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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)**

## **2021 INTERIM RESULTS**

### **RESULTS AND OPERATION HIGHLIGHTS**

- Profit before income tax from core business of shipping services increased by 30% to HK\$177,792,000.
- Profit attributable to equity holders increased by 21% to HK\$159,592,000, mainly attributable to the increase in the profits of core business of shipping services, which was partially offset by the decrease in finance income.
- Revenue increased by 50% to HK\$2,231,237,000, mainly attributable to the increase in revenues of coatings and general trading segments.
- Gross profit increased by 38% to HK\$366,272,000. Gross profit margin decreased to 16% which was mainly attributable to the decrease in gross profit margin of coatings segment.
- Basic and diluted earnings per share was 10.41 HK cents (2020: 8.59 HK cents), increased by 21%.
- The Board has declared an interim dividend of 10 HK cents (2020: 6.5 HK cents) per share.
- The Group had net cash (represented total restricted bank deposits, and current deposits and cash and cash equivalents, less short-term borrowings) of HK\$5,845,327,000 as at 30 June 2021.

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 2021. 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 2021 (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 2021

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>2,231,237</b>	1,482,759
Cost of sales		<b>(1,864,965)</b>	<u>(1,216,475)</u>
<b>Gross profit</b>		<b>366,272</b>	266,284
Management fee income		<b>35,960</b>	36,106
Other income and gains/(losses) — net	4	<b>10,624</b>	(22,069)
Selling, administrative and general expenses		<b>(275,138)</b>	<u>(242,752)</u>
<b>Operating profit</b>	5	<b>137,718</b>	37,569
Finance income	6	<b>27,076</b>	75,348
Finance costs	6	<b>(4,034)</b>	(1,895)
Finance income — net	6	<b>23,042</b>	73,453
Share of profits of joint ventures		<b>36,659</b>	35,295
Share of profits of associates		<b>2,074</b>	<u>10,436</u>
<b>Profit before income tax</b>		<b>199,493</b>	156,753
Income tax expenses	7	<b>(31,978)</b>	<u>(22,201)</u>
<b>Profit for the period</b>		<b>167,515</b>	<u>134,552</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>159,592</b>	131,625
Non-controlling interests		<b>7,923</b>	<u>2,927</u>
		<b>167,515</b>	<u>134,552</u>
<b>Earnings per share attributable to equity holders of the Company during the period</b>			
— basic and diluted, HK cents	8	<b>10.41</b>	<u>8.59</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<u>167,515</u>	<u>134,552</u>
<b>Other comprehensive income/(losses)</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Share of currency translation differences of joint ventures	3,937	(4,314)
Share of currency translation differences of associates	—	(14)
Share of cash flow hedges of an associate, net of tax	(2,408)	—
Currency translation differences	9,953	(32,750)
<b>Items that will not be reclassified to profit or loss:</b>		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income, net	4,843	(21,123)
Gain on revaluation upon reclassification of property, plant and equipment and right-of-use assets to investment properties	<u>11,362</u>	<u>5,518</u>
<b>Other comprehensive income/(losses) for the period</b>	<u>27,687</u>	<u>(52,683)</u>
<b>Total comprehensive income for the period</b>	<u>195,202</u>	<u>81,869</u>
<b>Total comprehensive income/(losses) attributable to:</b>		
Equity holders of the Company	183,613	84,655
Non-controlling interests	<u>11,589</u>	<u>(2,786)</u>
	<u>195,202</u>	<u>81,869</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	Unaudited 30 June 2021 <i>HK\$'000</i>	Audited 31 December 2020 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets		108,291	109,044
Property, plant and equipment		275,981	279,908
Right-of-use assets		42,117	45,459
Investment properties		157,517	144,543
Investments in joint ventures		465,501	562,668
Investments in associates		311,620	167,403
Financial assets at fair value through other comprehensive income		60,076	57,590
Deferred income tax assets		38,218	37,931
		<u>1,459,321</u>	<u>1,404,546</u>
<b>Current assets</b>			
Inventories		405,076	366,348
Trade and other receivables	10	2,078,367	1,645,823
Current income tax recoverable		937	3,330
Restricted bank deposits		6,009	13,600
Current deposits and cash and cash equivalents		5,965,507	6,505,047
		<u>8,455,896</u>	<u>8,534,148</u>
<b>Total assets</b>		<u>9,915,217</u>	<u>9,938,694</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		153,296	153,296
Reserves		7,905,752	7,959,747
		<u>8,059,048</u>	<u>8,113,043</u>
<b>Non-controlling interests</b>		<u>326,260</u>	<u>314,671</u>
<b>Total equity</b>		<u>8,385,308</u>	<u>8,427,714</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	11	5,590	6,194
Deferred income tax liabilities		86,649	83,233
		<u>92,239</u>	<u>89,427</u>
<b>Current liabilities</b>			
Trade and other payables	11	1,020,719	951,298
Contract liabilities	11	262,295	358,284
Current income tax liabilities		23,270	18,038
Short-term borrowings		126,189	89,111
Lease liabilities	11	5,197	4,822
		<u>1,437,670</u>	<u>1,421,553</u>
<b>Total liabilities</b>		<u>1,529,909</u>	<u>1,510,980</u>
<b>Total equity and liabilities</b>		<u>9,915,217</u>	<u>9,938,694</u>

## NOTES:

### 1 GENERAL INFORMATION

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

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

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

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

The Unaudited Condensed Consolidated Interim Financial Information was approved by the Board for issue on 18 August 2021.

