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中遠海運國際(香港)有限公司

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2020 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to equity holders increased by 2% to HK\$338,523,000, mainly due to the increase in the profits of core business of shipping services, which was partially offset by the decrease in finance income.
- Revenue increased by 5% to HK\$3,442,894,000, mainly attributable to the increase in revenues from all core business segments.
- Gross profit increased by 13% to HK\$628,531,000. Gross profit margin increased to 18% which was mainly attributable to the improvement in performance of coatings business.
- Profit before income tax from core business of shipping services increased by 33% to HK\$363,305,000.
- Basic and diluted earnings per share were 22.08 HK cents (2019: 21.57 HK cents). The Board has recommended the payment of a final dividend of 15.5 HK cents per share. Together with the interim dividend of 6.5 HK cents per share, total dividends per share are 22 HK cents. The dividend payout ratio is approximately 100%.
- The Group had net cash (represented total restricted bank deposits and current deposits and cash and cash equivalents, less short-term borrowings) of HK\$6,429,536,000 as at 31st December 2020.

The board of directors (the “Board” or the “Director(s)”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “Company” or “COSCO SHIPPING International (Hong Kong)”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2020.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2020

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	3,442,894	3,265,745
Cost of sales		<u>(2,814,363)</u>	<u>(2,710,535)</u>
Gross profit		628,531	555,210
Management fee income		117,328	107,726
Other income and gains/(losses) — net	4	11,933	(23,587)
Selling, administrative and general expenses	5	<u>(625,292)</u>	<u>(554,687)</u>
Operating profit		132,500	84,662
Finance income	6	137,635	207,849
Finance costs	6	(4,939)	(3,992)
Finance income — net	6	132,696	203,857
Share of profits of joint ventures		108,807	48,798
Share of profits of associates		<u>31,022</u>	<u>48,431</u>
Profit before income tax		405,025	385,748
Income tax expenses	7	<u>(57,489)</u>	<u>(52,440)</u>
Profit for the year		<u>347,536</u>	<u>333,308</u>
Profit attributable to:			
Equity holders of the Company		338,523	330,607
Non-controlling interests		<u>9,013</u>	<u>2,701</u>
		<u>347,536</u>	<u>333,308</u>
Earnings per share attributable to equity holders of the Company			
— basic and diluted, HK cents	8	<u>22.08</u>	<u>21.57</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	<u>347,536</u>	<u>333,308</u>
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	<u>5,518</u>	<u>7,428</u>
Other comprehensive income/(losses) for the year	<u>112,492</u>	<u>(19,448)</u>
Total comprehensive income for the year	<u>460,028</u>	<u>313,860</u>
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	431,911	317,743
Non-controlling interests	<u>28,117</u>	<u>(3,883)</u>
	<u>460,028</u>	<u>313,860</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2020

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

NOTES

1 GENERAL INFORMATION

The Group is principally engaged in the provision of shipping services and general trading.

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

The ultimate holding company of the Company is 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) (“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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

(a) 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.

(b) 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.

3 REVENUE AND SEGMENT INFORMATION

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

	2020	2019
	HK\$'000	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
	<u>3,442,894</u>	<u>3,265,745</u>

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

Reportable segments	Business activities
Coatings	Production and sale of coatings, and holding of investments in joint ventures, namely Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO”) and 常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*) (“Nasurfar Changshu”)
Marine equipment and spare parts	Trading 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 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.

