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CWT INTERNATIONAL LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND CONTINUED SUSPENSION OF TRADING

The board (the “**Board**”) of directors (the “**Directors**”) of CWT International Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022. These final results have been reviewed by the Audit Committee of the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations			
Revenue	4	37,226,295	38,689,030
Cost of sales		<u>(35,580,059)</u>	<u>(36,970,498)</u>
Gross profit		1,646,236	1,718,532
Other income	6	505,175	234,290
Other net (loss)/gain		(234,886)	27,433
Selling and distribution costs		(464,883)	(434,026)
Administrative expenses		(795,267)	(755,421)
Finance costs	7	(521,251)	(368,233)
Share of profits less losses of associates, net of tax		38,571	67,433
Share of profits less losses of joint ventures, net of tax		<u>5,670</u>	<u>(29)</u>
Profit before taxation		179,365	489,979
Income tax expense	8	<u>(121,642)</u>	<u>(118,277)</u>
Profit for the year from continuing operations		<u>57,723</u>	<u>371,702</u>
Discontinued operation			
Profit/(loss) for the year from discontinued operation	10	<u>21,471</u>	<u>(116,613)</u>
Profit for the year		<u><u>79,194</u></u>	<u><u>255,089</u></u>

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

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Defined benefit plan remeasurements	(10,316)	28,698
Tax on defined benefit plan remeasurements	1,219	(3,418)
Net changes in fair value of financial assets measured at FVOCI	<u>—</u>	<u>(105)</u>
	(9,097)	<u>25,175</u>
<i>Items that may be reclassified subsequently to profit or loss, net of nil tax:</i>		
Exchange differences arising from translation of financial statements of overseas subsidiaries	30,741	(99,805)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	5,724	(5,550)
Effective portion of changes in fair value of cash flow hedges	(2,534)	7,806
Share of other comprehensive income of associates and joint ventures	<u>(1,462)</u>	<u>(3,654)</u>
	32,469	<u>(101,203)</u>
Other comprehensive income/(expense) for the year	<u>23,372</u>	<u>(76,028)</u>
Total comprehensive income for the year	<u>102,566</u>	<u>179,061</u>

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

FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>NOTES</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Profit/(loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		17,733	270,036
– from discontinued operation	<i>10</i>	<u>21,360</u>	<u>(116,823)</u>
		<u>39,093</u>	<u>153,213</u>
Non-controlling interests			
– from continuing operations		39,990	101,666
– from discontinued operation	<i>10</i>	<u>111</u>	<u>210</u>
		<u>40,101</u>	<u>101,876</u>
Profit for the year		<u>79,194</u>	<u>255,089</u>
Total comprehensive income from continuing and discontinued operations attributable to:			
Owners of the Company		60,400	92,697
Non-controlling interests		<u>42,166</u>	<u>86,364</u>
Total comprehensive income for the year		<u>102,566</u>	<u>179,061</u>
EARNINGS/(LOSS) PER SHARE	<i>11</i>		
Basic and diluted (<i>HK cents</i>)		<u>0.34</u>	<u>1.34</u>
From continuing operations			
Basic and diluted (<i>HK cents</i>)		<u>0.16</u>	<u>2.37</u>
From discontinued operation			
Basic and diluted (<i>HK cents</i>)		<u>0.18</u>	<u>(1.03)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>NOTE</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Property, plant and equipment		3,399,267	3,483,141
Right-of-use assets		2,150,935	2,266,476
Intangible assets		134,019	159,583
Interests in associates		292,363	203,717
Interests in joint ventures		139,372	212,208
Other financial assets		30,447	196,682
Prepayments, deposits and other receivables		82,350	29,521
Other non-current assets		18,532	18,487
Derivative financial instruments		8,313	39,121
Deferred tax assets		60,383	57,165
		<u>6,315,981</u>	<u>6,666,101</u>
Current assets			
Other financial assets		1,337,753	1,412,592
Inventories		2,984,637	3,234,355
Trade receivables	<i>12</i>	2,275,364	12,392,161
Prepayments, deposits and other receivables		9,946,945	10,310,826
Contract assets		112,416	97,778
Derivative financial instruments		288,252	598,484
Tax recoverable		32,966	13,089
Pledged bank deposits		145,075	169,429
Cash and cash equivalents		1,998,840	1,609,650
		<u>19,122,248</u>	<u>29,838,364</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current liabilities			
Contract liabilities		58,485	173,763
Trade and other payables	<i>13</i>	11,606,176	22,163,537
Loans and borrowings		4,201,446	4,177,317
Lease liabilities		289,875	299,313
Derivative financial instruments		496,693	645,476
Current tax payable		64,943	63,496
		<u>16,717,618</u>	<u>27,522,902</u>
Net current assets		<u>2,404,630</u>	<u>2,315,462</u>
Total assets less current liabilities		<u>8,720,611</u>	<u>8,981,563</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current liabilities			
Trade and other payables	13	130,705	107,504
Loans and borrowings		1,444,832	1,554,779
Lease liabilities		2,059,737	2,154,913
Derivative financial instruments		11,089	65,904
Defined benefit obligations		27,046	17,871
Deferred tax liabilities		249,040	249,390
		<u>3,922,449</u>	<u>4,150,361</u>
Net assets		<u>4,798,162</u>	<u>4,831,202</u>
Capital and reserves			
Share capital		4,731,480	4,731,480
Reserves		<u>(60,199)</u>	<u>(101,480)</u>
Equity attributable to owners of the Company		4,671,281	4,630,000
Non-controlling interests		<u>126,881</u>	<u>201,202</u>
Total equity		<u>4,798,162</u>	<u>4,831,202</u>

NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Hong Kong HNA Holding Group Co. Limited, a company incorporated in Hong Kong with limited liability, is the immediate parent of the Company. Hainan HNA No.2 Trust Management Service Co., Ltd.* (海南海航二號信管服務有限公司), a limited liability company incorporated in the People’s Republic of China (the “**PRC**”), is the intermediate parent of the Company. HNA Group Bankruptcy Reorganisation Specialised Service Trust (the “**Trust**”)* (海航集團破產重整專項服務信託), a trust registered in the PRC, is the ultimate controlling party of the Company. Neither of these companies produces financial statements available for public use.

2. BASIS OF PREPARATION

The annual results set out in this announcement are extracted from the consolidated financial statements of the Group for the year ended 31 December 2023.

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

During the year ended 31 December 2022, the predecessor independent auditor of the Company identified 140 transactions (the “**140 Transactions**”) that involved repeated transfers of titles of gold concentrates with the same group of counterparties (the “**Counterparties**”) within a short timeframe spanning from August 2022 to September 2022. The 140 Transactions were conducted by certain subsidiaries of the Company and their commercial substance was unclear. It was also identified that commissions were paid to the Counterparties involved in the 140 Transactions.

During the year ended 31 December 2023, all balances resulted from the 140 Transactions have been settled by the end of August 2023 and there were no transactions with the Counterparties or related balances as at 31 December 2023. The management of the Group has ceased the operation of the relevant structured trading services and is disclosed as discontinued operation and has also implemented a series of measures to strengthen internal controls of the Group.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but such information is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The statutory financial statements for the year ended 31 December 2023 will be delivered to the Registrar of Companies in due course.

The auditor's report for the year ended 31 December 2022 and 2023 was qualified; did not include an emphasis of matter; contained a statement under sections 407(2) and 407(3) of the Companies Ordinance; and did not contain a statement under section 406(2) of the Companies Ordinance. For details, please refer to sub-section under "**EXTRACT OF INDEPENDENT AUDITOR'S REPORT**".

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND CHANGES IN MATERIAL ACCOUNTING POLICIES

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

- HKFRS 17 *Insurance Contracts* (including the October 2020 and February 2022 Amendments to HKFRS 17)
- Amendments to HKAS 8 *Definition of Accounting Estimates*
- Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to HKAS 12 *International Tax Reform-Pillar Two model Rules*
- Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 12 International Tax Reform-Pillar Two model Rules

The Organisation for Economic Co-operation Development ("**OECD**") published the Pillar Two model rules (the "**Pillar Two legislation**"), which are designed to introduce a global minimum tax rate of 15 percent for large multinational enterprise ("**MNE**") group within scope of the rules and need to be adopted into local domestic law by each jurisdiction according to the jurisdiction's legislative process. The Pillar Two model rules apply to MNE group with a total consolidated group revenue of Euro 750 million or more in at least two of the four preceding years, although jurisdictions may introduce a lower threshold. The Group is within the scope of Pillar Two as its consolidated revenue is more than Euro 750 million for the preceding two years.

The Group has adopted the amendments for the first time in the current accounting period. The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax that may arise from the jurisdictional adoption of the Pillar Two legislation and requires new disclosures about the tax exposure related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The mandatory exception is effective immediately and applies retrospectively. In the opinion of the directors, the retrospective application has no material impact on the Group's consolidated financial statement as there is no legislation enacted or substantially enacted for Pillar Two model rules as at 31 December 2022 in any jurisdiction in which the Group operates. For group entities operating in jurisdictions where the Pillar Two legislation is enacted or substantially enacted but not yet in effect during the year ended 31 December 2023, the Group has applied the temporary exception in the current accounting period. Accordingly, the Group neither recognises nor discloses information about deferred tax accounting related to Pillar Two income taxes.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current accounting period. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance. Accordingly, immaterial accounting policy information are not disclosed in these consolidated financial statements.

Abolition of the MPF-LSP offsetting mechanism in Hong Kong

In June 2022 the Hong Kong SAR Government (the "**Government**") gazette the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1 May 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

4. REVENUE

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

Disaggregation of revenue

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

	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
Disaggregated by major products and service lines		
Freight services	3,000,945	5,737,638
Logistics services	1,557,418	1,543,084
Commodity trading and related services	31,175,669	29,890,618
Equipment and facility maintenance services	706,710	623,641
Design-and-build	899	3,065
Broking services	626,035	634,532
Others	69,052	106,415
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Revenue from contract with customers	37,136,728	38,538,993
Revenue from leases	89,567	150,037
	<hr/>	<hr/>
	37,226,295	38,689,030
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	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
Disaggregated by geographical location of customers		
PRC	25,335,560	25,841,494
Singapore	3,731,910	2,600,163
Hong Kong	69,788	69,156
Korea	1,522,842	1,272,158
Other Asia Pacific jurisdictions	2,919,914	2,859,925
Europe	3,223,506	5,389,695
North America	241,815	328,606
Africa continent	148,467	223,027
South America	32,493	104,806
	<hr/>	<hr/>
	37,226,295	38,689,030
	<hr/> <hr/>	<hr/> <hr/>

5. SEGMENT INFORMATION

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

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

Logistics services

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

Commodity marketing

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

Engineering services

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

Financial services

This reportable segment includes provision of financial brokerage services and assets management services.

