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CWT INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of CWT International Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 with comparative figures for the six months ended 30 June 2020. These interim results have been reviewed by the Audit Committee of the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 – unaudited

		Six months ended 30 June	
		2021	2020
	NOTES	HK\$'000	HK\$'000
Continuing operations			
Revenue	5	25,908,923	17,711,476
Cost of sales		(24,982,653)	(16,999,705)
Gross profit		926,270	711,771
Other income		54,008	103,812
Other net loss	7	(7,239)	(31,229)
Selling and distribution costs		(196,619)	(191,168)
Administrative expenses		(421,508)	(381,660)
Finance costs	8	(155,901)	(242,760)
Share of profits less losses of associates, net of tax		17,871	8,194
Share of profits less losses of joint ventures, net of tax		1,743	606

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONTINUED

For the six months ended 30 June 2021 – unaudited

		Six months ended 30 June	
		2021	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	9	218,625	(22,434)
Income tax	10	<u>(60,446)</u>	<u>(48,063)</u>
Profit/(loss) for the period from continuing operations		158,179	(70,497)
Discontinued operations			
Loss for the period from discontinued operations	4	<u>–</u>	<u>(16,005)</u>
Profit/(loss) for the period		<u>158,179</u>	<u>(86,502)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONTINUED

For the six months ended 30 June 2021 – unaudited

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Defined benefit plan remeasurements	10,192	1,496
Tax on other comprehensive income	(1,211)	–
	8,981	1,496
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	77,149
Exchange differences arising from translation of financial statements of overseas subsidiaries	(41,139)	(63,287)
Effective portion of changes in fair value of cash flow hedges	1,146	(1,335)
Share of other comprehensive income of associates and joint ventures	842	5,128
	(39,151)	17,655
Other comprehensive income for the period	(30,170)	19,151
Total comprehensive income for the period	128,009	(67,351)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – CONTINUED

For the six months ended 30 June 2021 – unaudited

		Six months ended 30 June	
		2021	2020
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period attributable to owners of the Company			
– from continuing operations		134,227	(79,287)
– from discontinued operations		<u>–</u>	<u>(15,837)</u>
Profit/(loss) for the period attributable to owners of the Company		<u>134,227</u>	<u>(95,124)</u>
Profit/(loss) for the period attributable to non-controlling interests			
– from continuing operations		23,952	8,790
– from discontinued operations		<u>–</u>	<u>(168)</u>
Profit for the period attributable to non-controlling interests		<u>23,952</u>	<u>8,622</u>
Profit/(loss) for the period		<u>158,179</u>	<u>(86,502)</u>
Total comprehensive income attributable to:			
Owners of the Company		105,355	(76,255)
Non-controlling interests		<u>22,654</u>	<u>8,904</u>
		<u>128,009</u>	<u>(67,351)</u>
EARNINGS/(LOSS) PER SHARE	12		
From continuing and discontinued operations			
Basic and diluted (<i>HK cents</i>)		<u>1.18</u>	<u>(0.83)</u>
From continuing operations			
Basic and diluted (<i>HK cents</i>)		<u>1.18</u>	<u>(0.70)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited

		30 June	31 December
		2021	2020
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,738,885	3,887,046
Right-of-use assets		2,968,006	3,170,538
Intangible assets		198,003	212,912
Interest in associates		206,958	190,232
Interest in joint ventures		247,636	256,449
Other financial assets		209,031	206,586
Prepayments, deposits and other receivables		31,305	36,016
Other non-current assets		18,494	18,642
Derivative financial instruments		122,007	1,467
Deferred tax assets		33,597	35,458
		7,773,922	8,015,346
Current assets			
Other financial assets		491,197	1,498,580
Inventories		2,791,342	3,094,489
Trade receivables	13	4,333,535	3,647,804
Prepayments, deposits and other receivables		8,123,159	6,764,870
Contract assets		125,602	73,791
Warrantable LME commodities		57,708	98,655
Derivative financial instruments		817,132	429,527
Tax recoverable		21,673	15,100
Pledged bank deposits		16,451	29,817
Cash and cash equivalents		1,066,057	1,247,995
		17,843,856	16,900,628

