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 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to equity holders increased by 50% to HK$356,627,000 as compared to 2016, mainly due to the marked increases in net exchange gains and net finance income during the year.
- Revenue increased by 18% to HK$8,786,094,000 as compared to 2016 which was mainly attributable to significant increases in revenues from marine fuel and other products, coatings and ship trading agency services.
- Gross profit increased by 15% to HK$627,083,000 as compared to 2016. Gross profit margin slightly decreased to 7.1%.
- Profit before income tax from core business of shipping services increased by 13% to HK$311,026,000.
- Basic earnings per share was 23.26 HK cents. The Board has recommended the payment of a final dividend of 12 HK cents per share. Together with the interim dividend of 6 HK cents per share, total dividends per share are 18 HK cents for 2017.
- The Group had net cash of HK$6,486,970,000 as at 31st December 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 audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2017.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	4	**8,786,094**	7,430,297
Cost of sales		**(8,159,011)**	(6,886,051)
Gross profit		**627,083**	544,246
Other income and gains — net	5	**94,134**	16,600
Selling, administrative and general expenses	6	**(502,425)**	(447,434)
Operating profit		**218,792**	113,412
Finance income	7	**124,948**	90,960
Finance costs	7	**(5,244)**	(4,414)
Finance income — net	7	**119,704**	86,546
Share of profits of joint ventures		**64,730**	89,930
Share of profits of associates		**12,336**	10,202
Profit before income tax		**415,562**	300,090
Income tax expenses	8	**(54,948)**	(63,590)
Profit for the year		**360,614**	236,500
Profit/(loss) attributable to:			
Equity holders of the Company		**356,627**	237,205
Non-controlling interests		**3,987**	(705)
		360,614	236,500
Earnings per share attributable to equity holders of the Company during the year			
— basic, HK cents	9	**23.26**	15.47

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**360,614**	236,500
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**106,901**	(93,630)
Share of currency translation differences of:		
— a joint venture	**18,438**	(16,128)
— an associate	**(194)**	(200)
Share of cash flow hedges of an associate, net of tax	**(749)**	9,329
Reserves realised in consolidated income statement upon disposal of an associate	**(48)**	—
Fair value gains on available-for-sale financial assets, net	**2,984**	12,268
Items that will not be reclassified to profit or loss:		
Gain on revaluation upon reclassification of property, plant and equipment to investment properties	**3,302**	—
Deferred tax relating to the gain on revaluation upon reclassification of property, plant and equipment to investment properties	**(561)**	—
Other comprehensive income/(losses) for the year	**130,073**	(88,361)
Total comprehensive income for the year	**490,687**	148,139
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	**464,906**	172,290
Non-controlling interests	**25,781**	(24,151)
	490,687	148,139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**104,287**	101,951
Property, plant and equipment		**331,038**	343,912
Prepaid premium for land leases		**31,549**	30,138
Investment properties		**97,468**	56,954
Investments in joint ventures		**298,190**	417,617
Investments in associates		**122,644**	117,564
Available-for-sale financial assets		**60,613**	63,091
Deferred income tax assets		**54,156**	53,724
Non-current deposits		**1,563**	11,179
		1,101,508	1,196,130
Current assets			
Inventories		**450,923**	243,360
Trade and other receivables	11	**1,528,869**	1,196,797
Available-for-sale financial assets		**38,848**	33,386
Derivative financial instruments		**—**	1,645
Financial assets at fair value through profit or loss		**862**	886
Current income tax recoverable		**4,283**	5,102
Restricted bank deposits		**1,794**	559
Current deposits and cash and cash equivalents		**6,483,613**	6,710,279
		8,509,192	8,192,014
Total assets		**9,610,700**	9,388,144
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**153,296**	153,296
Reserves		**7,760,833**	7,548,865
		7,914,129	7,702,161
Non-controlling interests		**299,471**	343,580
Total equity		**8,213,600**	8,045,741
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**64,829**	69,349
Current liabilities			
Trade and other payables	12	**1,311,362**	1,186,822
Current income tax liabilities		**20,909**	19,156
Short-term borrowings		**—**	67,076
		1,332,271	1,273,054
Total liabilities		**1,397,100**	1,342,403
Total equity and liabilities		**9,610,700**	9,388,144

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 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.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

3 CHANGES IN ACCOUNTING POLICIES

(i) Adoption of amendments to published standards and new interpretation

In 2017, the Group has adopted the following amendments to published standards and new interpretation issued by the HKICPA, which are relevant to its operations:

		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
Amendments to HKFRS 12	Disclosure of interest in other entities	1st January 2017

The adoption of the above amendments and new interpretation did not result in any substantial changes to the Group's accounting policies and had no material financial impact on the consolidated financial statements.