The operation of the structured trading services included in the financial services segment was discontinued in the current year. The segment information reported does not include any amounts for the discontinued operation, which are described in more details in Note 10. Accordingly, the segment information for the year ended 31 December 2022 has been restated.

Segment results, assets and liabilities

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

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

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

(a) Segment revenue and results

Disaggregation of revenue by timing of revenue recognition as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	Logistics services		Commodity marketing		Engineering services		Financial services		Elimination		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Continuing operations												
Reportable segment revenue	4,649,213	7,411,041	31,175,669	29,890,618	716,361	638,086	626,035	634,532	(30,550)	(35,284)	37,136,728	38,538,993
Inter-segment revenue	(30,159)	(34,653)	-	-	(391)	(631)	-	-	30,550	35,284	-	-
Revenue from external customers	4,619,054	7,376,388	31,175,669	29,890,618	715,970	637,455	626,035	634,532	-	-	37,136,728	38,538,993
Revenue from external customers disaggregated by timing of revenue recognition												
Point in time	1,790,685	2,642,325	31,067,186	29,726,050	160,376	129,619	626,035	634,532	-	-	33,644,282	33,132,526
Over time	2,828,369	4,734,063	108,483	164,568	555,594	507,836	-	-	-	-	3,492,446	5,406,467
	4,619,054	7,376,388	31,175,669	29,890,618	715,970	637,455	626,035	634,532	-	-	37,136,728	38,538,993
Revenue from external customers disaggregated by major products and services lines												
Freight services	3,000,945	5,737,638	-	-	-	-	-	-	-	-	3,000,945	5,737,638
Logistics services	1,557,418	1,543,084	-	-	-	-	-	-	-	-	1,557,418	1,543,084
Commodity trading and related services	-	-	31,175,669	29,890,618	-	-	-	-	-	-	31,175,669	29,890,618
Equipment and facility maintenance services	-	-	-	-	706,710	623,641	-	-	-	-	706,710	623,641
Design-and-build	-	-	-	-	899	3,065	-	-	-	-	899	3,065
Broking services	-	-	-	-	-	-	626,035	634,532	-	-	626,035	634,532
Others	60,691	95,666	-	-	8,361	10,749	-	-	-	-	69,052	106,415
	4,619,054	7,376,388	31,175,669	29,890,618	715,970	637,455	626,035	634,532	-	-	37,136,728	38,538,993
Leases	89,567	150,037	-	-	-	-	-	-	-	-	89,567	150,037
	4,708,621	7,526,425	31,175,669	29,890,618	715,970	637,455	626,035	634,532	-	-	37,226,295	38,689,030

	Logistics services		Commodity marketing		Engineering services		Financial services		Elimination		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations												
Results												
Interest income	21,369	6,253	40,906	19,894	1,114	438	403,463	114,281	(6,616)	(7,524)	460,236	133,342
Interest expense	(151,910)	(142,689)	(196,019)	(113,285)	(1,406)	(245)	(51,905)	(11,397)	7,177	8,787	(394,063)	(258,829)
Depreciation and amortisation	(529,137)	(559,360)	(31,209)	(32,582)	(12,556)	(8,272)	(7,089)	(6,597)	11,710	11,693	(568,281)	(595,118)
Share of profits less losses of associates and joint ventures, net of tax	41,721	65,260	-	-	2,520	2,144	-	-	-	-	44,241	67,404
Gain/(loss) on disposal of property, plant and equipment	1,925	3,088	-	-	76	17	-	(6)	-	-	2,001	3,099
(Loss)/gain on disposal of subsidiaries and associates	(1,079)	228	(4,609)	-	(228)	-	(8,373)	-	-	-	(14,289)	228
Impairment losses on right-of-use assets	-	(8,417)	-	-	-	-	-	-	-	-	-	(8,417)
Reversal/(recognition) of impairment losses on trade and other receivables	887	3,162	-	-	-	-	922	(18,853)	-	-	1,809	(15,691)
Provision for an onerous contract	-	-	-	-	-	-	(67,407)	-	-	-	(67,407)	-
Gain on bargain purchase	-	6,102	-	-	-	-	-	-	-	-	-	6,102
Gain/(loss) on lease modification	3,396	28,892	636	11	-	-	-	(51)	-	-	4,032	28,852
Reportable segment profit/(loss) before taxation	218,436	632,809	17,206	(141,949)	33,439	26,063	192,834	102,360	1,715	1,332	463,630	620,615
Reportable segment assets	7,317,911	7,822,114	6,205,455	6,623,720	528,444	492,754	11,141,490	11,027,967	(419,428)	(493,743)	24,773,872	25,472,812
Interests in associates and joint ventures	423,789	410,474	-	-	7,946	5,451	-	-	-	-	431,735	415,925
Capital expenditure	63,235	58,528	1,074	3,378	5,088	1,661	3,489	1,592	-	-	72,886	65,159
Reportable segment liabilities	4,305,575	4,682,157	5,011,896	5,469,960	313,927	285,489	9,902,966	10,150,152	(419,624)	(492,330)	19,114,740	20,095,428

