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CWT INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of CWT International Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 with comparative figures for the year ended 31 December 2020. These final results have been reviewed by the Audit Committee of the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations			
Revenue	5	55,448,828	44,673,571
Cost of sales		(53,538,565)	(43,192,505)
Gross profit		1,910,263	1,481,066
Other income	7	120,545	196,331
Other net (loss)/gain		(144,352)	2,366
Selling and distribution costs		(390,586)	(370,579)
Administrative expenses		(795,829)	(794,276)
Finance costs	8	(304,026)	(413,565)
Share of profits less losses of associates, net of tax		54,383	25,978
Share of profits less losses of joint ventures, net of tax		15,114	2,421
Profit before taxation		465,512	129,742
Income tax expense	9	(176,153)	(45,928)
Profit for the year from continuing operations		289,359	83,814

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTE</i>	2021 HK\$'000	2020 HK\$'000
Discontinued operations			
Loss for the year from discontinued operations	4	<u>–</u>	<u>(15,506)</u>
Profit for the year		<u>289,359</u>	<u>68,308</u>
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Defined benefit plan remeasurements		3,107	(3,148)
Tax on defined benefit plan remeasurements		(370)	377
Net change in fair value of financial assets measured at FVOCI		<u>–</u>	<u>(88)</u>
		<u>2,737</u>	<u>(2,859)</u>
<i>Items that may be reclassified subsequently to profit or loss, net of nil tax:</i>			
Exchange differences arising from translation of financial statements of overseas subsidiaries		(36,680)	94,148
Exchange differences reclassified to profit or loss on disposal of subsidiaries		–	85,311
Effective portion of changes in fair value of cash flow hedges		1,989	(1,499)
Share of other comprehensive income of associates and joint ventures		<u>(12,107)</u>	<u>(9,735)</u>
		<u>(46,798)</u>	<u>168,225</u>
Other comprehensive income for the year		<u>(44,061)</u>	<u>165,366</u>
Total comprehensive income for the year		<u>245,298</u>	<u>233,674</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>NOTES</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company:			
– from continuing operations		208,905	56,803
– from discontinued operations	4	<u>–</u>	<u>(15,338)</u>
Profit for the year attributable to owners of the Company		<u>208,905</u>	<u>41,465</u>
Profit/(loss) for the year attributable to non-controlling interests:			
– from continuing operations		80,454	27,011
– from discontinued operations		<u>–</u>	<u>(168)</u>
Profit for the year attributable to non-controlling interests		<u>80,454</u>	<u>26,843</u>
Profit for the year		<u>289,359</u>	<u>68,308</u>
Total comprehensive income attributable to:			
Owners of the Company		170,233	201,511
Non-controlling interests		<u>75,065</u>	<u>32,163</u>
		<u>245,298</u>	<u>233,674</u>
EARNINGS/(LOSS) PER SHARE	<i>11</i>		
Basic and diluted (<i>HK cents</i>)		<u>1.83</u>	<u>0.36</u>
From continuing operations			
Basic and diluted (<i>HK cents</i>)		<u>1.83</u>	<u>0.50</u>
From discontinued operations			
Basic and diluted (<i>HK cents</i>)		<u>–</u>	<u>(0.14)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>NOTE</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		3,655,490	3,887,046
Right-of-use assets		2,847,093	3,170,538
Intangible assets		184,349	212,912
Interest in associates		241,897	190,232
Interest in joint ventures		235,322	256,449
Other financial assets		213,170	206,586
Prepayments, deposits and other receivables		56,904	36,016
Other non-current assets		18,532	18,642
Derivative financial instruments		42,878	1,467
Deferred tax assets		38,926	35,458
		<u>7,534,561</u>	<u>8,015,346</u>
Current assets			
Other financial assets		2,358	1,498,580
Inventories		2,584,199	3,094,489
Trade receivables	<i>12</i>	3,361,786	3,647,804
Prepayments, deposits and other receivables		9,249,134	6,764,870
Contract assets		147,519	73,791
Warrantable LME commodities		66,456	98,655
Derivative financial instruments		431,944	429,527
Tax recoverable		14,983	15,100
Pledged bank deposits		24,797	29,817
Cash and cash equivalents		1,517,145	1,247,995
		<u>17,400,321</u>	<u>16,900,628</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	<i>NOTE</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current liabilities			
Contract liabilities		178,669	254,124
Trade and other payables	<i>13</i>	10,736,856	9,194,149
Loans and borrowings		4,446,626	5,204,356
Lease liabilities		363,147	374,467
Derivative financial instruments		389,558	1,146,335
Current tax payable		86,005	41,220
		<u>16,200,861</u>	<u>16,214,651</u>
Net current assets		<u>1,199,460</u>	<u>685,977</u>
Total assets less current liabilities		<u>8,734,021</u>	<u>8,701,323</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	<i>NOTE</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Trade and other payables	<i>13</i>	22,196	23,779
Loans and borrowings		969,275	896,263
Lease liabilities		2,671,395	2,932,448
Derivative financial instruments		33,682	3,468
Defined benefit obligations		50,225	62,341
Deferred tax liabilities		263,939	284,666
		<u>4,010,712</u>	<u>4,202,965</u>
Net assets		<u>4,723,309</u>	<u>4,498,358</u>
Capital and reserves			
Share capital		4,731,480	4,731,480
Reserves		<u>(193,619)</u>	<u>(363,832)</u>
Equity attributable to owners of the Company		4,537,861	4,367,648
Non-controlling interests		<u>185,448</u>	<u>130,710</u>
Total equity		<u>4,723,309</u>	<u>4,498,358</u>

NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

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.

In January 2021, HNA Group entered into a bankruptcy reorganisation as required by the local court and is expected to be led by new controlling shareholders. As at the date of the financial statements, the directors have not received any notices on change in ultimate controlling party.

2. BASIS OF PREPARATION

The annual results set out in this announcement are extracted from the Group’s statutory financial statements for the year ended 31 December 2021.

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”). The statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but such information is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance 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 statutory financial statements for the year ended 31 December 2021 will be delivered to the Registrar of Companies in due course.

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

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

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

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating rates that are indexed to LIBOR and EURIBOR. The Group does not expect IBOR reform to have any impact to the Group as the interest rate swap indexed to LIBOR was closed in after the loan was fully paid in 2021.

The amendments do not have a material impact on the financial statements.

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the Covid-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from June 2021 to 30 June 2022. The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

4. DISCONTINUED OPERATIONS

The Group completed the disposal 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 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 is principally engaged in integrated logistics services and related engineering services. The Group is also engaged in the affiliated business of commodity marketing and financial services.

Disaggregation of revenue

Continuing operations

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Disaggregated by major products and service lines		
Freight services	5,998,828	2,939,199
Logistics services	1,577,095	1,614,502
Commodity trading	46,435,574	38,918,873
Equipment and facility maintenance services	615,397	487,114
Design-and-build	27,609	17,977
Broking services	536,321	563,871
Others	<u>258,004</u>	<u>132,035</u>
	<u>55,448,828</u>	<u>44,673,571</u>
Disaggregated by geographical location of customers		
Mainland China	35,083,651	24,686,428
Singapore	10,996,725	3,156,536
Hong Kong Special Administrative Region of the PRC	1,810,273	9,819,989
Korea	1,226,686	1,118,846
Other Asia Pacific jurisdictions	3,463,984	3,566,761
Europe	1,453,945	1,000,969
North America	1,106,951	1,018,028
Africa continent	244,677	302,900
South America	<u>61,936</u>	<u>3,114</u>
	<u>55,448,828</u>	<u>44,673,571</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.

