCO SHIPPING (Hong Kong) and an indirect controlling shareholder of the Company, and COSCO SHIPPING remains as the ultimate holding company of the Company. On 19th March 2021, the internal restructuring was completed. In addition, COSCO SHIPPING (Hong Kong) holds 1,051,183,486 shares of the Company as at 19th March 2021, representing approximately 68.57% of the issued share capital of the Company.

* *for identification purposes only*

Save as disclosed above, as at 31st December 2020, the Company has not been notified by any person or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the 2021 AGM.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2020.

CORPORATE GOVERNANCE

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

The Board believed that the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year ended 31st December 2020 except (a)(i) Mr. Feng Boming, the Non-executive Director, was unable to attend the annual general meeting held on 29th May 2020 due to other business engagement; (ii) Mr. Feng Boming and Mr. Chen Dong, both the Non-executive Directors, were unable to attend the special general meetings held on 9th April 2020 and 7th July 2020 respectively due to other business engagement; and (iii) Mr. Alexander Reid Hamilton, the ex-Independent Non-executive Director, was unable to attend the special general meeting held on 9th April 2020 due to illness, a deviation from the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings; and (b) Mr. Zhu Jianhui, the Managing Director, has been re-designated from Vice Chairman to Chairman on 4th March 2020 and the roles of Chairman and Managing Director are performed by the same individual which deviates from code provision A.2.1 of the CG Code. However, the Board believes that the roles of Chairman of the Board and Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he acts for the benefit and in the best interests of the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategic and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management levels. The Company will continue to review its corporate governance policies and compliance with the Listing Rules and will continue to comply with the relevant provisions as set out in the CG Code.

Directors' Report

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of the Audit Committee include reviewing the accounting policies and the Company's financial reporting; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting, the risk management and internal control systems; ensuring compliance with applicable statutory accounting and reporting requirements. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited consolidated financial statements of the Group for the year ended 31st December 2020.

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

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31st December 2020, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

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

On behalf of the Board

Zhu Jianhui
Chairman and Managing Director

Hong Kong, 25th March 2021

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 133 to 205, which comprise:

- the consolidated statement of financial position as at 31st December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of trade receivables *Refer to notes 2(j), 4(a) and 16 to the consolidated financial statements.*	
At 31st December 2020, the Group had gross trade receivables of HK$753.9 million (2019: HK$702.5 million), against which a provision for impairment of HK$30.3 million (2019: HK$12.9 million) was made. Provision for impairment of trade receivables reflects management's best estimate to determine the expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. This is a Key Audit Matter because of the magnitude of the trade receivables balance and the significant judgement applied in assessing the allowance for expected credit losses.	Our audit procedures in relation to the impairment assessment of trade receivables included: • Understood, evaluated and tested management's internal controls over credit control process and its basis and methodology of estimation of the amount of impairment provision required for trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Assessed the appropriateness of the expected credit loss provisioning methodology; • Tested, on a sample basis, the key data inputs including the ageing schedule of trade receivables; • Challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses with the involvement of our in-house valuation experts; • Tested, on a sample basis, the post-year end settlements of trade receivables by tracing the settlements to the bank receipts as applicable; and • Assessed the adequacy of the disclosures related to the impairment assessment of trade receivables in the context of HKFRS disclosure requirements. Based on the procedures performed above, we considered that management's impairment assessment of trade receivables is supportable by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th March 2021

Consolidated Statement of Financial Position

As at 31st December 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	**109,044**	105,617
Property, plant and equipment	7(a)	**279,908**	281,550
Right-of-use assets	7(b)	**45,459**	39,577
Investment properties	9	**144,543**	121,261
Investments in joint ventures	10	**562,668**	437,419
Investments in associates	11	**167,403**	147,693
Financial assets at fair value through other comprehensive income	13	**57,590**	76,551
Deferred income tax assets	14(a)	**37,931**	43,004
		1,404,546	1,252,672
Current assets			
Inventories	15	**366,348**	305,997
Trade and other receivables	16	**1,645,823**	1,494,814
Current income tax recoverable		**3,330**	3,722
Restricted bank deposits	17	**13,600**	5,582
Current deposits and cash and cash equivalents	17	**6,505,047**	6,314,159
		8,534,148	8,124,274
Total assets		**9,938,694**	9,376,946
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	**153,296**	153,296
Reserves	19	**7,959,747**	7,773,109
		8,113,043	7,926,405
Non-controlling interests		**314,671**	291,814
Total equity		**8,427,714**	8,218,219
LIABILITIES			
Non-current liabilities			
Lease liabilities	7(b)	**6,194**	1,934
Deferred income tax liabilities	14(b)	**83,233**	67,743
		89,427	69,677
Current liabilities			
Trade and other payables	20	**951,298**	645,594
Contract liabilities	20	**358,284**	361,896
Current income tax liabilities		**18,038**	13,778
Short-term borrowings	21	**89,111**	61,399
Lease liabilities	7(b)	**4,822**	6,383
		1,421,553	1,089,050
Total liabilities		**1,510,980**	1,158,727
Total equity and liabilities		**9,938,694**	9,376,946

Zhu Jianhui
Director

Ma Jianhua
Director

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Income Statement

For the year ended 31st December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	3,442,894	3,265,745
Cost of sales		(2,814,363)	(2,710,535)
Gross profit		628,531	555,210
Management fee income	33(a)	117,328	107,726
Other income and gains/(losses) — net	22	11,933	(23,587)
Selling, administrative and general expenses	23	(625,292)	(554,687)
Operating profit		132,500	84,662
Finance income	26	137,635	207,849
Finance costs	26	(4,939)	(3,992)
Finance income — net	26	132,696	203,857
Share of profits of joint ventures	10	108,807	48,798
Share of profits of associates	11	31,022	48,431
Profit before income tax		405,025	385,748
Income tax expenses	27	(57,489)	(52,440)
Profit for the year		347,536	333,308
Profit attributable to:			
Equity holders of the Company		338,523	330,607
Non-controlling interests		9,013	2,701
		347,536	333,308
Earnings per share attributable to equity holders of the Company			
— basic and diluted, HK cents	28	22.08	21.57

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	**347,536**	333,308
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Share of currency translation differences of joint ventures	**11,136**	(3,230)
Share of currency translation differences of associates	**517**	210
Share of cash flow hedges of an associate, net of tax	**14,143**	3,897
Currency translation differences	**100,139**	(26,300)
Items that will not be reclassified to profit or loss:		
Fair value losses on financial assets at fair value through other comprehensive income, net	**(18,961)**	(1,453)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	**5,518**	7,428
Other comprehensive income/(losses) for the year	**112,492**	(19,448)
Total comprehensive income for the year	**460,028**	313,860
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	**431,911**	317,743
Non-controlling interests	**28,117**	(3,883)
	460,028	313,860

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2020

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2020		153,296	744,581	7,028,528	7,926,405	291,814	8,218,219
Profit for the year		—	—	338,523	338,523	9,013	347,536
Other comprehensive income/(losses)							
Share of currency translation differences of:							
— joint ventures	19	—	11,136	—	11,136	—	11,136
— associates	19	—	517	—	517	—	517
Share of cash flow hedges of an associate, net of tax	19	—	14,143	—	14,143	—	14,143
Currency differences on translation of:							
— subsidiaries	19	—	74,258	—	74,258	—	74,258
— joint ventures	19	—	6,750	—	6,750	—	6,750
— associates	19	—	27	—	27	—	27
— non-controlling interests		—	—	—	—	19,104	19,104
Fair value losses on financial assets at fair value through other comprehensive income, net	19	—	(18,961)	—	(18,961)	—	(18,961)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	19	—	5,518	—	5,518	—	5,518
Total comprehensive income for the year ended 31st December 2020		—	93,388	338,523	431,911	28,117	460,028
Transactions with owners							
Transfer between reserves	19	—	2,720	(2,720)	—	—	—
Dividends paid	19	—	—	(245,273)	(245,273)	(5,260)	(250,533)
Total transactions with owners		—	2,720	(247,993)	(245,273)	(5,260)	(250,533)
Balance at 31st December 2020		153,296	840,689	7,119,058	8,113,043	314,671	8,427,714

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2020

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2019		153,296	755,330	6,945,309	7,853,935	300,765	8,154,700
Profit for the year		—	—	330,607	330,607	2,701	333,308
Other comprehensive (losses)/income							
Share of currency translation differences of:							
— joint ventures	19	—	(3,230)	—	(3,230)	—	(3,230)
— associates	19	—	210	—	210	—	210
Share of cash flow hedges of an associate, net of tax	19	—	3,897	—	3,897	—	3,897
Currency differences on translation of:							
— subsidiaries	19	—	(16,546)	—	(16,546)	—	(16,546)
— joint ventures	19	—	(2,263)	—	(2,263)	—	(2,263)
— associates	19	—	(907)	—	(907)	—	(907)
— non-controlling interests		—	—	—	—	(6,584)	(6,584)
Fair value losses on financial assets at fair value through other comprehensive income, net	19	—	(1,453)	—	(1,453)	—	(1,453)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	19	—	7,428	—	7,428	—	7,428
Total comprehensive (losses)/income for the year ended 31st December 2019		—	(12,864)	330,607	317,743	(3,883)	313,860
Transactions with owners							
Transfer between reserves	19	—	2,115	(2,115)	—	—	—
Dividends paid	19	—	—	(245,273)	(245,273)	(5,068)	(250,341)
Total transactions with owners		—	2,115	(247,388)	(245,273)	(5,068)	(250,341)
Balance at 31st December 2019		153,296	744,581	7,028,528	7,926,405	291,814	8,218,219

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**307,641**	38,902
Income tax paid		**(35,497)**	(40,500)
Net cash from/(used in) operating activities		**272,144**	(1,598)
Cash flows from investing activities			
Decrease/(increase) in cash deposits with maturity over three months		**283,142**	(142,720)
Increase in restricted bank deposits		**(7,249)**	—
Repayment of a loan to a joint venture		**—**	23,595
Interest received		**159,870**	215,361
Dividends received from investments		**2,770**	3,219
Dividends received from joint ventures	10	**1,444**	2,595
Dividends received from associates	11	**25,999**	589
Net proceeds from disposal of property, plant and equipment		**193**	237
Purchases of intangible assets	6	**(3,139)**	(4,115)
Purchases of property, plant and equipment	7(a)	**(8,046)**	(13,455)
Net cash used in acquisition of a subsidiary		**(369)**	—
Net cash from investing activities		**454,615**	85,306
Cash flows from financing activities			
Loans from a fellow subsidiary		**84,338**	62,519
Repayment of loans from a fellow subsidiary		**(61,848)**	(45,469)
Principal elements of lease payments		**(9,212)**	(6,122)
Finance costs paid		**(4,596)**	(3,526)
Dividends paid to the Company's equity holders	35(a)	**(245,273)**	(245,273)
Dividends paid to non-controlling interests		**(10,055)**	(5,068)
Net cash used in financing activities		**(246,646)**	(242,939)
Net increase/(decrease) in cash and cash equivalents		**480,113**	(159,231)
Cash and cash equivalents at the beginning of the year		**805,165**	971,094
Exchange gains/(losses) on cash and cash equivalents		**15,075**	(6,698)
Cash and cash equivalents at the end of the year	17(g)	**1,300,353**	805,165

The notes on pages 139 to 205 form an integral part of these audited consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the board of directors on 25th March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of amendments to existing standards

In 2020, the Group has adopted the following amendments to existing standards issued by the HKICPA, which are relevant to its operations:

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1st January 2020
Amendments to HKFRS 3	Definition of a Business	1st January 2020

The adoption of the above amendments to existing standards did not result in any substantial changes to the Group's accounting policies and had no significant impact on the results and the financial position of the Group.