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Continuing operations		
Total profit before taxation for reportable segments	463,630	620,615
Unallocated amounts:		
Fair value change of other financial assets	(163,920)	–
Loss on disposal of property, plant and equipment	–	(355)
Net foreign exchange gain/(loss)	4,879	(10,725)
Depreciation of right-of-use assets	(2,674)	(2,097)
Finance costs	(36,023)	(36,243)
Unallocated income and gains	3,263	667
Unallocated expenses	(89,790)	(81,883)
	<u>179,365</u>	<u>489,979</u>
Profit before taxation	<u>179,365</u>	<u>489,979</u>

(c) **Segment assets and liabilities**

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Reportable segment assets		
Logistics services	7,317,911	7,822,114
Commodity marketing	6,205,455	6,623,720
Engineering services	528,444	492,754
Financial services	11,141,490	11,027,967
	<u>(419,428)</u>	<u>(493,743)</u>
Elimination of inter-segment assets	<u>(419,428)</u>	<u>(493,743)</u>
Total reportable segment assets	24,773,872	25,472,812
Unallocated assets:		
Interests in associates and joint ventures	431,735	415,925
Deferred tax assets	60,383	57,165
Tax recoverable	32,966	13,089
Cash and cash equivalents	91,992	94,971
Other financial assets	28,653	194,896
Other unallocated assets (<i>Note</i>)	18,628	10,255,607
	<u>25,438,229</u>	<u>36,504,465</u>
Consolidated total assets	<u>25,438,229</u>	<u>36,504,465</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Reportable segment liabilities		
Logistics services	4,305,575	4,682,157
Commodity marketing	5,011,896	5,469,960
Engineering services	313,927	285,489
Financial services	9,902,966	10,150,152
Elimination of inter-segment liabilities	<u>(419,624)</u>	<u>(492,330)</u>
Total reportable segment liabilities	19,114,740	20,095,428
Unallocated liabilities:		
Perpetual Note	359,587	358,446
Promissory Note	716,000	716,000
Current tax payable	64,943	63,496
Deferred tax liabilities	249,040	249,390
Other unallocated liabilities (<i>Note</i>)	<u>135,757</u>	<u>10,190,503</u>
Consolidated total liabilities	<u><u>20,640,067</u></u>	<u><u>31,673,263</u></u>

Note: Other unallocated assets and liabilities at 31 December 2022 included trade receivables of US\$1,256,801,000 (approximately HK\$9,793,370,000) and trade payables of US\$1,236,565,000 (approximately HK\$9,635,685,000) respectively that relate to the 140 Transactions.

(d) Geographic information

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

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

	Specified non-current assets	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
PRC	125,696	111,541
Singapore	4,239,029	4,440,300
Hong Kong	3,416	5,576
Korea	491	326
Other Asia Pacific jurisdictions	544,122	536,141
Europe	1,136,430	1,154,263
North America	22,268	23,543
Africa continent	54,364	59,671
South America	<u>8,656</u>	<u>12,251</u>
	<u><u>6,134,472</u></u>	<u><u>6,343,612</u></u>

6. OTHER INCOME

	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
Interest income on financial assets measured at amortised cost	462,499	134,240
Dividend income from other financial assets	263	910
Government grants	7,971	12,757
Others	34,442	86,383
	505,175	234,290

7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000 (Restated)
Continuing operations		
Interests expense on:		
– Bank borrowings and other facilities	272,411	174,950
– Lease liabilities	102,882	107,297
– Others	54,792	12,824
Other finance costs	41,169	20,685
	471,254	315,756
Bank charges	49,997	52,477
	521,251	368,233

8. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000 (Restated)
Current tax		
Provision for the year – Overseas income tax	96,848	169,613
Under/(over)-provision in respect of prior years	<u>2,260</u>	<u>(23,625)</u>
	99,108	145,988
Deferred tax charged for the year	(7,322)	(37,073)
Withholding tax	<u>15,812</u>	<u>11,170</u>
Total income tax expense	<u>107,598</u>	<u>120,085</u>
Attributable from:		
– continuing operations	121,642	118,277
– discontinued operation	(14,044)	1,808

For the years ended 31 December 2023 and 2022, no provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both years.

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

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2023 and 2022, nor has any dividend been proposed after the end of reporting period.

10 DISCONTINUED OPERATION

The Group ceased the structured trading services business in 2023. Structured trading services business engages in structured trade financing and trade facilitation according to the customers' requirements and market demand which represented a major line of business in the financial services segment. Accordingly, the Group's structured trading services business was considered as discontinued during the year ended 31 December 2023

The profit/(loss) for the year from the structured trading services operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the structured trading services business as a discontinued operation.

	2023 HK\$'000	2022 HK\$'000
Results of discontinued operation		
Revenue (<i>Note</i>)	1,615,916	5,210,425
Cost of sales	<u>(1,607,327)</u>	<u>(5,151,835)</u>
Gross profit	8,589	58,590
Other income and net (loss)	3,623	(125,479)
Selling and distribution costs	–	(12,336)
Administrative expenses	(1,004)	(31,741)
Finance costs	<u>(3,781)</u>	<u>(3,839)</u>
Profit/(loss) before taxation	7,427	(114,805)
Income tax credit/(expense)	<u>14,044</u>	<u>(1,808)</u>
Profit/(loss) for the year	<u>21,471</u>	<u>(116,613)</u>
Profit/(loss) for the year attributable to:		
Owners of the Company	21,360	(116,823)
Non-controlling interests	<u>111</u>	<u>210</u>
	<u>21,471</u>	<u>(116,613)</u>

Note: During the year ended 31 December 2022, revenue generated from structured trading services includes US\$160,000 (approximately HK\$1,253,000) net revenue that relates to the 140 Transactions, of which US\$120,000 (approximately HK\$940,000) and US\$40,000 (approximately HK\$313,000) were generated from Singapore and North America respectively.

