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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)

2022 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Revenue decreased by 19% to HK\$1,803,925,000, mainly attributable to the decrease in revenues from coatings, ship trading agency and general trading segments.
- Gross profit decreased by 14% to HK\$316,357,000. However, gross profit margin increased to 18% which was mainly attributable to the substantial increase in gross profit margin of general trading segment.
- Operating profit decreased by 8% to HK\$126,545,000.
- Profit before income tax from core business of shipping services decreased by 12% to HK\$157,209,000.
- Profit attributable to equity holders increased by 4% to HK\$165,587,000, although the gross profit decreased due to the impact on certain business segments by the Coronavirus Disease 2019 (“COVID-19”) pandemic, however, the adverse effect was offset by the decrease in selling expenses and increase in net exchange gains.
- Basic and diluted earnings per share was 10.80 HK cents (2021: 10.41 HK cents), increased by 4%. The Board has declared an interim dividend of 11 HK cents (2021: 10 HK cents) per share.
- The Group had net cash (represented by total restricted bank deposits, and current deposits and cash and cash equivalents) of HK\$6,041,209,000 as at 30 June 2022.

The board of directors (the “Board” or the “Director(s)”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “Company” or “COSCO SHIPPING International”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022. The unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

The Group's unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of financial position and explanatory notes 1 to 11 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 (the "Unaudited Condensed Consolidated Interim Financial Information"), which has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Unaudited	
		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
Revenue	3	1,803,925	2,231,237
Cost of sales		<u>(1,487,568)</u>	<u>(1,864,965)</u>
Gross profit		316,357	366,272
Management fee income		35,259	35,960
Other income and gains — net	4	31,658	10,624
Selling, administrative and general expenses		<u>(256,729)</u>	<u>(275,138)</u>
Operating profit	5	126,545	137,718
Finance income	6	<u>22,249</u>	27,076
Finance costs	6	<u>(952)</u>	(4,034)
Finance income — net	6	21,297	23,042
Share of profits of joint ventures	3	47,218	36,659
Share of profits of associates	3	<u>3,337</u>	<u>2,074</u>
Profit before income tax		198,397	199,493
Income tax expenses	7	<u>(27,330)</u>	<u>(31,978)</u>
Profit for the period		<u>171,067</u>	<u>167,515</u>
Profit attributable to:			
Equity holders of the Company		165,587	159,592
Non-controlling interests		<u>5,480</u>	<u>7,923</u>
		<u>171,067</u>	<u>167,515</u>
Earnings per share attributable to equity holders of the Company during the period			
— basic and diluted, HK cents	8	<u>10.80</u>	<u>10.41</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit for the period	<u>171,067</u>	<u>167,515</u>
Other comprehensive (losses)/income		
Items that may be reclassified subsequently to profit or loss:		
Share of currency translation differences of joint ventures	(12,327)	3,937
Share of cash flow hedges of an associate, net of tax	—	(2,408)
Currency translation differences	(90,975)	9,953
Items that will not be reclassified to profit or loss:		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income, net	(3,503)	4,843
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	<u>—</u>	<u>11,362</u>
Other comprehensive (losses)/income for the period	<u>(106,805)</u>	<u>27,687</u>
Total comprehensive income for the period	<u>64,262</u>	<u>195,202</u>
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	73,685	183,613
Non-controlling interests	<u>(9,423)</u>	<u>11,589</u>
	<u>64,262</u>	<u>195,202</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
	Note		
ASSETS			
Non-current assets			
Intangible assets		105,681	107,664
Property, plant and equipment		236,772	255,817
Right-of-use assets		46,017	41,412
Investment properties		158,151	158,545
Investments in joint ventures		526,162	499,999
Investments in associates		157,217	237,786
Financial assets at fair value through other comprehensive income		59,118	62,621
Deferred income tax assets		40,543	42,810
		<u>1,329,661</u>	<u>1,406,654</u>
Current assets			
Inventories		361,187	443,548
Trade and other receivables	10	1,780,891	1,671,666
Current income tax recoverable		68	615
Restricted bank deposits		5,847	6,115
Current deposits and cash and cash equivalents		<u>6,035,362</u>	<u>6,213,626</u>
		8,183,355	8,335,570
Assets held for sale		<u>69,078</u>	<u>—</u>
		<u>8,252,433</u>	<u>8,335,570</u>
Total assets		<u><u>9,582,094</u></u>	<u><u>9,742,224</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		153,296	153,296
Reserves		<u>7,843,440</u>	<u>7,907,721</u>
		7,996,736	8,061,017
Non-controlling interests		<u>324,156</u>	<u>333,579</u>
Total equity		<u><u>8,320,892</u></u>	<u><u>8,394,596</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	6,715	4,738
Deferred income tax liabilities		<u>62,887</u>	<u>63,308</u>
		<u>69,602</u>	<u>68,046</u>
Current liabilities			
Trade and other payables	11	985,836	894,585
Contract liabilities	11	164,022	306,514
Current income tax liabilities		32,124	30,933
Short-term borrowings		—	42,807
Lease liabilities	11	<u>9,618</u>	<u>4,743</u>
		<u>1,191,600</u>	<u>1,279,582</u>
Total liabilities		<u><u>1,261,202</u></u>	<u><u>1,347,628</u></u>
Total equity and liabilities		<u><u>9,582,094</u></u>	<u><u>9,742,224</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 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 established in the People's Republic of China (the "PRC").

