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)

2017 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to equity holders increased by 42% to HK$205,562,000 as compared to the same period of 2016. Such increase was mainly due to the increases in net exchange gains and net finance income.
- Revenue increased by 49% to HK$3,809,258,000 as compared to the same period of 2016 which was attributable to the increases in segment revenues of marine fuel and other products, marine equipment and spare parts, coatings as well as ship trading agency.
- Gross profit increased by 22% to HK$302,033,000 as compared to the same period of 2016. Gross profit margin decreased to 7.9% which was mainly attributable to the increase in revenue from the low-gross-profit-margin marine fuel and other products as well as the decrease in gross profit margin of coatings segment.
- Profit before tax from core shipping services business increased by 17% to HK$169,737,000 as compared to the same period of 2016.
- Basic earnings per share was 13.41 HK cents, increased by 42% as compared to the same period of 2016.
- The Board has declared an interim dividend of 6 HK cents per share.
- The Group had net cash of HK$6,420,976,000 as at 30th June 2017 for the expansion of existing businesses and the support of future strategic development.

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 30th June 2017. 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 15 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2017 (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.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th June 2017

		Unaudited	
		Six months ended 30th June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**3,809,258**	2,555,427
Cost of sales		**(3,507,225)**	(2,308,052)
Gross profit		**302,033**	247,375
Other income and gains	*4*	**66,765**	14,626
Selling, administrative and general expenses		**(232,956)**	(185,212)
Other expenses and losses	*5*	**(2,749)**	(3,760)
Operating profit	*6*	**133,093**	73,029
Finance income	*7*	**59,389**	44,591
Finance costs	*7*	**(3,311)**	(2,124)
Finance income — net	*7*	**56,078**	42,467
Share of profits of joint ventures		**35,126**	48,652
Share of profits of associates		**6,123**	3,816
Profit before income tax		**230,420**	167,964
Income tax expenses	*8*	**(22,876)**	(18,817)
Profit for the period		**207,544**	149,147
Profit attributable to:			
Equity holders of the Company		**205,562**	144,803
Non-controlling interests		**1,982**	4,344
		207,544	149,147
Earnings per share attributable to equity holders of the Company during the period			
— basic, HK cents	*9(a)*	**13.41**	9.45
— diluted, HK cents	*9(b)*	**13.41**	9.45

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2017

	Unaudited	
	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Profit for the period	**207,544**	149,147
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**44,962**	(25,781)
Share of currency translation differences of a joint venture	**7,651**	(4,529)
Share of cash flow hedges of an associate, net of tax	**(855)**	6,002
Fair value gains on available-for-sale financial assets, net	**15,703**	1,397
Other comprehensive income/(losses) for the period	**67,461**	(22,911)
Total comprehensive income for the period	**275,005**	126,236
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	**263,546**	129,277
Non-controlling interests	**11,459**	(3,041)
	275,005	126,236

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2017

	Note	Unaudited 30th June 2017 HK$'000	Audited 31st December 2016 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**103,764**	101,951
Property, plant and equipment		**343,611**	343,912
Prepaid premium for land leases		**30,724**	30,138
Investment properties		**57,164**	56,954
Investments in joint ventures		**358,708**	417,617
Investments in associates		**123,714**	117,564
Available-for-sale financial assets		**67,633**	63,091
Deferred income tax assets		**58,330**	53,724
Non-current deposits	*11*	**13,083**	11,179
		1,156,731	1,196,130
Current assets			
Inventories		**336,256**	243,360
Trade and other receivables	*12*	**1,638,110**	1,196,797
Available-for-sale financial assets		**44,547**	33,386
Derivative financial instruments		**—**	1,645
Financial assets at fair value through profit or loss		**901**	886
Current income tax recoverable		**3,204**	5,102
Restricted bank deposits		**1,728**	559
Current deposits and cash and cash equivalents		**6,475,296**	6,710,279
		8,500,042	8,192,014
Total assets		**9,656,773**	9,388,144
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**153,296**	153,296
Reserves		**7,651,451**	7,548,865
		7,804,747	7,702,161
Non-controlling interests		**291,344**	343,580
Total equity		**8,096,091**	8,045,741
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**66,602**	69,349
Current liabilities			
Trade and other payables	*13*	**1,392,803**	1,186,822
Current income tax liabilities		**32,146**	19,156
Short-term borrowings		**69,131**	67,076
		1,494,080	1,273,054
Total liabilities		**1,560,682**	1,342,403
Total equity and liabilities		**9,656,773**	9,388,144

NOTES:

1 GENERAL INFORMATION

COSCO SHIPPING International (Hong Kong) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are 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 ("Stock Exchange"). The address of its principal place of business is 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The ultimate holding company of the Company is China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the People's Republic of China (the "PRC").

The acquisition of CSHT Marine Machinery Suppliers Limited ("CSHT Marine") by the Company was completed on 1st January 2017 and CSHT Marine became a direct wholly-owned subsidiary of the Company.

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2017 (the "Unaudited Condensed Consolidated Interim Financial Information") is presented in Hong Kong dollars, unless otherwise stated.

This Unaudited Condensed Consolidated Interim Financial Information was approved by the board of directors for issue on 28th August 2017.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st December 2016, 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 31st December 2016 except that the Group has adopted the following amendments to published standards and interpretation issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2017.

		Effective for accounting periods beginning on or after
Amendments to HKAS 7	Statement of cash flows	1st January 2017
Amendments to HKAS 12	Income taxes	1st January 2017
Amendment to HKFRS 12	Disclosure of interest in other entities	1st January 2017

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

The following new standards and 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 1st January 2017 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 9 (2014)	Financial instruments	1st January 2018
HKFRS 15	Revenue from contracts with customers	1st January 2018
Amendments to HKAS 28	Investments in associates and joint ventures	1st January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1st January 2018
HKFRS 16	Leases	1st January 2019
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 new standards and amendments to published standards, but it is not yet in a position to state whether they will have a significant impact on its result of operations and financial position.