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

At 30 June 2021 – unaudited

		30 June	31 December
		2021	2020
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Contract liabilities		166,658	254,124
Trade and other payables	<i>14</i>	10,696,154	9,179,149
Loans and borrowings		5,134,330	5,204,356
Lease liabilities		338,790	374,467
Derivative financial instruments		536,921	1,146,335
Current tax payable		67,830	41,220
Provisions		13,803	15,000
		16,954,486	16,214,651
Net current assets		889,370	685,977
Total assets less current liabilities		8,663,292	8,701,323
Non-current liabilities			
Other non-current liabilities		21,714	23,779
Loans and borrowings		905,133	896,263
Lease liabilities		2,776,893	2,932,448
Derivative financial instruments		26,676	3,468
Defined benefit obligations		49,728	62,341
Deferred tax liabilities		271,546	284,666
		4,051,690	4,202,965
Net assets		4,611,602	4,498,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

At 30 June 2021 – unaudited

	30 June 2021 <i>HK\$'000</i>	31 December 2020 <i>HK\$'000</i>
Capital and reserves		
Share capital	4,731,480	4,731,480
Reserves	<u>(258,477)</u>	<u>(363,832)</u>
Equity attributable to owners of the Company	4,473,003	4,367,648
Non-controlling interests	<u>138,599</u>	<u>130,710</u>
Total equity	<u><u>4,611,602</u></u>	<u><u>4,498,358</u></u>

NOTES:

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Hong Kong HNA Holding Group Co. Limited (“**Hong Kong HNA**”), a company incorporated in Hong Kong with limited liability, is the immediate parent of the Company. HNA Group Co., Ltd. (“**HNA Group**”), a company registered in the People’s Republic of China (the “**PRC**”), is an intermediate parent of the Company. Hainan Province Cihang Foundation, a foundation registered in the PRC, is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

The unaudited consolidated interim financial information set out in this announcement does not constitute the unaudited interim financial report of the Group for the six months ended 30 June 2021 but is extracted from the draft unaudited interim financial report which has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The draft interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The financial information relating to the financial year ended 31 December 2020 that is included in this preliminary announcement or the draft interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information related to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA to this interim financial report for the current accounting period:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform—phase 2*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in the financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period other than the amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*, which allows a lessee to account for Covid-19-related rent concessions as if they were not lease modification.

4. DISCONTINUED OPERATIONS

The Group completed the disposals of its sports and leisure-related facilities business (the “**PRC Operation**”) in January 2020. In addition, the Group also ceased its energy and refined metals trading business under the commodity marketing segment (the “**Energy and Refined Metals Trading Operation**”) during the year ended 31 December 2019.

Both the operations disclosed above are classified as discontinued operations. Please refer to the Company’s 2020 interim and annual reports for further details of these operations.

5. REVENUE

The Group’s operations and main revenue streams are those described in the last annual financial statements. The Group’s revenue is derived from contracts with customers.

Disaggregation of revenue from contracts with customers by major products and service lines and geographical location of customers is as follows:

Continuing operations

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Disaggregated by major products and service lines		
Freight services	2,538,928	1,334,837
Logistics services	862,432	794,913
Commodity trading	21,840,527	14,990,097
Equipment and facility maintenance services	315,780	226,961
Design-and-build	2,346	8,918
Broking services	283,715	284,647
Others	65,195	71,103
	<u>25,908,923</u>	<u>17,711,476</u>
	<u>25,908,923</u>	<u>17,711,476</u>
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Disaggregated by geographical location of customers		
PRC (including Hong Kong and Taiwan)	18,309,605	13,092,418
Singapore	4,367,006	1,576,558
Malaysia	199,797	96,105
Other Asia Pacific jurisdictions	1,314,956	1,064,440
Korea	667,361	382,209
Europe	726,159	529,061
North America	185,909	811,430
South America	1,147	665
Africa Continent	136,983	158,590
	<u>25,908,923</u>	<u>17,711,476</u>
	<u>25,908,923</u>	<u>17,711,476</u>

6. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“**CODM**”), being the most senior executive management of the Group, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In a manner consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

Logistics services

This reportable segment includes warehousing, transportation, freight forwarding and cargo consolidation, supply chain management services.