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 reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 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	7,864,291	4,712,690	31,205,278	24,880,230	655,187	519,807	15,766,617	14,602,576	(42,545)	(41,732)	55,448,828	44,673,571
Inter-segment revenue	(42,053)	(41,490)	-	-	(492)	(242)	-	-	42,545	41,732	-	-
Revenue from external customers	7,822,238	4,671,200	31,205,278	24,880,230	654,695	519,565	15,766,617	14,602,576	-	-	55,448,828	44,673,571
Revenue from external customers disaggregated by timing of revenue recognition												
Point in time	3,161,890	1,649,268	31,069,231	24,795,127	98,925	86,033	15,766,617	14,602,576	-	-	50,096,663	41,133,004
Over time	4,660,348	3,021,932	136,047	85,103	555,770	433,532	-	-	-	-	5,352,165	3,540,567
	7,822,238	4,671,200	31,205,278	24,880,230	654,695	519,565	15,766,617	14,602,576	-	-	55,448,828	44,673,571
Revenue from external customers disaggregated by major products and service lines												
Freight services	5,998,828	2,939,199	-	-	-	-	-	-	-	-	5,998,828	2,939,199
Logistics services	1,577,095	1,614,502	-	-	-	-	-	-	-	-	1,577,095	1,614,502
Commodity trading	-	-	31,205,278	24,880,168	-	-	15,230,296	14,038,705	-	-	46,435,574	38,918,873
Equipment and facility maintenance services	-	-	-	-	615,397	487,114	-	-	-	-	615,397	487,114
Design-and-build	-	-	-	-	27,609	17,977	-	-	-	-	27,609	17,977
Broking services	-	-	-	-	-	-	536,321	563,871	-	-	536,321	563,871
Others	246,315	117,499	-	62	11,689	14,474	-	-	-	-	258,004	132,035
	7,822,238	4,671,200	31,205,278	24,880,230	654,695	519,565	15,766,617	14,602,576	-	-	55,448,828	44,673,571

	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
Results												
Interest income	5,567	6,257	15,132	19,413	694	1,171	18,211	37,216	(8,240)	(9,315)	31,364	54,742
Interest expense	(144,039)	(157,378)	(66,843)	(68,461)	(98)	(101)	(5,376)	(7,046)	8,929	10,368	(207,427)	(222,618)
Depreciation and amortisation	(572,821)	(601,054)	(41,595)	(52,354)	(9,699)	(9,760)	(6,783)	(7,079)	12,222	12,255	(618,676)	(657,992)
Share of profits of associates and joint ventures, net of tax	66,835	25,684	-	-	2,662	2,715	-	-	-	-	69,497	28,399
Gain/(loss) on disposal of property, plant and equipment	2,153	3,880	(1,545)	(6)	29	11	-	(214)	-	-	637	3,671
(Loss)/gain on disposal of subsidiaries, associates and joint ventures	(6)	(7,141)	-	4,545	-	-	-	-	-	-	(6)	(2,596)
Impairment losses on right-of-use assets	(28,361)	-	-	-	-	-	-	-	-	-	(28,361)	-
Impairment losses on prepayments	-	-	-	(3,880)	-	-	-	-	-	-	-	(3,880)
Inventory write-off	-	-	-	-	-	-	-	(37,987)	-	-	-	(37,987)
Reversal/(recognition) of impairment losses on property, plant and equipment	-	-	1,748	(1,745)	-	-	-	-	-	-	1,748	(1,745)
(Recognition)/reversal of impairment losses on trade and other receivables	(10,897)	(12,531)	23	(282)	-	-	(14,768)	4,370	-	-	(25,642)	(8,443)
Reportable segment profit/(loss) before taxation	584,097	217,026	48,679	66,738	35,542	58,532	(60,351)	38,798	(3,067)	321	604,900	381,415
Reportable segment assets	8,849,566	8,720,960	6,143,490	8,064,675	540,969	475,599	9,371,230	7,795,521	(679,705)	(806,049)	24,225,550	24,250,706
Investments in associates and joint ventures	471,525	439,498	-	-	5,694	7,183	-	-	-	-	477,219	446,681
Capital expenditure	57,121	111,437	5,168	6,420	1,237	939	283	82	-	-	63,809	118,878
Reportable segment liabilities	6,320,594	6,346,489	4,832,289	6,763,188	298,225	234,447	8,312,037	6,736,522	(679,428)	(775,980)	19,083,717	19,304,666