This Unaudited Condensed Consolidated Interim Financial Information is presented in Hong Kong dollars, unless otherwise stated.

The Unaudited Condensed Consolidated Interim Financial Information was approved by the Board for issue on 18 August 2022.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The accounting policies and methods used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those set out in the annual financial statements for the year ended 31 December 2021, except that the Group has applied the accounting policy on "Non-current assets held for sale" as follows:

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

The amendments to existing standards that became effective in this accounting period do not have any significant impact on the Group's accounting policies and do not require any adjustments.

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 1 January 2022 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 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 of time, during the period is as follows:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Sale of coatings	528,020	781,822
Sale of marine equipment and spare parts	897,724	806,005
Commission income from ship trading agency	34,072	48,069
Commission income from insurance brokerage	56,453	50,996
General trading	<u>287,656</u>	<u>544,345</u>
	<u>1,803,925</u>	<u>2,231,237</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 and supply of marine equipment and spare parts, and holding of investments in joint ventures
Ship trading agency	Provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture and an associate
Insurance brokerage	Provision of insurance brokerage services
Marine fuel and other products	Trading and supply of marine fuel and other related products, and holding of investment in an associate, Double Rich Limited ("Double Rich") [#]
General trading	Trading, storage, processing and supply of asphalt and other products, and holding of investments in associates, including 浙江四兄繩業有限公司 (Zhejiang Four Brothers Rope Co., Ltd.*) ("Zhejiang Four Brothers Rope")

Others mainly comprise holding of the Group's financial assets at fair value through other comprehensive income ("FVOCI").

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

[#] On 28 June 2022, the Group entered into an agreement with the purchaser and agreed to sell the entire 18% equity interest of Double Rich held by the Group. As a result, it was reclassified as assets held for sale.

	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings HK\$'000	Marine equipment and spare parts HK\$'000	Ship trading agency HK\$'000	Insurance brokerage HK\$'000	Marine fuel and other products HK\$'000	Total HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended and as at 30 June 2022										
Profit or loss items:										
Segment revenue	528,020	897,724	34,072	57,082	—	1,516,898	291,451	—	(4,424)	1,803,925
Inter-segment revenue	—	—	—	(629)	—	(629)	(3,795)	—	4,424	—
Revenue from external customers	<u>528,020</u>	<u>897,724</u>	<u>34,072</u>	<u>56,453</u>	<u>—</u>	<u>1,516,269</u>	<u>287,656</u>	<u>—</u>	<u>—</u>	<u>1,803,925</u>
Segment operating profit/(loss)	3,383	51,521	19,496	41,253	(8,428)	107,225	10,540	2,825	—	120,590
Finance income	746	377	1,626	647	28	3,424	656	—	(1,335)	2,745
Finance costs	(303)	(452)	(4)	(48)	(1)	(808)	(1,470)	—	1,335	(943)
Share of profits of joint ventures	46,107	761	350	—	—	47,218	—	—	—	47,218
Share of profits of associates	—	—	150	—	—	150	3,187	—	—	3,337
Segment profit/(loss) before income tax	<u>49,933</u>	<u>52,207</u>	<u>21,618</u>	<u>41,852</u>	<u>(8,401)</u>	<u>157,209</u>	<u>12,913</u>	<u>2,825</u>	<u>—</u>	<u>172,947</u>
Income tax expenses	(724)	(9,469)	(6,066)	(7,786)	—	(24,045)	(2,408)	—	—	(26,453)
Segment profit/(loss) after income tax	<u>49,209</u>	<u>42,738</u>	<u>15,552</u>	<u>34,066</u>	<u>(8,401)</u>	<u>133,164</u>	<u>10,505</u>	<u>2,825</u>	<u>—</u>	<u>146,494</u>
Balance sheet items:										
Total segment assets	1,609,660	1,087,996	338,684	503,318	116,903	3,656,561	825,404	56,678	(76,756)	4,461,887
Total segment assets include:										
— Joint ventures	508,234	12,161	5,767	—	—	526,162	—	—	—	526,162
— Associates	—	—	1,625	—	—	1,625	155,592	—	—	157,217
Total segment liabilities	<u>329,010</u>	<u>348,574</u>	<u>98,454</u>	<u>318,983</u>	<u>208</u>	<u>1,095,229</u>	<u>138,001</u>	<u>—</u>	<u>(76,756)</u>	<u>1,156,474</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	7,918	2,802	253	69	—	11,042	2,928	—	—	13,970
(Reversal of provision)/provision for impairment of trade receivables, net	(8,750)	(600)	—	—	—	(9,350)	2,263	—	—	(7,087)
Provision for impairment of inventories, net	1,258	—	—	—	—	1,258	—	—	—	1,258
Provision for impairment of assets held for sale	—	—	—	—	8,275	8,275	—	—	—	8,275
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>12,321</u>	<u>103</u>	<u>83</u>	<u>—</u>	<u>—</u>	<u>12,507</u>	<u>510</u>	<u>—</u>	<u>—</u>	<u>13,017</u>
Year ended and as at 31 December 2021										
Balance sheet items:										
Total segment assets	1,764,578	1,169,156	356,679	327,489	124,391	3,742,293	929,335	60,134	(122,835)	4,608,927
Total segment assets include:										
— Joint ventures	482,374	11,948	5,677	—	—	499,999	—	—	—	499,999
— Associates	—	—	1,547	—	76,725	78,272	159,514	—	—	237,786
Total segment liabilities	<u>477,975</u>	<u>452,889</u>	<u>62,539</u>	<u>132,785</u>	<u>225</u>	<u>1,126,413</u>	<u>220,979</u>	<u>—</u>	<u>(122,835)</u>	<u>1,224,557</u>
Other items:										
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>6,736</u>	<u>3,924</u>	<u>29</u>	<u>134</u>	<u>—</u>	<u>10,823</u>	<u>8,707</u>	<u>—</u>	<u>—</u>	<u>19,530</u>