Commodity marketing

This reportable segment includes physical trading and supply chain management of base metal non-ferrous concentrates with predominant focus on copper, lead, zinc and other minor metals.

Engineering services

This reportable segment includes management and maintenance of facilities, vehicles and equipment, supply and installation of engineering products, property management, and design-and-build for logistic properties.

Financial services

This reportable segment includes structured trading of commodities, provision of financial brokerage services and assets management services.

The segment information reported below does not include any amounts for those discontinued operations, as described in more details in Note 4.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group’s most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment profit before taxation represents operating revenue less expenses. Segment assets represents assets directly managed by each segment, and primarily include inventories, receivables, property, plant and equipment and right-of-use assets. Segment liabilities represent liabilities directly managed by each segment, and primarily include payables, loans and borrowings and lease liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group’s share of profit arising from the activities of the Group’s associates and joint ventures. Items not managed by or derived from the operations of reportable segments are classified as “unallocated” in the segment reconciliations.

The measure used for reportable segment profit is profit before taxation.

(a) Segment revenue and results

Disaggregation of revenue from contracts with customers by timing of revenue recognition as well as information regarding the Group's reporting segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below:

	Logistics services		Commodity marketing		Engineering services		Financial services		Elimination		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue	3,484,912	2,211,716	16,019,906	9,332,166	321,775	245,268	6,104,337	5,942,600	(22,007)	(20,274)	25,908,923	17,711,476
Inter-segment revenue	(21,821)	(20,163)	-	-	(186)	(111)	-	-	22,007	20,274	-	-
Revenue from external customers	3,463,091	2,191,553	16,019,906	9,332,166	321,589	245,157	6,104,337	5,942,600	-	-	25,908,923	17,711,476
Revenue from external customers disaggregated by timing of revenue recognition												
Point in time	1,423,670	795,950	16,019,906	9,332,166	46,045	45,642	6,104,337	5,942,600	-	-	23,593,958	16,116,358
Over time	2,039,421	1,395,603	-	-	275,544	199,515	-	-	-	-	2,314,965	1,595,118
	3,463,091	2,191,553	16,019,906	9,332,166	321,589	245,157	6,104,337	5,942,600	-	-	25,908,923	17,711,476
Revenue from external customers disaggregated by product/ services lines												
Freight services	2,538,928	1,334,837	-	-	-	-	-	-	-	-	2,538,928	1,334,837
Logistics services	862,432	794,913	-	-	-	-	-	-	-	-	862,432	794,913
Commodity trading	-	-	16,019,906	9,332,144	-	-	5,820,621	5,657,953	-	-	21,840,527	14,990,097
Equipment and facility maintenance services	-	-	-	-	315,780	226,961	-	-	-	-	315,780	226,961
Design-and-build	-	-	-	-	2,346	8,918	-	-	-	-	2,346	8,918
Broking services	-	-	-	-	-	-	283,715	284,647	-	-	283,715	284,647
Others	61,731	61,803	-	22	3,463	9,278	1	-	-	-	65,195	71,103
	3,463,091	2,191,553	16,019,906	9,332,166	321,589	245,157	6,104,337	5,942,600	-	-	25,908,923	17,711,476
Reportable segment profit before taxation	201,374	43,023	60,434	33,709	19,088	29,003	14,120	53,185	(291)	327	294,725	159,247
As at 30 June/31 December												
Reportable segment assets	8,700,394	8,720,960	7,516,214	8,064,675	521,635	475,599	9,088,217	7,795,521	(770,606)	(806,049)	25,055,854	24,250,706
Reportable segment liabilities	6,112,330	6,346,489	6,182,650	6,763,188	267,562	234,447	8,013,406	6,736,522	(770,606)	(775,980)	19,805,342	19,304,666

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Total profit before taxation for reportable segments	294,725	159,247
Unallocated income and gains	332	24,545
Unallocated expenses	(54,774)	(68,635)
Net foreign exchange loss	(3,793)	(40,463)
Finance costs	(17,865)	(97,128)
	<u>218,625</u>	<u>(22,434)</u>

(c) Seasonality of operations

The Directors are of the opinion that the Group's business is not highly seasonal.