(b) **Reportable segment profit or loss**

	2021	2020
	HK\$'000	HK\$'000
Total profit for reportable segments	604,900	381,415
Unallocated amounts:		
Gain on fair value change of other financial assets	–	22,381
Loss on disposal of property, plant and equipment	–	(2)
Net foreign exchange (loss)/gain	(2,345)	8,039
Depreciation of right-of-use assets	(5,486)	(9,304)
Finance costs	(35,912)	(137,371)
Unallocated income and gains	388	3,647
Unallocated expenses	(96,033)	(139,063)
	<u>465,512</u>	<u>129,742</u>
Profit before tax (continuing operations)	<u>465,512</u>	<u>129,742</u>

(c) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2021	2020
	HK\$'000	HK\$'000
Reportable segment assets		
Continuing operations		
Logistics services	8,849,566	8,720,960
Commodity marketing	6,143,490	8,064,675
Engineering services	540,969	475,599
Financial services	9,371,230	7,795,521
	<u>(679,705)</u>	<u>(806,049)</u>
Total reportable segment assets	24,225,550	24,250,706
Unallocated assets:		
Investments in associates and joint ventures	477,219	446,681
Cash and cash equivalents	8,042	4,044
Other financial assets	213,170	204,702
Other unallocated assets	10,901	9,841
	<u>24,934,882</u>	<u>24,915,974</u>
Consolidated total assets	<u>24,934,882</u>	<u>24,915,974</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Reportable segment liabilities		
Continuing operations		
Logistics services	6,320,594	6,346,489
Commodity marketing	4,832,289	6,763,188
Engineering services	298,225	234,447
Financial services	8,312,037	6,736,522
Elimination of inter-segment liabilities	<u>(679,428)</u>	<u>(775,980)</u>
 Total reportable segment liabilities	 19,083,717	 19,304,666
Unallocated liabilities:		
Perpetual notes	358,694	356,905
Promissory Note	716,000	716,000
Other unallocated liabilities	<u>53,162</u>	<u>40,045</u>
 Consolidated total liabilities	 <u>20,211,573</u>	 <u>20,417,616</u>

(d) Geographic information

The logistic services and commodity marketing segments are managed on a worldwide basis and the Group operates principally in Mainland China, Singapore, other parts of Asia Pacific Region, Europe, North America, Africa continent and South America. Engineering services are primarily in Singapore. Financial services operate mainly in Mainland China, Singapore and North America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations from which the Group derives its revenue. Segment non-current assets (other than loans and receivables, financial assets and deferred tax assets) are based on the geographical location of the assets.

	Specified non-current assets	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Mainland China	92,832	77,899
Singapore	5,231,647	5,694,676
Hong Kong Special Administrative Region of the PRC	913	7,398
Korea	266	276
Other Asia Pacific jurisdictions	571,973	555,039
Europe	1,259,663	1,315,916
North America	24,023	20,123
Africa continent	62,642	60,560
South America	<u>9,931</u>	<u>5,399</u>
	<u>7,253,890</u>	<u>7,737,286</u>

7. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Interest income on financial assets measured at amortised cost	31,364	54,742
Dividend income from other financial assets	474	163
Government grants	37,979	103,735
Others	<u>50,728</u>	<u>37,691</u>
	<u>120,545</u>	<u>196,331</u>

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Continuing operations		
Interests expense on:		
– Bank borrowings and other facilities	120,559	182,197
– Medium term notes	–	5,998
– Lease liabilities	120,998	126,315
– Others	1,586	3,853
Other finance costs	<u>7,176</u>	<u>48,565</u>
	250,319	366,928
Bank charges	<u>53,707</u>	<u>46,637</u>
	<u>304,026</u>	<u>413,565</u>

9. INCOME TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
Provision for the year – Overseas income tax	173,511	68,362
Under/(over)-provision in respect of prior years	<u>18,078</u>	<u>(12,103)</u>
	191,589	56,259
Deferred tax		
Origination and reversal of temporary differences	(19,284)	(20,423)
Withholding tax	<u>3,848</u>	<u>9,366</u>
Total income tax expense	<u>176,153</u>	<u>45,202</u>
Attributable to:		
Profit from continuing operations	176,153	45,928
Loss from discontinued operations	–	(726)

For the years ended 31 December 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 years.