3 REVENUE AND SEGMENT INFORMATION

Turnover, representing revenue, recognised during the period is as follows:

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Sale of coatings	**386,903**	286,743
Sale of marine equipment and spare parts	**651,961**	500,813
Commission income from ship trading agency	**73,624**	31,023
Commission income from insurance brokerage	**46,582**	46,129
Sale of marine fuel and other products	**2,429,803**	1,389,150
Sale of asphalt and other products	**220,385**	301,569
	3,809,258	2,555,427

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 investment in a joint venture, Jotun COSCO Marine Coatings (HK) Limited ("Jotun COSCO")
Marine equipment and spare parts	trading of marine equipment and spare parts, and holding of investments in joint ventures
Ship trading agency	provision of agency services relating to shipbuilding, ship trading and bareboat charter business, and holding of investments in a joint venture and an associate
Insurance brokerage	provision of insurance brokerage services
Marine fuel and other products	trading of marine fuel and other related products, and holding of investment in an associate, Double Rich Limited ("Double Rich")
General trading	trading of asphalt and other products, and holding of investments in associates

Other segments mainly comprise the Group's listed available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments.

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	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total				
	HK$'000	*HK$'000* *(note i)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Six months ended and as at 30th June 2017									
Profit and loss items:										
Segment revenue	**386,903**	**655,741**	**73,782**	**46,782**	**2,471,464**	**3,634,672**	**225,846**	**—**	**(51,260)**	**3,809,258**
Inter-segment revenue	**—**	**(3,780)**	**(158)**	**(200)**	**(41,661)**	**(45,799)**	**(5,461)**	**—**	**51,260**	**—**
Revenue from external customers	**386,903**	**651,961**	**73,624**	**46,582**	**2,429,803**	**3,588,873**	**220,385**	**—**	**—**	**3,809,258**
Segment operating (loss)/ profit	**(2,548)**	**43,155**	**49,130**	**32,904**	**2,334**	**124,975**	**500**	**1,877**	**—**	**127,352**
Finance income	**2,962**	**314**	**2,426**	**598**	**288**	**6,588**	**1,648**	**—**	**(1,685)**	**6,551**
Finance costs	**(37)**	**(1,165)**	**(30)**	**(88)**	**(882)**	**(2,202)**	**(4,128)**	**—**	**1,685**	**(4,645)**
Share of profits of joint ventures	**34,181**	**251**	**694**	**—**	**—**	**35,126**	**—**	**—**	**—**	**35,126**
Share of profits of associates	**—**	**—**	**45**	**—**	**5,205**	**5,250**	**873**	**—**	**—**	**6,123**
Segment profit/(loss) before income tax	**34,558**	**42,555**	**52,265**	**33,414**	**6,945**	**169,737**	**(1,107)**	**1,877**	**—**	**170,507**
Income tax (expenses)/ credit	**(1,404)**	**(7,275)**	**(8,217)**	**(5,880)**	**(295)**	**(23,071)**	**533**	**—**	**—**	**(22,538)**
Segment profit/(loss) after income tax	**33,154**	**35,280**	**44,048**	**27,534**	**6,650**	**146,666**	**(574)**	**1,877**	**—**	**147,969**
Balance sheet items:										
Total segment assets	**1,494,677**	**1,039,674**	**492,414**	**286,661**	**310,441**	**3,623,867**	**720,979**	**111,322**	**(191,193)**	**4,264,975**
Total segment assets include:										
— Joint ventures	**342,828**	**12,990**	**2,890**	**—**	**—**	**358,708**	**—**	**—**	**—**	**358,708**
— Associates	**—**	**—**	**2,080**	**—**	**114,373**	**116,453**	**7,261**	**—**	**—**	**123,714**
Total segment liabilities	**411,393**	**485,471**	**204,330**	**145,049**	**139,981**	**1,386,224**	**498,480**	**—**	**(191,193)**	**1,693,511**
Other items:										
Depreciation and amortisation, net of amount capitalised	**9,325**	**1,795**	**132**	**120**	**—**	**11,372**	**540**	**—**	**—**	**11,912**
Net reversal of provision for impairment of inventories	**(481)**	**—**	**—**	**—**	**—**	**(481)**	**—**	**—**	**—**	**(481)**
Net provision/(reversal of provision) for impairment of trade receivables	**3,083**	**(1,378)**	**—**	**—**	**—**	**1,705**	**—**	**—**	**—**	**1,705**
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	**440**	**116**	**39**	**—**	**—**	**595**	**334**	**—**	**—**	**929**
	Year ended and as at 31st December 2016									
Total segment assets	1,650,279	914,552	394,163	192,048	296,687	3,447,729	796,072	97,249	(235,396)	4,105,654
Total segment assets include:										
— Joint ventures	400,996	12,570	4,051	—	—	417,617	—	—	—	417,617
— Associates	—	—	1,973	—	109,409	111,382	6,182	—	—	117,564
Total segment liabilities	357,661	311,424	154,083	77,618	121,792	1,022,578	580,251	—	(235,396)	1,367,433
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	6,283	2,467	1,044	211	—	10,005	296	—	—	10,301

(i) In regard to Marine equipment and spare parts segment, the equity interest in CSHT Marine was acquired on 1st January 2017 and accordingly, intangible assets and plant and equipment of the Group was increased by HK$310,000.