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the weighted average number of ordinary shares of 11,399,996,101 (2022: 11,399,996,101) in issue during the year, which is the same as for both continuing and discontinued operations and continuing operations and the profit for the year attributable to owners of the Company as follows:

	2023 HK\$'000	2022 HK\$'000 (Restated)
From continuing and discontinued operations		
Profit attributable to owners of the Company	<u>39,093</u>	<u>153,213</u>
From continuing operations		
Profit attributable to owners of the Company	39,093	153,213
Less: Profit/(loss) for the year from discontinued operation	<u>21,360</u>	<u>(116,823)</u>
Profit attributable to owners of the Company from continuing operations	<u>17,733</u>	<u>270,036</u>

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the Company does not have any dilutive potential ordinary shares in existence.

(c) From discontinued operation

Basic and diluted earnings per share for the discontinued operation is HK0.18 cents per share (2022: loss of HK1.03 cents per share), based on the profit for the year from the discontinued operation of approximately HK\$21,360,000 (2022: loss for the year of HK\$116,823,000) and the denominators detailed above for both basic and diluted earnings per share.

12. TRADE RECEIVABLES

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-90 days	2,186,879	2,443,275
91-180 days	78,242	9,933,051
181-365 days	8,153	14,043
1-2 years	2,090	1,792
	<u>2,275,364</u>	<u>12,392,161</u>

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

Trade receivables at 31 December 2022 included balance of US\$1,256,801,000 (approximately HK\$9,793,370,000) that relate to the 140 Transactions and was fully settled by the end of August 2023.

13. TRADE AND OTHER PAYABLES

		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills payables	<i>(a)</i>	1,232,832	10,662,907
Other payables and accruals	<i>(b)</i>	10,348,003	11,419,928
Provisions	<i>(c)</i>	<u>156,046</u>	<u>188,206</u>
		11,736,881	22,271,041
Less: non-current portion		<u>(130,705)</u>	<u>(107,504)</u>
		<u>11,606,176</u>	<u>22,163,537</u>

(a) **Trade and bills payables**

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–90 days	1,158,367	956,329
91–180 days	39,965	9,668,149
181–365 days	16,986	16,684
1–2 years	11,368	16,062
Over 2 years	6,146	5,683
	<u>1,232,832</u>	<u>10,662,907</u>

Trade payables measured at amortised cost at 31 December 2022 included balance of US\$1,236,565,000 (approximately HK\$9,635,685,000) that relate to the 140 Transactions and was fully settled by the end of August 2023.

(b) **Other payables and accruals**

As at 31 December 2023, included in the balance are amounts segregated for customers of HK\$9,168,511,000 (31 December 2022: HK\$9,921,541,000).

(c) **Provisions**

As at 31 December 2023, a provision of HK\$88,639,000 (2022: HK\$188,206,000) was made by Straits (Singapore) Pte. Ltd. (“SSPL”) and Straits Financial Group Pte. Ltd. (“SFG”), indirect subsidiaries of the Group, in connection with a litigation (the “Case”) which involved certain repurchase agreements. Details of the litigation proceedings of the Case in 2022 were disclosed in the Company’s annual report for the year ended 31 December 2022 dated 17 September 2023. The provision was recognised in profit and loss in the previous years.

On 10 August 2023, the Group entered into a settlement agreement with the plaintiff in relation to the case. The management has made up the provision amount for the year ended 31 December 2022, on top of the net asset value of the subsidiary that was provided in the previous years, to reflect the agreed settlement sum. Hence there were no additional provision made for the year ended 31 December 2023. According to the terms of the settlement agreement, approximately HK\$49,544,000 (2022: Nil) will be settled after 12 months and accordingly was reclassified as non-current liabilities.

FINAL DIVIDEND

The Board did not recommend the payment of any dividend in respect of the year ended 31 December 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2023, the global economy faced persistent challenges, including inflation, rising interest rates, and geopolitical shocks. The PRC anticipated recovery proved to be more precarious than forecasted, marked by a deepening property crisis, increasing deflationary pressures, and subdued demand. Similarly, Eurozone experienced stagnant economic growth, lagging behind other regions, largely due to Germany's underperformance. Germany's economy was affected by its reliance on cheap energy from Russia and disruptions in its extensive trade relationships with the PRC, both impacted by geopolitical events.

In 2023, the Group made the decision to discontinue its structured trading services due to numerous challenges, such as ongoing disputes and legal cases in previous years. With the best interests of the Group in mind, the management decided to discontinue the trade services business in 2023, following a gradual phase-out that had been underway since structured trading in the year. Previously, the Group's structured trading services business had been included in its the financial services segment.

For the year ended 31 December 2023, the Group's revenue amounted to HK\$37,226,295,000 (restated 2022: HK\$38,689,030,000); while the net profit for the year amounted to HK\$79,194,000 (2022: HK\$255,089,000). The Group reported a net profit of HK\$21,471,000 (restated 2022: net loss of HK\$116,613,000) from discontinued operation and net profit of HK\$57,723,000 (restated 2022: HK\$371,702,000) from continuing operations. The decline in net profit from continuing operations is mainly attributable to (i) the fair value loss on an unlisted equity investment in a limited partnership engaged in property investment in the United States held by the Group measured at fair value through profit or loss; and (ii) a significant drop in cargo volume and a sharp decrease in ocean freight rates within the Freight Logistics sector. However, there was a silver lining as both financial services and commodity marketing segments showed improved performance compared to that in 2022, which helped to offset some of the negative effects caused by freight logistics.