Taxation outside Hong Kong is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

In 2014, the Group was offered Land Intensified allowance (“LIA”) incentive from the Singapore Economic Development Board (“EDB”) for its warehouse situated in Singapore known as Mega Logistics Hub (“MLH”). The LIA incentive is a targeted scheme to promote the intensification of industrial land use towards more land-efficient and higher value-added activities. As at 31 December 2021, the Group claimed a total LIA incentive of SG\$64,527,000 (approximate to HK\$372,985,000) as capital allowances deducted against taxable incomes.

In 2021, EDB conducted a post LIA review and noted that the Group has different interpretation on the criteria of total floor area, one qualifying condition of the said LIA incentive. The Group views usable floor area as a subject dependent on interpretations, and contested the basis used in EDB’s review. As such, the Group is presently working with EDB and the relevant authorities to define the floor area considering the state-of-the-art technology at MLH that maximises land plot ratio and economic output.

The aggregated tax effect for LIA incentive from financial years ended 2014 through 2020 is SG\$14,210,000 (approximate to HK\$82,230,000). The Inland Revenue Authority of Singapore (“IRAS”) had issued a revised tax assessment to disallow an LIA incentive claim of SG\$47,791,000 (approximate to HK\$276,557,000) for the year of assessment 2017 (the “2017 LIA Incentive Claim”). The 2017 LIA Incentive Claim remained open as of the date of the financial statements.

As the matter remains in discussion with EDB, and together with the Group’s belief that it has a proper basis to substantiate total floor area, the Group does not consider it necessary to create any current tax provision to reverse the LIA incentive previously claimed.

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2021 and 2020, nor has any dividend been proposed after the end of reporting period.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share amounts is based on the weighted average number of ordinary shares of 11,399,996,101 (2020: 11,399,996,101) in issue during the year and the profit/(loss) for the year attributable to owners of the Company as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) attributable to owners of the Company		
– from continuing operations	208,905	56,803
– from discontinued operations	<u>–</u>	<u>(15,338)</u>
	<u>208,905</u>	<u>41,465</u>

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 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.

12. TRADE RECEIVABLES

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	3,308,197	3,428,704
91–180 days	19,162	158,485
181–365 days	10,451	54,800
1–2 years	<u>23,976</u>	<u>5,815</u>
	<u>3,361,786</u>	<u>3,647,804</u>

Trade debtors and bills receivables are expected to be recovered within one year.

13. TRADE AND OTHER PAYABLES

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bills payables	<i>(a)</i>	1,541,741	1,369,872
Other payables, deposits received and accruals	<i>(b)</i>	9,116,407	7,848,056
Provision for a legal case	<i>(c)</i>	100,904	–
		10,759,052	9,217,928
Less: non-current portion		(22,196)	(23,779)
		10,736,856	9,194,149

(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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–90 days	1,387,730	1,219,064
91–180 days	65,485	57,241
181–365 days	39,844	30,815
1–2 years	41,971	52,840
Over 2 years	6,711	9,912
	1,541,741	1,369,872

(b) Other payables, deposits received and accruals

As at 31 December 2021, included in the balance are amounts segregated for customers of HK\$7,653,077,000 (31 December 2020: HK\$6,000,547,000).

(c) Provision for a legal case

As at 31 December 2021, a provision of HK\$100,904,000 was made by Straits (Singapore) Pte. Ltd. (“SSPL”), an indirect subsidiary of the Group, in connection with a litigation (the “Case”) which involved certain repurchase agreements. The provision is recognised as “other net (loss)/gain” during 2021.

Based on the judgment (the “Judgment”) and the order of the court dated 16 February 2022, SSPL, together with four other defendants to the Case, would be liable to pay the plaintiff an amount of approximately US\$283 million. While the Company is in the process of its submission to appeal to the Case, after discussion with the Group’s legal advisors, it is expected that the provision to be made for the compensation amount under the Judgment will be limited to the net asset value of SSPL as at 31 December 2021. The provision made by SSPL represented its net assets value as at 31 December 2021. More details relating to the Case can be found in the Company’s announcement dated 23 January 2022 and 17 February 2022.

