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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)

2023 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Revenue decreased by 10% to HK\$1,620,612,000, mainly attributable to decrease in revenues from coatings segment and general trading segment.
- Gross profit increased by 8% to HK\$343,129,000, mainly attributable to an increase in gross profit margin of coatings segment and in revenue from insurance brokerage segment.
- Operating profit increased by 15% to HK\$145,892,000.
- Profit before income tax from core business of shipping services increased by 60% to HK\$265,448,000.
- Profit attributable to equity holders increased by 103% to HK\$335,917,000, mainly attributable to significant increase in interest income and in the share of profit of a joint venture.
- Basic and diluted earnings per share was 22.69 HK cents (2022: 10.80 HK cents), increased by 110%. The Board has declared an interim dividend of 22.5 HK cents (2022: 11 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\$6,074,373,000 as at 30 June 2023.

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 2023. 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 2023 (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 2023

		Unaudited	
		Six months ended 30 June	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,620,612	1,803,925
Cost of sales		<u>(1,277,483)</u>	<u>(1,487,568)</u>
Gross profit		343,129	316,357
Management fee income		37,910	35,259
Other income and gains — net	4	38,764	31,658
Selling, administrative and general expenses		<u>(273,911)</u>	<u>(256,729)</u>
Operating profit	5	145,892	126,545
Finance income	6	120,495	22,249
Finance costs	6	(763)	(952)
Finance income — net	6	119,732	21,297
Share of profits of joint ventures	3	109,448	47,218
Share of profits of associates	3	<u>4,812</u>	<u>3,337</u>
Profit before income tax		379,884	198,397
Income tax expenses	7	<u>(32,193)</u>	<u>(27,330)</u>
Profit for the period		<u>347,691</u>	<u>171,067</u>
Profit attributable to:			
Equity holders of the Company		335,917	165,587
Non-controlling interests		<u>11,774</u>	<u>5,480</u>
		<u>347,691</u>	<u>171,067</u>
Earnings per share attributable to equity holders of the Company during the period			
— basic and diluted, HK cents	8	<u>22.69</u>	<u>10.80</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit for the period	<u>347,691</u>	<u>171,067</u>
Other comprehensive (losses)/income		
Items that may be reclassified subsequently to profit or loss:		
Share of currency translation differences of joint ventures	(12,637)	(12,327)
Currency translation differences	(62,044)	(90,975)
Items that will not be reclassified to profit or loss:		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net	<u>8,286</u>	<u>(3,503)</u>
Other comprehensive (losses) for the period	<u>(66,395)</u>	<u>(106,805)</u>
Total comprehensive income for the period	<u>281,296</u>	<u>64,262</u>
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	281,131	73,685
Non-controlling interests	<u>165</u>	<u>(9,423)</u>
	<u>281,296</u>	<u>64,262</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited 30 June 2023 HK\$'000	Audited 31 December 2022 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Intangible assets		107,455	108,721
Property, plant and equipment		208,015	221,838
Right-of-use assets		37,866	43,815
Investment properties		149,526	151,305
Investments in joint ventures		535,588	527,896
Investments in associates		154,539	154,716
Financial assets at fair value through other comprehensive income		62,135	53,849
Deferred income tax assets		36,782	40,531
		<u>1,291,906</u>	<u>1,302,671</u>
Current assets			
Inventories		255,547	304,765
Trade and other receivables	10	1,533,217	1,689,698
Current income tax recoverable		3,386	4,239
Restricted bank deposits		5,423	5,597
Current deposits and cash and cash equivalents		6,068,950	5,927,523
		<u>7,866,523</u>	<u>7,931,822</u>
Total assets		<u>9,158,429</u>	<u>9,234,493</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		146,675	148,169
Reserves		7,726,638	7,654,418
		<u>7,873,313</u>	<u>7,802,587</u>
Non-controlling interests		<u>346,934</u>	<u>318,993</u>
Total equity		<u>8,220,247</u>	<u>8,121,580</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	11	4,574	6,969
Deferred income tax liabilities		68,144	67,336
		<u>72,718</u>	<u>74,305</u>
Current liabilities			
Trade and other payables	11	666,380	703,137
Contract liabilities	11	169,970	305,483
Current income tax liabilities		22,691	21,046
Lease liabilities	11	6,423	8,942
		<u>865,464</u>	<u>1,038,608</u>
Total liabilities		<u>938,182</u>	<u>1,112,913</u>
Total equity and liabilities		<u>9,158,429</u>	<u>9,234,493</u>

NOTES:

1 GENERAL INFORMATION

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

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

The ultimate holding company of the Company is 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) (“COSCO SHIPPING”), a state-owned enterprise established in the People’s Republic of China (the “PRC”).