(ii) New standards and amendments to published standards that are not yet effective

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's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 9 Financial instruments (effective on 1st January 2018)

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group is reviewing the impact of the new standard on its financial assets. Based on preliminary assessment undertaken to date, the Group does not expect the new guidance to have a significant impact on the classification and measurement of the financial assets from the adoption of the new standard on 1st January 2018, for the following reasons:

- For equity instruments currently classified as available-for-sale, fair value through other comprehensive income ("FVOCI") election is available, and

- Equity investments currently measured at fair value through profit or loss ("FVPL") will likely continue to be measured on the same basis under HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39, which applies to the Group's trade receivables. Based on the assessments undertaken to date, the Group expects there will not be any material effect on the results and financial positions.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 Revenue from contracts with customers (effective on 1st January 2018)

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is assessing the effects of applying the new standard on the Group's financial statements and has identified the following revenue streams relating to provision of services that may be affected:

- Commission income from ship trading agency
- Commission income from insurance brokerage

With regards to the above revenue streams, HKFRS 15 requires revenue to be recognised over time if customers receive and consume the benefits provided by the entity's performance as the entity performs. Such recognition should be on a basis that faithfully depicts the entity's performance in transferring the promised services to the customer and assessed based on the progress towards complete satisfaction of the revenue contract.

Based on the assessments undertaken to date, the Group expects there will not be any material impact on the Group's current revenue recognition policy and its results and financial positions.

For the remaining standards, the Group has already commenced an assessment of the related impact of adoption, but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position.

4 REVENUE AND SEGMENT INFORMATION

	2017	2016
	HK$'000	*HK$'000*
Sale of coatings	**888,766**	637,033
Sale of marine equipment and spare parts	**1,199,307**	1,064,999
Commission income from ship trading agency	**136,541**	98,921
Commission income from insurance brokerage	**95,803**	94,411
Sale of marine fuel and other products	**5,815,463**	4,766,546
Sale of asphalt and other products	**650,214**	768,387
	8,786,094	7,430,297

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.

	Year ended and as at 31st December 2017									
	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*
Profit and loss items:										
Segment revenue	888,766	1,208,430	136,827	96,112	5,890,936	8,221,071	660,076	—	(95,053)	8,786,094
Inter-segment revenue	—	(9,123)	(286)	(309)	(75,473)	(85,191)	(9,862)	—	95,053	—
Revenue from external customers	888,766	1,199,307	136,541	95,803	5,815,463	8,135,880	650,214	—	—	8,786,094
Segment operating profit	7,167	58,250	89,660	67,519	6,379	228,975	7,361	4,400	—	240,736
Finance income	3,955	715	5,155	1,198	738	11,761	1,887	—	(3,536)	10,112
Finance costs	(61)	(2,826)	(84)	(181)	(1,823)	(4,975)	(7,872)	—	3,536	(9,311)
Share of profits of joint ventures	63,864	431	435	—	—	64,730	—	—	—	64,730
Share of profits of associates	—	—	78	—	10,457	10,535	1,801	—	—	12,336
Segment profit before income tax	74,925	56,570	95,244	68,536	15,751	311,026	3,177	4,400	—	318,603
Income tax expenses	(14,948)	(8,713)	(17,078)	(12,284)	(698)	(53,721)	(489)	—	—	(54,210)
Segment profit after income tax	59,977	47,857	78,166	56,252	15,053	257,305	2,688	4,400	—	264,393
Balance sheet items:										
Total segment assets	1,488,249	1,016,624	374,499	202,392	302,707	3,384,471	735,554	98,563	(197,506)	4,021,082
Total segment assets include:										
— Joint ventures	283,298	12,174	2,718	—	—	298,190	—	—	—	298,190
— Associates	—	—	2,193	—	113,274	115,467	7,177	—	—	122,644
Total segment liabilities	438,630	436,421	86,772	84,102	130,104	1,176,029	501,189	—	(197,506)	1,479,712
Other items:										
Depreciation and amortisation, net of amount capitalised	18,113	3,435	272	328	—	22,148	2,102	—	—	24,250
Net provision for impairment of inventories	6,618	—	—	—	—	6,618	—	—	—	6,618
Net provision/(reversal of provision) for impairment of trade receivables	3,562	(2,967)	—	—	—	595	—	—	—	595
Government subsidy income	(11,531)	—	—	—	—	(11,531)	—	—	—	(11,531)
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	4,785	223	311	355	—	5,674	10,332	—	—	16,006