(ii) Amendments to existing standards those are not yet effective

The following amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 2020 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Annual improvements projects	Annual Improvements to HKFRSs 2018–2020	1st January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1st January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1st January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Disposal of subsidiaries

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

(c) Joint arrangements

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

Under the equity method of accounting, investment in joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates

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

Under the equity method of accounting, investment in associate is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

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

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

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

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

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates/joint ventures is included in investments in associates/joint ventures and is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (Continued)

(i) Goodwill (Continued)

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

(ii) Computer software

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

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

(f) Investment properties

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties (Continued)

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

(g) Property, plant and equipment

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

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

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

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

No depreciation is provided for construction in progress.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost of finished goods and work in progress comprises direct materials, direct labour and an appropriate proportion of all production overhead expenditure. It excludes borrowing costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. Cost of inventories includes the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of inventories.

(j) Financial assets

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Measurement

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

Equity instruments

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

Impairment

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

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

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash flow hedge that quantity for hedge accounting

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

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

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

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

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

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases

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

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

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

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

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

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

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

(m) Trade and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Cash and cash equivalents

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

(o) Trade and other payables

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

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

(p) Provisions

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

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

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

(q) Contingent liabilities

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

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

(r) Current and deferred income tax

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Current and deferred income tax (Continued)

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

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

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

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

(s) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

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

(t) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

(u) Employee benefits

(i) Pensions and retirement benefits

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Employee benefits (Continued)

(ii) Share-based compensation

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

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

(iii) Termination benefits

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

(v) Revenue and income recognition

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Revenue and income recognition (Continued)

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

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

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

(iii) Rental income

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

(iv) Dividend income

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

(v) Government subsidy income

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

(vi) Interest income

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

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

(w) Segment reporting

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

(x) Dividend distribution

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Share capital

Ordinary shares are classified as equity.

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Market risk

(1) Foreign currency risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) *Market risk (Continued)*

(1) *Foreign currency risk (Continued)*

Foreign currency risk arising from operations whose functional currency is Renminbi

At 31st December 2020, if Renminbi had weakened/strengthened by 5% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$2,264,000 (2019: HK$2,642,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables, contract liabilities and short-term borrowings.

(2) *Interest rate risk*

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

The Group also has certain borrowings (the "Interest Bearing Liabilities"). However, as these Interest Bearing Liabilities are primarily issued at fixed rates, the Group's exposure to cash flow interest rate risk is minimal.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets) will result in a net increase/decrease in the Group's post-tax profit by HK$29,476,000 (2019: HK$31,070,000).

(3) *Price risk*

The Group's fuel oil trading business is conducted on an indent basis where the purchase and selling prices of majority of the transactions are fixed in advance and thus the Group's exposure to fuel oil price risk is not significant. Management manages its exposure by entering into derivative contracts to hedge against the price fluctuation when the need arises. As at 31st December 2020 and 2019, there were no outstanding derivative financial instruments entered into by the Group.

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

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

	Increase/decrease in post-tax profit		**Increase/decrease in investment revaluation reserve**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% increase/decrease in market price	**–**	–	**2,743**	3,706

3 FINANCIAL RISK MANAGEMENT (Continued)

(ii) *Credit risk*

Credit risk mainly arises from trade and other receivables, balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with acceptable credit rating, as rated by external credit agencies, and over 95% of the Group's bank balances as at 31st December 2020 were placed with state-owned and listed banks. Management considers these balances are subject to low credit risk.

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

Trade and other receivables

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

On that basis, the expected loss allowance as at 31st December 2020 and 31st December 2019 was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount HK$'000	Expected loss allowance HK$'000
Ageing analysis as at 31st December 2020			
Current–90 days	**0.1%**	**520,424**	**300**
91–180 days	**1.3%**	**160,754**	**2,141**
181–365 days	**23.5%**	**51,647**	**12,155**
Over 1 year	**74.6%**	**21,032**	**15,697**
		753,857	**30,293**

	Expected loss rate	Gross carrying amount HK$'000	Expected loss allowance HK$'000
Ageing analysis as at 31st December 2019			
Current–90 days	0.0%	397,924	30
91–180 days	0.0%	148,819	33
181–365 days	3.6%	135,708	4,850
Over 1 year	39.7%	20,038	7,950
		702,489	12,863

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

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

As at 31st December 2020, the Group's provision for impairment of trade receivables amounted to HK$30,293,000 (2019: HK$12,863,000). During the year, net provision for impairment of trade receivables amounted to HK$16,270,000 (2019: net reversal of provision for impairment of trade receivables amounted to HK$837,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

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

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

	Less than 1 year HK$'000
Group	
At 31st December 2020	
Trade and other payables	**951,298**
Short-term borrowing	**89,111**
At 31st December 2019	
Trade and other payables	645,594
Short-term borrowings	61,399

(b) Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's total borrowings divided by total assets. The Group's strategy, which was unchanged from 2018, is to maintain a low gearing ratio. The gearing ratios at 31st December 2020 and 2019 were as follows:

	2020 HK$'000	2019 HK$'000
Total borrowings	**89,111**	61,399
Total assets	**9,938,694**	9,376,946
Gearing ratio	**0.9%**	0.7%

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

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

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

The following table presents the Group's financial assets and investment properties that are measured at fair value at 31st December 2020.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Financial assets at FVOCI				
— equity securities	**54,856**	**—**	**2,734**	**57,590**
Investment properties				
— commercial — Hong Kong	**—**	**—**	**29,800**	**29,800**
— commercial — Overseas	**—**	**—**	**33,398**	**33,398**
— residential — Hong Kong	**—**	**—**	**18,100**	**18,100**
— residential — PRC	**—**	**—**	**63,245**	**63,245**
Total assets	**54,856**	**—**	**147,277**	**202,133**

The following table presents the Group's financial assets and investment properties that are measured at fair value at 31st December 2019.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at FVOCI				
— equity securities	74,121	—	2,430	76,551
Investment properties				
— commercial — Hong Kong	—	—	29,800	29,800
— commercial — Overseas	—	—	32,922	32,922
— residential — Hong Kong	—	—	10,500	10,500
— residential — PRC	—	—	48,039	48,039
Total assets	74,121	—	123,691	197,812

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

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

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

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

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

There were no Level 2 financial assets in 2020 and 2019.

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

At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. Valuation techniques adopted is the direct comparison approach and the unobservable inputs being the price per gross floor area. The range of unobservable input at 31st December 2020 was from HK$3,393 to HK$19,593 per square foot (2019: from HK$3,402 to HK$14,972 per square foot). There is a positive correlation between the fair value price per square foot and the fair value of the investment properties.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Management has taken reference to the net asset value of the investment to determine its fair value as at the reporting date.

(f) Valuation process

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Provision for impairment of trade receivables

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

(b) Allowances for inventory

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

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

(c) Income taxes

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

5 REVENUE AND SEGMENT INFORMATION

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

	2020 HK$'000	2019 HK$'000
Sale of coatings	**1,085,028**	1,002,416
Sale of marine equipment and spare parts	**1,315,925**	1,262,058
Commission income from ship trading agency	**90,934**	84,978
Commission income from insurance brokerage	**92,207**	83,396
Sale of marine fuel and other products	**70,404**	47,033
Sale of asphalt and other products	**788,396**	785,864
	3,442,894	3,265,745

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31st December 2020									
	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit or loss items:										
Segment revenue	1,085,028	1,315,925	90,976	93,089	70,404	2,655,422	788,396	–	(924)	3,442,894
Inter-segment revenue	–	–	(42)	(882)	–	(924)	–	–	924	–
Revenue from external customers	1,085,028	1,315,925	90,934	92,207	70,404	2,654,498	788,396	–	–	3,442,894
Segment operating profit/(loss)	16,726	73,295	70,397	63,974	(2,004)	222,388	12,258	2,770	–	237,416
Finance income	479	661	1,914	974	128	4,156	268	–	(380)	4,044
Finance costs	(240)	(1,100)	(12)	(92)	(2)	(1,446)	(3,856)	–	380	(4,922)
Share of profits of joint ventures	106,201	1,270	1,336	–	–	108,807	–	–	–	108,807
Share of profits of associates	–	–	71	–	29,329	29,400	1,622	–	–	31,022
Segment profit before income tax	123,166	74,126	73,706	64,856	27,451	363,305	10,292	2,770	–	376,367
Income tax expenses	(8,728)	(11,396)	(22,662)	(11,766)	–	(54,552)	(2,103)	–	–	(56,655)
Segment profit after income tax	114,438	62,730	51,044	53,090	27,451	308,753	8,189	2,770	–	319,712
Balance sheet items:										
Total segment assets	1,701,953	1,381,139	319,196	363,543	204,414	3,970,245	722,454	54,856	(162,960)	4,584,595
Total segment assets include:										
– Joint ventures	546,340	11,434	4,894	–	–	562,668	–	–	–	562,668
– Associates	–	–	2,341	–	156,262	158,603	8,800	–	–	167,403
Total segment liabilities	398,810	623,038	72,038	214,716	309	1,308,911	190,349	–	(162,960)	1,336,300
Other items:										
Depreciation and amortisation, net of amount capitalised	22,496	7,016	280	236	–	30,028	6,287	–	–	36,315
Reversal of provision for impairment of inventories, net	(7,835)	–	–	–	–	(7,835)	–	–	–	(7,835)
Provision for impairment of trade receivables, net	14,153	344	–	–	–	14,497	1,773	–	–	16,270
Government subsidy income	(1,214)	(4,157)	–	(1,078)	–	(6,449)	(230)	–	–	(6,679)
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	1,883	10,053	3,165	49	–	15,150	4,231	–	–	19,381