The improved result from discontinued operation is attributable to a provision that was made for a settlement agreement made in prior financial year and no such further provisions were considered necessary for the year ended 31 December 2023.

Logistics Services

Warehousing and Integrated Logistics

As a key service provider in the chemical and shipping industry, we navigate a volatile global market despite Singapore's positive GDP. In the chemical sector, businesses are addressing challenges such as reduced profit margins, pricing pressure, and rising costs by focusing on cost efficiency, refining supply chain decisions, and preparing for Singapore's increased carbon tax for resilience and sustainability compliance. Despite a sluggish 2023, there is optimism for potential growth in the latter half of 2024 or by 2025. Meanwhile, the shipping sector faces hurdles from the Red Sea shipping crisis, resulting in vessel rerouting and a threefold increase in container rates. Despite these challenges, our integrated logistics group exceeded budget expectations and outperformed the previous year. We continue to strategically adapt by expanding niche trucking services, streamlining processes, and leveraging technology for efficiency, sustained growth, and profitability.

In 2023, the food and beverage sector in Singapore experienced significant expansion driven by increased shipments from North Asia and higher government-mandated food reserves. Despite this growth, businesses in the sector are dealing with rising costs in fuel, utilities, and a competitive labor market. The ongoing liberalisation of the PRC's economy is anticipated to lead to a notable increase in demand, contributing to a more optimistic outlook for the sector in 2024.

Singapore's warehousing space remains limited whilst new supplies are at much higher costs as building costs sky-rocketed in the last 3 years. The warehousing sector is expecting approximately 1.8 million square feet of new space in 2024, mostly pre-committed, leaving less than 0.5 million square feet available. Warehousing demand is volatile due to global economic uncertainty and supply chain disruptions. With demand surpassing supply in 2024, current rates are likely to persist in the coming months. This trend is expected to continue moderately until 2025 when more new warehouses are expected to complete. Logistics group's warehouses are fully utilised, and stability is anticipated for the next 12 months, with renewals expected at higher market rates.

Freight Logistics

In Q4 2022, the shipping market saw a significant downturn from peak ocean freight levels. Factors driving rates up in 2022 reversed in 2023. Decreased demand, increased shipping capacity with new ships entering the market; inflation, and cost-of-living crisis led to rates dropping to pre-COVID-19 levels. To manage this surplus, shipping lines adopted strategies such as blank sailing and slow steaming.

Intense competition in the contracting market eroded profit margins. Our European agency network disruption and the PRC's economic slowdown caused severe rate cuts and margin erosion, resulting in a significant decline in export volume. Our Turkey's office suffered from the economic crisis.

As we enter 2024, the outlook is uncertain due to ongoing market instability. There is optimism for recovery, despite inflation easing in western countries but remaining high overall. We are working to maintain competitiveness and protect market share by accelerating automation for cost-cutting and efficiency improvement, alongside efforts to develop new cargo sources for volume diversification. We will also extend our expansion plan to broaden our footprint and fortify our network, entering the new year in a leaner and stronger state.

Commodity Logistics

In 2023, our commodity logistics business demonstrated remarkable resilience in the face of a challenging economic environment and increasing geopolitical uncertainties that impacted the broader market sentiment. Despite these obstacles, we not only delivered strong earnings but also thrived, primarily due to our strong performance in the soft commodity warehousing and logistics sector. This accomplishment highlights the adaptability and resilience of our workforce in navigating through evolving market conditions.

Looking forward, our strategic focus remains steadfast in strengthening our position in the commodity logistics sector. Concurrently, we are dedicated to exploring new opportunities for both organic and inorganic business growth. This approach underscores our commitment to maintaining and expanding our presence in the dynamic landscape of commodity logistics.

Overall, the unfavourable market condition of freight logistics led to a significant drop in revenue from HK\$7,376,388,000 to HK\$4,619,054,000 for logistics services segment. Consequently, profit before tax (“PBT”) decreased more than 65.5% from HK\$632,809,000 to HK\$218,436,000. The Group will continue to focus on its strengths by increasing its network and service offering, improving operational efficiency and staying close to the market to navigate through the evolving market conditions and to explore new business opportunities.

Commodity Marketing

Commodity Marketing (“CM”) specialises in global supply chain management for non-ferrous concentrates and refined metals, expanding into energy products and aluminum in 2023. Despite a slight decrease in overall traded concentrates, the refined metals volume nearly doubled, and energy products constituted a significant 19% of the total traded volume.

CM’s revenue increased by 4.3% to HK\$31,175,669,000, with a noteworthy improvement in PBT at HK\$17,206,000 compared to the previous year’s loss. The profitability of concentrates trading rose significantly due to smelters’ aggressive purchasing, driven by economic factors like supply disruptions, decreased mine production, and rising demand from smelter expansions. The tighter concentrates market enhanced CM’s blending opportunities and overall profitability. Additionally, energy trading achieved a net profit in its inaugural year.

Going forward, CM anticipates continued balancing in the copper concentrates market and steady growth, focusing on strategic priorities such as expanding its footprint in Africa, trading energy products, aluminum, and potential diversification into other minerals. Despite challenges and opportunities in the commodities market, CM remains resilient. With a steadfast commitment to long-term stability and strategic decision-making, we are well-positioned to capitalise on advantageous opportunities in our traded product categories throughout 2024 and beyond.