7. OTHER NET LOSS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Net (loss)/gain on disposal of property, plant and equipment	(1,077)	660
Net foreign exchange loss	(6,308)	(53,066)
Net (loss)/gain on financial instruments carried at fair value through profit or loss ("FVPL")	(58)	21,801
Impairment loss on prepayments, deposit and other receivables	–	(1,862)
Reversal of impairment loss on property, plant and equipment	1,746	–
Gain on disposal of subsidiaries	–	4,687
Others	(1,542)	(3,449)
	<u>(7,239)</u>	<u>(31,229)</u>

8. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Bank charges	27,327	21,715
Interest expense on:		
– Bank borrowings and other facilities	62,779	138,788
– Medium term notes	–	5,903
– Lease liabilities	61,925	62,258
Other finance cost	3,870	14,096
	<u>155,901</u>	<u>242,760</u>

9. PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

Profit/(loss) before taxation from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Depreciation of property, plant and equipment	99,462	102,297
Depreciation of right-of-use assets	211,136	219,006
Amortisation of intangible assets	15,642	15,460
Dividend income	–	(155)
Recognition /(reversal) of impairment loss on:		
– trade receivables	21,431	–
– prepayments, deposits and other receivables	–	1,862
– property, plant and equipment	(1,746)	–
Cost of inventories sold	20,844,464	14,871,728
Interest income	(17,287)	(36,621)
Government grants	(29,166)	(60,678)

10. INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Current tax – Outside Hong Kong		
Provision for the period	68,337	34,930
(Over)/under-provision in respect of prior years	(2,101)	2,124
	<u>66,236</u>	<u>37,054</u>
Deferred tax		
Origination and reversal of temporary differences	(7,775)	8,997
Withholding tax	<u>1,985</u>	<u>2,012</u>
Total income tax expense	<u><u>60,446</u></u>	<u><u>48,063</u></u>

For the six months ended 30 June 2021 and 2020, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both periods. Taxation outside Hong Kong is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.

11. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2021 and 2020, nor has any dividend been proposed after the end of reporting period.

12. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share amounts from continuing and discontinued operations is based on:

(i) *The profit/(loss) for the period attributable to owners of the Company*

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Profit/(loss) attributable to owners of the Company		
– from continuing operations	134,227	(79,287)
– from discontinued operations	<u>–</u>	<u>(15,837)</u>
	<u><u>134,227</u></u>	<u><u>(95,124)</u></u>

- (ii) the weighted average number of ordinary shares of 11,399,996,101 (six months ended 30 June 2020: 11,399,996,101) in issue during the period.

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as share options subsisting during the periods had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

13. TRADE RECEIVABLES

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Trade debtors and bills receivables at amortised cost, net of loss allowance	1,342,211	929,127
Trade receivables containing provisional pricing features, measured at FVPL	<u>2,991,324</u>	<u>2,718,677</u>
	<u>4,333,535</u>	<u>3,647,804</u>

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivables based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
0–90 days	4,191,152	3,428,704
91–180 days	128,130	158,485
181–365 days	5,453	54,800
Over 1 year	<u>8,800</u>	<u>5,815</u>
Trade debtors and bill receivables, net of loss allowance	<u>4,333,535</u>	<u>3,647,804</u>

All of the trade receivables are expected to be recovered within one year.

As at 30 June 2021, trade receivables due from the Group's associates, joint ventures and other related parties amounted to HK\$21,114,000, HK\$7,028,000 and HK\$6,013,000 (31 December 2020: HK\$15,475,000, HK\$3,773,000 and HK\$1,561,000), respectively.