The 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 22 August 2023.

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 2022, 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 2022 except that the Group has adopted the following amendments to existing standards issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2023.

		Effective for accounting periods beginning on or after
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

The adoption of the above amendments to existing standards did not result in any substantial changes to the Group’s accounting policies and had no material financial impact on the Unaudited Condensed Consolidated Interim Financial Information.

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 2023 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 2024
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	
	2023	2022
	HK\$'000	HK\$'000
Sale of coatings	428,884	528,020
Sale of marine equipment and spare parts	907,067	897,724
Commission income from ship trading agency	36,370	34,072
Commission income from insurance brokerage	76,870	56,453
General trading	171,421	287,656
	<u>1,620,612</u>	<u>1,803,925</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
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”)

As the Group had disposed of its entire shareholding interest in a former associate, Double Rich Limited (“Double Rich”), on 29 December 2022, marine fuel and other products was no longer identified as a reportable segment in 2023. Prior period comparative segment information has been restated to conform with the current period presentation.

Others mainly comprise holding of the Group’s financial assets at fair value through other comprehensive income (“FVOCI”) and the result of Sinfeng Marine Services Pte. Ltd. (“Sinfeng”).

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

	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	Total HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Six months ended and as at 30 June 2023									
Profit or loss items:									
Segment revenue	428,884	907,067	36,370	77,631	1,449,952	177,476	—	(6,816)	1,620,612
Inter-segment revenue	—	—	—	(761)	(761)	(6,055)	—	6,816	—
Revenue from external customers	<u>428,884</u>	<u>907,067</u>	<u>36,370</u>	<u>76,870</u>	<u>1,449,191</u>	<u>171,421</u>	<u>—</u>	<u>—</u>	<u>1,620,612</u>
Segment operating profit/(loss)	15,986	52,975	23,484	55,902	148,347	(723)	2,599	—	150,223
Finance income	711	3,325	2,029	2,102	8,167	828	1,173	(1,324)	8,844
Finance costs	(145)	(451)	(3)	(143)	(742)	(1,331)	(2)	1,324	(751)
Share of profits of joint ventures	108,566	723	159	—	109,448	—	—	—	109,448
Share of profits of associates	—	—	228	—	228	4,584	—	—	4,812
Segment profit before income tax	125,118	56,572	25,897	57,861	265,448	3,358	3,770	—	272,576
Income tax expenses	(2,164)	(10,299)	(6,124)	(11,216)	(29,803)	(424)	—	—	(30,227)
Segment profit after income tax	<u>122,954</u>	<u>46,273</u>	<u>19,773</u>	<u>46,645</u>	<u>235,645</u>	<u>2,934</u>	<u>3,770</u>	<u>—</u>	<u>242,349</u>
Balance sheet items:									
Total segment assets	1,497,117	1,121,695	334,171	463,336	3,416,319	762,363	165,525	(92,451)	4,251,756
Total segment assets include:									
— Joint ventures	521,575	8,199	5,814	—	535,588	—	—	—	535,588
— Associates	—	—	1,690	—	1,690	152,849	—	—	154,539
Total segment liabilities	<u>218,324</u>	<u>322,630</u>	<u>74,017</u>	<u>219,607</u>	<u>834,578</u>	<u>128,372</u>	<u>207</u>	<u>(92,451)</u>	<u>870,706</u>
Other items:									
Depreciation and amortisation, net of amount capitalised	(7,357)	(2,780)	(346)	(744)	(11,227)	(2,344)	—	—	(13,571)
Reversal of provision for impairment of trade receivables, net	1,914	139	—	—	2,053	1,527	—	—	3,580
Reversal of provision for impairment of other receivables	—	—	—	—	—	174	—	—	174
Provision for impairment of inventories, net	(3,007)	—	—	—	(3,007)	—	—	—	(3,007)
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>1,518</u>	<u>87</u>	<u>—</u>	<u>156</u>	<u>1,761</u>	<u>18</u>	<u>—</u>	<u>—</u>	<u>1,779</u>
Year ended and as at 31 December 2022 (Restated)									
Balance sheet items:									
Total segment assets	1,581,576	1,174,174	331,531	353,340	3,440,621	857,925	101,735	(123,881)	4,276,400
Total segment assets include:									
— Joint ventures	514,195	7,858	5,843	—	527,896	—	—	—	527,896
— Associates	—	—	1,517	—	1,517	153,199	—	—	154,716
Total segment liabilities	<u>299,752</u>	<u>411,173</u>	<u>82,609</u>	<u>151,862</u>	<u>945,396</u>	<u>205,191</u>	<u>206</u>	<u>(123,881)</u>	<u>1,026,912</u>
Other items:									
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>14,404</u>	<u>4,944</u>	<u>2,172</u>	<u>264</u>	<u>21,784</u>	<u>836</u>	<u>—</u>	<u>—</u>	<u>22,620</u>