FINAL DIVIDEND

The Board did not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The year 2021 saw global economic recovery boosted by government and central bank support and by progress in vaccination. Growth prospects vary greatly due to disparities in vaccination progress, in size and effectiveness of policy stimulus, and in economic structures. The outbreaks of the Delta and Omicron virus are forcing some countries to restrict activities, resulting in bottlenecks and pressures on supply chains.

Freight logistics under logistics services segment and commodity marketing segment saw surge in revenue fueled by higher ocean freight rates and commodity prices. Supply chain disruption, imbalanced supply and demand and growth in international trade volumes drove up freight rates. The Asia Pacific is the fastest-growing region. Increasing infrastructure investments and industrial developments drive up demand for base metals hence higher commodity prices.

For the year ended 31 December 2021, the Group's revenue increased by 24% from HK\$44,673,571,000 to HK\$55,448,828,000 mainly due to higher commodity prices, increase in freight logistics volume coupled with exceptionally high ocean freight rates. The Group's net profit from continuing operations increased by 245% mainly due to exceptional performance from logistics services notably freight logistics. With a nimble and experience team, the Group delivered stellar performance by capitalizing on the high demand for shipping space, focusing on improved inventory management with automation and pivoting towards healthcare logistics.

Logistics Services

Our core logistics business environment is closely tied to Singapore's economy, customer demand and dependent on the global supply chain situation, all of which are impacted by Covid-19. With the influx of Omicron virus strain, countries and companies are respectively taking a measured approach in the easing of trade restrictions and in normalizing operations. Amid a prolonged pandemic era, supply chain delays continue to slow down sector recovery and place pressure on logistics players.

The Group continues to adapt, adjust and achieve. In 2021, we added a new milestone with the operational readiness of our automated container storage and retrieval system at Mega Logistics Hub. With automation, we are able to manage inventory more accurately, more efficiently handle high container turnover rates, reduce manual processes and carbon emissions. Additionally, we pivoted from our primary regional distribution hub model to focus more on the domestic market to capitalise on higher demand for local healthcare logistics such as storage and distribution of hand sanitisers.

For warehousing logistics, our Singapore warehouses were close to full utilisation in 2021. We expect this positive trend to continue into 2022. The ripple effect of the world's supply chain disruption has led to increased warehousing demand as businesses retooled their distribution and fulfilment models. In addition, market-anticipated new warehouses were further delayed in their schedule due to labour shortage, resulting in unfulfilled demand and consequently causing market rate to go up. With only a few new warehouses in the pipeline, the tight supply situation is expected to persist into the foreseeable future, with market rate holding steady or higher until new supply of warehouses comes on stream.

For freight logistics business, several factors converged to drive the demand for shipping space and rates to unprecedented levels. The most chronic demand situation was seen in the Trans Pacific trade and the European market, with the snowballing effect lifting rates even further to a very high level throughout the year. This setting eventually spilt over to the Intra-Asia trade, particularly for export out of China and import into the Oceania trade. We had adapted well to these market conditions and were able to navigate and maximise our margins. In 2021, our overall cargo volume grew and we recorded our best financial performance for freight logistics in the Company's history. We expect the tight space situation to extend into first half of 2022. Most of the factors that drive rates are expected to prevail and continue to underpin the strong rate levels.

For commodity logistics business, we delivered a strong performance in 2021 despite volatile market conditions and many operational challenges imposed by the pandemic. 2021 revenue and profit were higher compared to the previous corresponding period. The robust performance was underpinned by effective execution across business units, driven by stronger cocoa beans warehousing and logistics business. Looking ahead, we remain razor-focused in shaping our strategies to develop and grow our commodity warehousing and logistics services for the long term.

Despite operational challenges from the pandemic and the volatile market conditions, logistics services reported a 67% increase in revenue over the financial year 2020. Excluding Covid-19 reliefs HK\$28,667,000, the Group achieved 256% higher profit before tax than the previously financial year. The stellar results were contributed largely by the Group's freight logistics business. The Group's ability to adapt and react swiftly to the challenges and market conditions coupled with the capitalization of business opportunity were the key drivers that propelled the results of logistics services to a greater height.