	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings HK\$'000	Marine equipment and spare parts HK\$'000	Ship trading agency HK\$'000	Insurance brokerage HK\$'000	Marine fuel and other products HK\$'000	Total HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended and as at 30 June 2021										
Profit or loss items:										
Segment revenue	781,822	806,005	48,069	51,732	—	1,687,628	544,345	—	(736)	2,231,237
Inter-segment revenue	—	—	—	(736)	—	(736)	—	—	736	—
Revenue from external customers	<u>781,822</u>	<u>806,005</u>	<u>48,069</u>	<u>50,996</u>	<u>—</u>	<u>1,686,892</u>	<u>544,345</u>	<u>—</u>	<u>—</u>	<u>2,231,237</u>
Segment operating profit/(loss)	16,172	56,110	31,984	35,889	(308)	139,847	8,406	2,449	—	150,702
Finance income	265	279	1,155	645	128	2,472	236	—	(490)	2,218
Finance costs	(717)	(584)	(12)	(41)	(1)	(1,355)	(3,159)	—	490	(4,024)
Share of profits of joint ventures	35,440	799	420	—	—	36,659	—	—	—	36,659
Share of profits of associates	—	—	57	—	112	169	1,905	—	—	2,074
Segment profit/(loss) before income tax	51,160	56,604	33,604	36,493	(69)	177,792	7,388	2,449	—	187,629
Income tax (expenses)/credit	(3,942)	(9,743)	(9,362)	(6,862)	99	(29,810)	(1,387)	—	—	(31,197)
Segment profit after income tax	<u>47,218</u>	<u>46,861</u>	<u>24,242</u>	<u>29,631</u>	<u>30</u>	<u>147,982</u>	<u>6,001</u>	<u>2,449</u>	<u>—</u>	<u>156,432</u>
Balance sheet items:										
Total segment assets	1,642,500	1,102,110	336,270	413,926	202,279	3,697,085	1,005,192	57,209	(100,042)	4,659,444
Total segment assets include:										
— Joint ventures	449,265	10,864	5,372	—	—	465,501	—	—	—	465,501
— Associates	—	—	2,425	—	154,166	156,591	155,029	—	—	311,620
Total segment liabilities	<u>415,501</u>	<u>431,138</u>	<u>63,241</u>	<u>236,353</u>	<u>283</u>	<u>1,146,516</u>	<u>316,738</u>	<u>—</u>	<u>(100,042)</u>	<u>1,363,212</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	7,874	3,829	247	91	—	12,041	3,287	—	—	15,328
(Reversal of provision)/provision for impairment of trade receivables, net	(2,837)	—	—	—	—	(2,837)	949	—	—	(1,888)
Provision for impairment of inventories, net	2,514	—	—	—	—	2,514	—	—	—	2,514
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>1,422</u>	<u>3,189</u>	<u>—</u>	<u>107</u>	<u>—</u>	<u>4,718</u>	<u>4,332</u>	<u>—</u>	<u>—</u>	<u>9,050</u>
Year ended and as at 31 December 2020										
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:										
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>

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit before income tax for reportable segments	170,122	185,180
Profit before income tax for others	2,825	2,449
Profit before income tax for all segments	172,947	187,629
Elimination of segment income from corporate headquarters	(599)	(657)
Corporate finance income	19,504	24,858
Corporate finance costs	(9)	(10)
Corporate net exchange gains	32,252	8,866
Corporate expenses, net of income	(25,698)	(21,193)
Profit before income tax for the Group	198,397	199,493
Income tax expenses for all segments	(26,453)	(31,197)
Corporate income tax expenses	(877)	(781)
Profit after income tax for the Group	171,067	167,515

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

	30 June	31 December	30 June
	2022	2021	2021
	HK\$'000	HK\$'000	HK\$'000
Total assets for reportable segments	4,481,965	4,671,628	4,702,277
Total assets for others	56,678	60,134	57,209
Elimination of inter-segment receivables	(76,756)	(122,835)	(100,042)
Total assets for all segments	4,461,887	4,608,927	4,659,444
Corporate assets (mainly deposits and cash and cash equivalents)	5,147,512	5,499,674	5,322,035
Elimination of receivables between corporate headquarters and segments	(27,305)	(366,377)	(66,262)
Total assets for the Group	9,582,094	9,742,224	9,915,217