	Shipping services				General trading	Others	Inter-segment elimination	Total	
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage					Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Six months ended and as at 30 June 2022 (Restated)									
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>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	115,653	10,540	(5,603)	—	120,590
Finance income	746	377	1,626	647	3,396	656	28	(1,335)	2,745
Finance costs	(303)	(452)	(4)	(48)	(807)	(1,470)	(1)	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	49,933	52,207	21,618	41,852	165,610	12,913	(5,576)	—	172,947
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>141,565</u>	<u>10,505</u>	<u>(5,576)</u>	<u>—</u>	<u>146,494</u>
Balance sheet items:									
Total segment assets	1,609,660	1,087,996	338,684	503,318	3,539,658	825,404	173,581	(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>1,095,021</u>	<u>138,001</u>	<u>208</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)
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>12,507</u>	<u>510</u>	<u>—</u>	<u>—</u>	<u>13,017</u>
Year ended and as at 31 December 2021 (Restated)									
Balance sheet items:									
Total segment assets	1,764,578	1,169,156	356,679	327,489	3,617,902	929,335	184,525	(122,835)	4,608,927
Total segment assets include:									
— Joint ventures	482,374	11,948	5,677	—	499,999	—	—	—	499,999
— Associates	—	—	1,547	—	1,547	159,514	76,725	—	237,786
Total segment liabilities	<u>477,975</u>	<u>452,889</u>	<u>62,539</u>	<u>132,785</u>	<u>1,126,188</u>	<u>220,979</u>	<u>225</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>10,823</u>	<u>8,707</u>	<u>—</u>	<u>—</u>	<u>19,530</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	
	2023	(Restated) 2022
	HK\$'000	HK\$'000
Profit before income tax for reportable segments	268,806	178,523
Profit/(loss) before income tax for others	3,770	(5,576)
Profit before income tax for all segments	272,576	172,947
Elimination of segment income from corporate headquarters	(625)	(599)
Corporate finance income	111,651	19,504
Corporate finance costs	(12)	(9)
Corporate net exchange gains	25,068	32,252
Corporate expenses, net of income	(28,774)	(25,698)
Profit before income tax for the Group	379,884	198,397
Income tax expenses for all segments	(30,227)	(26,453)
Corporate income tax expenses	(1,966)	(877)
Profit after income tax for the Group	347,691	171,067

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

	30 June	(Restated) 31 December	(Restated) 30 June
	2023	2022	2022
	HK\$'000	HK\$'000	HK\$'000
Total assets for reportable segments	4,178,682	4,298,546	4,365,062
Total assets for others	165,525	101,735	173,581
Elimination of inter-segment receivables	(92,451)	(123,881)	(76,756)
Total assets for all segments	4,251,756	4,276,400	4,461,887
Corporate assets (mainly deposits and cash and cash equivalents)	4,922,621	5,217,375	5,147,512
Elimination of receivables between corporate headquarters and segments	(15,948)	(259,282)	(27,305)
Total assets for the Group	9,158,429	9,234,493	9,582,094

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

	30 June	(Restated) 31 December	(Restated) 30 June
	2023	2022	2022
	HK\$'000	HK\$'000	HK\$'000
Total liabilities for reportable segments	962,950	1,150,587	1,233,022
Total liabilities for others	207	206	208
Elimination of inter-segment payables	(92,451)	(123,881)	(76,756)
Total liabilities for all segments	870,706	1,026,912	1,156,474
Corporate liabilities	83,424	345,283	132,033
Elimination of payables between corporate headquarters and segments	(15,948)	(259,282)	(27,305)
Total liabilities for the Group	938,182	1,112,913	1,261,202