14. TRADE AND OTHER PAYABLES

		30 June 2021 HK\$'000	31 December 2020 HK\$'000
	NOTES		
Trade and bills payables			
– measured at amortised cost		857,987	578,744
– containing provisional pricing features and measured at FVPL		<u>595,445</u>	<u>791,128</u>
	(a)	1,453,432	1,369,872
Other payables, deposit received and accruals	(b)	<u>9,242,722</u>	<u>7,809,277</u>
		<u><u>10,696,154</u></u>	<u><u>9,179,149</u></u>

(a) Trade and bills payables

The following is an ageing analysis of the trade and bills payables based on the invoice date as at the end of the reporting period:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
0–90 days	1,279,725	1,219,064
91–180 days	101,239	57,241
181–365 days	48,741	30,815
1–2 years	11,846	52,840
Over 2 years	<u>11,881</u>	<u>9,912</u>
	<u><u>1,453,432</u></u>	<u><u>1,369,872</u></u>

(b) Other payables, deposit received and accruals

As at 30 June 2021, included in the balance are amounts segregated for customers of HK\$7,058,750,000 (31 December 2020: HK\$6,000,547,000).

15. SUBSEQUENT EVENTS

No significant subsequent events have occurred since 30 June 2021 to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In the first half of 2021, global economy, trade and financial market has continued to be affected by the Covid-19 pandemic. A geopolitical shift has created tectonic changes which continued to affect the business community. The Group encountered tremendous difficulties and uncertainties in the logistics, financial brokerage and commodity trading realms that it has been cultivating over the years. With sound leadership from the management, the Group did great effort to (i) stabilize talents, customers and cash flow, (ii) improve the cost structure of the Group and the business line, and (iii) maintain its commitment to debt servicing and deleveraging. The Group strives to maintain a stability while putting its great effort to cope with a rapid transition to the next stage in order to ensure a healthy development. During the reporting period, the core logistics business of the Group delivered better performance as compared to the corresponding period in 2020.

For the six months ended 30 June 2021, the Group's revenue amounted to HK\$25,908,923,000 (six months ended 30 June 2020: HK\$17,711,476,000); while the profit attributable to owners amounted to HK\$134,227,000 (six months ended 30 June 2020: loss attributable to owners of HK\$95,124,000). For the six months ended 30 June 2021, the Group recorded a profit of HK\$158,179,000 from the continuing operations (six months ended 30 June 2020: loss of HK\$70,497,000). Notwithstanding various challenges faced by the Group for the six months ended 30 June 2021, the performance of its continuing operations turned better, primarily as a result of (i) the significant increase in the logistics service segment's profit before taxation of approximately HK\$158,357,000, and the significant decrease in finance cost of approximately HK\$86,859,000. The Group recorded a profit attributable to owners of the Company in the current period, and earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") from continuing operations for the six months ended 30 June 2021 was recorded as HK\$683,479,000 (six months ended 30 June 2020: HK\$520,468,000), the amount of which is calculated by the profit for the period from continuing operations, before deducting the finance costs, income tax expenses, depreciation, and amortisation for the continuing operations and adding interest income.

Logistics services

For the warehouse & integrated logistics business, the Singapore economy showed a gradual improvement in the first half of 2021 amidst the Covid-19 environment. Logistics activities of our customers were gradually increasing as export orders picked up. However, global shortage of shipping containers and port congestion at Port of Singapore Authority ("**PSA**") had disrupted and sometimes muted the supply chain, resulting in unnecessary downtimes. Uncertainties and changes in vessel arrivals at PSA berths also made transportation and warehouse planning difficult. Additionally, with the entry restriction of Malaysian and foreign workers into Singapore, manpower recruitment and retention became one of the key challenges to manage as operational activities increased.

For warehousing logistics, our overall warehouse utilisation rate in first half of 2021 remained consistently near 98% with new customers secured at higher rates. Demand for warehousing continued to be supported by e-commerce and logistics activities as these market players looked to expand their operations with the shifts in supply chain. However, the supply of new warehouses that were already delayed was further impacted by shortage of labours. This was due to tightening measures on labour supply imposed by the Singapore government following the rise in imported Covid-19 cases. The tight supply situation had caused upwards pressure on the rate in the first half of 2021 which is expected to persist until at least the fourth quarter of 2021. The rate is expected to hold steady at 10% higher compared to pre-Covid-19 until new warehouse supply enters the market.