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000	30 June 2021 HK\$'000
Total liabilities for reportable segments	1,233,230	1,347,392	1,463,254
Elimination of inter-segment payables	<u>(76,756)</u>	<u>(122,835)</u>	<u>(100,042)</u>
Total liabilities for all segments	1,156,474	1,224,557	1,363,212
Corporate liabilities	132,033	489,448	232,959
Elimination of payables between corporate headquarters and segments	<u>(27,305)</u>	<u>(366,377)</u>	<u>(66,262)</u>
Total liabilities for the Group	<u>1,261,202</u>	<u>1,347,628</u>	<u>1,529,909</u>

4 OTHER INCOME AND GAINS — NET

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Other income/(expenses):		
— Rental income	1,875	1,699
— Direct operating expenses for generating rental income	(1)	(12)
— Dividend income from financial assets at FVOCI	<u>2,825</u>	<u>2,449</u>
Other income — net	<u>4,699</u>	<u>4,136</u>
Other (losses)/gains:		
— Net (losses)/gains on disposal of property, plant and equipment	(17)	26
— Reversal of provision for impairment of trade receivables, net (<i>note 10(b)</i>)	7,087	1,888
— Provision for impairment of inventories, net	(1,258)	(2,514)
— Government subsidy income	2,086	306
— Net exchange gains	26,393	5,432
— Provision for impairment of assets held for sale	(8,275)	—
— Others	<u>943</u>	<u>1,350</u>
Other gains — net	<u>26,959</u>	<u>6,488</u>
Other income and gains — net	<u>31,658</u>	<u>10,624</u>

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Employee benefit expenses, including directors' emoluments and provident funds	212,182	203,491
Expenses related to short-term leases	18,598	16,125
Depreciation and amortisation, net of amount capitalised in inventories totalling HK\$1,544,000 (2021: HK\$2,001,000)	<u>14,559</u>	<u>16,030</u>

6 FINANCE INCOME — NET

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interest income from:		
— a fellow subsidiary	2,206	1,785
— bank deposits	<u>20,043</u>	<u>25,291</u>
Total finance income	<u>22,249</u>	<u>27,076</u>
Interest expenses on:		
— loans from fellow subsidiaries	(62)	(2,012)
— lease liabilities	(289)	(136)
Other finance charges	<u>(601)</u>	<u>(1,886)</u>
Total finance costs	<u>(952)</u>	<u>(4,034)</u>
Finance income — net	<u>21,297</u>	<u>23,042</u>

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the period.

The PRC enterprise income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the period at 25% (2021: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2021: 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 period at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 35% (2021: 17% to 35%) during the period.

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the reporting date.

The amount of income tax charged for the period to the condensed consolidated income statement is as follows:

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
— current period		
— Hong Kong profits tax	10,135	9,543
— PRC enterprise income tax	11,302	15,862
— other overseas taxation	3,449	3,741
— over-provision in prior years		
— PRC enterprise income tax	(325)	(1)
Deferred income tax charge, net	<u>2,769</u>	<u>2,833</u>
Income tax expenses	<u>27,330</u>	<u>31,978</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\$165,587,000 (2021: HK\$159,592,000) and the 1,532,955,429 shares in issue during the period (2021: 1,532,955,429 shares).

There was no potential dilutive ordinary share in existence during both periods.

9 DIVIDEND

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend, declared, of HK\$0.11 (2021: HK\$0.10) per ordinary share	<u>168,625</u>	<u>153,296</u>

At the board meeting held on 18 August 2022, the directors of the Company declared an interim dividend of HK\$0.11 per ordinary share for the six months ended 30 June 2022. This dividend has not been recognised as a liability in the Unaudited Condensed Consolidated Interim Financial Information, but will be recognised in shareholders' equity for the year ending 31 December 2022.

A final dividend of HK\$137,966,000 relating to the year ended 31 December 2021 (2020: HK\$237,608,000) was paid in June 2022.

10 TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Trade receivables	988,582	824,509
Less: provision for impairment	<u>(20,372)</u>	<u>(31,169)</u>
Trade receivables, net (<i>note (a)</i>)	968,210	793,340
Bills receivable, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	<u>812,681</u>	<u>878,326</u>
	<u>1,780,891</u>	<u>1,671,666</u>

Notes:

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Current–90 days	614,947	520,484
91–180 days	226,080	203,010
Over 180 days	<u>127,183</u>	<u>69,846</u>
	<u>968,210</u>	<u>793,340</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:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January	31,169	30,293
Currency translation differences	(957)	331
Reversal of provision for impairment, net (<i>note 4</i>)	(7,087)	(1,888)
Amount written off	<u>(2,753)</u>	<u>—</u>
At 30 June	<u>20,372</u>	<u>28,736</u>

11 TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND LEASE LIABILITIES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Trade payables (<i>note (a)</i>)	594,777	414,931
Bills payable, accrued liabilities, other payables and amounts due to related parties	<u>391,059</u>	<u>479,654</u>
	985,836	894,585
Contract liabilities (<i>note (b)</i>)	164,022	306,514
Lease liabilities (<i>note (c)</i>)	<u>16,333</u>	<u>9,481</u>
	<u><u>1,166,191</u></u>	<u><u>1,210,580</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:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Current–90 days	452,369	317,566
91–180 days	82,339	35,242
Over 180 days	<u>60,069</u>	<u>62,123</u>
	<u><u>594,777</u></u>	<u><u>414,931</u></u>