4 OTHER INCOME AND GAINS — NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Other income/(expenses):		
— Rental income	1,873	1,875
— Direct operating expenses for generating rental income	(32)	(1)
— Dividend income from financial assets at FVOCI	2,746	2,825
Other income — net	4,587	4,699
Other (losses)/gains:		
— Net losses on disposal of property, plant and equipment	(5)	(17)
— Reversal of provision for impairment of trade receivables, net (<i>note 10(b)</i>)	3,580	7,087
— Reversal of provision for impairment of other receivables	174	—
— Provision for impairment of inventories, net	(3,007)	(1,258)
— Provision for impairment of assets held for sale	—	(8,275)
— Government subsidy income	5,293	2,086
— Net exchange gains	22,946	26,393
— Others	5,196	943
Other gains — net	34,177	26,959
Other income and gains — net	38,764	31,658

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Employee benefit expenses, including directors' emoluments and provident funds	212,770	212,182
Expenses related to short-term leases	15,623	18,598
Depreciation and amortisation, net of amount capitalised in inventories totalling HK\$1,378,000 (2022: HK\$1,544,000)	<u>14,112</u>	<u>14,559</u>

6 FINANCE INCOME — NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest income from:		
— a fellow subsidiary	2,709	2,206
— bank deposits	<u>117,786</u>	<u>20,043</u>
Total finance income	<u>120,495</u>	<u>22,249</u>
Interest expenses on:		
— loans from fellow subsidiaries	—	(62)
— lease liabilities	(232)	(289)
Other finance charges	<u>(531)</u>	<u>(601)</u>
Total finance costs	<u>(763)</u>	<u>(952)</u>
Finance income — net	<u>119,732</u>	<u>21,297</u>

7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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% (2022: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2022: 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% (2022: 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	
	2023	2022
	HK\$'000	HK\$'000
Current income tax		
— current period		
— Hong Kong profits tax	12,284	10,135
— PRC enterprise income tax	11,124	11,302
— other overseas taxation	3,382	3,449
— under-provision/(over-provision) in prior years		
— PRC enterprise income tax	47	(325)
Deferred income tax charge, net	<u>5,356</u>	<u>2,769</u>
Income tax expenses	<u>32,193</u>	<u>27,330</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\$335,917,000 (2022: HK\$165,587,000) and the weighted average number of ordinary shares outstanding during the period, adjusted for shares repurchased and cancelled during the period, of 1,480,442,446 shares (2022: 1,532,955,429 shares).

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

9 DIVIDEND

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interim dividend, declared, of HK\$0.225 (2022: HK\$0.11) per ordinary share	<u>329,844</u>	<u>168,625</u>

At the board meeting held on 22 August 2023, the directors of the Company declared an interim dividend of HK\$0.225 per ordinary share for the six months ended 30 June 2023. 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 2023.

A final dividend of HK\$169,174,000 relating to the year ended 31 December 2022 (2021: HK\$137,966,000) was paid in June 2023.

10 TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade receivables	718,963	720,703
Less: provision for impairment	<u>(22,271)</u>	<u>(26,461)</u>
Trade receivables, net (<i>note (a)</i>)	696,692	694,242
Bills receivable, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	<u>836,525</u>	<u>995,456</u>
	<u>1,533,217</u>	<u>1,689,698</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 2023 HK\$'000	31 December 2022 HK\$'000
Current–90 days	444,243	466,773
91–180 days	136,550	130,306
Over 180 days	<u>115,899</u>	<u>97,163</u>
	<u>696,692</u>	<u>694,242</u>

For sale of coatings, marine equipment and spare parts, 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	
	2023 HK\$'000	2022 HK\$'000
At 1 January	26,461	31,169
Currency translation differences	(610)	(957)
Reversal of provision for impairment, net (<i>note 4</i>)	(3,580)	(7,087)
Amount written off	<u>—</u>	<u>(2,753)</u>
At 30 June	<u>22,271</u>	<u>20,372</u>

11 TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND LEASE LIABILITIES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade payables (<i>note (a)</i>)	394,729	342,964
Bills payable, accrued liabilities, other payables and amounts due to related parties	<u>271,651</u>	<u>360,173</u>
	666,380	703,137
Contract liabilities	169,970	305,483
Lease liabilities (<i>note (c)</i>)	<u>10,997</u>	<u>15,911</u>
	<u>847,347</u>	<u>1,024,531</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 2023 HK\$'000	31 December 2022 HK\$'000
Current–90 days	277,010	270,833
91–180 days	80,403	43,622
Over 180 days	<u>37,316</u>	<u>28,509</u>
	<u>394,729</u>	<u>342,964</u>