Year ended and as at 31st December 2020

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

Year ended and as at 31st December 2019

	Shipping services					Total	General trading	Others	Inter-segment elimination	Total	
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products						Total
Profit or loss items:											
Segment revenue	1,002,416	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	<u>1,002,416</u>	<u>1,262,058</u>	<u>84,978</u>	<u>83,396</u>	<u>47,033</u>	<u>2,479,881</u>	<u>785,864</u>	<u>—</u>	<u>—</u>	<u>3,265,745</u>	
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	<u>38,652</u>	<u>56,165</u>	<u>37,996</u>	<u>47,782</u>	<u>42,475</u>	<u>223,070</u>	<u>4,680</u>	<u>3,219</u>	<u>—</u>	<u>230,969</u>	
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	<u>242,697</u>	<u>583,640</u>	<u>55,847</u>	<u>157,988</u>	<u>579</u>	<u>1,040,751</u>	<u>165,341</u>	<u>—</u>	<u>(174,646)</u>	<u>1,031,446</u>	
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)	<u>11,758</u>	<u>3,071</u>	<u>—</u>	<u>287</u>	<u>—</u>	<u>15,116</u>	<u>3,995</u>	<u>—</u>	<u>—</u>	<u>19,111</u>	

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

	2020	2019
	HK\$'000	HK\$'000
Profit before income tax for reportable segments	373,597	279,829
Profit before income tax for others	<u>2,770</u>	<u>3,219</u>
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	<u>(78,498)</u>	<u>(68,960)</u>
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	<u>(834)</u>	<u>(361)</u>
Profit after income tax for the Group	<u>347,536</u>	<u>333,308</u>

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

	2020	2019
	HK\$'000	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	<u>(162,960)</u>	<u>(174,646)</u>
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	<u>(158,842)</u>	<u>(154,480)</u>
Total assets for the Group	<u>9,938,694</u>	<u>9,376,946</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total liabilities for reportable segments	1,499,260	1,206,092
Elimination of inter-segment payables	<u>(162,960)</u>	<u>(174,646)</u>
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	<u>(158,842)</u>	<u>(154,480)</u>
Total liabilities for the Group	<u><u>1,510,980</u></u>	<u><u>1,158,727</u></u>

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong 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.

4 OTHER INCOME AND GAINS/(LOSSES) — NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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	<u>2,770</u>	<u>3,219</u>
Other income — net	<u>5,940</u>	<u>6,314</u>
Other gains/(losses):		
— Net gains on disposal of property, plant and equipment	168	234
— Fair value gains on investment properties	11,868	6,947
— (Provision)/reversal of provision for impairment of trade receivables, net (note 10(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	<u>3,402</u>	<u>1,034</u>
Other gains/(losses) — net	<u>5,993</u>	<u>(29,901)</u>
Other income and gains/(losses) — net	<u><u>11,933</u></u>	<u><u>(23,587)</u></u>

[#] 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).

5 SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Selling expenses	177,418	138,119
Depreciation of property, plant and equipment	5,816	691
Amortisation of intangible assets	1,368	1,440
Depreciation of right-of-use assets	9,479	7,464
Expenses related to short-term leases	27,784	22,399
Employee benefit expenses included in administrative and general expenses	338,423	285,668
Auditors' remuneration	5,535	5,402
Others	59,469	93,504
	<u>625,292</u>	<u>554,687</u>

6 FINANCE INCOME — NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from:		
— a fellow subsidiary	551	3,804
— a joint venture	—	47
— bank deposits	137,084	203,998
	<u>137,635</u>	<u>207,849</u>
Total finance income	-----137,635	-----207,849
Interest expenses on:		
— loans from a fellow subsidiary	(1,932)	(1,411)
— lease liabilities	(322)	(454)
— a bank loan	—	(691)
Other finance charges	(2,685)	(1,436)
	<u>(4,939)</u>	<u>(3,992)</u>
Total finance costs	-----4,939	-----3,992
Finance income — net	<u>132,696</u>	<u>203,857</u>

7 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 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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	<u>18,396</u>	<u>14,338</u>
Income tax expenses	<u><u>57,489</u></u>	<u><u>52,440</u></u>

8 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$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.

9 DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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	<u>237,608</u>	<u>145,631</u>
	<u><u>337,250</u></u>	<u><u>252,938</u></u>

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.