Commodity Marketing (“CM”)

For CM business, we provide global supply chain management services and specialize in the marketing of mainly non-ferrous concentrates and refined metals for smelters, processing industries and trading companies.

Despite a plethora of challenges to global commodity trading markets ranging from impacts of the ongoing pandemic to severe supply chain bottlenecks, CM has continued to operate profitably and competitively in the concentrates market. Whilst CM's total traded volume of concentrates fell slightly in 2021 compared to 2020, revenues increased over the same period due to record high copper prices. However, CM also incurred higher costs, largely driven by the total cost of financing rising commensurately with higher copper prices, increased global freight rates and the persistent backwardation of the copper market structure.

Looking ahead, we anticipate a more balanced copper concentrates market in 2022 with higher mine output matching already strong demand providing ample opportunities for CM to take advantage of in 2022. We remain focused in developing and maintaining stable long-term supply prospects, making strategic choices around qualities and reinforcing our geographical positioning to bolster CM business.

For the year ended 31 December 2021, CM's revenue increased by 25% to HK\$31,205,278,000 attributed to commodities price hike. Despite higher revenue, CM's profit before tax decreased by 28% to HK\$47,800,000 (excluding Covid-19 reliefs HK\$879,000), mainly due to higher freight rates, shipping space constraints and spread option valuation losses on backwardation market.

Financial Services

We grew our total customer assets under management (“AUM”) under the derivatives segment by about 30% year-on-year mainly due to increased exposure to futures contracts of Chicago Mercantile Exchange for cryptocurrencies, and expanded into structured over-the-counter (“OTC”) products to provide our clients customised off-exchange risk management tools. Our suite of leverage forex products also gained significant traction since inception in 2019, increasing by over 100% year-on-year to a total notional transaction size of more than US\$50B in 2021. Both structured OTC and forex highly complement our derivative and trade services, further strengthening our “one-stop shop” mantra to a majority of our client base in the physical commodity space.

However, shrinking commission rates amid a low interest environment, coupled with limited working capital and human resource constraints amid the pandemic continued to dampen our business performance. Nonetheless, we took the opportunity to restructure and streamline the Company to be more efficient. We also continue to invest to accelerate our digital transformation into a more productive company and creating a far better 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 high consumer prices. As we continue to grow our customer AUM, we stand to benefit from market expectations of rising interest rates in 2022. Market volatility remains relatively high as the trending focus on cryptocurrencies and related products as a new asset class offering come into play. To capture the next engine of growth, we are strategically working towards building our own infrastructure and ecosystem to offer crypto-related products and services.

For the year ended 31 December 2021, higher trade services transacted volume contributed to a 8% increase in revenue to HK\$15,766,617,000 over the corresponding financial year. However, financial services business turned into a loss before tax (excluding Covid-19 reliefs HK\$943,000) to HK\$61,294,000 as the improved earnings from trade services business was offset by poor earnings from derivatives business due to the continued low interest income resulting from reduced federal interest rate, impairment of trade receivables, higher legal fees and provision for ED&F’s legal case.

Engineering Services (“ES”)

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

The ES segment returned a revenue of HK\$655,187,000 and profit before tax of HK\$35,542,000 for the year under review.

EM revenue comes from essential engineering maintenance and management works. The target market is stable, though competitive. The business performed well in 2021 and is expected to remain steady in 2022. EM operations involve mainly supporting the essential services that the Singapore Government provides. Therefore, the businesses have largely been unaffected amid the pandemic.

DB offers design-and-build solutions to customers in the industrial and logistics industry. Demand for new build of industrial and logistics facilities remained weak in 2021 due to extremely high construction prices and market uncertainties. This will continue to put a dampener on any new plans for new logistics facilities continuing into 2022. As such, there was increased focus and activity by logistics customers in retrofitting and fitting out their existing premises to enhance operations productivity. This should benefit our consultancy services and smaller addition & alteration (A&A) projects business.