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

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>226,615</u>	<u>216,380</u>

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within one year	6,423	8,942
From the second to fifth year inclusive	<u>4,574</u>	<u>6,969</u>
	<u>10,997</u>	<u>15,911</u>

OVERALL ANALYSIS OF RESULTS

During the first half of 2023, profit attributable to equity holders of the Group was HK\$335,917,000 (2022: HK\$165,587,000), representing an increase of 103% year on year, while the basic and diluted earnings per share were 22.69 HK cents (2022: 10.80 HK cents), representing an increase of 110% year on year. The increase was mainly due to significant increase in interest income and in the share of profit of a joint venture, Jotun COSCO.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group's revenue was HK\$1,620,612,000 (2022: HK\$1,803,925,000), decreased by 10% year on year. Revenue from the core business of shipping services was HK\$1,449,191,000 (2022: HK\$1,516,269,000), decreased by 4% year on year, and accounted for 89% (2022: 84%) of the Group's revenue. Due to a decrease in demand and sales volume, revenue from coatings segment decreased. Revenue from general trading segment was HK\$171,421,000 (2022: HK\$287,656,000), decreased by 40% year on year, and accounted for 11% (2022: 16%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit was HK\$343,129,000 (2022: HK\$316,357,000), increased by 8% year on year, mainly attributable to the increase in gross profit margin of coatings segment and in revenue from insurance brokerage segment. Gross profit margin was 21% (2022: 18%), increased by 3 percentage points year on year. The overall increase in gross profit margin was mainly attributable to a significant increase in gross profit margin of coatings segment resulting from lower costs of materials.

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\$37,910,000 (2022: HK\$35,259,000), increased by 8% year on year, mainly attributable to an increase 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\$38,764,000 (2022: HK\$31,658,000), increased by 22% year on year, mainly due to the provision for impairment of assets held for sale was included in the same period of last year.

Selling, Administrative and General Expenses

Selling, administrative and general expenses was HK\$273,911,000 (2022: HK\$256,729,000), increased by 7% year on year, mainly attributable to an increase in employee benefit expenses.

Operating Profit

The Group's operating profit was HK\$145,892,000 (2022: HK\$126,545,000), increased by 15% year on year, mainly attributable to an increase in overall gross profit.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, was HK\$120,495,000 (2022: HK\$22,249,000), increased by 442% year on year, mainly attributable to an increase in interest rates of deposits.

Finance Costs

Finance costs, which mainly represented interest expenses on short-term borrowings and other financial charges, was HK\$763,000 (2022: HK\$952,000), decreased by 20% year on year.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures was HK\$109,448,000 (2022: HK\$47,218,000). This item primarily represented the share of profits of Jotun COSCO of HK\$108,560,000 (2022: HK\$40,322,000) and Nasurfar Changshu of HK\$6,000 (2022: HK\$5,785,000) which were included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates was HK\$4,812,000 (2022: HK\$3,337,000). This item primarily represented the share of profit of Zhejiang Four Brothers Rope of HK\$1,292,000 (2022: HK\$1,186,000), which was included in the general trading segment.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company was HK\$335,917,000 (2022: HK\$165,587,000), increased by 103% year on year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2023, capital and reserves attributable to the Company's equity holders increased by 1% to HK\$7,873,313,000 (as at 31 December 2022: HK\$7,802,587,000). As at 30 June 2023, total cash and deposits (including restricted bank deposits of HK\$5,423,000) of the Group was HK\$6,074,373,000 (as at 31 December 2022: HK\$5,933,120,000, including restricted bank deposits of HK\$5,597,000). During the period, the Group had no drawdown or repayment of short-term borrowings (for the same period of 2022: net repayment of short-term borrowings of RMB35,000,000 (approximately HK\$42,217,000)). As at 30 June 2023, trading related facilities of the Group amounted to HK\$1,029,799,000 (as at 31 December 2022: HK\$1,115,509,000), of which HK\$20,205,000 (as at 31 December 2022: HK\$347,882,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, was nil (as at 31 December 2022: nil). As at 30 June 2023, the Group had net cash (represented total cash and deposits net of short-term borrowings) of HK\$6,074,373,000 (as at 31 December 2022: HK\$5,933,120,000). 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 4.01% (for the same period of 2022: 0.73%). 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. 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 2023, excluding joint ventures and associates, the Group had 846 (as at 31 December 2022: 851) employees, of which 180 (as at 31 December 2022: 179) were Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, were HK\$212,770,000 (for the same period of 2022: HK\$212,182,000). 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 22.5 HK cents (2022: 11 HK cents) per share for the six months ended 30 June 2023 which will be payable on 28 September 2023 to the Shareholders whose name appear on the register of members of the Company (the “Register of Members”) on 15 September 2023.