	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Six months ended and as at 30th June 2016									
Profit and loss items:										
Segment revenue	286,743	500,832	31,023	46,313	1,422,254	2,287,165	317,609	—	(49,347)	2,555,427
Inter-segment revenue	—	(19)	—	(184)	(33,104)	(33,307)	(16,040)	—	49,347	—
Revenue from external customers	286,743	500,813	31,023	46,129	1,389,150	2,253,858	301,569	—	—	2,555,427
Segment operating profit	6,682	32,628	12,940	32,495	2,045	86,790	6,019	2,264	—	95,073
Finance income	3,227	419	3,064	606	270	7,586	307	—	(2,074)	5,819
Finance costs	(190)	(940)	(9)	(88)	(42)	(1,269)	(3,330)	—	2,074	(2,525)
Share of profits of joint ventures	47,246	325	1,081	—	—	48,652	—	—	—	48,652
Share of profits of associates	—	—	58	—	3,050	3,108	708	—	—	3,816
Segment profit before income tax	56,965	32,432	17,134	33,013	5,323	144,867	3,704	2,264	—	150,835
Income tax expenses	(3,734)	(5,169)	(2,846)	(5,750)	(386)	(17,885)	(595)	—	—	(18,480)
Segment profit after income tax	53,231	27,263	14,288	27,263	4,937	126,982	3,109	2,264	—	132,355
Balance sheet items:										
Total segment assets	1,798,389	1,025,981	343,769	304,891	487,612	3,960,642	820,447	84,771	(368,862)	4,496,998
Total segment assets include:										
— Joint ventures	550,404	12,360	4,752	—	—	567,516	—	—	—	567,516
— Associates	—	—	2,051	—	107,452	109,503	7,821	—	—	117,324
Total segment liabilities	293,058	434,203	90,367	168,028	315,479	1,301,135	594,324	—	(368,862)	1,526,597
Other items:										
Depreciation and amortisation, net of amount capitalised	10,151	1,696	118	103	—	12,068	623	—	—	12,691
Net provision for impairment of inventories	3,722	—	—	—	—	3,722	—	—	—	3,722
Net provision/(reversal of provision) for impairment of trade receivables	3,551	(1,008)	—	—	—	2,543	(2,740)	—	—	(197)
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	1,912	1,028	—	21	—	2,961	301	—	—	3,262

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

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Profit before income tax for reportable segments	**168,630**	148,571
Profit before income tax for other segments	**1,877**	2,264
Profit before income tax for all segments	**170,507**	150,835
Elimination of segment income from corporate headquarters	**(174)**	(96)
Elimination of segment finance costs to corporate headquarters	**1,345**	408
Corporate finance income	**52,838**	38,772
Corporate finance costs	**(11)**	(7)
Corporate income/(expenses), net	**5,915**	(21,948)
Profit before income tax for the Group	**230,420**	167,964
Income tax expenses for all segments	**(22,538)**	(18,480)
Corporate income tax expenses	**(338)**	(337)
Profit after income tax for the Group	**207,544**	149,147

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

	30th June	31st December	30th June
	2017	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
Total assets for reportable segments	**4,344,846**	4,243,801	4,781,089
Total assets for other segments	**111,322**	97,249	84,771
Elimination of inter-segment receivables	**(191,193)**	(235,396)	(368,862)
	4,264,975	4,105,654	4,496,998
Corporate assets (mainly deposits and cash and cash equivalents)	**5,590,216**	5,379,848	5,157,913
Elimination of corporate headquarters' receivables from segments	**(198,418)**	(97,358)	(276,876)
Total assets for the Group	**9,656,773**	9,388,144	9,378,035

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

	30th June 2017 *HK$'000*	31st December 2016 *HK$'000*	30th June 2016 *HK$'000*
Total liabilities for reportable segments	**1,884,704**	1,602,829	1,895,459
Elimination of inter-segment payables	**(191,193)**	(235,396)	(368,862)
	1,693,511	1,367,433	1,526,597
Corporate liabilities	**65,589**	72,328	40,420
Elimination of segment payables to corporate headquarters	**(198,418)**	(97,358)	(276,876)
Total liabilities for the Group	**1,560,682**	1,342,403	1,290,141

4 OTHER INCOME AND GAINS

	Six months ended 30th June	
	2017 *HK$'000*	2016 *HK$'000*
Rental income	**585**	806
Dividend income from listed investments	**2,888**	2,249
Gains on disposal of property, plant and equipment	**15,045**	159
Fair value gains on financial assets at fair value through profit or loss	**15**	15
Reversal of provision for impairment of inventories, net of provision	**481**	—
Reversal of provision for impairment of trade receivables, net of provision	**—**	197
Net exchange gains	**46,895**	5,394
Others	**856**	5,806
	66,765	14,626

5 OTHER EXPENSES AND LOSSES

	Six months ended 30th June	
	2017 *HK$'000*	2016 *HK$'000*
Direct operating expenses for generating rental income	**18**	38
Fair value losses on derivative financial instruments	**1,026**	—
Provision for impairment of inventories, net of reversal	**—**	3,722
Provision for impairment of trade receivables, net of reversal	**1,705**	—
	2,749	3,760

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Depreciation and amortisation, net of amount capitalised in inventories totalling HK$1,464,000 (2016: HK$1,659,000)	**12,278**	12,946

7 FINANCE INCOME — NET

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Interest income from:		
— a fellow subsidiary	**5,577**	4,876
— a joint venture	**17**	—
— bank deposits	**53,795**	39,715
Total finance income	**59,389**	44,591
Interest expenses on short-term borrowings	**(1,120)**	(620)
Other finance charges	**(2,191)**	(1,504)
Total finance costs	**(3,311)**	(2,124)
Finance income — net	**56,078**	42,467

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the period at 25% (2016: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2016: 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 43% (2016:17% to 43%) during the period.

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

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

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**18,335**	10,043
— the PRC enterprise income tax	**5,393**	4,297
— other overseas taxation	**986**	1,287
— over-provision in prior period	**(53)**	(3)
Deferred income tax (credit)/charge — net	**(1,785)**	3,193
Income tax expenses	**22,876**	18,817

9 EARNINGS PER SHARE

(a) Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2017	2016
Profit attributable to equity holders of the Company	**HK$205,562,000**	HK$144,803,000
Weighted average number of ordinary shares in issue	**1,532,955,429**	1,532,955,429
Basic earnings per share	**13.41 HK cents**	9.45 HK cents

(b) Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue after adjusting for the exercise or conversion of all potential dilutive ordinary shares into ordinary shares. The Company had no potential dilutive ordinary shares in issue during the six months ended 30th June 2017 and 2016.