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31st December 2019									
	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total				
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit or loss items:										
Segment revenue	1,002,416	1,262,329	84,978	84,246	47,033	2,481,002	789,214	–	(4,471)	3,265,745
Inter-segment revenue	–	(271)	–	(850)	–	(1,121)	(3,350)	–	4,471	–
Revenue from external customers	1,002,416	1,262,058	84,978	83,396	47,033	2,479,881	785,864	–	–	3,265,745
Segment operating profit/(loss)	771	67,461	53,254	56,103	(4,070)	173,519	9,290	3,219	–	186,028
Finance income	1,163	476	2,071	2,476	58	6,244	1,048	–	(418)	6,874
Finance costs	(146)	(1,687)	(21)	(120)	(583)	(2,557)	(4,944)	–	418	(7,083)
Share of profits of joint ventures	47,280	827	691	–	–	48,798	–	–	–	48,798
Share of profits of associates	–	–	13	–	47,070	47,083	1,348	–	–	48,431
Segment profit before income tax	49,068	67,077	56,008	58,459	42,475	273,087	6,742	3,219	–	283,048
Income tax expenses	(10,416)	(10,912)	(18,012)	(10,677)	–	(50,017)	(2,062)	–	–	(52,079)
Segment profit after income tax	38,652	56,165	37,996	47,782	42,475	223,070	4,680	3,219	–	230,969
Balance sheet items:										
Total segment assets	1,369,790	1,268,441	249,308	294,956	188,549	3,371,044	657,157	74,121	(174,646)	3,927,676
Total segment assets include:										
– Joint ventures	424,665	9,482	3,272	–	–	437,419	–	–	–	437,419
– Associates	–	–	2,129	–	138,024	140,153	7,540	–	–	147,693
Total segment liabilities	242,697	583,640	55,847	157,988	579	1,040,751	165,341	–	(174,646)	1,031,446
Other items:										
Depreciation and amortisation, net of amount capitalised	18,466	7,221	216	236	–	26,139	2,685	–	–	28,824
Reversal of provision for impairment of inventories, net	(1,115)	–	–	–	–	(1,115)	–	–	–	(1,115)
Reversal of provision for impairment of trade receivables, net	(544)	(293)	–	–	–	(837)	–	–	–	(837)
Government subsidy income	(1,898)	–	–	–	–	(1,898)	–	–	–	(1,898)
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	11,758	3,071	–	287	–	15,116	3,995	–	–	19,111

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2020 HK$'000	2019 HK$'000
Profit before income tax for reportable segments	373,597	279,829
Profit before income tax for others	2,770	3,219
Profit before income tax for all segments	376,367	283,048
Elimination of segment income from corporate headquarters	(534)	(442)
Elimination of segment finance costs to corporate headquarters	–	3,115
Corporate finance income	133,591	200,975
Corporate finance costs	(17)	(24)
Corporate net exchange losses	(25,884)	(31,964)
Corporate expenses, net of income	(78,498)	(68,960)
Profit before income tax for the Group	405,025	385,748
Income tax expenses for all segments	(56,655)	(52,079)
Corporate income tax expenses	(834)	(361)
Profit after income tax for the Group	347,536	333,308

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

	2020 HK$'000	2019 HK$'000
Total assets for reportable segments	4,692,699	4,028,201
Total assets for others	54,856	74,121
Elimination of inter-segment receivables	(162,960)	(174,646)
Total assets for all segments	4,584,595	3,927,676
Corporate assets (mainly deposits and cash and cash equivalents)	5,512,941	5,603,750
Elimination of receivables between corporate headquarters and segments	(158,842)	(154,480)
Total assets for the Group	9,938,694	9,376,946

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2020 HK$'000	2019 HK$'000
Total liabilities for reportable segments	**1,499,260**	1,206,092
Elimination of inter-segment payables	**(162,960)**	(174,646)
Total liabilities for all segments	**1,336,300**	1,031,446
Corporate liabilities	**333,522**	281,761
Elimination of payables between corporate headquarters and segments	**(158,842)**	(154,480)
Total liabilities for the Group	**1,510,980**	1,158,727

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK$915,904,000 (2019: HK$907,205,000) and HK$2,526,990,000 (2019: HK$2,358,540,000) respectively.

The total of non-current assets, other than financial assets at FVOCI and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$814,109,000 (2019: HK$653,932,000) and HK$494,916,000 (2019: HK$479,185,000) respectively.

6 INTANGIBLE ASSETS

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
Cost:			
At 1st January 2019	106,523	14,346	120,869
Currency translation differences	(414)	(1,101)	(1,515)
Additions	—	4,115	4,115
At 31st December 2019	**106,109**	**17,360**	**123,469**
Currency translation differences	**1,238**	**840**	**2,078**
Additions	**—**	**3,139**	**3,139**
Write-offs	**—**	**(997)**	**(997)**
At 31st December 2020	**107,347**	**20,342**	**127,689**
Accumulated amortisation and impairment:			
At 1st January 2019	5,984	11,437	17,421
Currency translation differences	—	(1,009)	(1,009)
Amortisation (note 23)	—	1,440	1,440
At 31st December 2019	**5,984**	**11,868**	**17,852**
Currency translation differences	**—**	**422**	**422**
Amortisation (note 23)	**—**	**1,368**	**1,368**
Write-offs	**—**	**(997)**	**(997)**
At 31st December 2020	**5,984**	**12,661**	**18,645**
Net book amount:			
At 31st December 2020	**101,363**	**7,681**	**109,044**
At 31st December 2019	100,125	5,492	105,617

6 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

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

	2020 HK$'000	2019 HK$'000
Agency service in respect of shipbuilding, ship trading and bareboat charter business	**47,857**	47,116
Provision of insurance brokerage services	**35,046**	35,046
Trading of marine equipment and spare parts	**18,460**	17,963
	101,363	100,125

The recoverable amounts of the above business units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and thereafter with estimated compound annual growth rate of 3% (2019: 3%). Management determined forecast profitability based on past performance and its expectation for market development. Future cash flows are discounted at 9 % (2019: 8%) per annum. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. These assumptions have been used for the analysis of each cash generating unit within the operating segment. Management determined the annual growth rate and discount rate for each business unit covering over the five-year forecast period to be key assumptions.

7(a) PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:						
At 1st January 2019	291,049	124,132	17,872	36,579	9,629	479,261
Currency translation differences	(5,614)	(3,535)	(49)	(883)	(39)	(10,120)
Additions	28	5,462	225	2,842	4,898	13,455
Transfer from right-of-use assets	—	7,299	—	—	—	7,299
Transfer between categories	—	13,578	—	910	(14,488)	—
Disposals	—	(3,485)	(27)	(2,298)	—	(5,810)
Transfer to investment properties (note 9)	(388)	—	—	—	—	(388)
At 31st December 2019	**285,075**	**143,451**	**18,021**	**37,150**	**—**	**483,697**
Currency translation differences	**17,196**	**8,757**	**224**	**2,203**	**—**	**28,380**
Acquisition of a subsidiary	**336**	**6,061**	**—**	**6**	**—**	**6,403**
Additions	**35**	**6,590**	**694**	**727**	**—**	**8,046**
Disposals	**—**	**(4,632)**	**—**	**(2,534)**	**—**	**(7,166)**
Transfer to investment properties (note 9)	**(393)**	**—**	**—**	**—**	**—**	**(393)**
At 31st December 2020	**302,249**	**160,227**	**18,939**	**37,552**	**—**	**518,967**
Accumulated depreciation:						
At 1st January 2019	60,775	74,090	16,434	33,902	—	185,201
Currency translation differences	(1,381)	(2,412)	(55)	(815)		(4,663)
Transfer from right-of-use assets	—	2,774	—	—	—	2,774
Depreciation (note 23(a))	9,651	12,277	936	2,002	—	24,866
Disposals	—	(3,485)	(27)	(2,295)	—	(5,807)
Transfer to investment properties (note 9)	(224)	—	—	—	—	(224)
At 31st December 2019	**68,821**	**83,244**	**17,288**	**32,794**	**—**	**202,147**
Currency translation differences	**4,944**	**5,216**	**227**	**2,068**	**—**	**12,455**
Depreciation (note 23(a))	**13,098**	**15,937**	**470**	**2,333**	**—**	**31,838**
Disposals	**—**	**(4,609)**	**—**	**(2,532)**	**—**	**(7,141)**
Transfer to investment properties (note 9)	**(240)**	**—**	**—**	**—**	**—**	**(240)**
At 31st December 2020	**86,623**	**99,788**	**17,985**	**34,663**	**—**	**239,059**
Net book amount:						
At 31st December 2020	**215,626**	**60,439**	**954**	**2,889**	**—**	**279,908**
At 31st December 2019	216,254	60,207	733	4,356	—	281,550

7(a) PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2020 HK$'000	2019 HK$'000
Leasehold properties held in Hong Kong		
— on leases of over 50 years	154	311
— on leases of between 10 and 50 years	54	78
Leasehold properties held outside Hong Kong		
— on leases of between 10 and 50 years	214,453	210,813
— on leases of less than 10 years	965	5,052
	215,626	216,254

7(b) LEASES

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

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
Leasehold land and buildings	12,880	11,447
Machinery, equipment and motor vehicles	991	—
Prepaid premium for land leases	31,588	28,130
	45,459	39,577
Lease liabilities		
Current	4,822	6,383
Non-current	6,194	1,934
	11,016	8,317

During the year, addition to the right-of-use assets was HK$12,569,000 (2019: HK$1,692,000) and an addition of HK$2,230,000 was from the acquisition of a subsidiary (2019: Nil).

7(b) LEASES (Continued)

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2020 HK$'000	2019 HK$'000
Depreciation of right-of-use assets (note 23)		
Leasehold land and buildings	6,657	5,856
Machinery, equipment and motor vehicles	2,112	941
Prepaid premium for land leases	710	667
	9,479	7,464
Interest expense (included in finance costs) (note 26)	322	454
Expenses related to short-term leases (note 23)	27,784	22,399

The total cash outflow for leases liabilities for the year ended 31st December 2020 was HK$9,212,000 (2019: HK$6,122,000), which included payments of lease liabilities to fellow subsidiaries of HK$4,029,000 (2019:HK$3,757,000). The total cash outflow for short-term leases for the year ended 31st December 2020 was HK$27,784,000 (2019: HK$22,399,000).