For the purpose of ascertaining the Shareholders’ entitlement to the interim dividend, the Register of Members will be closed from 12 September 2023 to 15 September 2023, 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 2023, 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 11 September 2023.

REVIEW OF BUSINESS OPERATIONS

In the first half of 2023, the global inflationary pressures continued to ease, and financial market turmoil in Europe and the United States did not have a significant negative impact on the overall economy. However, many central banks successively tightened monetary policy to cope with inflation, and quantitative tightening and rate hikes took place in Europe and the United States. Global credit conditions had increasingly tightened, so that economic activities began to slow down with insufficient growth momentum of global trade. According to the World Economic Outlook released by the International Monetary Fund in April 2023, the global economy is expected merely grow by 2.8% for 2023, and advanced economies are expected to see an especially pronounced growth slowdown to 1.3% for the year.

Economic activities gradually resumed as China's economy benefited from the restart of the economy after the pandemic control. Domestic consumer demand and expenditure on services picked up, and capital expenditure made by the infrastructure and manufacturing industry remained resilient. China's economy realised growth of 5.5% in the first half of the year. In particular, the gross domestic product ("GDP") grew by 6.3% year on year in the second quarter, accelerating from 4.5% in the first quarter, and reflecting China's stable and improving economic fundamentals.

Regarding the shipping market, according to the General Administration of Customs of the PRC, total goods imports and exports expanded by 2.1% in the first half of the year. In particular, exports grew by 3.7% while imports edged down by 0.1%. China's total imports and exports with countries along the Belt and Road grew by 9.8% year on year. Meanwhile, as the share of Europe, the United States and Japan in China's exports declined, the structure of China's foreign trade had become more diversified, reflecting that there was no change in the resilient, promising and dynamic fundamentals of China's economy.

As COSCO SHIPPING Group had incorporated the innovative development of shipping service industry in its "14th Five-Year Plan" development plan, COSCO SHIPPING International and 中遠海運科技股份有限公司 (COSCO SHIPPING Technology Co., Ltd.*) have jointly established 中遠海運綠色數智船舶服務有限公司 (COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd.*) in February of this year. COSCO SHIPPING Green Digital Intelligence Ship Services Co., Ltd. had launched the Smart Sailing platform and four products, i.e. the Green and Low-Carbon Intelligent Operation Solution, the Ship Carbon Intensity Indicator CII Digital Toolbox, the Intelligent Anti-Collision Solution, and the Crew Behaviour Recognition Solution, which remarked an important step of our digital intelligence shipping services platform.

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\$1,449,191,000 (2022: HK\$1,516,269,000), representing a year on year decrease of 4%, which was mainly due to a year-on-year decline in revenue from production and sales of coatings business. Profit before income tax from shipping services was HK\$265,448,000 (2022: HK\$165,610,000, restated), representing a year on year increase of 60%.

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 increased by 7% to HK\$36,370,000 (2022: HK\$34,072,000) year on year. Segment profit before income tax was HK\$25,897,000 (2022: HK\$21,618,000), representing a year on year increase of 20%.

During the period, the Group's aggregate number of new build vessels delivery was 4 (2022: 7), aggregating 136,600 dead weight tonnage ("DWT") (2022: 543,400 DWT). A total number of 27 (2022: 21) new build vessels had been ordered, aggregating 2,215,650 DWT (2022: 1,063,476 DWT). In addition, the sale and purchase of a total of 13 (2022: 14) second-hand vessels were recorded, aggregating 931,655 DWT (2022: 526,067 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, claims adjustment 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\$76,870,000 (2022: HK\$56,453,000), representing a year on year increase of 36%. Segment profit before income tax was HK\$57,861,000 (2022: HK\$41,852,000), representing a year on year increase of 38%, which was mainly attributable to the gradual expansion of business varieties, the business expansion in the Mainland China, and the higher protection and indemnity insurance and war risks insurance premium rates, as well as the results of new business development and gaining new customers.