ES revenue increased by 26% mainly due to newly secured projects. Profit before tax (excluding Covid-19 government grant of HK\$7,488,000) increased by 5% despite a higher revenue as the operating margins of engineering projects were squeezed with greater competition and higher labour costs.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

As at 31 December 2021, the Group had cash and cash equivalents of HK\$1,517,145,000 (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\$5,415,901,000 (31 December 2020: HK\$6,100,619,000), of which an aggregated amount of HK\$4,446,626,000 (31 December 2020: HK\$5,204,356,000) was repayable within one year as at year end. On 18 February 2022 (the “**Effective Date**”), the original HK\$716,000,000 promissory note with maturity on 2 September 2022 was terminated and replaced by new HK\$716,000,000 promissory note with maturity on the date falling three years after the Effective Date. Included in the amount repayable within one year are revolving trading facilities of HK\$3,219,472,000 (31 December 2020: HK\$3,820,926,000) which are fully secured with certain working capital of the Group’s commodity marketing business.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year ended 31 December 2021, the Company did not have any material acquisitions and disposals of subsidiaries and associated companies.

SUBSEQUENT EVENTS

On 18 February 2022 (the “**Effective Date**”), the original HK\$716,000,000 promissory note with maturity on 2 September 2022 was terminated and replaced by new HK\$716,000,000 promissory note with maturity on the date falling three years after the Effective Date. The rate of interest is agreed at five percent (5%) per annum, the same as previous promissory note. We believe that the new three years term promissory note will improve the liquidity of the Group.

BUSINESS PROSPECTS

In addition to the threat of Delta and Omicron virus, the outbreak of military conflict between Russia and Ukraine creates uncertainty on the global political and economic situation. Under such circumstances, the Group will deal with all potential risks carefully.

On the other hand, the promissory note of HK\$716,000,000, which will expire in September 2022, has already been extended for another three years after continuous discussion and negotiation between the management team of the Company and the substantial shareholder. This significantly reduces the liquidity risk of the Group and the Group can allocate more resources to focus on the business in Singapore and the affairs in Hong Kong.

In the foreseeable future, the Group believes that it will stay in a profitable status. While the Group will try to keep making profit from the business in Singapore, the Group will also fulfil the corporate social responsibility at the same time. The Group will also improve the quality and efficiency of workflow and optimize the management efficiency in Hong Kong. In addition to strictly comply with the applicable laws and regulations, we will also aim to maximize the Shareholders’ interests through a series of actions in an attempt to improve our market image and market value.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 the auditor.

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 year ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") which was in force during the year ended 31 December 2021 (the "ex-CG Code") as set out in Appendix 14 of the Listing Rules during the financial year ended 31 December 2021, except for the following deviations:

- (1) Pursuant to code provision A.2.1 (which has been re-arranged as CG Code provision C.2.1) of the ex-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 and the Co-Chairman up to 31 May 2021. Mr. Zhang Can has been appointed as 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 (which has been re-arranged as CG Code provision C.2.1) of the ex-CG Code are appropriate in such circumstance.

- (2) Pursuant to code provision of F.1.2 (which has been re-arranged as CG Code provision C.6.2) of the ex-CG Code, a board meeting should be held to discuss the appointment and dismissal of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution.

The Board decided to approve the appointment of Mr. Lau Lap Ngai as the Company Secretary on 29 July 2021 by a written resolution. It was because Mr. Lau Lap Ngai acted as the Company Secretary/joint Company Secretary from 2014 to 2019 and remained in the company secretarial team of the Company as a supporting role thereafter before the re-appointment. He has over twenty years of company secretarial experience and the Board has a great extent of familiarity with Mr. Lau Lap Ngai already.

Note: Mr. Zhang Can resigned as the Chairman and the Chief Executive Officer and Mr. Wang Kan was appointed as the Chairman and the Chief Executive Officer, with effect from 21 February 2022.

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 of the Company for their valuable and continuous support and trust to the Group. The Board would also extend its gratitude and appreciation to all our management and staff for their tireless efforts, diligence and dedication throughout the year.

By order of the Board
CWT INTERNATIONAL LIMITED
Wang Kan
Executive Director

Hong Kong, 28 March 2022

As at the date of this announcement, the Board comprises, Mr. Wang Kan (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).

* *for identification purpose only*