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

	Six months ended 30 June 2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u><u>216,380</u></u>	<u><u>251,772</u></u>

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Within one year	9,618	4,743
From the second to fifth year inclusive	<u>6,715</u>	<u>4,738</u>
	<u><u>16,333</u></u>	<u><u>9,481</u></u>

FINANCIAL REVIEW

During the first half of 2022, profit attributable to equity holders of the Group was HK\$165,587,000 (2021: HK\$159,592,000), while the basic and diluted earnings per share was 10.80 HK cents (2021: 10.41 HK cents), representing an increase of 4% year on year. Although the gross profit decreased due to the impact on certain business segments by the COVID-19 pandemic, the adverse effect was offset by the decrease in selling expenses and increase in net exchange gains.

Revenue

For the six months ended 30 June 2022, the Group's revenue was HK\$1,803,925,000 (2021: HK\$2,231,237,000), decreased by 19% year on year. Revenue from the core business of shipping services was HK\$1,516,269,000 (2021: HK\$1,686,892,000), decreased by 10% year on year, and accounted for 84% (2021: 76%) of the Group's revenue. Due to the shrinking demand of certain businesses, together with the volatility of COVID-19 pandemic in Hong Kong and the PRC, revenues from coatings and ship trading agency segments decreased. Revenue from general trading segment was HK\$287,656,000 (2021: HK\$544,345,000), decreased by 47% year on year, and accounted for 16% (2021: 24%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit was HK\$316,357,000 (2021: HK\$366,272,000), decreased by 14% year on year, mainly attributable to the decrease in revenues from coatings and ship trading agency segments. Gross profit margin was 18% (2021: 16%), increased by 2 percentage points year on year, the overall increase was mainly attributable to the substantial increase in gross profit margin of general trading segment.

Management Fee Income

Management fee income 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) Co., Limited ("COSCO SHIPPING (Hong Kong)") and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.) was HK\$35,259,000 (2021: HK\$35,960,000), decreased by 2% year on year, mainly attributable to the decrease in administrative and general expenses related to COSCO SHIPPING (Hong Kong) and its subsidiaries mentioned above.

Other Income and Gains — Net

Other income and gains — net was HK\$31,658,000 (2021: HK\$10,624,000), increased by 198% year on year, mainly attributable to the increase in net exchange gains.

Selling, Administrative and General Expenses

Selling, administrative and general expenses was HK\$256,729,000 (2021: HK\$275,138,000), decreased by 7% year on year, mainly attributable to the decrease in selling expenses as a result of drop in revenue.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, was HK\$22,249,000 (2021: HK\$27,076,000), decreased by 18% year on year, mainly attributable to the decrease in interest rates of deposits.

Finance Costs

Finance costs, which mainly represented interest expenses on short-term borrowings and other financial charges, was HK\$952,000 (2021: HK\$4,034,000), decreased by 76% year on year.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was HK\$47,218,000 (2021: HK\$36,659,000). This item primarily represented the share of profits of Jotun COSCO of HK\$40,322,000 (2021: HK\$28,811,000) and Nasurfar Changshu of HK\$5,785,000 (2021: HK\$6,629,000) which were included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates was HK\$3,337,000 (2021: HK\$2,074,000). During the period, this item primarily represented the share of profit of Zhejiang Four Brothers Rope of HK\$1,186,000 (2021: HK\$1,457,000), which was included in the general trading segment. During the same period of last year, this item also represented the share of profit of Double Rich of HK\$112,000, which was included in the marine fuel and other products segment. On 28 June 2022, New Renown Limited, a wholly-owned subsidiary of the Company ("New Renown") entered into an agreement with 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.*) ("Chimbusco") and agreed to sell its 18% equity interest of Double Rich (the "Agreement") with 31 December 2021 as the benchmark date. As a result, it was reclassified as assets held for sale. According to the Agreement, any profit or loss from the date after the benchmark date to the date of completion would be attributable to Chimbusco. As such, the Group did not share any profit or loss of Double Rich during the period.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company was HK\$165,587,000 (2021: HK\$159,592,000), increased by 4% year on year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2022, capital and reserves attributable to the Company's equity holders decreased by 1% to HK\$7,996,736,000 (as at 31 December 2021: HK\$8,061,017,000). As at 30 June 2022, total cash and deposits (including restricted bank deposits of HK\$5,847,000) of the Group was HK\$6,041,209,000 (as at 31 December 2021: HK\$6,219,741,000, including restricted bank deposits of HK\$6,115,000). During the period, the Group had net repayment of short-term borrowings in the amount of RMB35,000,000 (approximately HK\$42,217,000) (for the same period of 2021: net drawdown of RMB30,000,000 (approximately HK\$35,949,000)). As at 30 June 2022, trading related facilities of the Group amounted to HK\$1,137,792,000 (as at 31 December 2021: HK\$1,185,340,000), of which HK\$336,728,000 (as at 31 December 2021: HK\$496,494,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, was nil (as at 31 December 2021: 0.4%). As at 30 June 2022, the Group had net cash (represented total cash and deposits net of short-term borrowings) of HK\$6,041,209,000 (as at 31 December 2021: HK\$6,176,934,000). 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. During the period, return on the Group's cash was 0.73% (for the same period of 2021: 0.87%). As at 31 December 2021, borrowing of the Group was unsecured debt denominated in Renminbi which carried interest rate calculated with reference to the base rates announced by the People's Bank of China and repayable within one year. The Group had no financial instruments for interest rate hedging purposes.