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\$907,067,000 (2022: HK\$897,724,000), representing a year on year increase of 1%, due to the constantly stable business volume. Segment profit before income tax increased by 8% year on year to HK\$56,572,000 (2022: HK\$52,207,000), which was mainly attributable to an increase of interest income and a decrease of net exchange losses.

1.4 Production and Sale of Coatings

The coating business of the Group primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. ("COSCO Kansai (Zhuhai)"), 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) ("COSCO Kansai Paint (Shanghai)"), and 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") are non-wholly owned subsidiaries of the Company. COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai), and COSCO Kansai Paint (Shanghai), which have their own plants, are principally engaged in the production and sale of coatings, while COSCO Kansai (Shanghai) is primarily engaged in the sale of coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and Jotun A/S, Norway, an international coating supplier, is principally engaged in the production and sale of marine coatings. Nasurfar Changshu, in which the Company held 33% equity interest, is principally engaged in the research and development, production and sales of 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\$428,884,000 (2022: HK\$528,020,000), representing a year on year decrease of 19%. Segment profit before income tax was HK\$125,118,000 (2022: HK\$49,933,000), representing a year on year increase of 151%, which was mainly due to the significant increase in share of profit of Jotun COSCO, and an significant improvement in the gross profit margin of Jotun COSCO.

For container coatings, during the period, the sales volume of container coatings decreased by 37% to 4,890 tonnes (2022: 7,715 tonnes) year on year, which was mainly due to the sharp drop in the container manufacturing market. The sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 9,895 tonnes (2022: 8,138 tonnes), representing a year on year increase of 22%.

For marine coatings, the sales volume of Jotun COSCO's coatings for new build vessels amounted to 35,813,000 litres (2022: 23,543,000 litres), representing a year on year increase of 52%. Sales volume of coatings for repair and maintenance was 16,730,000 litres (2022: 15,336,000 litres), representing a year on year increase of 9%. The sales volume of Jotun COSCO's marine coatings increased by 35% year on year to 52,543,000 litres (equivalent to approximately 70,933 tonnes) (2022: 38,879,000 litres (equivalent to approximately 52,587 tonnes)). During the period, the Group's share of profit from Jotun COSCO was HK\$108,560,000 (2022: HK\$40,322,000), representing a year on year increase of 169%, which was mainly attributable to an increase in sales volume and the improvement in gross profit margin.

During the period, the Group's share of profit from Nasurfar Changshu was HK\$6,000 (2022: HK\$5,785,000), representing a year on year decrease of 99.9%, which was mainly attributable to the decrease in sales of coating raw materials and additives resulting from insufficient demand for container coatings, and the increase in depreciation expenses for newly expanded plants.

1.5 Trading and Supply of Marine Fuel and Related Products

New Renown Limited, a wholly-owned subsidiary of the Company, sold its 18% equity interest in Double Rich to 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.*) on 29 December 2022. As a result, marine fuel and other products segment was no longer regularly reviewed by the Group's chief operating decision-maker in deciding how to allocate resources and in assessing performance, and the management considered that the segment was no longer presented as a reportable segment in 2023.

During the same period in 2022, the Group had recorded no revenue from the marine fuel and other products segment and segment loss before income tax was HK\$8,401,000, which mainly consisted of provision for impairment of assets held for sale of HK\$8,275,000. During the period, the Group recorded no revenue from Sinfeng, and profit before income tax of Sinfeng was included in the "Others" segment.

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\$171,421,000 (2022: HK\$287,656,000), representing a year on year decrease of 40%, which was mainly due to a decrease of 45% in sales volume of asphalt to 33,144 tonnes (2022: 60,175 tonnes) year on year. Segment profit before income tax was HK\$3,358,000 (2022: HK\$12,913,000), representing a year-on-year decrease of 74%.

During the period, the Group's share of profit from Zhejiang Four Brothers Rope was HK\$1,292,000 (2022: HK\$1,186,000), representing a year on year increase of 9%.