(iii) The Group's leasing activities and how these are accounted for

The Group leases various buildings, machinery, equipment and motor vehicles. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

8 PREPAID PREMIUM FOR LAND LEASES

	2020 HK$'000	2019 HK$'000
At 1st January	–	29,429
Transfer to right-of-use assets	–	(29,429)
At 31st December	–	—

9 INVESTMENT PROPERTIES

	Completed commercial properties —Hong Kong HK$'000	Completed commercial properties —Overseas HK$'000	Completed residential properties —Hong Kong HK$'000	Completed residential properties —PRC HK$'000	Total HK$'000
At 1st January 2019	29,800	32,567	—	44,647	107,014
Currency translation differences	—	355	—	(1,055)	(700)
Transfer from property, plant and equipment (note 7(a))	—	—	164	—	164
Transfer from right-of-use assets	—	—	408	—	408
Fair value gains (note 22)	—	—	2,500	4,447	6,947
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties (note 19)	—	—	7,428	—	7,428
At 1st January 2020	**29,800**	**32,922**	**10,500**	**48,039**	**121,261**
Currency translation differences	**—**	**476**	**—**	**3,738**	**4,214**
Transfer from property, plant and equipment (note 7(a))	**—**	**—**	**153**	**—**	**153**
Transfer from right-of-use assets	**—**	**—**	**1,529**	**—**	**1,529**
Fair value gains (note 22)	**—**	**—**	**400**	**11,468**	**11,868**
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties (note 19)	**—**	**—**	**5,518**	**—**	**5,518**
At 31st December 2020	**29,800**	**33,398**	**18,100**	**63,245**	**144,543**

The Group's interests in investment properties are analysed as follows:

	2020 HK$'000	2019 HK$'000
Held in Hong Kong		
— on leases of over 50 years (note)	**47,900**	40,300
Held outside Hong Kong		
— on leases of between 10 and 50 years	**63,245**	48,039
— on freehold land	**33,398**	32,922
	144,543	121,261

Note:

During the year, a residential property in Hong Kong has been reclassified as investment properties as a result of a change in use. The property was revalued on the date of the reclassification from property, plant and equipment and right-of-use assets to investment properties. The fair value was determined based on a valuation report prepared by management upon transfer, and was valued separately by an independent qualified valuer at year end.

9 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value.

The investment properties in Hong Kong and the PRC were revalued by Cushman & Wakefield Limited, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31st December 2020 and 2019.

The overseas investment property was revalued by Pioneer Property Consultants LLP, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31st December 2020 and 2019.

The Group's finance department includes a team that reviews the valuations performed annually by the independent valuers for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and the independent valuers at least annually.

At each financial year end, the finance department:

- verifies all major inputs to the independent valuation reports;
- assesses property valuations movements when compared to the prior year valuation report; and
- holds discussions with the independent valuers.

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

Fair values of completed commercial and residential properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

10 INVESTMENTS IN JOINT VENTURES

	2020 **HK$'000**	2019 HK$'000
At 1st January	**437,419**	396,709
Currency translation differences (note 19)	**6,750**	(2,263)
Share of profits	**108,807**	48,798
Share of other comprehensive income/(losses) (note 19)	**11,136**	(3,230)
Dividends received	**(1,444)**	(2,595)
At 31st December	**562,668**	437,419

10 INVESTMENTS IN JOINT VENTURES (Continued)

Note:

On 6th August 2018, the Company completed its acquisition of 33% of equity interest in Nasurfar Changshu, a company incorporated in the PRC, at a consideration of RMB89,830,000 (approximately HK$102,971,000). Under the share subscription agreement, the Group has an option to put back the investment to the original shareholder at the original consideration plus interest if Nasurfar Changshu cannot fulfill a predetermined cumulative profit target within 5 financial years from the year of acquisition. Management considers the probability of such option being exercisable is remote and hence the option is of insignificant value.

Particulars of the joint ventures of the Group as at 31st December 2020 are set out in note 37 to the financial statements.

Summarised financial information for a material joint venture of the Group

Set out below are the summarised financial information for Jotun COSCO, a material joint venture.

Summarised statement of financial position

	2020 HK$'000	2019 HK$'000
Non-current assets	**359,771**	396,195
Current assets		
Cash and cash equivalents	**232,473**	212,575
Other current assets	**1,126,607**	1,120,548
Total current assets	**1,359,080**	1,333,123
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	**(147,254)**	(421,319)
Other current liabilities	**(709,879)**	(676,388)
Total current liabilities	**(857,133)**	(1,097,707)
Non-current liabilities		
Deferred income tax liabilities	**(10,141)**	(5,304)
Other non-current liabilities	**(9,231)**	(5,352)
Total non-current liabilities	**(19,372)**	(10,656)
Net assets	**842,346**	620,955

10 INVESTMENTS IN JOINT VENTURES (Continued)

Summarised statement of comprehensive income

	2020 HK$'000	2019 HK$'000
Revenue	**2,480,195**	2,213,894
Depreciation and amortisation	**53,630**	42,343
Interest income	**1,154**	1,469
Interest expense	**12,189**	19,066
Profit before income tax	**246,390**	94,568
Income tax expenses	**(47,353)**	(12,063)
Profit for the year	**199,037**	82,505
Other comprehensive income/(losses)	**22,354**	(6,477)
Total comprehensive income	**221,391**	76,028

The information disclosed above reflects the amounts presented in the financial statements of the joint venture prepared under HKFRSs.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Jotun COSCO.

	2020 HK$'000	2019 HK$'000
Opening net assets at 1st January	**620,955**	544,927
Profit for the year	**199,037**	82,505
Other comprehensive income/(losses)		
Currency translation differences	**22,354**	(6,477)
Closing net assets at 31st December	**842,346**	620,955
Interest in joint venture (50%)	**421,173**	310,477
Goodwill	**7,097**	7,097
Carrying amount	**428,270**	317,574

The aggregate carrying amounts of individually immaterial joint ventures are HK$134,398,000 (2019: HK$119,845,000). The aggregate amounts of the Group's share of these immaterial joint ventures' profits for the year and total comprehensive losses are HK$9,289,000 (2019: HK$7,546,000) and HK$41,000 (2019: HK$4,850,000) respectively.

11 INVESTMENTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
At 1st January	**147,693**	96,651
Currency translation differences (note 19)	**27**	(907)
Share of profits	**31,022**	48,431
Share of other comprehensive income (note 19)	**14,660**	4,107
Dividends received	**(25,999)**	(589)
At 31st December	**167,403**	147,693

No summarised financial information for associates has been set out, as there were no individually material associates in 2020 and 2019.

Particulars of the associates of the Group as at 31st December 2020 are set out in note 37 to the financial statements.

12 FINANCIAL INSTRUMENTS BY CATEGORY

The Group has categorised its financial instruments as follows:

	Financial assets at amortised cost HK$'000	Financial assets at FVOCI HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
At 31st December 2020			
Financial assets at FVOCI (note 13)	**—**	**57,590**	**57,590**
Trade and other receivables excluding prepayments (note 16)	**1,645,136**	**—**	**1,645,136**
Restricted bank deposits, deposits and cash and cash equivalents (note 17)	**6,518,647**	**—**	**6,518,647**
Total	**8,163,783**	**57,590**	**8,221,373**
At 31st December 2019			
Financial assets at FVOCI (note 13)	—	76,551	76,551
Trade and other receivables excluding prepayments (note 16)	1,492,298	—	1,492,298
Restricted bank deposits, deposits and cash and cash equivalents (note 17)	6,319,741	—	6,319,741
Total	7,812,039	76,551	7,888,590

12 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31st December 2020	
Trade and other payables excluding non-financial liabilities (note 20)	**951,298**
Contract liabilities (note 20)	**358,284**
Short-term borrowing (note 21)	**89,111**
Lease liabilities (note 7(b))	**11,016**
Total	**1,409,709**
At 31st December 2019	
Trade and other payables excluding non-financial liabilities (note 20)	645,594
Contract liabilities (note 20)	361,896
Short-term borrowings (note 21)	61,399
Lease liabilities (note 7(b))	8,317
Total	1,077,206

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
Financial assets at FVOCI		
— Unlisted	**2,734**	2,430
— Listed	**54,856**	74,121
	57,590	76,551

Financial assets are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
Financial assets at FVOCI		
— Renminbi	**2,734**	2,430
— Hong Kong dollars	**54,856**	74,121
	57,590	76,551

14 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the reporting date.

The movement on the net deferred income tax liabilities during the year is as follows:

	2020 HK$'000	2019 HK$'000
At 1st January	(24,739)	(11,333)
Currency translation differences	(2,574)	464
Acquisition of a subsidiary	126	—
Transferred to current income tax liabilities	281	468
Charged to the consolidated income statement, net (note 27)	(18,396)	(14,338)
At 31st December	(45,302)	(24,739)

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2020, the Group has unrecognised tax losses of HK$132,263,000 (2019: HK$122,276,000) to carry forward against future taxable profits, of which HK$8,111,000 (2019: HK$6,235,000) can be carried forward indefinitely. The remaining tax losses have an expiry date of up to 5 years.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances after offsetting where appropriate are as follows:

	2020 HK$'000	2019 HK$'000
Deferred income tax assets:		
— to be recovered after more than 12 months	32,028	26,883
— to be recovered within 12 months	5,903	16,121
	37,931	43,004
Deferred income tax liabilities:		
— to be settled after more than 12 months	(58,113)	(44,141)
— to be settled within 12 months	(25,120)	(23,602)
	(83,233)	(67,743)
	(45,302)	(24,739)

14 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Accrued liabilities HK$'000	Impairment losses HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January 2019	24,151	7,461	20,690	634	52,936
Currency translation differences	(345)	(133)	(503)	(1)	(982)
(Charged)/credited to the consolidated income statement	(10,196)	(1,657)	2,851	52	(8,950)
At 31st December 2019	13,610	5,671	23,038	685	43,004
Currency translation differences	606	468	1,255	10	2,339
Acquisition of a subsidiary	—	126	—	—	126
(Charged)/credited to the consolidated income statement	(4,763)	1,685	(4,000)	(460)	(7,538)
At 31st December 2020	9,453	7,950	20,293	235	37,931

(b) Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2019	(1,815)	(20,681)	(41,773)	(64,269)
Currency translation differences	(10)	503	953	1,446
Transfer to current income tax liabilities	—	—	468	468
Charged to the consolidated income statement	—	(2,836)	(2,552)	(5,388)
At 31st December 2019	(1,825)	(23,014)	(42,904)	(67,743)
Currency translation differences	(12)	(1,876)	(3,025)	(4,913)
Transfer to current income tax liabilities	—	—	281	281
Charged to the consolidated income statement	—	(6,977)	(3,881)	(10,858)
At 31st December 2020	(1,837)	(31,867)	(49,529)	(83,233)

15 INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	65,559	50,155
Work in progress	3,693	4,212
Finished goods	297,096	251,630
	366,348	305,997

The cost of inventories recognised as expense and included in cost of sales amounted to HK$2,814,363,000 (2019: HK$2,710,535,000).