FINANCIAL RISK MANAGEMENT

The Group principally operates in Hong Kong, the PRC and overseas, and is exposed to foreign exchange risk arising from foreign currencies held, mainly Renminbi and US dollars. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The Group manages its foreign exchange exposure by regularly reviewing the foreign currency exposure of its operating subsidiaries and will consider hedging exposure by foreign exchange forward contracts when the need arises. The Group exercises stringent control over the use of derivative financial instrument when necessary, for hedging against the price risks of marine fuel and other products. In addition, the conversion of Renminbi into foreign currencies in the PRC is subject to the rules and regulations of foreign exchange controls promulgated by the government of the PRC.

EMPLOYEES

As at 30 June 2022, excluding joint ventures and associates, the Group had 855 (as at 31 December 2021: 847) employees, of which 174 (as at 31 December 2021: 176) were Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, were HK\$212,182,000 (2021: HK\$203,491,000). 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 period, 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 was adopted by the shareholders of the Company (the “Shareholders”) at the special general meeting of the Company on 9 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 certain 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 28 April 2020 under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted are exercisable from 28 April 2022 to 27 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 6 October 2020 under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted are exercisable from 6 October 2022 to 5 October 2026 in batches.

The Company granted an aggregate of 1,370,000 share options to certain employees of the Group to subscribe for a total of 1,370,000 shares of the Company at a price of HK\$2.72 per share on 7 April 2021 under the Share Option Incentive Scheme. Subject to the fulfilment of the relevant conditions, these share options granted are exercisable from 7 April 2023 to 6 April 2027 in batches.

Each batch of the above share options is exercisable within the periods stated as follows: (a) 33.3% of the share options will be exercisable commencing on the first trading day after the expiration of the 24-month period (the second anniversary) from the respective dates of grant and ending on the last trading day of the 36-month period from the respective dates 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 dates of grant and ending on the last trading day of the 48-month period from the respective dates 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 dates of grant and ending on the last trading day of the 72-month period from the respective dates of grant.

INTERIM DIVIDEND

The Board has declared an interim dividend of 11 HK cents (2021: 10 HK cents) per share for the six months ended 30 June 2022 which will be payable on 28 September 2022 to the Shareholders whose name appear on the register of members of the Company (the “Register of Members”) on 16 September 2022.

For the purpose of ascertaining the Shareholders' entitlement to the interim dividend, the Register of Members will be closed from 13 September 2022 to 16 September 2022, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30 June 2022, 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 at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 9 September 2022.

REVIEW OF BUSINESS OPERATIONS

In the first half of 2022, the global economy faced significant slow growth pressure due to the combined effects of geopolitics, the persistent COVID-19 pandemic, supply chain bottlenecks, high inflation and the reversal of the ultra-loose monetary environment. Although strong labour market in the United States supported local consumption, high inflation dampened consumer confidence, and the sharp rise in the US dollar also put pressure on earnings growth of multinational companies. The US economy experienced a year on year contraction in the first half of the year. Consequently, the World Economic Outlook published by the International Monetary Fund (the "IMF") in July, lowered its forecast for global economic growth this year to 3.2%, down by 0.4 percentage point from its forecast in April, and was the second downgrade this year.

The resurgent outbreak of COVID-19 pandemic in China since the end of March this year led to setbacks in both supply and demand. In particular, the Yangtze River Delta, an economic hub, was severely affected. The domestic supply chain was disrupted and the manufacturing and export industries were hit, putting pressure on the overall economy. Nevertheless, with the introduction of a series of economic stabilisation policies by the central government, China's economy had been on track for stabilisation and recovery. China's economy had tamed multiple difficulties, successfully stabilised the macroeconomic situation, and kept the economy operating within a reasonable range. In the first half of the year, Gross Domestic Product increased by 2.5% year on year.

For shipping market, according to the announcement of the General Administration of Customs of the PRC, in the first half of the year, China's import and export of goods trade increased by 9.4% year on year; among which exports and imports increased by 13.2% and 4.8%, respectively. With the overall improvement of the domestic pandemic prevention and control situation, the effects of various growth-stabilising policies gradually emerged. The resumption of work and production by foreign trade enterprises made progress in an orderly manner. The growth rate of foreign trade in May and June rebounded significantly. Under the circumstances that the global economy could still maintain growth, the demand for shipping was still relatively ample. In the first half of the year, China's shipbuilding completion volume, the volume of new shipbuilding orders and orders-on-hand accounted for 42%, 47.7% and 41.5% of the world's total in terms of compensated gross tonnage, respectively, ranking first in the world in terms of international market share. In the first half of the year, the national shipbuilding completion volume reached 18.5 million dead weight tonnages ("DWT"), representing a year on year decrease of 11.6%; the volume of new shipbuilding orders amounted to 22.46 million DWT, representing a year on year decrease of 41.3%. As at the end of June 2022, the volume of orders-on-hand was 102.74 million DWT, representing a year on year increase of 18.6%.