	Six months ended 30th June	
	2017	2016
Profit attributable to equity holders of the Company	**HK$205,562,000**	HK$144,803,000
Adjusted weighted average number of ordinary shares in issue	**1,532,955,429**	1,532,955,429
Diluted earnings per share	**13.41 HK cents**	9.45 HK cents

10 DIVIDENDS

	Six months ended 30th June	
	2017	2016
	HK$'000	*HK$'000*
Interim dividend, declared, of HK$0.06 (2016: HK$0.04) per ordinary share	**91,977**	61,318

At the board meeting held on 28th August 2017, the directors of the Company declared an interim dividend of HK$0.06 per ordinary share for the six months ended 30th June 2017. This dividend has not been recognised as a liability in the Unaudited Condensed Consolidated Interim Financial Information, but will be recognised in shareholders' equity in the year ending 31st December 2017.

A final dividend and a special dividend totaling HK$160,960,000 relating to the year ended 31st December 2016 (2015: a final dividend of HK$137,966,000) was paid in June 2017.

11 NON-CURRENT DEPOSITS

Non-current deposits of HK$11,522,000 (31st December 2016: HK$11,179,000) were denominated in Renminbi, interest-bearing at prevailing market rates and placed with a fellow subsidiary, which is a financial institution in the PRC.

Non-current deposit of HK$1,561,000 (31st December 2016: HK$Nil) was denominated in Japanese yen, interest-bearing at prevailing market rates and placed with a financial institution in Japan.

12 TRADE AND OTHER RECEIVABLES

	30th June	31st December
	2017	2016
	HK$'000	*HK$'000*
Trade receivables, net of provision for impairment	**854,722**	646,337
Bills receivable, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	**783,388**	550,460
	1,638,110	1,196,797

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

	30th June 2017 *HK$'000*	31st December 2016 *HK$'000*
Current – 90 days	**565,626**	392,298
91–180 days	**193,922**	128,109
Over 180 days	**95,174**	125,930
	854,722	646,337

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 90 days. Other than those with credit terms, all invoices are payable upon presentation.

13 TRADE AND OTHER PAYABLES

	30th June 2017 *HK$'000*	31st December 2016 *HK$'000*
Trade payables	**355,327**	247,302
Bills payable, advances from customers, accrued liabilities, other payables, amounts due to related parties and dividend payable to non-controlling interests	**1,037,476**	939,520
	1,392,803	1,186,822

The ageing analysis of trade payables (including amounts due to related parties which are trading in nature) based on invoice date is as follows:

	30th June 2017 *HK$'000*	31st December 2016 *HK$'000*
Current – 90 days	**287,541**	198,968
91–180 days	**41,203**	28,894
Over 180 days	**26,583**	19,440
	355,327	247,302

14 FINANCIAL GUARANTEE CONTRACTS

As at 30th June 2017, the Group had financial guarantees issued in favour of a bank as security for general banking facilities granted to an associate and financial guarantee issued in favour of the shareholder of a joint venture as counter guarantee in relation to general banking facilities granted to the joint venture.

Terms and face values of the liabilities guaranteed were as follows:

	Year of maturity	**30th June 2017** ***HK$'000***	31st December 2016 *HK$'000*
General banking facilities of an associate	**2018**	**167,815**	205,510
Counter guarantee	**2018**	**22,635**	22,490
		190,450	228,000

As at 30th June 2017, the credit risk and liquidity risk exposure relating to the above financial guarantee contracts are considered as low.

The fair value of these guarantee contracts is not material and has not been recognised in the financial statements.

15 BUSINESS COMBINATION

On 28th November 2016, the Company entered into a share purchase agreement with COSCO SHIPPING Financial Holdings Co., Limited, a related company of the Group and China Merchants Hoi Tung Trading Company Limited in relation to the acquisition of the entire issued share capital of CSHT Marine for a cash consideration of HK$119,581,000. CSHT Marine is a company incorporated in Hong Kong and is principally engaged in trading of marine equipment, spare parts, ship supply and general merchandise. The acquisition was completed on 1st January 2017 and CSHT Marine became a direct wholly-owned subsidiary of the Company. Goodwill is attributable to the expected future profitability of the acquired business. None of the goodwill recognised is expected to be deductible for tax purposes.

Provisional consideration paid for, and goodwill arising from, the acquisition are as follows:

	HK$'000
Provisional purchase consideration paid in cash	119,581
Fair values of identifiable net assets acquired — shown as below	(118,144)
Provisional goodwill	1,437

Recognised amounts of identifiable assets acquired and liabilities assumed are as follows:

	Fair values
	HK$'000
Intangible assets	16
Plant and equipment	294
Deferred income tax assets	475
Inventories	42
Trade receivables	52,191
Deposits, prepayments and other receivables	43,585
Cash and cash equivalents	89,304
Trade and other payables	(8,736)
Receipt in advances from customers	(58,923)
Current income tax liabilities	(104)
Total identifiable net assets	118,144

	HK$'000
Net outflow of cash and cash equivalents on acquisition:	
Provisional purchase consideration in cash	119,581
Cash and cash equivalents acquired	(89,304)
Net cash used in acquisition of a subsidiary	30,277

Notes:

(i) The revenue and profit contributed to the Group by CSHT Marine since the date of acquisition and up to 30th June 2017 were HK$150,025,000 and HK$8,759,000.

(ii) Acquisition-related costs were not material and had been expensed.

(iii) For the purpose of related party transactions disclosure, total provisional consideration paid to COSCO SHIPPING Financial Holdings Co., Limited was HK$59,790,500.

(iv) The gross contractual amount for trade receivables due is HK$55,363,000.

FINANCIAL REVIEW

During the first half year of 2017, the international shipping market rebounded, the Group leveraged on its advantages in terms of professionalism and scale and proactively edged up its marketing effort. During the period, profit attributable to equity holders of the Company was HK$205,562,000 (2016: HK$144,803,000), representing an increase of 42% as compared to the same period of 2016. The basic earnings per share was 13.41 HK cents (2016: 9.45 HK cents), representing an increase of 42% as compared to the same period of 2016.