### 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 2020, 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 2020.

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

The following amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1 January 2021 and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after</b>
Annual improvements projects	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the related impact of adopting the above amendments to existing standards. The adoption of these amendments to existing standards is not expected to have any significant impact on the results and the financial position of the Group.

### 3 REVENUE AND SEGMENT INFORMATION

Turnover, representing revenue, recognised at a point of time, during the period is as follows:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sale of coatings	781,822	404,067
Sale of marine equipment and spare parts	806,005	714,393
Commission income from ship trading agency	48,069	32,072
Commission income from insurance brokerage	50,996	42,946
Sale of marine fuel and other products	—	56,737
Sale of asphalt and other products	544,345	232,544
	<u>2,231,237</u>	<u>1,482,759</u>

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reports in order to make decisions about resources to be allocated to the segment and assess its performance. Management considers the business from a product perspective and has identified the following reportable segments on the basis of these reports:

Reportable segments	Business activities
Coatings	Production and sale of coatings, and holding of investments in joint ventures, namely Jotun COSCO Marine Coatings (HK) Limited (“Jotun COSCO”) and 常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*) (“Nasurfar Changshu”)
Marine equipment and spare parts	Trading and supply of marine equipment and spare parts, and holding of investments in joint ventures
Ship trading agency	Provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture and an associate
Insurance brokerage	Provision of insurance brokerage services
Marine fuel and other products	Holding of investment in an associate, Double Rich Limited (“Double Rich”), and trading and supply of marine fuel and other related products
General trading	Trading, storage, processing and supply of asphalt and other products, and holding of investments in associates

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

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

	Shipping services					General trading	Others	Inter-segment elimination	Total	
	Coatings HK\$'000	Marine equipment and spare parts HK\$'000	Ship trading agency HK\$'000	Insurance brokerage HK\$'000	Marine fuel and other products HK\$'000					Total HK\$'000
Six months ended and as at 30 June 2021										
<b>Profit or loss items:</b>										
Segment revenue	781,822	806,005	48,069	51,732	—	1,687,628	544,345	—	(736)	2,231,237
Inter-segment revenue	—	—	—	(736)	—	(736)	—	—	736	—
Revenue from external customers	<u>781,822</u>	<u>806,005</u>	<u>48,069</u>	<u>50,996</u>	<u>—</u>	<u>1,686,892</u>	<u>544,345</u>	<u>—</u>	<u>—</u>	<u>2,231,237</u>
Segment operating profit/(loss)	16,172	56,110	31,984	35,889	(308)	139,847	8,406	2,449	—	150,702
Finance income	265	279	1,155	645	128	2,472	236	—	(490)	2,218
Finance costs	(717)	(584)	(12)	(41)	(1)	(1,355)	(3,159)	—	490	(4,024)
Share of profits of joint ventures	35,440	799	420	—	—	36,659	—	—	—	36,659
Share of profits of associates	—	—	57	—	112	169	1,905	—	—	2,074
Segment profit/(loss) before income tax	51,160	56,604	33,604	36,493	(69)	177,792	7,388	2,449	—	187,629
Income tax (expenses)/credit	(3,942)	(9,743)	(9,362)	(6,862)	99	(29,810)	(1,387)	—	—	(31,197)
Segment profit after income tax	<u>47,218</u>	<u>46,861</u>	<u>24,242</u>	<u>29,631</u>	<u>30</u>	<u>147,982</u>	<u>6,001</u>	<u>2,449</u>	<u>—</u>	<u>156,432</u>
<b>Balance sheet items:</b>										
Total segment assets (including deposits and cash and cash equivalents)	1,642,500	1,102,110	336,270	413,926	202,279	3,697,085	1,005,192	57,209	(100,042)	4,659,444
Total segment assets include:										
— Joint ventures	449,265	10,864	5,372	—	—	465,501	—	—	—	465,501
— Associates	—	—	2,425	—	154,166	156,591	155,029	—	—	311,620
Total segment liabilities	<u>415,501</u>	<u>431,138</u>	<u>63,241</u>	<u>236,353</u>	<u>283</u>	<u>1,146,516</u>	<u>316,738</u>	<u>—</u>	<u>(100,042)</u>	<u>1,363,212</u>
<b>Other items:</b>										
Depreciation and amortisation, net of amount capitalised	7,874	3,829	247	91	—	12,041	3,287	—	—	15,328
(Reversal of provision)/provision for impairment of trade receivables, net	(2,837)	—	—	—	—	(2,837)	949	—	—	(1,888)
Provision for impairment of inventories, net	2,514	—	—	—	—	2,514	—	—	—	2,514
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>1,422</u>	<u>3,189</u>	<u>—</u>	<u>107</u>	<u>—</u>	<u>4,718</u>	<u>4,332</u>	<u>—</u>	<u>—</u>	<u>9,050</u>
Year ended and as at 31 December 2020										
<b>Balance sheet items:</b>										
Total segment assets (including deposits and cash and cash equivalents)	1,701,953	1,381,139	319,196	363,543	204,414	3,970,245	722,454	54,856	(162,960)	4,584,595
Total segment assets include:										
— Joint ventures	546,340	11,434	4,894	—	—	562,668	—	—	—	562,668
— Associates	—	—	2,341	—	156,262	158,603	8,800	—	—	167,403
Total segment liabilities	<u>398,810</u>	<u>623,038</u>	<u>72,038</u>	<u>214,716</u>	<u>309</u>	<u>1,308,911</u>	<u>190,349</u>	<u>—</u>	<u>(162,960)</u>	<u>1,336,300</u>
<b>Other items:</b>										
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>1,883</u>	<u>10,053</u>	<u>3,165</u>	<u>49</u>	<u>—</u>	<u>15,150</u>	<u>4,231</u>	<u>—</u>	<u>—</u>	<u>19,381</u>