10 TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	753,857	702,489
Less: provision for impairment (<i>note (b)</i>)	<u>(30,293)</u>	<u>(12,863)</u>
Trade receivables, net (<i>note (a)</i>)	723,564	689,626
Bills receivable, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	<u>922,259</u>	<u>805,188</u>
	<u><u>1,645,823</u></u>	<u><u>1,494,814</u></u>

Notes:

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – 90 days	520,124	397,894
91 – 180 days	158,613	148,786
Over 180 days	<u>44,827</u>	<u>142,946</u>
	<u><u>723,564</u></u>	<u><u>689,626</u></u>

For sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 120 days. Other than those with credit terms, all invoices are payable upon presentation.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1st January	12,863	14,566
Currency translation differences	1,401	(200)
Provision/(reversal of provision) for impairment, net (<i>note 4</i>)	16,270	(837)
Amount written off	<u>(241)</u>	<u>(666)</u>
At 31st December	<u><u>30,293</u></u>	<u><u>12,863</u></u>

11 TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND LEASE LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	517,385	336,949
Bills payables, other payables, accrued liabilities, amounts due to related parties and dividend payable to non-controlling interests	<u>433,913</u>	<u>308,645</u>
	951,298	645,594
Contract liabilities (<i>note (b)</i>)	358,284	361,896
Lease liabilities (<i>note (c)</i>)	<u>11,016</u>	<u>8,317</u>
	<u><u>1,320,598</u></u>	<u><u>1,015,807</u></u>

Notes:

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – 90 days	369,966	310,649
91 – 180 days	43,798	25,493
Over 180 days	<u>103,621</u>	<u>807</u>
	<u><u>517,385</u></u>	<u><u>336,949</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u><u>338,359</u></u>	<u><u>290,958</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	4,822	6,383
From the second to fifth year inclusive	<u>6,194</u>	<u>1,934</u>
	<u><u>11,016</u></u>	<u><u>8,317</u></u>

12 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) Co., Limited (“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.

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 Coronavirus Disease 2019 ("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.

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.

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

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 of the Company 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 of the Company 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 of the Company 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.

FINAL DIVIDEND

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. The proposed final dividend will be payable on 28th June 2021 to shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 10th June 2021 subject to the shareholders’ approval in annual general meeting of the Company to be held on 28th May 2021 (the “AGM”). The proposed final dividend together with the interim dividend of 6.5 HK cents per share (2019: 7 HK cents), total dividends per share for the year 2020 are 22 HK cents (2019: 16.5 HK cents).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders’ right to attend and vote at the AGM, the Register of Members will be closed from 25th May 2021 to 28th May 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited (the “Branch Share Registrar”) at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 24th May 2021.

For the purpose of ascertaining shareholders’ entitlement to the proposed final dividend, the Register of Members will be closed from 8th June 2021 to 10th June 2021, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify the proposed final dividend for the year ended 31st December 2020, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 7th June 2021.

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 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).

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.

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.

1.4 Production and Sale of Coatings

The coating business of the Group primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. ("COSCO Kansai (Zhuhai)"), 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) ("COSCO Kansai Paint (Shanghai)") and 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") are non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies"). 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 the Group's 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 Marine Services Pte. Ltd. ("Sinfeng"), at the end of 2018 ("Coastal Oil's Liquidation"), the Group deliberately trimmed down Sinfeng's business as a measure of further risk control. For details of information in relation to Coastal Oil's Liquidation and the matters arising subsequent to Coastal Oil's Liquidation, please refer to the announcement of the Company dated 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, etc.. 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.

PROSPECTS

In 2021, the global economic growth is expected to rebound expressively. Global gross domestic product (GDP) growth projected by the International Monetary Fund (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 China's "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.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 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 to 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 the Vice Chairman to the 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.

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 standards set out in the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules. In order to ensure the Directors’ dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 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.

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

Hong Kong, 25th March 2021

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

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

* *for identification purposes only*