Revenue

For the six months ended 30th June 2017, the Group's revenue increased by 49% to HK$3,809,258,000 (2016: HK$2,555,427,000) as compared to the same period of 2016. Revenue from the core shipping services business increased by 59% to HK$3,588,873,000 (2016: HK$2,253,858,000) and accounted for 94% (2016: 88%) of the Group's revenue. The increase was attributable to increases in segment revenues of marine fuel and other products, marine equipment and spare parts, coatings, as well as ship trading agency. Revenue of general trading segment decreased by 27% to HK$220,385,000 (2016: HK$301,569,000) and accounted for 6% (2016: 12%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the period increased by 22% to HK$302,033,000 (2016: HK$247,375,000). The increase was mainly attributable to increase in income from ship trading agency commission and marine equipment and spare parts businesses. Overall average gross profit margin dropped to 7.9% (2016: 9.7%), which was mainly attributable to the increase in revenue from the low-gross-profit-margin marine fuel and other products as well as the decrease in gross profit margin of coatings segment as compared to the same period of last year.

Other Income and Gains

Other income and gains of HK$66,765,000 (2016: HK$14,626,000) for the period primarily included gains on disposal of property, plant and equipment of HK$15,045,000 (2016: HK$159,000) and net exchange gains of HK$46,895,000 (2016: HK$5,394,000).

Selling, Administrative and General Expenses

During the period, selling, administrative and general expenses increased by 26% to HK$232,956,000 (2016: HK$185,212,000). The increase in selling expenses was mainly attributable to the significant increase in the sales volume of coatings as compared to the same period of last year.

Other Expenses and Losses

The Group recorded other expenses and losses of HK$2,749,000 (2016: HK$3,760,000). Other expenses and losses primarily included provision for impairment of trade receivables (net of reversal) of HK$1,705,000 and fair value losses on derivative financial instruments of HK$1,026,000. Other expenses and losses for the same period of 2016 mainly included provision for impairment of inventories (net of reversal) of HK$3,722,000.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, increased by 33% to HK$59,389,000 (2016: HK$44,591,000) as a result of the increase in interest rate of cash deposit as compared to the same period of 2016.

Finance Cost

Finance cost, which mainly represented interest expenses on short-term borrowings and other financial charges, increased by 56% to HK$3,311,000 (2016: HK$2,124,000).

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by 28% to HK$35,126,000 (2016: HK$48,652,000). This item primarily represented the share of profit of Jotun COSCO of HK$34,181,000 (2016: HK$47,246,000) which was included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates increased by 60% to HK$6,123,000 (2016: HK$3,816,000). This item primarily comprised the share of profit of Double Rich of HK$5,205,000 (2016: HK$3,050,000) which was included in the marine fuel and other products segment.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company during the period increased by 42% to HK$205,562,000 (2016: HK$144,803,000). Such increase was mainly due to the increases in net exchange gains and net finance income.

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2017, capital and reserves attributable to the Company's equity holders increased by 1.3% to HK$7,804,747,000 (31st December 2016: HK$7,702,161,000). As at 30th June 2017, total cash and bank balances (including non-current deposits of HK$13,083,000 and restricted bank deposits of HK$1,728,000) of the Group was HK$6,490,107,000 (31st December 2016: HK$6,722,017,000). During the period, the Group has no drawdown or repayment of short-term borrowings (2016: net repayment of HK$17,302,000). As at 30th June 2017, total banking facilities available to the Group amounted to HK$1,237,870,000 (31st December 2016: HK$1,572,040,000), of which HK$434,184,000 (31st December 2016: HK$315,622,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, was 0.7% (31st December 2016: 0.7%). As at 30th June 2017, the Group had net cash of HK$6,420,976,000 (31st December 2016: HK$6,654,941,000). Due to the provision of funds from the corporate headquarters to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. 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 financial products, including overnight deposits, term deposits and offshore fixed deposits. Return of 1.8% on the Group's cash was achieved for the period, representing 50 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of June 2017. As at 30th June 2017, borrowings of the Group were unsecured debt denominated in Renminbi which carried interest at rates 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, Singapore and China Mainland, and is exposed to foreign exchange risk arising from foreign currencies held, mainly US dollars and Renminbi. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The Group manages its foreign exchange exposure by regularly reviewing the foreign currency exposure of its operating subsidiaries and will consider hedging exposure by foreign exchange forward contracts when the need arises. The Group's marine fuel business is subject to fluctuation in oil prices. The Group exercises stringent control over the use of derivative financial instrument for hedging against the price risks of marine fuel and other products. In addition, the conversion of Renminbi into foreign currencies in Mainland is subject to the rules and regulations of foreign exchange controls promulgated by the government of the People's Republic of China (the "PRC").

EMPLOYEES

As at 30th June 2017, excluding joint ventures and associates, the Group had 856 (31st December 2016: 829) employees, of which 130 (31st December 2016: 100) were Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, were HK$150,234,000 (2016: HK$129,443,000). 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 had participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme. No share option scheme is in operation and no share options of the Company are outstanding.

DIVIDEND

The Board has declared an interim dividend of 6 HK cents (2016: 4 HK cents) per share for the six months ended 30th June 2017 which will be payable on 28th September 2017 to the shareholders of the Company whose name appear on the register of members of the Company (the "Register of Members") on 20th September 2017.

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members will be closed from 18th September 2017 to 20th September 2017, 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 30th June 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 15th September 2017.

REVIEW OF BUSINESS OPERATIONS

In the first half of 2017, the global economy saw an upward trend in growth with improving market confidence. The strong demand from major developed economies facilitated the growth of imports and exports in China. The exporting countries of bulk commodities resumed their exports. Solid economic and trade growth brought about long-awaited signs of recovery for the shipping industry. The rational competition and cooperation in the shipping industry even further prompted the overall favourable momentum in the shipping market. However, the shipping industry will remain subdued by excess shipping capacity for a prolonged period of time.

During the period, the Company had adhered to the overall working principle of "taking profitability as the first objective; taking development as the first priority; taking management as the first foundation". It actively coped with market changes, increased income and reduced expenditure, continued to strengthen and optimise the existing businesses, expanded the influence of its existing businesses, pushed forward the development of the projects of the Company, and speeded up the establishment of "shipping services industrial cluster". In terms of business expansion, the Company completed the acquisition of CSHT Marine in early January 2017. The acquisition, on the one hand, expanded the size of the existing relevant business, and, on the other hand, facilitated synergy creation through economies of scale and cost reduction, thus generating more profits for the Group.