	Shipping services					General trading	Others	Inter-segment elimination	Total	
	Coatings HK\$'000	Marine equipment and spare parts HK\$'000	Ship trading agency HK\$'000	Insurance brokerage HK\$'000	Marine fuel and other products HK\$'000					Total HK\$'000
Six months ended and as at 30 June 2020										
<b>Profit or loss items:</b>										
Segment revenue	404,067	714,393	32,072	43,412	56,737	1,250,681	232,544	—	(466)	1,482,759
Inter-segment revenue	—	—	—	(466)	—	(466)	—	—	466	—
Revenue from external customers	<u>404,067</u>	<u>714,393</u>	<u>32,072</u>	<u>42,946</u>	<u>56,737</u>	<u>1,250,215</u>	<u>232,544</u>	<u>—</u>	<u>—</u>	<u>1,482,759</u>
Segment operating profit/(loss)	2,235	41,036	19,206	29,986	(1,462)	91,001	2,115	2,754	—	95,870
Finance income	80	532	1,090	369	101	2,172	94	—	(194)	2,072
Finance costs	(83)	(585)	(8)	(50)	(2)	(728)	(1,351)	—	194	(1,885)
Share of profits of joint ventures	34,179	868	248	—	—	35,295	—	—	—	35,295
Share of profits of associates	—	—	36	—	8,822	8,858	1,578	—	—	10,436
Segment profit before income tax	36,411	41,851	20,572	30,305	7,459	136,598	2,436	2,754	—	141,788
Income tax expenses	(1,822)	(9,324)	(5,123)	(5,596)	—	(21,865)	(200)	—	—	(22,065)
Segment profit after income tax	<u>34,589</u>	<u>32,527</u>	<u>15,449</u>	<u>24,709</u>	<u>7,459</u>	<u>114,733</u>	<u>2,236</u>	<u>2,754</u>	<u>—</u>	<u>119,723</u>
<b>Balance sheet items:</b>										
Total segment assets (including deposits and cash and cash equivalents)	1,366,342	1,329,862	256,889	596,466	194,797	3,744,356	706,379	53,278	(174,969)	4,329,044
Total segment assets include:										
— Joint ventures	451,372	10,159	3,454	—	—	464,985	—	—	—	464,985
— Associates	—	—	2,124	—	146,245	148,369	8,959	—	—	157,328
Total segment liabilities	<u>225,852</u>	<u>612,517</u>	<u>50,273</u>	<u>438,308</u>	<u>206</u>	<u>1,327,156</u>	<u>221,855</u>	<u>—</u>	<u>(174,969)</u>	<u>1,374,042</u>
<b>Other items:</b>										
Depreciation and amortisation, net of amount capitalised	9,110	3,448	53	104	—	12,715	2,375	—	—	15,090
Provision for impairment of trade receivables, net	2,818	—	—	—	—	2,818	—	—	—	2,818
Reversal of provision for impairment of inventories, net	(343)	—	—	—	—	(343)	—	—	—	(343)
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>362</u>	<u>148</u>	<u>—</u>	<u>31</u>	<u>—</u>	<u>541</u>	<u>108</u>	<u>—</u>	<u>—</u>	<u>649</u>
Year ended and as at 31 December 2019										
<b>Balance sheet items:</b>										
Total segment assets (including deposits and cash and cash equivalents)	1,369,790	1,268,441	249,308	294,956	188,549	3,371,044	657,157	74,121	(174,646)	3,927,676
Total segment assets include:										
— Joint ventures	424,665	9,482	3,272	—	—	437,419	—	—	—	437,419
— Associates	—	—	2,129	—	138,024	140,153	7,540	—	—	147,693
Total segment liabilities	<u>242,697</u>	<u>583,640</u>	<u>55,847</u>	<u>157,988</u>	<u>579</u>	<u>1,040,751</u>	<u>165,341</u>	<u>—</u>	<u>(174,646)</u>	<u>1,031,446</u>
<b>Other items:</b>										
Additions to non-current assets (other than financial assets at FVOCI and deferred income tax assets)	<u>11,758</u>	<u>3,071</u>	<u>—</u>	<u>287</u>	<u>—</u>	<u>15,116</u>	<u>3,995</u>	<u>—</u>	<u>—</u>	<u>19,111</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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Profit before income tax for reportable segments	<b>185,180</b>	139,034
Profit before income tax for others	<b>2,449</b>	2,754
Profit before income tax for all segments	<b>187,629</b>	141,788
Elimination of segment income from corporate headquarters	<b>(657)</b>	(331)
Corporate finance income	<b>24,858</b>	73,276
Corporate finance costs	<b>(10)</b>	(10)
Corporate net exchange gains/(losses)	<b>8,866</b>	(25,979)
Corporate expenses, net of income	<b>(21,193)</b>	(31,991)
Profit before income tax for the Group	<b>199,493</b>	156,753
Income tax expenses for all segments	<b>(31,197)</b>	(22,065)
Corporate income tax expenses	<b>(781)</b>	(136)
Profit after income tax for the Group	<b>167,515</b>	134,552