	Year ended and as at 31st December 2016									
	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*
Profit and loss items:										
Segment revenue	637,033	1,066,482	99,175	94,836	4,816,883	6,714,409	788,227	—	(72,339)	7,430,297
Inter-segment revenue	—	(1,483)	(254)	(425)	(50,337)	(52,499)	(19,840)	—	72,339	—
Revenue from external customers	637,033	1,064,999	98,921	94,411	4,766,546	6,661,910	768,387	—	—	7,430,297
Segment operating (loss)/ profit	(22,156)	51,249	62,867	68,122	2,094	162,176	9,164	4,405	—	175,745
Finance income	6,746	803	6,158	1,172	939	15,818	1,566	—	(4,292)	13,092
Finance costs	(191)	(1,387)	(16)	(182)	(79)	(1,855)	(7,236)	—	4,292	(4,799)
Share of profits of joint ventures	88,236	1,143	551	—	—	89,930	—	—	—	89,930
Share of profits of associates	—	—	72	—	9,094	9,166	1,036	—	—	10,202
Segment profit before income tax	72,635	51,808	69,632	69,112	12,048	275,235	4,530	4,405	—	284,170
Income tax credit/ (expenses)	303	(7,652)	(17,345)	(12,175)	(231)	(37,100)	(2,002)	—	—	(39,102)
Segment profit after income tax	72,938	44,156	52,287	56,937	11,817	238,135	2,528	4,405	—	245,068
Balance sheet items:										
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
Other items:										
Depreciation and amortisation, net of amount capitalised	18,989	3,429	245	249	—	22,912	1,205	—	—	24,117
Net provision for impairment of inventories	10,312	—	—	—	—	10,312	—	—	—	10,312
Net reversal of provision for impairment of trade receivables	(2,072)	(1,761)	—	—	—	(3,833)	(2,869)	—	—	(6,702)
Provision for impairment of other receivables	—	91	—	—	—	91	—	—	—	91
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

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

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax for reportable segments	**314,203**	279,765
Profit before income tax for all other segments	**4,400**	4,405
Profit before income tax for all segments	**318,603**	284,170
Elimination of segment income from corporate headquarters	**(215)**	(138)
Elimination of segment finance costs to corporate headquarters	**4,087**	408
Corporate finance income	**114,836**	77,868
Corporate finance costs	**(20)**	(23)
Corporate expenses, net of income	**(21,729)**	(62,195)
Profit before income tax for the Group	**415,562**	300,090
Income tax expenses for all segments	**(54,210)**	(39,102)
Corporate income tax expenses	**(738)**	(24,488)
Profit after income tax for the Group	**360,614**	236,500

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

	2017	2016
	HK$'000	*HK$'000*
Total assets for reportable segments	**4,120,025**	4,243,801
Total assets for all other segments	**98,563**	97,249
Elimination of inter-segment receivables	**(197,506)**	(235,396)
	4,021,082	4,105,654
Corporate assets (mainly deposits and cash and cash equivalents)	**5,745,085**	5,379,848
Elimination of corporate headquarters' receivables from segments	**(155,467)**	(97,358)
Total assets for the Group	**9,610,700**	9,388,144

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

	2017	2016
	HK$'000	*HK$'000*
Total liabilities for reportable segments	**1,677,218**	1,602,829
Elimination of inter-segment payables	**(197,506)**	(235,396)
	1,479,712	1,367,433
Corporate liabilities	**72,855**	72,328
Elimination of segment payables to corporate headquarters	**(155,467)**	(97,358)
Total liabilities for the Group	**1,397,100**	1,342,403

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK$1,086,530,000 (2016: HK$862,957,000) and HK$7,699,564,000 (2016: HK$6,567,340,000) respectively.