1. Core Business — Shipping Services

The Group's shipping services mainly include ship trading agency services, marine 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$3,588,873,000 (2016: HK$2,253,858,000), representing an increase of 59% as compared to the same period of 2016. The increase was attributable to the increases in revenues from marine fuel and other products, marine equipment and spare parts, coatings and ship trading agency segments. Profit before income tax from shipping services was HK$169,737,000 (2016: HK$144,867,000), representing an increase of 17% as compared to the same period of 2016. The increase was attributable to the increase in profit before income tax from ship trading agency, marine equipment and spare parts and marine fuel and other products segments.

1.1 *Ship Trading Agency Services*

COSCO SHIPPING (Hong Kong) Ship Trading Company Limited and 中遠國際船舶貿易(北京)有限公司 (COSCOSHIP Beijing Company Limited*), the wholly-owned subsidiaries of the Company (collectively "COSCO SHIPPING Ship Trading"), are principally engaged in the provision of agency services relating to ship building, ship trading and chartering for the fleet of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) ("COSCO SHIPPING") and its subsidiaries (collectively "COSCO SHIPPING Group"). COSCO SHIPPING Ship Trading also provides similar services for shipowners and shipping enterprises outside COSCO SHIPPING Group. COSCO SHIPPING Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid by shipbuilders according to the work progress specified in the relevant contracts. For the trading of second-hand vessels, commissions are paid to COSCO SHIPPING Ship Trading according to the contracts after the vendors have delivered the vessels to the buyers.

During the period, revenue from the ship trading agency segment increased by 137% to HK$73,624,000 (2016: HK$31,023,000) as compared to the same period of 2016. Segment profit before income tax was HK$52,265,000 (2016: HK$17,134,000), representing an increase of 205% as compared to the same period of 2016.

COSCO SHIPPING Ship Trading seized the opportunities arising from the recovering shipping market and the momentum of increasing number of delivery of new build vessels by actively launching marketing campaigns and paying visits to major customers such as shipbuilders, shipowners, companies and leasing companies to strengthen exchanges and communication. Such measures achieved positive results.

During the period, the number of delivery of new build vessels ordered through COSCO SHIPPING Ship Trading was 22 (2016: 4), aggregating 2,030,000 dead weight tonnages (2016: 160,000 dead weight tonnages). A number of new build vessel agency projects were in progress but no new build vessel was ordered through COSCO SHIPPING Ship Trading (2016: 13, aggregating 4,108,000 dead weight tonnages) during the period. For second-hand vessels, the sale and purchase of a total of 52 (2016: 19) second-hand vessels through COSCO SHIPPING Ship Trading were recorded, aggregating 2,800,000 dead weight tonnages (2016: 1,330,000 dead weight tonnages). As at 30th June 2017, the amount of new build vessels ordered through COSCO SHIPPING Ship Trading and pending delivery reached 10,330,000 dead weight tonnages, which were scheduled for delivery in the coming two years.

1.2 *Marine Insurance Brokerage Services*

COSCO (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company, and 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*), a non-wholly owned subsidiary of the Company (collectively "COSCO Insurance Brokers"), are primarily engaged in the provision of insurance intermediary services including risk assessment, designing insurance programmes, placing insurance coverage, loss prevention and claims handling for the insured (including their various vessels) worldwide for service commissions.

During the period, revenue from insurance brokerage segment was HK$46,582,000 (2016: HK$46,129,000), representing a slight increase of 1% as compared to the same period of 2016. Segment profit before income tax was HK$33,414,000 (2016: HK$33,013,000), representing a slight increase of 1% as compared to the same period of 2016.

COSCO Insurance Brokers achieved satisfactory results in the renewal of hull and machinery insurance, protection and indemnity insurance, ship repairer liability insurance and shipbuilders' risk insurance, as well as the development of non-marine insurance brokerage business such as comprehensive terminal insurance and comprehensive motor insurance. In respect of marketing services, COSCO Insurance Brokers closely followed market changes and paid visits to major customers so as to understand their needs and improve service quality. They gained more customers outside COSCO SHIPPING Group by leveraging its professional advantages, and successfully renewed hull and machinery insurance and protection and indemnity insurance with a number of enterprises outside COSCO SHIPPING Group during the period.

1.3 *Supply of Marine Equipment and Spare Parts*

COSCO Yuantong Operation Headquarters, which is composed of Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company, and other subsidiaries of the Company (including 新中鈴株式會社 (Shin Chung Lin Corporation*), Xing Yuan (Singapore) Pte. Ltd., Hanyuan Technical Service Center GmbH, 遠通海務貿易(上海)有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*), 中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*), Yuan Hua Technical & Supply Corporation and CSHT Marine). It is principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communication and navigation systems for ships, offshore facilities, coastal stations and land users; marine materials supply and voyage repairs. Its existing business network covers cities such as Hong Kong, Shanghai and Beijing, etc. and countries such as Japan, Singapore, Germany and the United States of America, etc.

During the period, revenue from marine equipment and spare parts segment was HK$651,961,000 (2016: HK$500,813,000), representing an increase of 30% as compared to the same period of 2016. Segment profit before income tax was HK$42,555,000 (2016: HK$32,432,000), representing an increase of 31% as compared to the same period of 2016, which was mainly attributable to the contribution to the results from CSHT Marine during the period upon the completion of acquisition at the beginning of 2017.

Despite the recovery in the shipping market, the sales volume of COSCO Yuantong Operation Headquarters was greatly affected by the continuous downward trend in marine spare parts market as a result of the sustaining impact of replacement of old vessels by the new ones while demand for spare parts during early stage of new build vessel was low. However, COSCO Yuantong Operation Headquarters strengthened the development of customers outside COSCO SHIPPING Group in order to facilitate the transformation and upgrading of business. During the period, it successfully acquired a number of new customers outside COSCO SHIPPING Group. Meanwhile, it acquired more partners in order to further push forward the construction of the materials distribution centre, thus achieving satisfactory results.