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

	<b>30 June</b>	31 December	30 June
	<b>2021</b>	2020	2020
	<b>HK\$'000</b>	HK\$'000	HK\$'000
Total assets for reportable segments	<b>4,702,277</b>	4,692,699	4,450,735
Total assets for others	<b>57,209</b>	54,856	53,278
Elimination of inter-segment receivables	<b>(100,042)</b>	(162,960)	(174,969)
Total assets for all segments	<b>4,659,444</b>	4,584,595	4,329,044
Corporate assets (mainly deposits and cash and cash equivalents)	<b>5,322,035</b>	5,512,941	5,471,116
Elimination of receivables between corporate headquarters and segments	<b>(66,262)</b>	(158,842)	(155,964)
Total assets for the Group	<b>9,915,217</b>	9,938,694	9,644,196

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000	30 June 2020 HK\$'000
Total liabilities for reportable segments	<b>1,463,254</b>	1,499,260	1,549,011
Elimination of inter-segment payables	<u><b>(100,042)</b></u>	<u>(162,960)</u>	<u>(174,969)</u>
Total liabilities for all segments	<b>1,363,212</b>	1,336,300	1,374,042
Corporate liabilities	<b>232,959</b>	333,522	271,661
Elimination of payables between corporate headquarters and segments	<u><b>(66,262)</b></u>	<u>(158,842)</u>	<u>(155,964)</u>
Total liabilities for the Group	<u><b>1,529,909</b></u>	<u>1,510,980</u>	<u>1,489,739</u>

#### 4 OTHER INCOME AND GAINS/(LOSSES) — NET

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Other income/(expenses):</b>		
— Rental income	<b>1,699</b>	1,677
— Direct operating expenses for generating rental income	<b>(12)</b>	(14)
— Dividend income from financial assets at FVOCI	<u><b>2,449</b></u>	<u>2,754</u>
Other income — net	<u><b>4,136</b></u>	<u>4,417</u>
<b>Other gains/(losses):</b>		
— Net gains on disposal of property, plant and equipment	<b>26</b>	3
— Reversal of provision/(provision) for impairment of trade receivables, net ( <i>note 10(b)</i> )	<b>1,888</b>	(2,818)
— (Provision)/reversal of provision for impairment of inventories, net	<b>(2,514)</b>	343
— Government subsidy income	<b>306</b>	1,308
— Net exchange gains/(losses)	<b>5,432</b>	(28,035)
— Others	<u><b>1,350</b></u>	<u>2,713</u>
Other gains/(losses) — net	<u><b>6,488</b></u>	<u>(26,486)</u>
Other income and gains/(losses) — net	<u><b>10,624</b></u>	<u>(22,069)</u>

## 5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Employee benefit expenses, including directors' emoluments and provident funds	203,491	170,377
Expenses related to short-term leases	16,125	15,581
Depreciation and amortisation, net of amount capitalised in inventories totalling HK\$2,001,000 (2020: HK\$2,063,000)	<u>16,030</u>	<u>16,044</u>

## 6 FINANCE INCOME — NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Interest income from:</b>		
— a fellow subsidiary	1,785	—
— bank deposits	<u>25,291</u>	<u>75,348</u>
Total finance income	<u>27,076</u>	<u>75,348</u>
<b>Interest expenses on:</b>		
— loans from a fellow subsidiary	(2,012)	(831)
— lease liabilities	(136)	(187)
Other finance charges	<u>(1,886)</u>	<u>(877)</u>
Total finance costs	<u>(4,034)</u>	<u>(1,895)</u>
Finance income — net	<u>23,042</u>	<u>73,453</u>

## 7 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2020: 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% (2020: 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Current income tax		
— current period		
— Hong Kong profits tax	<b>9,543</b>	7,894
— PRC enterprise income tax	<b>15,862</b>	6,103
— other overseas taxation	<b>3,741</b>	4,432
— (over-provision)/under-provision in prior years		
— PRC enterprise income tax	<b>(1)</b>	—
— other overseas taxation	<b>—</b>	141
Deferred income tax charge, net	<u><b>2,833</b></u>	<u>3,631</u>
Income tax expenses	<u><b>31,978</b></u>	<u>22,201</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\$159,592,000 (2020: HK\$131,625,000) and the 1,532,955,429 shares in issue during the period (2020: 1,532,955,429 shares).

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

## **9 DIVIDEND**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Interim dividend, declared, of HK\$0.10 (2020: HK\$0.065) per ordinary share	<u><b>153,296</b></u>	<u>99,642</u>

At the board meeting held on 18 August 2021, the directors of the Company declared an interim dividend of HK\$0.10 per ordinary share for the six months ended 30 June 2021. 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 2021.

A final dividend of HK\$237,608,000 relating to the year ended 31 December 2020 (2019: HK\$145,631,000) was paid in June 2021.

## 10 TRADE AND OTHER RECEIVABLES

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Trade receivables	1,166,691	753,857
Less: provision for impairment	<u>(28,736)</u>	<u>(30,293)</u>
Trade receivables, net ( <i>note (a)</i> )	1,137,955	723,564
Bills receivable, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	<u>940,412</u>	<u>922,259</u>
	<u><b>2,078,367</b></u>	<u><b>1,645,823</b></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:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Current–90 days	826,146	520,124
91–180 days	240,438	158,613
Over 180 days	<u>71,371</u>	<u>44,827</u>
	<u><b>1,137,955</b></u>	<u><b>723,564</b></u>

For sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 120 days. Other than those with credit terms, all invoices are payable upon presentation.