Financial Services

Despite the challenging high-interest rate environment in FY2023, we have successfully maintained our customer assets under management (AUM) in the derivatives segment. The ongoing high market volatility has led to increased trading volumes. Our strategic geographical expansion includes key financial centers, with a focus on emerging markets like Dubai and Vietnam. As a clearing member of the Chicago Mercantile Group of Exchanges for the past decade, we have demonstrated stability and significant clearing volumes on various global exchanges. Currently, we are in the process of collaborating with the Intercontinental Exchange (ICE) to become a direct clearing member.

We are committed to accelerating our digital transformation initiatives, allocating resources to automate processes, enhance productivity, and digitise touchpoints for improved customer onboarding and trading experiences. This approach not only facilitates our expansion into retail markets but also broadens our overall market reach.

Financial services' PBT (excluding discontinued operation) improved by 88.4% from HK\$102,360,000 in 2022 (restated to exclude discontinued operation) to HK\$192,834,000 in 2023. This improvement in profit was mainly contributed by improved performance of the derivative business, coupled with higher interest income resulting from rising interest rate.

Engineering Services (“ES”)

In 2023, engineering maintenance (“EM”) successfully maintained its performance throughout the year. Within the ES segment, the company generated revenue of HK\$715,970,000 and achieved a PBT of HK\$33,439,000 in 2023. Despite intense competition in facility and vehicle maintenance sectors in 2023, EM sustained stability, exhibiting strong performance. This positive trend is expected to continue into 2024, given the successful retention of key contracts.

Looking ahead, EM is embarking on a digital transformation journey to ensure business sustainability and competitiveness. This aims to enhance operational efficiency, controlling costs amid local and global inflationary pressures, and elevate customer experience by providing digitally accessible information at their fingertips.

In 2023, the design & build (“**D&B**”) division sustained the losses incurred in 2022, primarily attributable to salary and fixed overhead costs. However, a strategic shift from the pre-COVID model, which involved providing D&B services to real estate developers and Real Estate Investment Trusts (REITS), to a focus on delivering value-added building and infrastructure-related advice/consultation to our existing logistics warehouse customers, has resulted in positive outcomes.

Following the strategic shift, the D&B division emerged as the prospective solution provider for a new D&B project from an existing logistics warehouse client. The project is targeted to complete in two years from inception. Additionally, D&B is collaborating with our in-house facility team to offer ongoing monthly infrastructure-related services to logistics clients, further contributing to the positive outlook for 2024 and 2025.

With an experience and committed team, ES managed to deliver an increase in revenue to HK\$715,970,000 and PBT to HK\$33,439,000 against previous financial year by 12.3% and 28.3% respectively.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

As at 31 December 2023, the Group had cash and cash equivalents of HK\$1,998,840,000 (31 December 2022: HK\$1,609,650,000). Cash and bank balances are mostly held in Hong Kong dollar, United States dollar, Singapore dollar, Euro and Renminbi and deposited in leading banks with maturity dates falling within one year. On the other hand, the Group had loans and borrowings of HK\$5,646,278,000 (31 December 2022: HK\$5,732,096,000), of which an aggregated amount of HK\$4,201,446,000 (31 December 2022: HK\$4,177,317,000) was repayable within one year, including revolving short-term trade facilities of HK\$3,323,467,000 (31 December 2022: HK\$3,684,329,000) at the interest rate within 5.88% to 8.08% (31 December 2022: 5.88% to 7.31%) per annum that are used to finance the working capital of the Group’s commodity marketing business. As at 31 December 2023, the Group’s loans and borrowings amounted to HK\$4,183,519,000 (31 December 2022: HK\$4,657,562,000) were secured by property, plant and equipment, bank balance and fixed deposits, trade and other receivables and inventories with an amount of HK\$4,948,088,000 (as at 31 December 2022: HK\$5,824,624,000).

As at 31 December 2023, the Group had total debt of HK\$4,672,423,000 (2022: HK\$4,501,993,000), comprising loans and borrowings and lease liabilities but excluding the revolving short-term trade facilities amounted to HK\$3,323,467,000 (2022: HK\$3,684,329,000) (collectively, “**Total Debt**”). The consolidated net debt of the Group comprising of Total Debt minus pledged bank deposits, cash and cash equivalents amounted to HK\$2,143,915,000 (2022: HK\$1,779,079,000); and the total capital of the Group (measured as Total Debt plus equity attributable to owners of the Company) amounted to HK\$9,343,704,000 (2022: HK\$9,131,993,000). The Group’s gearing ratio (net debt to total capital) as at 31 December 2023 was 27.1% (2022: 29.8%).

As at 31 December 2023, outstanding derivatives on the books were mainly commodity contracts for hedging the commodity price exposure. The management monitors the hedging policy closely and the hedging level of the Group is approximately 100% of the total commodity inventories.