The total of non-current assets, other than available-for-sale financial assets and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$562,771,000 (2016: HK$677,131,000) and HK$423,968,000 (2016: HK$402,184,000) respectively.

Revenues of HK$3,790,689,000 (2016: HK$2,881,954,000) and HK$1,757,941,000 (2016: HK$1,769,172,000) are derived from two external customers of the marine fuel and other products segment respectively.

5 OTHER INCOME AND GAINS — NET

	2017	2016
	HK$'000	*HK$'000*
Rental income	**2,272**	1,311
Direct operating expenses for generating rental income	**(96)**	(143)
Dividend income from listed and unlisted investments	**5,470**	2,420
Net gains on disposal of property, plant and equipment*	**15,516**	178
Net gains on disposal of an associate	**48**	—
Fair value gains on investment properties	**8,293**	7,524
Fair value (losses)/gains on derivative financial instruments	**(1,046)**	1,720
Fair value losses on financial assets at fair value through profit or loss	**(23)**	(23)
Provision for impairment of inventories, net of reversal	**(6,618)**	(10,312)
(Provision)/reversal of provision for impairment of trade receivables, net of reversal/(provision)	**(595)**	6,702
Provision for impairment of other receivables	**—**	(91)
Write-off of inventories	**—**	(14)
Write-off of bad debts	**—**	(29)
Net exchange gains/(losses)	**56,777**	(7,434)
Government subsidy income#	**11,531**	—
Others	**2,605**	14,791
	94,134	16,600

* During the year ended 31st December 2017, COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. ("COSCO Kansai (Shanghai)") disposed its old plant at a consideration of HK$15,247,000. The amount was fully recognised as gain on disposal of property, plant and equipment.

Government subsidy income of HK$11,531,000 (2016: HK$Nil) was recognised during the year in respect of a special subsidy granted by the Shanghai Baoshan District Government. Such subsidy was to compensate for the relevant costs and expenses incurred by COSCO Kansai (Shanghai) in relocating the production plant and settling the impacted staff.

6 EXPENSES BY NATURE

	2017	2016
	HK$'000	*HK$'000*
Cost of sales		
Cost of inventories sold	**8,159,011**	6,886,051
Selling, administrative and general expenses		
Selling expenses	**167,852**	121,870
Depreciation of property, plant and equipment	**2,138**	1,759
Amortisation of intangible assets	**1,075**	1,482
Amortisation of prepaid premium for land leases	**677**	686
Operating lease rental expenses	**34,943**	32,451
Administrative staff costs	**202,885**	175,828
Auditors' remuneration	**6,151**	5,919
Others	**86,704**	107,439
	502,425	447,434

7 FINANCE INCOME — NET

	2017	2016
	HK$'000	*HK$'000*
Interest income from:		
— a fellow subsidiary	**8,235**	11,083
— a jointly controlled entity	**342**	—
— bank deposits	**116,371**	79,877
Total finance income	**124,948**	90,960
Interest expenses on:		
— a loan from a fellow subsidiary	**(1,404)**	(875)
— bank loans	**—**	(733)
Other finance charges	**(3,840)**	(2,806)
Total finance costs	**(5,244)**	(4,414)
Finance income — net	**119,704**	86,546

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 year.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year 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 year 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 year.

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**28,096**	21,689
— the PRC enterprise income tax	**17,964**	13,702
— other overseas taxation	**1,940**	1,309
— over-provision for Hong Kong profits tax in prior years	**(995)**	(722)
— under-provision for the PRC taxation in prior years	**272**	4,808
— over-provision for other overseas taxation in prior years	**(31)**	(54)
Deferred income tax charge — net	**7,702**	22,858
Income tax expenses	**54,948**	63,590

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$356,627,000 (2016: 237,205,000) and the number of shares in issue during the year of 1,532,955,429 shares (2016: 1,532,955,429 shares).

No diluted earnings per share is presented as there were no potential ordinary shares in existence during both years.