- (b) Movements on the provision for impairment of trade receivables are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021 HK\$'000</b>	2020 HK\$'000
At 1 January	30,293	12,863
Currency translation differences	331	(209)
(Reversal of provision)/provision for impairment, net ( <i>note 4</i> )	<u>(1,888)</u>	<u>2,818</u>
At 30 June	<u><b>28,736</b></u>	<u><b>15,472</b></u>

## 11 TRADE AND OTHER PAYABLES, CONTRACT LIABILITIES AND LEASE LIABILITIES

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Trade payables ( <i>note (a)</i> )	<b>623,241</b>	517,385
Bills payable, accrued liabilities, other payables and amounts due to related parties	<u><b>397,478</b></u>	<u>433,913</u>
	<b>1,020,719</b>	951,298
Contract liabilities	<b>262,295</b>	358,284
Lease liabilities ( <i>note (c)</i> )	<u><b>10,787</b></u>	<u>11,016</u>
	<u><b>1,293,801</b></u>	<u>1,320,598</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:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Current–90 days	<b>490,238</b>	369,966
91–180 days	<b>72,114</b>	43,798
Over 180 days	<u><b>60,889</b></u>	<u>103,621</u>
	<u><b>623,241</b></u>	<u>517,385</u>

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

	<b>Six months ended 30 June</b>	
	<b>2021 HK\$'000</b>	2020 HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u><b>251,772</b></u>	<u>244,037</u>

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Within one year	<b>5,197</b>	4,822
From the second to fifth year inclusive	<u><b>5,590</b></u>	<u>6,194</u>
	<u><b>10,787</b></u>	<u>11,016</u>

## **FINANCIAL REVIEW**

During the first half of 2021, the Group achieved improved performance as compared to a year earlier, mainly contributed by the ease of the Coronavirus Disease 2019 (“COVID-19”) epidemic in the PRC since earlier this year. During the period, profit attributable to equity holders of the Company was HK\$159,592,000 (2020: HK\$131,625,000), while the basic and diluted earnings per share was 10.41 HK cents (2020: 8.59 HK cents), representing an increase of 21% as compared to the same period of last year.

### **Revenue**

For the six months ended 30 June 2021, the Group’s revenue increased by 50% to HK\$2,231,237,000 (2020: HK\$1,482,759,000) as compared to the same period of last year. Revenue from the core business of shipping services increased by 35% year on year to HK\$1,686,892,000 (2020: HK\$1,250,215,000) and accounted for 76% (2020: 84%) of the Group’s revenue. Production of certain plants in the PRC had suspended during the wide spread of COVID-19 epidemic last year, that had impacted our businesses, nevertheless, the Group has been flexibly adapting to the changes in the market, coupled with the improvement of the shipping market, which has driven the increase in business volume of the shipping services business, resulting in the increase of revenue. Revenue from general trading segment increased by 134% to HK\$544,345,000 (2020: HK\$232,544,000) and accounted for 24% (2020: 16%) of the Group’s revenue.

### **Gross Profit and Gross Profit Margin**

The Group’s gross profit was HK\$366,272,000 (2020: HK\$266,284,000), increased by 38% as compared to the same period of last year. This was mainly attributable to the increase in revenue from coatings segment. During the period, gross profit margin was 16% (2020: 18%), decreased by 2 percentage points as compared to the same period of last year. The overall decrease was mainly attributable to the decrease in gross profit margin of coatings segment.

### **Management Fee Income**

Management fee income of HK\$35,960,000 (2020: HK\$36,106,000) was arisen 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 and its subsidiaries (other than those relating to the Group and Piraeus Port Authority S.A.).

### **Other Income and Gains/(Losses) — Net**

Other income and gains/(losses) — net gains was HK\$10,624,000 (2020: net losses of HK\$22,069,000), which was mainly due to turnaround of the net foreign exchange gains of HK\$5,432,000 for the period, whereas net foreign exchange losses of HK\$28,035,000 was recorded for the same period of last year.

## **Selling, Administrative and General Expenses**

Selling, administrative and general expenses increased by 13% to HK\$275,138,000 (2020: HK\$242,752,000), which was mainly due to increase in selling expenses as a result of higher revenue.

## **Finance Income**

Finance income, which primarily represented interest income on the Group's bank deposits, decreased by 64% to HK\$27,076,000 (2020: HK\$75,348,000) as a result of the decrease in interest rates of deposits as compared to the same period of last year.

## **Finance Costs**

Finance costs, which mainly represented interest expenses on short-term borrowings and other financial charges, increased by 113% to HK\$4,034,000 (2020: HK\$1,895,000).

## **Share of Profits of Joint Ventures**

The Group's share of profits of joint ventures was HK\$36,659,000 (2020: HK\$35,295,000). This item primarily represented the share of profits of Jotun COSCO of HK\$28,811,000 (2020: HK\$32,576,000) and Nasurfar Changshu of HK\$6,629,000 (2020: HK\$1,603,000) which were included in the coatings segment.

## **Share of Profits of Associates**

The Group's share of profits of associates was HK\$2,074,000 (2020: HK\$10,436,000). This item primarily represented the share of profit of Double Rich of HK\$112,000 (2020: HK\$8,822,000) and 浙江四兄繩業有限公司 (Zhejiang Four Brothers Rope Co., Ltd.\*) ("Zhejiang Four Brothers Rope") of HK\$1,457,000 (2020: nil), representing the share of profit since the subscription of 48% equity interest of Zhejiang Four Brothers Rope by the Group at the end of March 2021, which were included in the marine fuel and other products segment and general trading segment respectively.