1.4 *Production and Sale of Coatings*

The coating business of the Company primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. ("COSCO Kansai (Zhuhai)"), 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) ("COSCO Kansai Paint (Shanghai)") and 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") are non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies"). COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai) are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings, while COSCO Kansai (Shanghai) is primarily engaged in the sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and Jotun A/S, Norway, an international coating manufacturer, is principally engaged in the production and sale of marine coatings.

During the period, revenue from coatings segment was HK$386,903,000 (2016: HK$286,743,000), representing an increase of 35% as compared to the same period of 2016. The increase was mainly due to the significant increase in sales volume of container coatings as compared to the same period of 2016. Segment profit before income tax was HK$34,558,000 (2016: HK$56,965,000), representing a decrease of 39% as compared to the same period of 2016, which was mainly due to the marked increase in prices of raw materials, leading to the year-on-year decrease in gross profit margins, and the year-on-year increase in selling expenses resulted from an increase in business volume of COSCO Kansai Companies, as well as the decrease in the Group's share of profit from Jotun COSCO.

For container coatings, due to the official implementation of the new policy of replacing oil-based coatings by water-based coatings in April 2017, container owners hastened to place large amount of orders for oil-based container coatings before the implementation of the new policy. However, the sales volume of container coatings of COSCO Kansai Companies declined after the implementation of the new policy. During the period, the sales volume of container coatings increased by 117% to 13,200 tonnes from 6,091 tonnes in the same period of 2016.

In respect of heavy-duty anti-corrosion coatings, COSCO Kansai Companies continued to intensify the development of the business of industrial heavy-duty anti-corrosion coatings and actively formulated sales and marketing strategies for each business sector by identifying five major industries comprising offshore engineering, electricity, bridge, petrochemical and infrastructure, and have made achievement in sectors including fishing vessels, nuclear power, wind power, urban projects and bridges. During the period, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 8,387 tonnes (2016: 7,702 tonnes), representing an increase of 9% as compared to the same period of 2016.

In respect of marine coatings, during the period, sales volume of Jotun COSCO's coatings for new build vessels amounted to 22,173,000 litres, representing a decrease of 21% as compared to the same period of 2016. Sales volume of coatings for repair and maintenance was 10,668,000 litres, representing an increase of 39% as compared to the same period of 2016. The sales volume of Jotun COSCO's marine coatings amounted to 32,841,000 litres (equivalent to approximately 44,335 tonnes) (2016: 35,669,000 litres (equivalent to approximately 48,153 tonnes)), representing a decrease of 8% as compared to the same period of 2016. During the period, the Group's share of profit from Jotun COSCO was HK$34,181,000 (2016: HK$47,246,000), representing a decrease of 28% as compared to the same period of 2016.

During the period, a further decrease in the number of new build vessel orders received by Chinese shipyards was recorded. Under the severe market conditions, Jotun COSCO proactively maintained and reinforced the customer relationship with major domestic shipyards and shipowners and segmented the market and its target customers based on the market situation and demand of marketing services in order to gradually establish a service system with differentiated products, services and marketing. Meanwhile, Jotun COSCO strived for product enhancement, facilitated energy saving and emission reduction of vessels while continuing to promote Hull Performance Solution data tracking and analysis service as well as high value-added antifouling coatings. Jotun COSCO also customised solutions to its major customers according to their ship repairing plans so as to maintain its leading position in China's marine coating market.

As at 30th June 2017, Jotun COSCO had coating contracts on hand for new build vessels amounting to 30,730,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two years, which guaranteed steady development of Jotun COSCO's business.

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

Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company ("Sinfeng"), is primarily engaged in the supply of marine fuel, trading and brokerage services of marine fuel and related products. Currently, its business network primarily covers major oil ports such as Singapore and Malaysia, etc. During the period, Sinfeng adopted prudent business strategies by conducting business with reputable customers in order to establish stable and long-term business cooperation in response to the complex market environment. In addition, Sinfeng actively launched marketing campaigns for major customers, thus effectively maintaining the business volume with key customers. During the period, total sales volume of marine fuel products was 1,004,982 tonnes, representing an increase of 63% as compared with 616,532 tonnes in the same period of 2016.

During the period, revenue from the marine fuel and other products segment was HK$2,429,803,000, up by 75% as compared with HK$1,389,150,000 in the same period of 2016, which was mainly attributable to the increase in sales volume as compared to the same period of 2016.

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 in sourcing products such as light diesels and fuel oil. Its major customers are ship owners and ship operators. During the period, the Group's share of profit from Double Rich was HK$5,205,000 (2016: HK$3,050,000), representing an increase of 71% as compared to the same period of 2016, which was mainly due to the increase in investment gain during the period.

During the period, profit before income tax from marine fuel and other products segment was HK$6,945,000 (2016: HK$5,323,000), representing an increase of 30% as compared to the same period of 2016, which was mainly attributable to the increase in the Group's share of profit from Double Rich.

2. **General Trading**

中國海運國際貿易有限公司 (COSCO SHIPPING International Trading Company Limited*), a wholly-owned subsidiary of the Company ("COSCO SHIPPING International Trading"), is principally engaged in the trading of asphalt and other comprehensive trading.

During the period, revenue from general trading segment was HK$220,385,000 (2016: HK$301,569,000), down by 27% as compared to the same period of 2016. The sales volume of asphalt amounted to 50,458 tonnes, representing a decrease of 37% as compared to 79,727 tonnes in the same period of 2016, which was mainly due to the fact that the asphalt projects settled during the first half of the year attributable to the ending projects for last year and no new project has been launched during the period. Segment loss before income tax was HK$1,107,000 (2016: profit of HK$3,704,000). It was mainly attributable to the year-on-year decrease in gross profit as a result of the decline in sales revenue, thus unable to offset the costs.