10 DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.06 (2016: HK$0.04) per ordinary share	**91,977**	61,318
Final dividend proposed of HK$0.12 (2016: HK$0.055) per ordinary share	**183,955**	84,313
Special dividend proposed of HK$Nil (2016: HK$0.05) per ordinary share	**—**	76,648
	275,932	222,279

At the board meeting held on 23rd March 2018, the directors of the Company proposed a final dividend of HK$0.12 per ordinary share for the year ended 31st December 2017. These proposed dividends have not been recognised as a liability in the financial statements for the year ended 31st December 2017, but will be recognised in shareholders' equity in the year ending 31st December 2018.

11 TRADE AND OTHER RECEIVABLES

As at 31st December 2017, trade and other receivables include trade receivables amounting to HK$667,031,000 (2016: HK$646,337,000).

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:

	2017	2016
	HK$'000	*HK$'000*
Current – 90 days	**506,386**	392,298
91 – 180 days	**100,338**	128,109
Over 180 days	**60,307**	125,930
	667,031	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.

12 TRADE AND OTHER PAYABLES

As at 31st December 2017, trade and other payables include trade payables amounting to HK$406,941,000 (2016: HK$247,302,000).

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

	2017	2016
	HK$'000	*HK$'000*
Current – 90 days	**345,913**	198,968
91 – 180 days	**46,161**	28,894
Over 180 days	**14,867**	19,440
	406,941	247,302

13 EVENT AFTER THE BALANCE SHEET DATE

On 7th February 2018, the Company, COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)") and COSCO SHIPPING entered into an agreement on provision of management services by the Company in relation to the day to day business operations and management of COSCO SHIPPING (Hong Kong), its subsidiaries and its associates from the date of the agreement until 31st December 2019.

OVERALL ANALYSIS OF RESULTS

In 2017, the international shipping market rebounded, the Group capitalised on its advantages in terms of professionalism and scale and proactively stepped up its marketing effort. In 2017, profit attributable to equity holders of the Company was HK$356,627,000 (2016: HK$237,205,000), representing an increase of 50% as compared to 2016. The basic earnings per share was 23.26 HK cents (2016: 15.47 HK cents), representing an increase of 50% as compared to 2016.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2017 increased by 18% to HK$8,786,094,000 (2016: HK$7,430,297,000) as compared to 2016. Revenue from the core business of shipping services increased by 22% to HK$8,135,880,000 (2016: HK$6,661,910,000) and accounted for 93% (2016: 90%) of the Group's revenue. Segment revenues of coatings, marine equipment and spare parts, ship trading agency and marine fuel and other products increased by 40%, 13%, 38% and 22% respectively as compared to 2016. Revenue from general trading segment decreased by 15% to HK$650,214,000 (2016: HK$768,387,000) and accounted for 7% (2016: 10%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year increased by 15% to HK$627,083,000 (2016: HK$544,246,000) while overall average gross profit margin dropped to 7.1% (2016: 7.3%). The increase in overall gross profit was mainly attributable to increase in income from ship trading agency, coatings and marine equipment and spare parts businesses.

Other Income and Gains — net

The Group recorded net other income and gains of HK$94,134,000 (2016: HK$16,600,000), which primarily included: (i) net gains on disposal of property, plant and equipment of HK$15,516,000 (2016: HK$178,000); (ii) net exchange gains of HK$56,777,000 (2016: net exchange losses of HK$7,434,000); (iii) fair value gains on investment properties of HK$8,293,000 (2016: HK$7,524,000); and (iv) government subsidy income of HK$11,531,000 (2016: HK$Nil) recognised in respect of a special subsidy granted by the Shanghai Baoshan District Government. Such subsidy represented a compensation for the relevant costs and expenses incurred by COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. in relocating the plant and settling the impacted staff.

Selling, Administrative and General Expenses

In 2017, selling, administrative and general expenses increased by 12% to HK$502,425,000 (2016: HK$447,434,000). The increase in selling expenses was mainly attributable to the significant increase in the sales volume of coatings as compared to 2016.

Operating Profit

Due to factors stated above, the Group's operating profit increased by 93% to HK$218,792,000 (2016: HK$113,412,000).