## **Profit Attributable to Equity Holders**

Profit attributable to equity holders of the Company increased by 21% to HK\$159,592,000 (2020: HK\$131,625,000).

## **FINANCIAL RESOURCES AND LIQUIDITY**

As at 30 June 2021, capital and reserves attributable to the Company's equity holders decreased by 1% to HK\$8,059,048,000 (as at 31 December 2020: HK\$8,113,043,000). As at 30 June 2021, total cash and deposits (including restricted bank deposits of HK\$6,009,000) of the Group was HK\$5,971,516,000 (as at 31 December 2020: HK\$6,518,647,000, including restricted bank deposits of HK\$13,600,000). During the period, the Group had net drawdown of short-term borrowings in the amount of RMB30,000,000 (approximately HK\$35,949,000) (2020: RMB20,000,000 (approximately HK\$22,089,000)). As at 30 June 2021, trade facilities of the Group amounted to HK\$757,577,000 (as



at 31 December 2020: HK\$785,646,000), of which HK\$92,442,000 (as at 31 December 2020: HK\$103,052,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, was 1.3% (as at 31 December 2020: 0.9%). As at 30 June 2021, the Group had net cash (represented total cash and deposits net of short-term borrowings) of HK\$5,845,327,000 (as at 31 December 2020: HK\$6,429,536,000). 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. Return of 0.87% on the Group's cash was achieved during the period, representing 72 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of June 2021. As at 30 June 2021, borrowing of the Group was unsecured debt denominated in Renminbi which carried interest rate calculated with reference to the base rates announced by the People's Bank of China and repayable within one year. The Group had no financial instruments for interest rate hedging purposes.

## **FINANCIAL RISK MANAGEMENT**

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

## **EMPLOYEE**

As at 30 June 2021, excluding joint ventures and associates, the Group had 866 (as at 31 December 2020: 833) employees, of which 177 (as at 31 December 2020: 185) were Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, were HK\$203,491,000 (2020: HK\$170,377,000). 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 has been 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 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 date of grant and ending on the last trading day of the 36-month period from the respective date 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 date of grant and ending on the last trading day of the 48-month period from the respective date 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 date of grant and ending on the last trading day of the 72-month period from the respective date of grant.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of 10 HK cents (2020: 6.5 HK cents) per share for the six months ended 30 June 2021 which will be payable on 28 September 2021 to the Shareholders whose name appear on the register of members of the Company (the “Register of Members”) on 17 September 2021.

For the purpose of ascertaining the Shareholders’ entitlement to the interim dividend, the Register of Members will be closed from 15 September 2021 to 17 September 2021, 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 2021, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 14 September 2021.

## **REVIEW OF BUSINESS OPERATIONS**

During the first half of 2021, the global economy performed positively. Pandemic has been eased in Europe and in the United States with the acceleration of vaccination campaigns that facilitated continuous recovery of the global economy. The implementation of economic stimulus measures by countries has expedited the recovery of consumer spending while production capacity has nearly resumed to pre-pandemic levels, ramping up the rebound in global trade.

In the PRC, further achievements have made in pandemic prevention as well as economic and social development. The recovery of domestic demand is sustained as employment and consumer prices have remained stable. The PRC's exports grew faster than expected as a result of accelerated global economic recovery and tight supply while major macroeconomic indicators stayed within reasonable range. The PRC's economy was improving steadily quarter by quarter, demonstrating strong resilience and vigorous vitality.

For shipping market, according to the Ministry of Natural Resources of the PRC, in the first six months of the year, the PRC's seaborne trade was active with value increased by 28.3% year on year. In particular, the strong rebound in trading volume of dry bulk and container cargo were the major drivers. The demand that was constrained during the pandemic continued to unleash as a result of the implementation of fiscal stimulus measures by countries, leading to a strong rebound in the demand for shipping services. In the first half of year, the national shipbuilding completion volume reached 20.922 million dead weight tonnages ("DWT"), representing a year-on-year increase of 19.0%; the volume of new shipbuilding orders reached 38.244 million DWT, representing a year-on-year increase of 206.8%.

By leveraging on the competitive advantages from the brand and resources of COSCO SHIPPING Group, COSCO SHIPPING International has further strengthened its market penetration and service scope, and achieved remarkable results in the first half of the year.

### **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\$1,686,892,000 (2020: HK\$1,250,215,000), representing an increase of 35% as compared to the same period of last year.

Benefited from the increase in revenue in most of the core business segments, profit before income tax from shipping services was HK\$177,792,000 (2020: HK\$136,598,000), representing an increase of 30% as compared to the same period of last year.

### **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 50% to HK\$48,069,000 (2020: HK\$32,072,000) as compared to the same period of last year. Segment profit before income tax was HK\$33,604,000 (2020: HK\$20,572,000), representing an increase of 63% as compared to the same period of last year. These were mainly attributable to the increase in commission income from new build vessels.