As at 31st December 2020, inventories of HK$35,573,000 (2019: HK$22,398,000) were carried at net realisable value.

16 TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables		
— third parties	484,196	320,424
— fellow subsidiaries (note (d))	242,111	322,444
— related companies (note (d))	26,923	55,870
— joint ventures (note (d))	2	2,877
— non-controlling interests (note (d))	625	874
	753,857	702,489
Less: provision for impairment (note (b))	(30,293)	(12,863)
Trade receivables — net (note (a))	723,564	689,626
Bills receivable		
— third parties	186,296	109,574
— fellow subsidiaries (note (d))	163,290	3,831
— related companies (note (d))	19,050	15,998
— joint ventures (note (d))	5,966	11,163
— non-controlling interests (note (d))	201	614
Prepayments	687	2,516
Deposits and other receivables		
— third parties	537,683	625,400
— fellow subsidiaries (note (d))	3,047	9,166
— related companies (note (d))	26	73
— joint ventures (note (d))	411	328
Amounts due from immediate holding company (note (d))	4,823	16,023
Amounts due from fellow subsidiaries (note (d))	779	10,502
	1,645,823	1,494,814

16 TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) As at 31st December, the ageing analysis of trade receivables (net of provision for impairment) based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
Current–90 days	520,124	397,894
91–180 days	158,613	148,786
Over 180 days	44,827	142,946
	723,564	689,626

For sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 120 days. Other than those with credit terms, all invoices are payable upon presentation.

(b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, and it was assessed an amount of HK$30,293,000 of the receivable balance was impaired as at 31st December 2020 (2019: HK$12,863,000).

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

	2020 HK$'000	2019 HK$'000
At 1st January	12,863	14,566
Currency translation differences	1,401	(200)
Provision/(reversal of provision) for impairment, net (note 22)	16,270	(837)
Amount written off	(241)	(666)
At 31st December	30,293	12,863

(c) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
Renminbi	1,099,783	818,318
Hong Kong dollars	62,131	114,812
United States dollars	127,787	220,457
Others	356,122	341,227
	1,645,823	1,494,814

(d) Balances with immediate holding company, fellow subsidiaries, related companies, joint ventures and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills receivable, which are repayable according to the respective credit terms.

(e) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. As at 31st December 2020 and 2019, the Group does not hold any collateral as security.

17 RESTRICTED BANK DEPOSITS, CURRENT DEPOSITS AND CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Restricted bank deposits (note (a))	**13,600**	5,582
Current deposits with a fellow subsidiary (note (b))	**353,330**	324,677
Short-term bank deposits	**5,636,168**	5,676,514
Cash at bank and on hand	**515,549**	312,968
Current deposits and cash and cash equivalents	**6,505,047**	6,314,159
Total deposits and cash and cash equivalents	**6,518,647**	6,319,741

Notes:

(a) Restricted bank deposits represent deposits placed to meet statutory requirement for insurance brokerage business in the PRC and deposits pledged for issuance of bills in the PRC.

(b) Deposits with a fellow subsidiary, which is a financial institution in the PRC, bear interest at prevailing market rates.

(c) As at 31st December 2020, the Group has fiduciary funds of HK$190,949,000 (2019: HK$95,553,000) which represent clients' money kept for payment of insurance premiums to the underwriters and settlement of claims to the policyholders of insurance brokerage business. They are not available for general corporate purpose.

(d) The carrying amounts of total deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
Renminbi	**337,071**	268,226
Hong Kong dollars	**205,014**	138,970
United States dollars	**5,857,215**	5,844,027
Others	**119,347**	68,518
	6,518,647	6,319,741

(e) The Group's cash and cash equivalents denominated in Renminbi are mainly deposited with banks and a fellow subsidiary in the PRC. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(f) The maximum exposure to credit risk at the reporting date is the carrying amount of the balances mentioned above.

(g) The Group's cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2020 HK$'000	2019 HK$'000
Total deposits and cash and cash equivalents	**6,518,647**	6,319,741
Less: restricted bank deposits	**(13,600)**	(5,582)
cash deposits with maturity more than three months from date of placement	**(5,204,694)**	(5,508,994)
Cash and cash equivalents	**1,300,353**	805,165

18 SHARE CAPITAL

	2020 Number of shares	2020 HK$'000	2019 Number of shares	2019 HK$'000
Issued and fully paid:				
At 1st January and 31st December	**1,532,955,429**	**153,296**	1,532,955,429	153,296

Share options

On 9th April 2020, a share option incentive scheme (the "Share Option Incentive Scheme") was adopted at the special general meeting of the Company. The purpose of the Share Option Incentive Scheme is to, inter alia, attract, retain and incentivise senior management and key personnel of the Company, promote the realisation of the long-term strategic targets of the Company, and serve as the driving force for the long-term development of the Company.

Particulars and movements of the share options granted by the Company during the year are as follows:

			Year ended 31st December 2020 Number of share options				
Date of grant	**Exercisable year**	**Exercise price**	**Outstanding as at 1st January 2020**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding as at 31st December 2020**
28th April 2020 ("1st Date of Grant)	Note (a)	HK$2.26	—	23,830,000	—	—	23,830,000
6th October 2020 ("2nd Date of Grant)	Note (b)	HK$2.184	—	2,460,000	—	—	2,460,000
			—	26,290,000	—	—	26,290,000

Notes:

(a) On 28th April 2020, the Company granted an aggregate of 23,830,000 share options at an exercise price of HK$2.26 per share to 71 eligible directors of the Company and employees of the Group to subscribe for a total of 23,830,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted on the 1st Date of Grant are exercisable from 28th April 2022 to 27th April 2026 in batches.

(b) On 6th October 2020, the Company granted an aggregate of 2,460,000 share options at an exercise price of HK$2.184 per share to 8 eligible employees of the Group to subscribe for a total of 2,460,000 shares of HK$0.10 each in the capital of the Company under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted on the 2nd Date of Grant are exercisable from 6th October 2022 to 5th October 2026 in batches.

Under the Share Option Incentive Scheme, the exercises of the share options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any option granted. After the expiration of each vesting period, the participant may exercise the share options in three batches commencing from the third, fourth and fifth year after the date of grant respectively. During the year, none of the share options was exercised.

18 SHARE CAPITAL (Continued)

Share options (Continued)

The fair values of the share options granted during the year are estimated based on the Binomial option pricing model, and such fair values and significant inputs in the model are as follows:

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

Expected volatility measured at the standard deviation of expected share price is based on the historical share price movement of the Company prior to the date of the grant.

There was no employee share options benefit expenses recognised during the year (2019: Nil).

As at 31st December 2020, 26,290,000 share options of the Company were outstanding (2019: Nil), and no outstanding share options were vested and exercisable. The Company has no legal or constructive obligation to repurchase or settle the share options in cash.

No share options were exercised or lapsed or cancelled under the Share Option Incentive Scheme during the year (2019: Nil).

19 RESERVES

	Share premium HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property revalua-tion reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2020	167,023	132,577	676,218	9,709	18,062	(259,008)	–	7,028,528	7,773,109
Transfer to statutory reserves (note (b))	–	2,720	–	–	–	–	–	(2,720)	–
Share of currency translation differences of joint ventures (note 10)	–	–	–	11,136	–	–	–	–	11,136
Share of currency translation differences of associates (note 11)	–	–	–	517	–	–	–	–	517
Share of cash flow hedges of an associate, net of tax (note 11)	–	–	–	–	–	–	14,143	–	14,143
Currency differences on translation of :									
— subsidiaries	–	–	–	74,258	–	–	–	–	74,258
— joint ventures (note 10)	–	–	–	6,750	–	–	–	–	6,750
— associates (note 11)	–	–	–	27	–	–	–	–	27
Fair value losses on financial assets at FVOCI, net	–	–	–	–	–	(18,961)	–	–	(18,961)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties (note 9)	–	–	–	–	5,518	–	–	–	5,518
Profit for the year (note (a))	–	–	–	–	–	–	–	338,523	338,523
Dividends paid	–	–	–	–	–	–	–	(245,273)	(245,273)
Balance at 31st December 2020	167,023	135,297	676,218	102,397	23,580	(277,969)	14,143	7,119,058	7,959,747
Representing:									
Reserves	167,023	135,297	676,218	102,397	23,580	(277,969)	14,143	6,881,450	7,722,139
2020 proposed final dividend	–	–	–	–	–	–	–	237,608	237,608
	167,023	135,297	676,218	102,397	23,580	(277,969)	14,143	7,119,058	7,959,747

19 RESERVES (Continued)

	Share premium HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property revalua-tion reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2019	167,023	130,462	676,218	32,445	10,634	(257,555)	(3,897)	6,945,309	7,700,639
Transfer to statutory reserves (note (b))	–	2,115	–	–	–	–	–	(2,115)	–
Share of currency translation differences of joint ventures (note 10)	–	–	–	(3,230)	–	–	–	–	(3,230)
Share of currency translation differences of associates (note 11)	–	–	–	210	–	–	–	–	210
Share of cash flow hedges of an associate, net of tax (note 11)	–	–	–	–	–	–	3,897	–	3,897
Currency differences on translation of :									
– subsidiaries	–	–	–	(16,546)	–	–	–	–	(16,546)
– joint ventures (note 10)	–	–	–	(2,263)	–	–	–	–	(2,263)
– associates (note 11)	–	–	–	(907)	–	–	–	–	(907)
Fair value losses on financial assets at FVOCI, net	–	–	–	–	–	(1,453)	–	–	(1,453)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties (note 9)	–	–	–	–	7,428	–	–	–	7,428
Profit for the year (note (a))	–	–	–	–	–	–	–	330,607	330,607
Dividends paid	–	–	–	–	–	–	–	(245,273)	(245,273)
Balance at 31st December 2019	167,023	132,577	676,218	9,709	18,062	(259,008)	–	7,028,528	7,773,109
Representing:									
Reserves	167,023	132,577	676,218	9,709	18,062	(259,008)	–	6,882,897	7,627,478
2019 proposed final dividend	–	–	–	–	–	–	–	145,631	145,631
	167,023	132,577	676,218	9,709	18,062	(259,008)	–	7,028,528	7,773,109

Notes:

(a) Profit for the year of HK$338,523,000 (2019: HK$330,607,000) includes net profits of HK$108,807,000 (2019: HK$48,798,000) attributable to joint ventures and net profits of HK$31,022,000 (2019: HK$48,431,000) attributable to associates.

(b) Statutory reserves represent the PRC statutory reserves of certain subsidiaries, joint ventures and associates.