For the freight logistics business, the freights market took a hit in first half of 2021 as a result of unexpected adverse events. In March 2021, the Suez Canal was blocked for six days after the grounding of Ever Given, a 20,000-TEU container ship. This created various vessel schedule delays and aggravated the already tight shipping space and equipment situation. In June 2021, Shenzhen port Yantian was closed for nearly a month by the authority as Covid-19 cases were detected in the port. The congestion and capacity strains impact to all other Shenzhen ports were severe, leading to carriers' schedule disruption and further shortage of shipping space in China.

Additionally, the increase in demand arising from e-commerce and electronic goods continued to be strong in the first half of 2021, adding pressure on shipping space and container equipment which were already in severe short supply. As a result, freight rates continue to remain at a high level or trend slightly higher.

For the commodity logistics business, commodity logistics demonstrated its resilience and achieved a significant improvement in EBITDA on the back of higher revenue. The growth was driven by stronger cocoa beans warehousing and logistics business. We will continue to focus on strategies which are important to the long-term success of our core business in commodity warehousing and logistics services.

Overall, logistics business saw a broad based improvement, notably freight logistics. Logistics business reported a 58% increase in revenue to HK\$3,484,912,000 (six months ended 30 June 2020: HK\$2,211,716,000). The stellar performance of freight logistics and better showings by warehousing logistics and commodity logistics bumped up logistics business profit before tax to HK\$201,374,000, approximately four times that of the previous corresponding period.

Commodity marketing (“CM”)

Despite global trade tensions and continuous pandemic impacts, CM managed to maintain its competitiveness in the concentrates and metals market. Overall annual volumes for concentrates decreased slightly compared to the same period in 2020 as a result of the pandemic as well as strategic choices made on the qualities, long-term prospects and geographical positioning.

Inventory holding costs remained high and no change in the near future is expected given that customers are facing challenges due to the current high prices for commodities. Whilst revenues improved due to a sharp increase in base metal prices, the higher prices led to higher financing costs associated with a trading company. This, coupled with higher freight costs, compromised profitability.

From a market perspective, we are seeing strong copper demand in mainly China and other markets. We expect this trend to continue throughout 2021 for both concentrates and metals market. In addition, the supply side continues to stabilise, barring any uncertainties of further Covid-19 disruptions and possible labour disputes at origination. Overall, we view 2021 as an extended transition year with continuous slow improvements in trading conditions.

CM reported a 72% increase in revenue to HK\$16,019,906,000 driven up by substantial increase in copper prices, and the profit before tax increased to HK\$60,434,000 attributable to improved margins.

Financial services

We continue to grow our total customer assets under management (“AUM”) under the derivatives segment, which has increased about 20% year to date. In terms of new businesses, the leverage forex has gained significant business traction since obtaining the license from the Monetary Authority of Singapore in 2019. We also recently added structured over-the-counter products to offer a suite of sophisticated off-exchange risk management tools for our clients. Whilst these positive developments led to an increased customer base, shrinking commission rates and low interest environment continued to adversely compromise profitability of the businesses as a whole.

We remain committed to investing resources to accelerate our digital transformation plans, with the aim to automate and achieve higher productivity while digitising touchpoints that enhance trading experience for our customers.

In terms of market outlook, we have seen an inflationary surge across all commodity sectors, including base metals, oil and freight which underpin these high prices. Currently we are reviewing our risk management practice and also we are researching into the possibility and profitability to offer crypto related products and services to capitalize on the new trend if there is an opportunity.

Financial services segment saw improved operating activities in derivative business notably in Asia but profitability was compromised by lower interest income due to low interest rates regimes and high legal costs incurred in the first half of 2021. The segment profit before tax declined 73% to HK\$14,120,000, compared to the same period last year.

Engineering services (“ES”)

ES consists of two focus areas: engineering maintenance (“**EM**”) and design & build (“**DB**”).

The ES business returned a revenue of HK\$321,775,000 and profit before tax of HK\$19,088,000 for the period under review. This is an increase of 31% in revenue and decrease of 34% in profit before tax compared to the same period last year. ES business derived its improved performance from new EM contracts secured but was slightly weighed down by the existing contracts with the aviation sector.