1. Core Business — Shipping Services

The Group's core business of shipping services 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 period, revenue from the Group's shipping services was HK\$1,516,269,000 (2021: HK\$1,686,892,000), representing a year on year decrease of 10%, which was mainly due to the decline in revenue from production and sale of coatings and ship trading agency services. Profit before income tax from shipping services was HK\$157,209,000 (2021: HK\$177,792,000), representing a year on year decrease of 12%, which was mainly due to the decrease in profit before income tax from ship trading agency services.

1.1 Ship Trading Agency Services

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

During the period, revenue from the ship trading agency segment of the Group decreased by 29% to HK\$34,072,000 (2021: HK\$48,069,000) year on year. Segment profit before income tax was HK\$21,618,000 (2021: HK\$33,604,000), representing a year on year decrease of 36%. These were mainly attributable to the decrease in commission income from new build vessels as a result of the decrease in number of new build vessels delivery.

During the period, the Group's aggregate number of new build vessels delivery was 7 (2021: 18), aggregating 543,400 DWT (2021: 3,551,900 DWT). A total number of 21 (2021: 3) new build vessels have been ordered, aggregating 1,063,476 DWT (2021: 104,000 DWT). In addition, the sale and purchase of a total of 14 (2021: 7) second-hand vessels were recorded, aggregating 526,067 DWT (2021: 278,502 DWT).

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 and claims handling for domestic and international customers and receive service commissions.

During the period, revenue from insurance brokerage segment of the Group was HK\$56,453,000 (2021: HK\$50,996,000), representing a year on year increase of 11%. Segment profit before income tax was HK\$41,852,000 (2021: HK\$36,493,000), representing a year on year increase of 15%, which was mainly attributable to the gradual expansion of business varieties.

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 period, revenue from marine equipment and spare parts segment of the Group was HK\$897,724,000 (2021: HK\$806,005,000), representing a year on year increase of 11%, which was mainly due to the exploration of new customers that continued the growth momentum of the business volume in recent years. Segment profit before income tax decreased by 8% to HK\$52,207,000 (2021: HK\$56,604,000) year on year, which was mainly due to the drop in gross profit margin and the increase in selling expenses such as logistics costs resulting from intensified competition among suppliers amid strong market demand.

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)") (collectively called "COSCO Kansai Companies") are non-wholly owned subsidiaries of the Company. COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai), which have their own plants, are principally engaged in the production and sale of coatings, while COSCO Kansai (Shanghai) is primarily engaged in the sale of coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and Jotun A/S, Norway, an international coating supplier, is principally engaged in the production and sale of marine coatings. Nasurfar Changshu, in which the Company holds 33% equity interest, is principally engaged in the research and development, production and sales of biomaterial application products, including surfactants, coating raw materials and additives, as well as resin modifiers.

During the period, revenue from coatings segment of the Group was HK\$528,020,000 (2021: HK\$781,822,000), representing a year on year decrease of 32%. Segment profit before income tax was HK\$49,933,000 (2021: HK\$51,160,000), representing a year on year decrease of 2%, which was mainly due to the significant decrease in gross profit resulting from the drop in the sales volume of container coatings and the increase in the price of raw materials. Moreover, the plant of COSCO Kansai Paint (Shanghai) in Jinshan District, Shanghai had been shut

down for about one and a half months due to the COVID-19 pandemic in Shanghai, resulting in a quarter-on-quarter decrease in the revenue of COSCO Kansai Companies in the second quarter of 2022.

For container coatings, during the period, the sales volume of container coatings decreased by 64% to 7,715 tonnes (2021: 21,238 tonnes) year on year. The sales volume of industrial heavy-duty anti-corrosion coatings together with shop primer amounted to 8,138 tonnes (2021: 9,014 tonnes), representing a year on year decrease of 10%, which was mainly due to the decline in market demand for new containers, superimposed on the impacts of the pandemic in Shanghai.

For marine coatings, the sales volume of Jotun COSCO's coatings for new build vessels amounted to 23,543,000 litres (2021: 22,384,000 litres), representing a year on year increase of 5%. Sales volume of coatings for repair and maintenance was 15,336,000 litres (2021: 13,554,000 litres), representing a year on year increase of 13%. The sales volume of Jotun COSCO's marine coatings amounted to 38,879,000 litres (equivalent to approximately 52,587 tonnes) (2021: 35,938,000 litres (equivalent to approximately 48,517 tonnes)), increased by 8% year on year. During the period, the Group's share of profit from Jotun COSCO was HK\$40,322,000 (2021: HK\$28,811,000), representing a year on year increase of 40%, which was mainly attributable to higher sales volume and the improvement in gross profit margin.

During the period, the Group's share of profit from Nasurfar Changshu was HK\$5,785,000 (2021: HK\$6,629,000), representing a year on year decrease of 13%, which was mainly attributable to the increase in the price of imported raw materials resulting from the rise in oil prices, which affected the gross profit margin, coupled with the weak demand in the new container market.

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.