The Group maintains an appropriate level of foreign currency borrowings, as determined by management, for natural hedge to minimise the foreign exchange exposure. As at 31 December 2023, the borrowings are mainly denominated in Singapore dollar and United States dollar.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Saved as disclosed below, for the year ended 31 December 2023, the Company did not have any material acquisitions and disposals of subsidiaries, associated companies and joint ventures:

1. On 8 March 2023, the Group entered into an agreement with Hainan Xuansong Trading Co., Ltd.* (海南軒頌貿易有限公司) to establish a joint venture company named Hainan Xuanqi International Trade Co., Ltd.* (海南軒啓國際貿易有限公司). For details, please refer to the announcement of the Company dated 8 March 2023; and
2. On 1 November 2023, the Group entered into a sale and purchase agreement with Ms. Elaine Lisa James to acquire the remaining 32.88% interest of a non-wholly-owned subsidiary named Globelink Fallow Limited. For details, please refer to the announcement of the Company dated 1 November 2023.

SUBSEQUENT EVENTS

On 8 January 2024, the Group entered into a sale and purchase agreement, pursuant to which the Group agree to acquire 30% equity interest of Globelink Uniexco, S.L., a non-wholly owned subsidiary of the Company incorporated in Spain, from the non-controlling shareholder at a consideration of EUR4,800,000 (approximately HK\$41,409,000). Upon completion of the acquisition, the Group will have 86% equity interest in Globelink Uniexco, S.L. and the change in shareholding will be accounted for as an equity transaction.

BUSINESS PROSPECTS

In 2023, the global economic recovery from the COVID-19 pandemic had proved to be more resilient than expected. Global inflation was receding from its 2022 peak, reflecting favorable supply-side developments, and tightening by central banks. With falling inflation and steady economic growth, the risks to global growth are broadly balanced. On the upside, faster disinflation could lead to further easing of financial conditions, as the Federal Reserve is widely expected to reduce interest rates, starting in the middle of this year. On the downside, new commodity price spikes due to geopolitical shocks, including the recent Red Sea crisis, could prolong tight monetary conditions. International Monetary Fund projected the global growth at 3.1% in 2024 and 3.2% in 2025.

Under such circumstances, we consider it necessary to continue focusing on core industries, enhancing core competence, promoting further synergy and collaboration among business sectors, and seeking for growth opportunities in the PRC and other developing countries for risk diversification reasons. Hainan Free Trade Port has been one of the ports with the highest level of openness in the world nowadays, and an increasing number of global enterprises have set out regional headquarters or branch offices in Hainan Province. The Group continues to explore business opportunities in Hainan Free Trade Port and SEA countries through multiple routes, such as establishing strategic cooperation and joint venture with local business partners. As our footprint in the Mainland China continues to deepen, we endeavor to learn from our experience and copy the success in Singapore and other global regions.

In conclusion, besides carefully operating traditional business, the Group will promote further internal synergy, and seize further growth opportunities in the Mainland China and other regions to maximise the Shareholders' interests and create a brighter future.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's external auditor, Baker Tilly Hong Kong Limited, has issued a qualified opinion on the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023. An extract from the independent auditor's report is as follows:

Qualified opinion

We have audited the consolidated financial statements of CWT International Limited and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for qualified opinion

During the year ended 31 December 2022, the predecessor independent auditor (the “**Predecessor**”) identified 140 transactions (the “**140 Transactions**”) that involved repeated transfers of titles of gold concentrates with the same group of counterparties (the “**Counterparties**”) within a short timeframe and their commercial substance was unclear.

The 140 Transactions resulted in a gross transaction sale value of US\$1,608,740,000 (approximately HK\$12,599,652,000) and gross transaction purchase value of US\$1,608,580,000 (approximately HK\$12,598,399,000). These amounts were recognised by the Company on a net basis, resulting in a net revenue of US\$160,000 (approximately HK\$1,253,000) in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022. It was also identified that commissions of US\$310,000 (approximately HK\$2,428,000) (the “**Commissions**”) were paid to the Counterparties involved in the 140 Transactions. As a result of these transactions, the Group recorded a trade receivables balance of US\$1,256,801,000 (approximately HK\$9,793,370,000) and a trade payables balance of US\$1,236,565,000 (approximately HK\$9,635,685,000) as at 31 December 2022.

The Predecessor was unable to substantiate the commercial substance of the 140 Transactions, the Commissions and the relationship with the Counterparties. Consequently, the Predecessor was unable to obtain sufficient appropriate audit evidence to determine whether the effects of the 140 Transactions and the Commissions have been properly accounted for and disclosed including the accuracy and completeness of related party transactions. The Predecessor’s opinion on the Group’s consolidated financial statements for the year ended 31 December 2022 was qualified accordingly. As disclosed in Note 2(a) to the consolidated financial statements, during the year ended 31 December 2023, all balances resulted from the 140 Transactions have been settled and there were no transactions with the Counterparties nor related balances as at 31 December 2023. The Group has also ceased the operation of the relevant structured trading services during the year. Our opinion on the current year’s consolidated financial statements of the Group is also qualified only because of the possible effects of the foregoing matter on the comparative information and the opening balances of trade receivables and trade payables for the year ended 31 December 2023.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been compared by the Group’s auditor, Baker Tilly Hong Kong Limited, Certified Public Accountants, to the amounts set out in the Group’s audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities (whether on the Stock Exchange or otherwise) during the year ended 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the Listing Rules for the financial year ended 31 December 2023, except the following deviation:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Kan has been appointed as the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) since 21 February 2022.

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

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

APPRECIATION

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

CONTINUED SUSPENSION OF TRADING IN SHARES

At the request of the Company, trading in the shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited has been suspended since 9:00 a.m. on 3 April 2023 and will continue to be suspended until further notice.

The shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

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

Hong Kong, 27 March 2024

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

* *for identification purpose only*