(c) In 2004, part of the amount standing to the credit of the share premium account of the Company was offset against the entire accumulated losses as at 31st December 2003 of HK$1,680,335,000 and the remaining credit of the share premium account of HK$676,218,000 was transferred to contributed surplus.

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Trade payables		
— third parties	**432,060**	243,985
— fellow subsidiaries (note (b))	**83,805**	92,936
— joint ventures (note (b))	**293**	28
— non-controlling interests (note (b))	**1,227**	—
	517,385	336,949
Bills payable		
— third parties	**70,905**	4,987
Other payables		
— third parties	**322,606**	232,766
— fellow subsidiaries (note (b))	**7,726**	23,942
— related companies (note (b))	**73**	343
— joint ventures (note (b))	**8,369**	—
— non-controlling interests (note (b))	**—**	2,197
Accrued liabilities	**24,234**	30,875
Amounts due to fellow subsidiaries (note (b))	**—**	8,723
Dividend payable to non-controlling interests	**—**	4,812
	951,298	645,594
Contract liabilities — sales of goods (note (d))		
— third parties	**115,789**	183,408
— fellow subsidiaries (note (b))	**237,820**	162,818
— related companies (note (b))	**—**	15,570
— associates (note (b))	**4,674**	—
— joint ventures (note (b))	**1**	100
	358,284	361,896
	1,309,582	1,007,490

Notes:

(a) As at 31st December, the ageing analysis of trade payables based on invoice date is as follows:

	2020 HK$'000	2019 HK$'000
Current–90 days	**369,966**	310,649
91–180 days	**43,798**	25,493
Over 180 days	**103,621**	807
	517,385	336,949

20 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(b) Balances with fellow subsidiaries, related companies, joint ventures, associates and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills payable, which are repayable according to the respective credit terms.

(c) The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
Renminbi	483,576	290,714
Hong Kong dollars	181,984	137,461
United States dollars	222,132	187,803
Others	63,606	29,616
	951,298	645,594

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

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	338,359	290,958

21 SHORT-TERM BORROWINGS

	2020 HK$'000	2019 HK$'000
Unsecured loans from a fellow subsidiary	89,111	61,399

Notes:

(a) Unsecured loans from a fellow subsidiary bears interest at 2.505% (2019: 2.505%) per annum and is repayable on 18th May 2021 (2019: 21st May 2020 and 17th June 2020).

(b) The carrying amount of short-term borrowings approximated its fair value and was denominated in Renminbi.

(c) The effective interest rates of short-term borrowings during the years ended 31st December 2020 and 2019 are as follows:

	2020	2019
Renminbi	2.51%	2.51%

(d) Short-term borrowings are subject to the exposure of interest rate changes at contractual repricing dates.

22 OTHER INCOME AND GAINS/(LOSSES) — NET

	2020 HK$'000	2019 HK$'000
Other income/(expenses):		
— Rental income	**3,212**	3,112
— Direct operating expenses for generating rental income	**(42)**	(17)
— Dividend income from listed and unlisted investments	**2,770**	3,219
Other income — net	**5,940**	6,314
Other gains/(losses):		
— Net gains on disposal of property, plant and equipment	**168**	234
— Fair value gains on investment properties (note 9)	**11,868**	6,947
— (Provision)/reversal of provision for impairment of trade receivables, net (note 16(b))	**(16,270)**	837
— Reversal of provision for impairment of inventories, net	**7,835**	1,115
— Net exchange losses	**(13,245)**	(41,966)
— Government subsidy income#	**12,235**	1,898
— Others	**3,402**	1,034
Other gains/(losses) — net	**5,993**	(29,901)
Other income and gains/(losses) — net	**11,933**	(23,587)

During the year, government subsidy income of HK$9,550,000 was recognised in respect of Employment Support Scheme granted by the Government of the Hong Kong Special Administrative Region (2019: Nil).

23 SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2020 HK$'000	2019 HK$'000
Selling expenses	**177,418**	138,119
Depreciation of property, plant and equipment (note 23(a))	**5,816**	691
Amortisation of intangible assets (note 6)	**1,368**	1,440
Depreciation of right-of-use assets (note 7(b))	**9,479**	7,464
Expenses related to short-term leases (note 7(b))	**27,784**	22,399
Employee benefit expenses included in administrative and general expenses (note 24)	**338,423**	285,668
Auditors' remuneration	**5,535**	5,402
Others	**59,469**	93,504
Total selling, administrative and general expenses	**625,292**	554,687

23 SELLING, ADMINISTRATIVE AND GENERAL EXPENSES (Continued)

(a) Depreciation of property, plant and equipment

	2020 HK$'000	2019 HK$'000
Charge for the year (note 7(a))	**31,838**	24,866
Charged to cost of sales	**(19,171)**	(19,798)
Charged to selling expenses	**(1,366)**	(294)
Capitalised in inventories	**(5,485)**	(4,083)
	5,816	691

24 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses, which were included in cost of sales, selling, administrative and general expenses, are as follows:

	2020 HK$'000	2019 HK$'000
Wages, salaries and other short-term benefits, including directors' emoluments (note 25(a))	**436,746**	376,171
Retirement benefits costs — defined contribution plans (note)	**18,397**	29,344
Termination benefits	**348**	705
	455,491	406,220

Included in:

	2020 HK$'000	2019 HK$'000
Cost of sales	**41,199**	38,699
Selling expenses	**75,869**	81,853
Administrative and general expenses (note 23)	**338,423**	285,668
	455,491	406,220

Note:

There were no forfeited contributions (2019: Nil) utilised during the year and no forfeited contributions were available at the year-end to reduce future contributions (2019: Nil). There were no contributions (2019: Nil) payable to the funds at the year-end.

24 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: two) directors whose emoluments are reflected in the note 25(a). The emoluments of the remaining three (2019: three) individuals during the year are as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries, allowances and benefits-in-kind	5,371	4,941
Discretionary bonuses	—	485
Retirement benefits costs — defined contribution plan	514	319
	5,885	5,745

The emoluments of the individuals fell within the following bands:

	Number of individuals	
Emolument band	2020	2019
HK$1,500,001 — HK$2,000,000	2	3
HK$2,000,001 — HK$2,500,000	1	—

(b) Emoluments of senior management

Other than the emoluments of directors disclosed in note 25(a), the emoluments of senior management fell within the following bands:

	Number of individuals	
Emolument band	2020	2019
Below HK$1,000,000	4	4
HK$1,500,001 — HK$2,000,000	—	1
HK$2,000,001 — HK$2,500,000	1	—

25 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Details of the emoluments of directors of the Company for the year ended 31st December 2020 are as follows. Executive directors were also key management personnel of the Company.

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Executive Directors:			
Mr. Zhu Jianhui	—	6,200	6,200
Mr. Liu Gang *(resigned as Executive Director on 19th May 2020)*	—	2,217	2,217
Independent Non-executive Directors:			
Mr. Tsui Yiu Wa, Alec	320	—	320
Mr. Jiang, Simon X.	320	—	320
Mr. Kwong Che Keung, Gordon *(appointed as Independent Non-executive Director on 9th July 2020)*	160	—	160
Mr. Alexander Reid Hamilton *(passed away on 21st April 2020)*	320	—	320
	1,120	8,417	9,537

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2019 are as follows:

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Executive Directors:			
Mr. Zhu Jianhui	—	6,200	6,200
Mr. Liu Gang	—	3,800	3,800
Independent Non-executive Directors:			
Mr. Tsui Yiu Wa, Alec	320	—	320
Mr. Jiang, Simon X.	320	—	320
Mr. Alexander Reid Hamilton	320	—	320
	960	10,000	10,960

Note:

There were no contributions to pension schemes for directors or past directors of the Company for the year (2019: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

26 FINANCE INCOME — NET

	2020 HK$'000	2019 HK$'000
Interest income from:		
— a fellow subsidiary (note 33(a))	551	3,804
— a joint venture	—	47
— bank deposits	137,084	203,998
Total finance income	137,635	207,849
Interest expenses on:		
— loans from a fellow subsidiary (note 33(b))	(1,932)	(1,411)
— lease liabilities (note 7(b))	(322)	(454)
— a bank loan	—	(691)
Other finance charges	(2,685)	(1,436)
Total finance costs	(4,939)	(3,992)
Finance income — net	132,696	203,857

27 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

The PRC enterprise income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2019: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2019: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 35% (2019: 17% to 35%) during the year.

	2020 HK$'000	2019 HK$'000
Current income tax		
— current year		
— Hong Kong profits tax	13,206	14,228
— PRC enterprise income tax	22,024	21,702
— other overseas taxation	3,429	2,862
— under-provision/(over-provision) in prior years		
— Hong Kong profits tax	17	(299)
— PRC enterprise income tax	2	(405)
— other overseas taxation	415	14
Deferred income tax charge — net (note 14)	18,396	14,338
Income tax expenses	57,489	52,440

27 INCOME TAX EXPENSES (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates and the difference is set out below:

	2020 HK$'000	2019 HK$'000
Profit before income tax (excluding share of profits of joint ventures and associates)	**265,196**	288,519
Calculated at a tax rate of 16.5% (2019: 16.5%)	**43,757**	47,606
Effect of different tax rates in the PRC and other overseas countries	**8,575**	6,036
Income not subject to income tax	**(23,858)**	(36,410)
Expenses not deductible for tax purposes	**15,856**	18,739
Tax losses not recognised	**2,615**	2,657
Utilisation of previously unrecognised tax losses	**(851)**	(671)
Under-provision/(over-provision) in prior years, net	**550**	(691)
Reversal of prior year tax loss recognised	**1,101**	8,198
Withholding tax		
— interest income	**89**	439
— dividend income	**3**	62
— others	**3,913**	4,159
Land appreciation tax on the PRC investment properties	**5,827**	2,429
Special tax credit	**(88)**	(113)
Income tax expenses	**57,489**	52,440

For the year ended 31st December 2020, the Group's share of taxation of joint ventures of HK$27,867,000 (2019: HK$7,859,000) and taxation of associates of HK$3,024,000 (2019: HK$1,167,000), are included in the consolidated income statement as share of profits of joint ventures and share of profits of associates respectively.

28 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$338,523,000 (2019: HK$330,607,000) and the 1,532,955,429 shares in issue during the year (2019: 1,532,955,429 shares).

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

29 DIVIDENDS

	2020 HK$'000	2019 HK$'000
Interim dividend paid of HK$0.065 (2019: HK$0.07) per ordinary share	**99,642**	107,307
Final dividend proposed of HK$0.155 (2019: HK$0.095) per ordinary share	**237,608**	145,631
	337,250	252,938

At the board meeting held on 25th March 2021, the directors of the Company proposed a final dividend of HK$0.155 per ordinary share for the year ended 31st December 2020. These proposed dividends have not been recognised as a liability in the financial statements for the year ended 31st December 2020, but will be reflected as an appropriation of retained profits for the year ending 31st December 2021.