EM deals in engineering maintenance and management works in the facility maintenance and vehicles maintenance markets. The target market is stable, though competitive. The business performed well in the first half of 2021 and is expected to remain steady in the second half of 2021 with the new contracts secured. The impact from Covid-19 comes mainly from the aviation sector, but this is mitigated by cost reduction as well as the newly secured contracts.

DB offers design & build solutions for logistics-related clients interested to build up or fit out their logistics facilities or warehouses. The market for major warehouse development and new builds has been severely impacted by Covid-19. The pandemic has created supply chain disruptions, travel and cross border restrictions which led to a shortage and supply chain disruption in construction materials as well as unavailability of labour and manpower.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

As at 30 June 2021, the Group had cash and cash equivalents of HK\$1,066,057,000 (31 December 2020: HK\$1,247,995,000). Cash and bank balances are mostly held in Hong Kong dollar, United States dollar, Singapore dollar, Euro and Renminbi and deposited in leading banks with maturity dates falling within one year. On the other hand, the Group had loans and borrowings of HK\$6,039,463,000 (31 December 2020: HK\$6,100,619,000), of which HK\$3,795,727,000 (31 December 2020: HK\$3,820,926,000) are revolving short-term trade facilities that are used to finance the working capital of the Group’s commodity marketing business.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the six months ended 30 June 2021, the Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

LOOKING FORWARD AND OUR STRATEGIES

Having entered into the second half of 2021, although the Covid-19 pandemic has subsided with the anti-epidemic efforts of countries around the world, the emergence of virus mutation and the resurgence of the pandemic have made us aware that we will be living with the pandemic for a considerable period of time and need to seek growth opportunities within it. Meanwhile, rising geopolitical tensions are expected to continue to increase the risk of global economic turmoil, while volatile commodity prices and inflation are also adding uncertainties to the outlook of global economic growth.

We will remain cautious about the performance of the global logistics, financial and commodity market. We will endeavor to minimize the impact on the Group by closely monitoring global economic conditions on all fronts and adopting effective countermeasures. In addition, we will continue to monitor the market and seize development opportunities to ensure the steady growth of our business.

In conclusion, the Group will continue to focus on core industries and core competence, proactively pay attention to and actively seize business opportunities, so as to give full play to our industry position and competitive advantages in the logistics industry and strive for reasonable returns. We still believe that the Group is on its way to a brighter future with our best endeavors, efforts and cautions.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the period under review.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules for the reporting period from 1 January 2021 to 30 June 2021, except the following deviations:

Pursuant to code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Neng had been the chief executive officer of the Company (the “**Chief Executive Officer**”) and the co-chairman of the Board (the “**Co-Chairman**”) from 26 June 2020 to 31 May 2021. Mr. Zhang Can has been appointed as the chairman of the Board (the “**Chairman**”) and the Chief Executive Officer since 31 May 2021.

The Board believes that vesting the roles of both Chairman/Co-Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient on overall strategic planning for the Group. The Board considers this structure continues to enable the Company to make and implement decisions promptly and effectively. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and high calibre individuals with a sufficient number of independent non-executive Directors.

Therefore, the Directors consider that the reasons for deviation from code provision A.2.1 of the CG Code are appropriate in such circumstance.

APPRECIATION

The Board would like to take this opportunity to extend its sincere gratitude to all shareholders of the Company, investors, customers, suppliers and business partners for their valuable and continuous support and trust to the Group. The Board would also extend its gratitude and appreciation to all of our management and staff for their tireless efforts, diligence and dedication throughout the period.

By order of the Board
CWT INTERNATIONAL LIMITED
Zhang Can
Executive Director

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises Mr. Zhang Can (Executive Director, Chairman and Chief Executive Officer), Mr. Zhao Quan (Executive Director), Mr. Peng Biao (Executive Director), Mr. Wu Jinfeng (Executive Director), Mr. Leung Shun Sang, Tony (Independent Non-executive Director), Mr. Liem Chi Kit, Kevin (Independent Non-executive Director) and Mr. Lam Kin Fung, Jeffrey (Independent Non-executive Director).