During the period, the Group's aggregate number of new build vessels delivery was 18 (2020: 20), aggregating 3,551,900 DWT (2020: 836,900 DWT). A total number of 3 (2020: 12) new build vessels have been ordered, aggregating 104,000 DWT (2020: 623,600 DWT). In addition, the sale and purchase of a total of 7 (2020: 16) second-hand vessels were recorded, aggregating 278,502 DWT (2020: 211,700 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\$50,996,000 (2020: HK\$42,946,000), representing an increase of 19% as compared to the same period of last year. Segment profit before income tax was HK\$36,493,000 (2020: HK\$30,305,000), representing an increase of 20% as compared to the same period of last year, which was attributed to the significant increase in business volume of Protection and Indemnity Insurance and Terminal's Property and Liabilities Insurance.

### **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\$806,005,000 (2020: HK\$714,393,000), representing an increase of 13% as compared to the same period of last year. Segment profit before income tax increased by 35% to HK\$56,604,000 (2020: HK\$41,851,000) as compared to the same period of last year.

#### **1.4 Production and Sale of Coatings**

The coating business of the Group primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. (“COSCO Kansai (Tianjin)”), COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. (“COSCO Kansai (Zhuhai)”), 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.\*) (“COSCO Kansai Paint (Shanghai)”) and 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.\*) (“COSCO Kansai (Shanghai)”) (collectively called “COSCO Kansai Companies”) are non-wholly owned subsidiaries of the Company. COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai), which have their own plants, are principally engaged in the production and sale of coatings, while COSCO Kansai (Shanghai) is primarily engaged in the sale of coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and Jotun A/S, Norway, an international coating supplier, is principally engaged in the production and sale of marine coatings. Nasurfar Changshu, in which the Company held 33% equity interest, is principally engaged in the research and development, production and sales of biochemical products, which is beneficial to the extension of the Group’s industry chain of coatings and related products.

During the period, revenue from coatings segment of the Group was HK\$781,822,000 (2020: HK\$404,067,000), representing an increase of 93% as compared to the same period of last year. Segment profit before income tax was HK\$51,160,000 (2020: HK\$36,411,000), representing an increase of 41% as compared to the same period of last year, resulting from the significant increase in sales volume of container coatings.

For container coatings, as COSCO Kansai Companies’ water-based coatings had gained market recognition steadily, together with the container manufacturing market recovered, the container coatings business further grew. During the period, the sales volume of container coatings increased by 120% to 21,238 tonnes (2020: 9,643 tonnes) as compared to the same period of last year. The sales volume of industrial heavy-duty anti-corrosion coatings together with shop primer amounted to 9,014 tonnes (2020: 8,171 tonnes), representing an increase of 10% as compared to the same period of last year.

For marine coatings, the sales volume of Jotun COSCO's coatings for new build vessels amounted to 22,384,000 litres (2020: 21,094,000 litres), representing an increase of 6% as compared to the same period of last year. Sales volume of coatings for repair and maintenance was 13,554,000 litres (2020: 13,616,000 litres), decreased slightly as compared to the same period of last year. The sales volume of Jotun COSCO's marine coatings amounted to 35,938,000 litres (equivalent to approximately 48,517 tonnes) (2020: 34,710,000 litres (equivalent to approximately 46,859 tonnes)), increased by 4% as compared to the same period of last year. During the period, the Group's share of profit from Jotun COSCO was HK\$28,811,000 (2020: HK\$32,576,000), representing a decrease of 12% as compared to the same period of last year. It was mainly attributable to the increase in raw material prices which lead to a decrease in gross profit margin.

During the period, the Group's share of profit from Nasurfar Changshu was HK\$6,629,000 (2020: HK\$1,603,000), representing an increase of 314% as compared to the same period of last year. Customer demand was affected by the pandemic last year and had been resumed during the period.

### **1.5 *Trading and Supply of Marine Fuel and Related Products***

The Group's trading and supply of marine fuel and related products business is primarily engaged in the supply, trading and brokerage services of marine fuel and related products.

During the period, no revenue from marine fuel and other products segment of the Group was recorded (2020: HK\$56,737,000), and sales volume of marine fuel products was 19,285 tonnes for same period of last year. In view of the liquidation filed by Coastal Oil Singapore Pte Ltd, a major supplier of Sinfeng Marine Services Pte. Ltd. ("Sinfeng"), at the end of 2018 ("Coastal Oil's Liquidation"), the Group deliberately trimmed down Sinfeng's business as a measure of further risk control. For details of information in relation to Coastal Oil's Liquidation and the matters arising subsequent to Coastal Oil's Liquidation, please refer to the announcement of the Company dated 4 January 2019. Management is of the view that this event would not have a material impact to the Group's financial information for the period ended 30 June 2021 after taking into account of the professional opinion of Sinfeng's legal adviser in respect of the aforesaid matters.

Double Rich, in which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and marine fuel supply services in Hong Kong and also at the same time, in sourcing products such as light diesels and fuel oil, etc.. Its major customers are ship-owners and ship operators. During the period, the Group's share of profit from Double Rich was HK\$112,000 (2020: HK\$8,822,000), representing a decrease of 99% as compared to last year, which was primarily due to the decrease in gross profit for oil products.

During the period, loss before income tax from marine fuel and other products segment was HK\$69,000 (2020: profit before income tax of HK\$7,459,000). The turnaround from profit to loss was mainly due to the decrease in the share of profit from Double Rich.

## 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\$544,345,000 (2020: HK\$232,544,000), representing an increase of 134% as compared to the same period of last year, which was mainly due to an increase of 111% in sales volume of asphalt to 138,646 tonnes (2020: 65,801 tonnes) as compared to the same period of last year. Segment profit before income tax was HK\$7,388,000 (2020: HK\$2,436,000), representing an increase of 203% as compared to the same period of last year.