PROSPECTS

In the second half of the year, persistent geopolitical issues are likely to cause turbulence in the commodity market. The risk of global inflation is likely to heighten again, and high interest rates and continued monetary tightening may have a significant impact on the credit environment and public finance, leading to heightened financial risk. Trade protectionism and unilateralism will cause global economic losses, which the World Trade Organization estimates to be as high as 5% loss in real global GDP in the longer term. As affected by the macro-environment, the outlook for global trade is not optimistic. According to the latest Global Trade Outlook and Statistics of the World Trade Organization, the global merchandise trade is expected to grow by 1.7% this year following the growth of 2.7% in 2022 as affected by the Russo-Ukrainian conflict, inflation, tightened monetary policy and uncertainties in the financial market. As a result, the global trade growth will continue to slow down in the second half of the year with relatively weak demand for shipping.

Looking into each sector, geopolitical tensions, high inflation and tightened monetary policy in Europe and the United States have presented challenges to global economic development and commodity trade in the container shipping market. As consumers begin to reduce expenditure on high-value commodities, the demand for container shipping significantly slows down. Meanwhile, new build vessel deliveries significantly increase, and it is expected that new build vessels of 2.5 million TEU, representing approximately 9.2% of the existing capacity, will be delivered in 2023. For the dry bulk market, global dry bulk trade heavily depends on global industrial activities. Weak consumer demand and interest hikes have prevented investment activities and industrial production in western countries. The demand for major raw materials in the major economies has grown by a limited number, resulting in a weaker market performance. For the tankers market, the global tanker trade is being reshaped in the counter-globalisation movement. The increase in sea freight volume and the lengthening of voyage distance drove the demand for tanker trade to be relatively positive. On the supply side, the overall freight rates have remained at a high level due to a serious ageing problem of oil tankers and the limited delivery of new build ship capacity resulting from tightened berth space at shipyards together with the constraints of environmental protection. The market outlook is optimistic. For the shipbuilding market, the market is likely stable and improving with continuous recovery momentum. The far-reaching international emission reduction policies are gradually clarified, and the characteristics of a new market cycle for green and low-carbon vessels are developing. According to Clarksons, 44% of new build vessels ordered in the first half of this year is alternative fuelled.

COSCO SHIPPING International takes the digital and intelligent shipping services platform as our strategic development direction. In the future, COSCO SHIPPING International will focus on its core shipping services business, secure the new digital and intelligent shipping infrastructure, and grab greenisation, intellectualisation and digitalisation, so as to provide visible, controllable, operable and compatible service products. Our high-quality products and services will assist the shipping industry to improve the operational efficiency, to help shipowners optimising their service processes, enhancing the efficiency of the supply chain, reducing costs, and striving for green value, thus providing shipowners with more diversified and efficient services, offering smoother channels for suppliers, and contributing to the high quality development of the shipping industry.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, the Company repurchased a total of 15,722,000 shares of the Company (“Shares”) on the Stock Exchange for an aggregate consideration of HK\$41,080,040 before expenses. The aforesaid repurchased Shares were cancelled on 22 May 2023, 28 June 2023 and 26 July 2023 respectively. The repurchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the Shares repurchased are as follows:

Month of Share(s) repurchased during the six months ended 30 June 2023	No. of Shares repurchased	Highest price paid (HK\$)	Lowest price paid (HK\$)	Aggregate consideration (before expenses) (HK\$)
May	9,224,000	2.71	2.50	24,470,060
June	<u>6,498,000</u>	2.66	2.48	<u>16,609,980</u>
Total:	<u>15,722,000</u>			<u>41,080,040</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

CORPORATE GOVERNANCE

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

The Board believed that the Company has complied with the code provisions of the Corporate Governance Code (“CG Code”) contained in the Appendix 14 to the Listing Rules during the six months ended 30 June 2023 except that (A) Mr. Chen Dong, the Non-executive Director, who was unable to attend the annual general meeting of the Company held on 31 May 2023 due to other business engagement; and (B) the roles of the Chairman and the Managing Director are currently performed by the same individual, Mr. Zhu Changyu and were formerly performed by the same individual, Mr. Zhu Jianhui (ex-Director), which deviate from the Code Provisions C.1.6 and C.2.1 of the CG Code respectively. Although the roles of the Chairman and the Managing Director are performed by the same individual, the Board believes that the roles of the Chairman and the 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 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 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 2023.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out 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 2023, 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 Changyu
Chairman and Managing Director

Hong Kong, 22 August 2023

As at the date of this announcement, the Board comprises six directors with Mr. Zhu Changyu¹ (Chairman and Managing Director), Mr. Chen Dong², Ms. Meng Xin¹, 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*