During the period, amid the intensifying market competition, COSCO SHIPPING International Trading put greater effort into marketing activities in the traditional markets. In the first half of the year, COSCO SHIPPING International Trading successfully won the tender of key projects in Guangxi and Shaanxi. In respect of the non-tender business, COSCO SHIPPING International Trading further enhanced its influence in Eastern China, the largest retail and distribution market of asphalt. Meanwhile, leveraging its storage and production modification technology and processing capability, COSCO SHIPPING International Trading proactively promoted the services offered for third parties. In addition, COSCO SHIPPING International Trading enhanced the cooperative relationships with the well-known domestic and foreign resource suppliers, thereby further enhancing its ability in the integration of resource allocation.

PROSPECTS

Since the beginning of the year, the global economy has continued its recovery momentum. According to the estimates of the World Bank, the growth in global trade will rebound to 4% in 2017. It is expected that the global economy will record the fastest growth over the past six years. Different authoritative organisations have recently made upward adjustments to the economic growth rate, showing that the macroeconomic conditions have been improving. However, the factors of intensifying trade protectionism, the increasing geopolitical risks, and the highlighted structural issues, etc. will remain the "grey rhinos" to the shipping industry which cannot be neglected. At the same time, there are numerous favourable factors in the shipping industry: firstly, upon the bankruptcy of several well-known shipping companies, industry peers recognised the importance of rational competition. Shipping companies are more concerned about the sustainable development of the shipping industry; secondly, the "One Belt and One Road" initiative and the regional economic development are expected to become the new momentum and a source of growth of global trade; thirdly, further implementation of the policies of the state-owned enterprise reform and state-owned capital reform in China will be favourable.

As a subsidiary of COSCO SHIPPING Group, adhering to the "shipping services industrial clusters" strategic guidance, COSCO SHIPPING International will optimise the shipping services industrial clusters, speed up the integration of resources and improve the service level of the shipping related industries, in accordance with the overall strategy of COSCO SHIPPING Group. Meanwhile, it will actively explore the opportunities in non-financial equity investment, put greater effort into reducing the cyclical impact from the shipping industry, improve corporate performance, facilitate transformation and upgrading, and increase the corporate influence, thus boosting the corporate value and maximising the returns for shareholders.

For the ship trading agency services, COSCO SHIPPING Ship Trading will strengthen its market research, endeavour to co-ordinate the relationship between the shipyards and the shipowners and keep improving its services to ensure smooth delivery of new build vessels. Meanwhile, COSCO SHIPPING Ship Trading will actively push forward and facilitate company integration and reorganisation, with a view to laying a solid foundation for the future development of ship trading agency services.

For the marine insurance brokerage services, upon the establishment of 中遠海運財產保險自保有限公司 (COSCO SHIPPING Captive Insurance Co., Ltd.*), it is probable to reorganise the businesses within the Group. The Company will strive to expand the marine insurance to different kinds of insurance within COSCO SHIPPING Group, and minimise the impact on revenue from the traditional marine insurance brokerage business.

For the supply of marine equipment and spare parts, due to the continuing cost control of shipping companies and generally young vessel age, COSCO Yuantong Operation Headquarters will gradually facilitate centralised procurement for spare parts, improve services quality, establish sound customer management system, implement differential marketing, and increase profit drivers. Meanwhile, it will further consummate the management of suppliers, expand its business outside COSCO SHIPPING Group and develop domestic spare parts business, optimise the operation process, reduce overall procurement costs and boost the overall profitability.

For container coatings, COSCO Kansai Companies will continue the research and development of water-based coatings, introduce stable and competitive water-based container coating products, and devote to marketing and service in order to gain recognition from container manufacturers and container owners. They will focus on enhancing the expansion in areas of nuclear power, wind power and grand bridge, etc., as well as technical support. Moreover, they will put more effort into the development and follow-up work of key customers and projects in order to increase the success rate of projects.

For marine coatings, Jotun COSCO will continue to apply the HPS (Hull Performance Solution) promotion strategy to attract and retain customers and fully utilise the product advantage to orderly and selectively expand markets while maintaining its market share and stable profits, thus achieving steady operations. Based on the data analysis and Fleet Lifecycle, it will continue to expand scope of services, improve service quality and enhance competitive edges, thus achieving sustainable development.

For the trading and supply of marine fuel and related products, in response to the operating pressure and risks faced by shipping enterprises, Sinfeng will continue to control risk, adopt prudent business strategy, and solicit business from new customers prudently and cautiously while retaining its existing quality customers, and strive to expand its business under the premise of strict risk control.

For general trading, COSCO SHIPPING International Trading will endeavour to fulfil the tasks in respect of the successfully tendered projects, while keeping on track with key projects in the second half of 2017 in key regions. It will continue to strengthen the establishment of the marketing network in order to secure project orders.

All the business units of COSCO SHIPPING International will proactively respond to market changes while being committed to expanding business chains according to their own circumstances, so as to improve the profitability of each segment.

Looking forward, the Group will make use of the strategic opportunities presented by the national "One Belt and One Road" initiative and actively participate in the construction of Guangdong-Hong Kong-Macao Bay Area. It will fully utilise its capital platform as a listed company through developing a non-financial equity investment platform. With the increasing concern about environmental protection issues in shipping industry around the world, the Group will seek for relevant investment opportunities. It will also enhance its construction of information system. With the use of big data, the Group can understand, predict and fulfil the demands of fleet in a better way, thus offering tailor-made and seamless services for them and expanding the profit source of the Company so as to achieve the goal of being a world class and leading shipping services company in China ultimately.

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 30th June 2017.

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 (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30th June 2017.

The Audit Committee consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of 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 30th June 2017.

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 Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee currently comprising the Chairman, the Vice Chairman, the Managing Director and a Director 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 30th June 2017, 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.
Liu Gang
Managing Director

Hong Kong, 28th August 2017

As at the date of this announcement, the Board comprises eight directors with Mr. Ye Weilong (Chairman), Mr. Zhu Jianhui (Vice Chairman), Mr. Liu Gang (Managing Director) and Mr. Liu Xianghao as executive directors; Mr. Wang Wei as non-executive director and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as independent non-executive directors.

* *for identification purposes only*