The Group had recorded no revenue from marine fuel and other products segment during the period and the same period in 2021. 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 4 January 2019. Management is of the view that this event would not have a material impact to the Group's financial information for the period ended 30 June 2022.

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 shipowners and ship operators. On 28 June 2022, New Renown, a wholly-owned subsidiary of the Company entered into the Agreement with Chimbusco and agreed to sell its 18% equity interest in Double Rich with 31 December 2021 as the benchmark date. According to the Agreement, any profit or loss from the date after the benchmark date to the date of completion would be attributable to Chimbusco. As such, the Group did not share any profit or loss of Double Rich during the period (2021: share of profit of HK\$112,000).

During the period, loss before income tax from marine fuel and other products segment was HK\$8,401,000 (2021: loss of HK\$69,000), which mainly consisted of provision for impairment of assets held for sale of HK\$8,275,000.

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 period, revenue from general trading segment of the Group was HK\$287,656,000 (2021: HK\$544,345,000), representing a year on year decrease of 47%, which was mainly due to a decrease of 57% in sales volume of asphalt to 60,175 tonnes (2021: 138,646 tonnes) year on year. Segment profit before income tax was HK\$12,913,000 (2021: HK\$7,388,000), representing a year on year increase of 75%, which was mainly due to the substantial improvement in gross profit margin.

During the period, the Group's share of profit from Zhejiang Four Brothers Rope was HK\$1,186,000 (2021: HK\$1,457,000), representing a year on year decrease of 19%, which was mainly due to the shrinking orders resulting from the impacts of the COVID-19 pandemic, coupled with the disruption of transportation.

PROSPECTS

The World Economic Outlook published by IMF in July pointed out that economic damage resulted from the conflict between Russia and Ukraine will contribute to a significant slowdown in global growth in 2022. Meanwhile, the conflict stimulated the rise of fuel and food prices and intensified inflation, which would stifle global demand and increase pressures on low-income countries and emerging markets to encounter economic crisis.

Affected by expectations of slowing economic growth and high inflation, the market believes that shipping demand will be weakened in the second half of the year. Clarksons Research lowered its forecast for global shipping trade growth in 2022 to 1.6%, lower than the forecast of 3.5% at the beginning of the year. In addition, with the resumption of China's production lines and easing of pressure on global supply chain, the most prosperous time for freight rates is likely to have passed. Nonetheless, it is difficult for the global supply chain and freight rates to return to pre-COVID-19

levels in a short period of time given that congestion at overseas ports is difficult to solve swiftly, infrastructures have not been built in time and strikes have occurred frequently. For the dry bulk market, the transportation volume has continued to grow but the capacity is in short supply. The volume of new build dry bulk vessels delivery this year will be less than 300 units, accounting for only 3% of the global dry bulk fleet. The overall sound momentum of the international shipping market is expected to continue, coupled with factors such as low-carbon shipping and the needs for ship model renewal. It is expected that the shipbuilding industry will develop steadily. In particular, the new energy ship market will receive continuous support.

With the acceleration of the global low-carbon transformation, the shipping industry, as a fundamental and strategic industry, undertakes the mission of promoting economic development and international trade, and is gradually moving forward to a new trend of green, low-carbon and intelligent development. China has spared no effort to promote the green transformation of the shipping industry. In the “14th Five-Year Plan”, it has clearly made a systematic plan for the green and low-carbon development of the shipping industry. Digital technology has also become a key driving force for the green transformation of the shipping industry.

Taking the shipping services industrial cluster as its strategic development direction, COSCO SHIPPING International will continue to fully leverage its professional advantages in the shipping service industry, strengthen efforts to explore new energy shipping and the digitisation of shipping services, and shoulders the responsibility of supporting the shipping industry to move towards green shipping, digital development, contribution to the industrial layout, enhancing efficiency for shipping enterprises and ship owners, and creating long-term sustainable value for the Shareholders. While supporting the overall operation of the Group’s industrial chain, we will facilitate business development outside the COSCO SHIPPING Group, further promote the extension of the shipping service industry chain, adhere to the concept of customer-driven, value-based marketing and market-oriented operation, implement service extension and fill the gaps in services, expand market share with service quality, and continue to inject vitality for the Company’s development.

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 six months ended 30 June 2022.

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 had complied with the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2022, except that (a) Mr. Chen Dong, the Non-Executive Director, was unable to attend the annual general meeting of the Company held on 31 May 2022 due to other business engagement, a deviation from the code provision C.1.6 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings; and (b) the roles of Chairman and Managing Director are performed by the same individual, Mr. Zhu Jianhui, which deviates from the code provision C.2.1 of the CG Code. However, the Board believes that the roles of Chairman 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 of the Company, there is no other matter deviated from the CG Code. The Company will continue to review its corporate governance policies and compliance with the Listing Rules and will continue to comply with the relevant provisions as set out in the CG Code.

The 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. The Audit Committee and the independent external auditor have reviewed the Unaudited Condensed Consolidated Interim Financial Information of the Group for the six months ended 30 June 2022.

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 six months ended 30 June 2022, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the period.

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

Hong Kong, 18 August 2022

As at the date of this announcement, the Board comprises six directors with Mr. Zhu Jianhui¹ (Chairman and Managing Director), Mr. Ma Jianhua¹, 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*