30 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations

	2020 HK$'000	2019 HK$'000
Operating profit	**132,500**	84,662
Amortisation of intangible assets	**1,368**	1,440
Depreciation of property, plant and equipment, net of amount capitalised	**26,353**	20,783
Net gains on disposal of property, plant and equipment	**(168)**	(234)
Depreciation of right-of-use assets	**9,479**	7,464
Fair value gains on investment properties	**(11,868)**	(6,947)
Reversal of provision for impairment of inventories, net	**(7,835)**	(1,115)
Negative goodwill arising from acquisition of a subsidiary	**(1,538)**	—
Provision/(reversal of provision) for impairment of trade receivables, net	**16,270**	(837)
Dividend income	**(2,770)**	(3,219)
Operating profit before working capital changes	**161,791**	101,997
(Increase)/decrease in inventories	**(25,192)**	29,533
Increase in trade and other receivables	**(140,201)**	(152,738)
Decrease/(increase) in amount due from immediate holding company	**11,200**	(11,030)
Decrease/(increase) in amounts due from fellow subsidiaries	**9,862**	(9,711)
Increase in trade and other payables	**299,093**	56,134
(Decrease)/increase in contract liabilities	**(8,558)**	24,768
Decrease in amounts due to fellow subsidiaries	**(354)**	(51)
Cash generated from operations	**307,641**	38,902

30 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) The reconciliation of liabilities arising from financing activities is as follows:

	Short-term borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1st January 2019	45,652	12,607	58,259
Currency translation differences	(1,303)	(314)	(1,617)
Repayment of loan from a fellow subsidiary	(45,469)	—	(45,469)
Drawdown of loan from a fellow subsidiary	62,519	—	62,519
Principal elements of lease payments	—	(6,122)	(6,122)
Additions of lease	—	1,692	1,692
Finance cost on lease liabilities	—	454	454
At 31st December 2019	**61,399**	**8,317**	**69,716**
Currency translation differences	**5,222**	**(980)**	**4,242**
Repayment of loan from a fellow subsidiary	**(61,848)**	**—**	**(61,848)**
Drawdown of loan from a fellow subsidiary	**84,338**	**—**	**84,338**
Principal elements of lease payments	**—**	**(9,212)**	**(9,212)**
Additions of lease	**—**	**12,569**	**12,569**
Finance cost on lease liabilities	**—**	**322**	**322**
At 31st December 2020	**89,111**	**11,016**	**100,127**

31 FINANCIAL GUARANTEE CONTRACTS

As at 31st December 2019, the Group had financial guarantees issued in favour of a bank as security for general banking facilities granted to an associate. The guarantee was cancelled on 22nd October 2020. No guarantee was outstanding as at 31st December 2020.

Terms and face values of the liabilities guaranteed were as follows:

	Year of maturity	2020 HK$'000	2019 HK$'000
General banking facilities of an associate	2020	**—**	167,439

As at 31st December 2019, the credit risk and liquidity risk exposure relating to the above financial guarantee contract was considered low.

The fair value of the guarantee contract was not material and was not recognised in the financial statements as at 31st December 2019.

32 COMMITMENTS

(a) The Group had capital commitments for capital expenditure as follows:

	2020 HK$'000	2019 HK$'000
Contracted but not provided	**23,038**	6,097

(b) The Group's share of capital commitments of a joint venture in respect of fixed assets investment is as follows:

	2020 HK$'000	2019 HK$'000
Contracted but not provided	**311**	2,757

(c) The aggregate future minimum lease payments under non-cancellable short-term leases in respect of land and buildings and equipment are HK$1,730,000 (2019: HK$1,540,000).

(d) The aggregate future minimum rental receivables under non-cancellable operating leases are as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**1,864**	1,003
Between 1 and 2 years	**834**	204
Between 2 and 3 years	**352**	85
Between 3 and 4 years	**352**	—
Between 4 and 5 years	**88**	—
	3,490	1,292

The Group's operating leases were for terms ranging from one to five years.

33 MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)"), a company incorporated in Hong Kong, which owns 68.47% of the Company's shares as at 31st December 2020. The remaining 31.53% of the Company's shares is widely held. The ultimate holding company of COSCO SHIPPING (Hong Kong) is COSCO SHIPPING.

COSCO SHIPPING itself is a state-owned enterprise established and controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING, its subsidiaries (other than the Group) and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the years 2020 and 2019, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the year:

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to holding companies, fellow subsidiaries, related companies and other related parties

	Note	2020 HK$'000	2019 HK$'000
Sale of coatings to:	(i)		
— fellow subsidiaries		**415,650**	312,010
— related companies		**109,642**	125,044
— non-controlling interests		**2,977**	3,272
Sale of marine equipment and spare parts to:	(ii)		
— fellow subsidiaries		**998,250**	901,770
— related companies		**29,921**	30,049
— joint ventures		**1,238**	936
Commission income in relation to the provision of ship trading agency services to:	(iii)		
— fellow subsidiaries		**69,071**	36,736
— related companies		**—**	3,965
— a joint venture		**14,280**	25,711
Commission income in relation to the provision of insurance brokerage services to:	(iv)		
— fellow subsidiaries		**67,218**	61,614
— related companies		**1,712**	2,129
— holding companies		**1,551**	1,400
— a joint venture		**5**	6
— an associate		**55**	78
Sale of marine fuel to:	(v)		
— fellow subsidiaries		**70,404**	39,617
Sale of ship supplies and other products to:	(vi)		
— fellow subsidiaries		**1,529**	982
— related companies		**141**	21
Interest income from a fellow subsidiary (note 26)	(vii)	**551**	3,804
Interest income from a joint venture (note 26)	(viii)	**—**	47
Management fee income in relation to the provision of management services to:	(ix)		
— fellow subsidiaries		**23,530**	31,354
— a holding company		**93,798**	76,372

Notes:

(i) Sale of coatings to fellow subsidiaries, related companies and non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of marine equipment and spare parts to fellow subsidiaries, related companies and joint ventures was conducted on terms as set out in the agreements governing these transactions.

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to holding companies, fellow subsidiaries, related companies and other related parties (Continued)

Notes: (Continued)

(iii) Certain subsidiaries of the Company acted as agent of fellow subsidiaries, related companies and a joint venture relating to (a) sale and purchase of new and second hand vessels; (b) bareboat charter businesses; and (c) sale and purchase of marine equipment for new shipbuilding projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above. The commissions were charged based on terms as set out in the agreements governing these transactions.

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, related companies, holding companies, a joint venture and an associate was calculated on terms as set out in the agreements governing these transactions.

(v) Sale of marine fuel to fellow subsidiaries was conducted on terms as set out in the agreements governing these transactions.

(vi) Sale of ship supplies and other products to fellow subsidiaries and related companies was conducted on terms as set out in the agreements governing these transactions.

(vii) Interest income was received from cash deposits placed with a fellow subsidiary and was calculated at prevailing market rates.

(viii) Interest income was received from a loan to a joint venture, which was unsecured, interest bearing at 1.4% above London Interbank Offered Rate and was repaid in January 2019.

(ix) Management fee income is derived from provision of management services to fellow subsidiaries and a holding company and was conducted on terms as set out in the agreements governing these transactions.

(b) Purchase of goods and services from fellow subsidiaries, related companies and other related parties

	Note	2020 HK$'000	2019 HK$'000
Expenses related to short-term leases to fellow subsidiaries in relation to lease contracts for land and buildings	(i)	**22,841**	20,782
Commission expenses in relation to the sale of coatings paid to fellow subsidiaries	(ii)	**11,105**	8,236
Commission expenses in relation to the sale of marine equipment paid to a related company	(iii)	**1,601**	930
Purchase of marine equipment from related companies	(iii)	**26,375**	34,969
Purchase of raw materials from non-controlling interests	(iv)	**11,755**	550
Transportation costs paid to fellow subsidiaries	(v)	**8,090**	10,585
Technology usage fee paid to non-controlling interests	(vi)	**1,906**	2,237
Service fees paid to fellow subsidiaries	(vii)	**8,364**	13,491
Interest expenses to a fellow subsidiary (note 26)	(viii)	**1,932**	1,411

33 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, related companies and other related parties (Continued)

Notes:

(i) During the year, the Group leased certain office premises and other properties in Hong Kong, the PRC and other overseas countries from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid to fellow subsidiaries was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) A related company was appointed as agent to provide agency services in relation to the sale of marine equipment in the PRC and to purchase marine equipment from suppliers. Commission paid was based on a certain percentage of sales procured by the related company.

(iv) Purchase of raw materials from non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(v) Transportation costs paid to fellow subsidiaries were based on terms as set out in the agreements governing these transactions.

(vi) Technology usage fee paid to non-controlling interests was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(vii) Service fees were paid to fellow subsidiaries in relation to their provision of administrative services, manpower resources, technical support and other ancillary support to the Group and sharing of office premises by the Group and were conducted on terms as set out in the agreements governing these transactions.

(viii) Interest expenses were paid to a fellow subsidiary at a fixed interest rate of 2.505% per annum.

(c) On 30th April 2012, the Group executed corporate guarantee of US$21,500,000 (equivalent to approximately HK$167,439,000 as at 31st December 2019) in favour of a bank as security for general banking facilities of US$108,000,000 (equivalent to approximately HK$841,088,000 as at 31st December 2019) granted by the bank to Double Rich, as associate. The guarantee was cancelled on 22nd October 2020.

34 EVENT AFTER THE BALANCE SHEET DATE

中國遠洋運輸有限公司 (China Ocean Shipping Company Limited*) ("COSCO") has gratuitously transferred 100% of its equity interest in COSCO SHIPPING (Hong Kong) to 中國海運集團有限公司 (China Shipping Group Company Limited*) ("China Shipping") at nil consideration. COSCO and China Shipping are PRC state-owned enterprises and wholly-owned subsidiaries of COSCO SHIPPING. Upon completion of the internal restructuring, China Shipping, in place of COSCO, becomes the sole shareholder of COSCO SHIPPING (Hong Kong) and an indirect controlling shareholder of the Company, and COSCO SHIPPING remains as the ultimate holding company of the Company, details of which were disclosed in the announcement of the Company dated 1st March 2021.