In March 2021, the Group completed the capital injection in Zhejiang Four Brothers Rope, a leading rope production enterprise in the PRC by subscribing 48% equity interest of Zhejiang Four Brothers Rope, thus providing a new source of profit and laying a foundation for the further transformation. During the period, the Group's share of profit from Zhejiang Four Brothers Rope was HK\$1,457,000 (2020: nil), representing the share of profit since the subscription of 48% equity interest of Zhejiang Four Brothers Rope by the Group at the end of March 2021.

## PROSPECTS

Looking forward into the second half of 2021, global economic growth will be influenced by the global progress of COVID-19 vaccination, the efforts of the economic stimulus policies and inflation expectations. Given that the global economy has maintained a relatively stable recovery trend, international institutions have expressed optimistic outlook for 2021. In June, the World Bank released a report predicting global economy to grow by 5.6% this year, the fastest growth rate in 50 years. Nonetheless, production costs have been pushing up by sharp increase in commodity prices and that the Producer Price Index in the PRC has increased by 5.1% in average during the first half of this year, putting pressure on the gross profit margin of entrepreneurs.

For the shipping market, with the arrival of the peak season the demand for dry bulk and container shipping will remain robust in the second half of the year. Meanwhile, full-fledged recovery in the supply of shipping capacity can hardly be achieved for the time being, and that the freight rates will hover at high level. According to the projection by Clarkson Research, the global shipping trade volume may increase by 4.3% to 12.04 billion tonnes in 2021 and achieve a V-shaped rebound. However, the shipping trade volumes of crude oil and refined oil products will be constrained by weak demand and is unlikely to resume its pre-pandemic levels in the second half of the year.

For the ship trading agency services, the Group will constantly pay attention to the needs of the customers, improve service standards, strengthen market research and information system, continue to strengthen team building, and build up a professional and high quality ship broker team.

For insurance brokerage services, the Group will deeply explore the new needs and new business within and outside the COSCO SHIPPING Group, innovate service products, broaden its service scope, optimise customer relationships and channels, and actively provide customers with value-added services.

For the supply of marine equipment and spare parts, the Group will strive to strengthen the centralised procurement, improve the information management, raise its operational efficiency, increase its market share, expand the profit margin of the businesses, and further enhance the technical service capabilities.

For container coatings, the Group will tap the needs of customers, and ensure a steady increase in market share. The Group will also continuously improve product research and development capabilities, strengthen research on raw material substitution, strive to reduce the number of single-source procurement items, and continue to improve the utilisation efficiency of production resources.

For industrial heavy-duty anti-corrosion coatings, the Group will have an in-depth research on the market segmentation to seek new business breakthroughs. The Group will expand into key industries and acquire key customers. The production costs under strict control will promote sustainable growth of economic benefits.

For marine coatings, the Group will implement a sound market sales strategy, rationally expand production capacity, balance market share and profitability, continue to strengthen the management and control on safety, environmental protection and health risks, and promote the improvement of supply chain processes and control on operating costs and expenses, so as to reduce the adverse effect of rising raw material prices.

For the trading and supply of marine fuel and related products, the Group will continue to adhere to robust prudent operating approach and strive to conduct risk prevention and control.

For general trading, the Group will proactively drive business transformation and expand its business scope. The capital injection and subscription of Zhejiang Four Brothers Rope in the first half of the year will help extending the comprehensive range of the shipping services of the Group. The Group will also strengthen refined management, and improve its influential ability in the market.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

## **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 Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “CG Code”) during the six months ended 30 June 2021 except that (a) Mr. Feng Boming and Mr. Chen Dong, both the Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 28 May 2021 due to other business engagement, a deviation from the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings; and (b) the roles of Chairman and Managing Director are performed by the same individual, Mr. Zhu Jianhui, which deviates from the code provision A.2.1 of the CG Code. However, the Board believes that the roles of Chairman and Managing Director being performed by the same individual will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) all the Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he acts for the benefit and in the best interests of the Company; (ii) the balance of power and authority is ensured by the operations of the Board; and (iii) the overall strategic and other key business, financial and operational policies of the Company are made collectively after thorough discussion at both the Board and senior management levels of the Company, there is no other matter deviated from the CG Code. The Company will continue to review its corporate governance policies and compliance with the Listing Rules and will continue to comply with the relevant provisions as set out in the CG Code.

The Audit Committee consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of the Audit Committee include reviewing the accounting policies and the Company’s financial reporting; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting, the risk management and internal control systems; ensuring compliance with applicable statutory accounting and reporting requirements. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company. The Audit Committee and the independent external auditor have reviewed the Unaudited Condensed Consolidated Interim Financial Information of the Group for the six months ended 30 June 2021.

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 2021, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the period.

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

18 August 2021

*As at the date of this announcement, the Board comprises seven directors with Mr. Zhu Jianhui<sup>1</sup> (Chairman and Managing Director), Mr. Ma Jianhua<sup>1</sup>, Mr. Feng Boming<sup>2</sup>, Mr. Chen Dong<sup>2</sup>, Mr. Tsui Yiu Wa, Alec<sup>3</sup>, Mr. Jiang, Simon X.<sup>3</sup> and Mr. Kwong Che Keung, Gordon<sup>3</sup>.*

<sup>1</sup> *Executive Director*

<sup>2</sup> *Non-executive Director*

<sup>3</sup> *Independent Non-executive Director*

\* *for identification purposes only*