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Intangible assets		252	377
Property, plant and equipment		4,717	1,107
Investments in subsidiaries		1,234,038	1,348,536
Investment in joint ventures		249,248	249,248
Investment in an associate		2,090	2,090
		1,490,345	1,601,358
Current assets			
Amounts due from immediate holding company		4,823	16,023
Amounts due from subsidiaries		484,461	901,627
Other receivables		12,972	46,915
Current deposits and cash and cash equivalents		5,459,369	5,512,370
		5,961,625	6,476,935
Total assets		7,451,970	8,078,293
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		153,296	153,296
Other reserves	(a)	843,241	843,241
Retained earnings	(a)	6,097,679	6,797,399
Total equity		7,094,216	7,793,936
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		219,998	194,887
Other payables		137,756	89,039
Current income tax liabilities		–	431
Total liabilities		357,754	284,357
Total equity and liabilities		7,451,970	8,078,293

The statement of financial position of the Company was approved by the Board of Directors on 25th March 2021 and was signed on its behalf.

Zhu Jianhui	**Ma Jianhua**
Director	*Director*

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Statement of financial position of the Company (Continued)

Note:

(a) Reserve movement of the Company

	Other reserves HK$'000	Retained earnings HK$'000
At 1st January 2019	843,241	6,899,222
Profit for the year	—	143,450
Dividends paid	—	(245,273)
At 31st December 2019	**843,241**	**6,797,399**
Loss for the year	**—**	**(454,447)**
Dividends paid	**—**	**(245,273)**
At 31st December 2020	**843,241**	**6,097,679**

36 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31st December 2020 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2020	2019
Capital Properties Limited#	Hong Kong, limited liability company	HK$2 ordinary share capital	Provision of nominee services	100%	100%
COSCO SHIPPING (Hong Kong) Insurance Brokers Limited#	Hong Kong, limited liability company	HK$5,000,000 ordinary share capital	Provision of insurance brokerages and related services	100%	100%
YUAN XIANG (HONG KONG) CO., LIMITED (formerly known as COSCO SHIPPING (Hong Kong) Ship Trading Company Limited)#	Hong Kong, limited liability company	HK$500,000 ordinary share capital	Provision of agency services in ship trading business	100%	100%
New Legend Holdings Limited#	Hong Kong, limited liability company	HK$1 ordinary share capital	Investment holding	100%	100%
Yuantong Marine Service Co. Limited#	Hong Kong, limited liability company	HK$208,352,000 ordinary share capital	Trading of marine equipment and spare parts	100%	100%
CSHT Marine Machinery Suppliers Limited#	Hong Kong, limited liability company	HK$10,000,000 ordinary share capital	Trading of marine equipment and spare parts	100%	100%
Fragrant Sea Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	100%	100%
Graceful Nice Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	100%	100%
New Renown Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	100%	100%
Raycle Match Development Ltd.#	British Virgin Islands, limited liability company	1 ordinary share of US$1	Investment holding	100%	100%
COSCO (Beijing) Marine Electronic Equipment Limited	PRC, wholly foreign-owned enterprise	RMB680,000	Trading of marine equipment and spare parts	100%	100%
COSCO SHIPPING International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB360,633,044	Trading of asphalt, ship equipment and accessories	100%	100%
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$7,000,000	Sale of coatings	63.07%	63.07%
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$5,000,000	Production and sale of coatings	63.07%	63.07%
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.#	PRC, foreign equity joint venture enterprise	US$10,000,000	Production and sale of coatings	64.71%	64.71%
COSCO Kansai Paint (Shanghai) Co., Ltd.#	PRC, foreign equity joint venture enterprise	US$25,600,000	Production and sale of coatings	63.07%	63.07%
Beijing COSCO SHIPPING Ship Trading Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$1,300,000	Provision of agency services in ship trading business	100%	100%
Shenzhen COSCO Insurance Brokers Limited	PRC, Sino-foreign equity joint venture enterprise	RMB50,000,000	Provision of professional services of insurance brokerages	55%	55%
Yuantong Marine Trade (Shanghai) Co., Ltd.	PRC, wholly foreign-owned enterprise	US$500,000	Trading of marine equipment and spare parts	100%	100%
Sinfeng Marine Services Pte. Ltd.	Singapore, limited liability company	7,000,000 ordinary shares of US$1 each	Trading of marine fuel and other related products	100%	100%
Xing Yuan (Singapore) Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of S$1 each	Trading of marine equipment and spare parts	100%	100%
Shin Chung Lin Corporation	Japan, limited liability company	600 ordinary shares of JPY50,000 each	Trading of marine equipment and spare parts	100%	100%
Hanyuan Technical Service Center GmbH	Germany, limited liability company	EUR102,259	Trading of marine equipment and spare parts	100%	100%
Yuan Hua Technical & Supply Corporation	United States of America, limited liability company	US$400,000	Material and spare parts supply and service support for vessels	51%	51%

\# shares held directly by the Company

37 JOINT VENTURES AND ASSOCIATES

Particulars of joint ventures and associates of the Group as at 31st December 2020 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2020	2019
(a) Joint ventures					
Jotun COSCO Marine Coatings (HK) Limited#	Hong Kong/PRC, limited liability company	HK$2,400 ordinary share capital	Investment holding and sale of coatings	50%	50%
Nasurfar Biomaterial Technology (Changshu) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	RMB182,907,725	Research and development, production and sales of biochemical products	33%	33%
Cosbulk International Trading Co. Ltd. (Tianjin)#	PRC, Sino-foreign equity joint venture enterprise	RMB1,500,000	Vessel and equipment trade consultant	49%	49%
COSCO SHIPPING (Dalian) Electronic Technology Co., Ltd. (formerly known as COSCO SHIPPING Tanker (Dalian) Electronic Co., Ltd.)	PRC, Sino-foreign equity joint venture enterprise	RMB1,000,000	Provision of marine electronic engineering services	40%	40%
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$250,000	Trading of marine equipment and provision of repair and maintenance	25%	25%
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$200,000	Provision of marine electronic engineering services	25%	25%
(b) Associates					
COSCO SHIPPING SUPPLY (GUANGZHOU) CO., LTD.	PRC, limited liability company	RMB30,442,100	Supply and storage of related materials of cargo transportation	20%	20%
COSCO SHIP (QINGDAO) CO., LTD.# (formerly known as Coscoship (Qingdao) Co., Ltd.)	PRC, Sino-foreign equity joint venture enterprise	RMB3,000,000	Vessel engineering and technical support	20%	20%
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$663,000	Manufacture, sale and provision of after-sale service of container software and related products	20%	20%
Double Rich Limited	Hong Kong, limited liability company	HK$88,000,000 ordinary share capital	Trading of oil products and investment holding	18%	18%

shares held directly by the Company

List of Major Properties

As at 31st December 2020

Description	Existing use	Approximate area	Lease term	% of interest attributable to the Group
Properties held for own use				
(1) No. 42, Diwu Main Street, Economic Technology Development Zone, Tianjin, the PRC	Industrial	Site area 28,572.32 sq.m.	From 1st January 2018 to 31st December 2020	63.07
(2) Economic Zone, Gaolan Port, Zhuhai, the PRC	Industrial	Site area 67,882.00 sq.m.	From 18th April 2006 to 17th April 2056	64.71
(3) No. 2, Industry Park, Jinshan District, Shanghai, the PRC	Industrial	Site area 61,097.30 sq.m.	From 5th July 2013 to 4th July 2063	63.07
(4) No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, the PRC	Carparking	1 car parking space	From 28th June 1998 to 27th June 2068	100
(5) Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, the PRC	Residential	Gross floor area 228.29 sq.m.	From 28th June 1998 to 27th June 2068	100
Property held for investment				
(1) 19th Floor, Nan Dao Commercial Building, 359–361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7th February 1852	100
(2) 207 Henderson Road, #01-03/#03-03 Henderson Industrial Park, Singapore 159550	Commercial	Saleable area 782 sq.m.	Freehold	100

Five-Year Financial Summary

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,442,894**	3,265,745	9,521,575	8,786,094	7,430,297
Operating profit	**132,500**	84,662	181,593	218,792	113,412
Finance income — net	**132,696**	203,857	158,704	119,704	86,546
Share of profits of joint ventures	**108,807**	48,798	9,925	64,730	89,930
Share of profits/(losses) of associates	**31,022**	48,431	(13,561)	12,336	10,202
Profit before income tax	**405,025**	385,748	336,661	415,562	300,090
Income tax expenses	**(57,489)**	(52,440)	(45,916)	(54,948)	(63,590)
Profit for the year	**347,536**	333,308	290,745	360,614	236,500
Profit/(loss) attributable to:					
Equity holders of the Company	**338,523**	330,607	286,140	356,627	237,205
Non-controlling interests	**9,013**	2,701	4,605	3,987	(705)
	347,536	333,308	290,745	360,614	236,500

Five-Year Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31st December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Intangible assets	**109,044**	105,617	103,448	104,287	101,951
Property, plant and equipment	**279,908**	281,550	303,523	331,038	343,912
Right-of-use assets	**45,459**	39,577	—	—	—
Prepaid premium for land leases	**—**	—	29,429	31,549	30,138
Investment properties	**144,543**	121,261	107,014	97,468	56,954
Investments in joint ventures	**562,668**	437,419	396,709	298,190	417,617
Investments in associates	**167,403**	147,693	96,651	122,644	117,564
Financial assets at fair value through other comprehensive income	**57,590**	76,551	78,003	—	—
Available-for-sale financial assets		—	—	60,613	63,091
Deferred income tax assets	**37,931**	43,004	52,936	54,156	53,724
Non-current deposits		—	—	1,563	11,179
	1,404,546	1,252,672	1,167,713	1,101,508	1,196,130
Current assets	**8,534,148**	8,124,274	8,089,012	8,509,192	8,192,014
Total assets	**9,938,694**	9,376,946	9,256,725	9,610,700	9,388,144
CAPITAL AND RESERVES					
Share capital	**153,296**	153,296	153,296	153,296	153,296
Reserves	**7,959,747**	7,773,109	7,700,639	7,760,833	7,548,865
Total shareholders' equity	**8,113,043**	7,926,405	7,853,935	7,914,129	7,702,161
Non-controlling interests	**314,671**	291,814	300,765	299,471	343,580
Total equity	**8,427,714**	8,218,219	8,154,700	8,213,600	8,045,741
LIABILITIES					
Non-current liabilities					
Lease liabilities	**6,194**	1,934	—	—	—
Deferred income tax liabilities	**83,233**	67,743	64,269	64,829	69,349
	89,427	69,677	64,269	64,829	69,349
Current liabilities					
Short-term borrowings	**89,111**	61,399	45,652	—	67,076
Other current liabilities	**1,332,442**	1,027,651	992,104	1,332,271	1,205,978
	1,421,553	1,089,050	1,037,756	1,332,271	1,273,054
Total liabilities	**1,510,980**	1,158,727	1,102,025	1,397,100	1,342,403
Total equity and liabilities	**9,938,694**	9,376,946	9,256,725	9,610,700	9,388,144

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