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, increased by 37% to HK$124,948,000 (2016: HK$90,960,000) as a result of the increase in interest rate of cash deposit as compared to 2016.

Finance Costs

Finance costs, which mainly represented interest expenses on short-term borrowings and other finance charges, increased by 19% to HK$5,244,000 (2016: HK$4,414,000).

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by 28% to HK$64,730,000 (2016: HK$89,930,000). This item primarily represented the share of profit of Jotun COSCO of HK$63,864,000 (2016: HK$88,236,000) which was included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates increased by 21% to HK$12,336,000 (2016: HK$10,202,000). This item primarily comprised the share of profit of Double Rich of HK$10,457,000 (2016: HK$9,094,000) which was included in the marine fuel and other products segment.

Income Tax Expenses

The Group's income tax expenses for the year decreased by 14% to HK$54,948,000 (2016: HK$63,590,000). The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, decreased from 32% in 2016 to 16% as a result of decrease in withholding tax.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company during the year increased by 50% to HK$356,627,000 (2016: HK$237,205,000).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent but flexible approach towards financial management which aims at maintaining a healthy statement of financial position, a relatively low level of borrowings and adequate liquidity. The Board believes this approach ensure sufficient financial resources available for merger and acquisition opportunities that fit in well with the Group's strategic direction, therefore is in line with the Group's long term development.

The Group's main sources of liquidity comprised cash, bank balances and non-committed unutilised banking facilities. The liquidity is primarily for financing of general working capital requirements, dividend payments and future capital expenditure. As at 31st December 2017, deposits and cash and cash equivalents held by the Group accounted for 76% (2016: 82%) of the Group's total current assets.

As at 31st December 2017, the Group's total assets increased by 2% to HK$9,610,700,000 (2016: HK$9,388,144,000). Total liabilities increased by 4% to HK$1,397,100,000 (2016: HK$1,342,403,000). The Group remained cautious about potential credit risks that surrounded the shipping services industry. All business units focused on internal management, intensified their efforts on receivables management, working capital management and costs control.

Net asset value attributable to shareholders was HK$7,914,129,000 (2016: HK$7,702,161,000). Net assets value per share was HK$5.16 (2016: HK$5.02), increased by 3% as compared to the end of 2016.

As at 31st December 2017, the Group had no short-term borrowing (2016: HK$67,076,000). The short-term borrowing in 2016 was mainly for the purpose of working capital requirement for general trading business. For the maturity profile, please refer to the table below. The Group's total cash on hand and non-committed unutilised standby banking facilities decreased by 3% to HK$6,486,970,000 (2016: HK$6,722,017,000) and decreased by 60% to HK$499,279,000 (2016: HK$1,256,418,000) respectively. The gearing ratio, which represented total borrowings over total assets, was 0% (2016: 0.7%).

Debt Analysis

	31st December 2017		31st December 2016	
	HK$'000	***%***	*HK$'000*	*%*
Classified by maturity:				
— repayable within one year	**—**	**—**	67,076	100
Classified by type of loan:				
— unsecured	**—**	**—**	67,076	100
Classified by currency:				
— Renminbi	**—**	**—**	67,076	100

As a result of the corporate headquarters providing funds to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. Furthermore, the Group continued its efforts in securing higher yields through exploring channels of deposits with major financial institutions.

The Group had restricted bank deposits of HK$1,794,000 (2016: HK$559,000) as security for bank credit facilities and other purposes.

In considering the Group's current level of cash and bank balances, funds generated internally from operations, the unutilised banking facilities available and a relatively low debt level, the Board is confident that the Group will have sufficient resources to meet its foreseeable capital expenditures and liquidity requirements.

TREASURY POLICY

The Group operates principally in Hong Kong, China Mainland and Singapore, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and Renminbi. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group managed its foreign exchange exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to relevant foreign exchange risk in respect of Renminbi and United States dollars exchange rate fluctuations such that the Group's profit margin might be impacted accordingly.

The Group continued to monitor and adjust its debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure, improve debt structure and lower interest expenses. The Group also maintained the policy of financial supports to major business units to reduce the level of external borrowings.

As for cash management, the Group selects suitable cash investment instruments based on the balance among security, return and liquidity to ensure sufficient funds are available and an appropriate level of liquidity is maintained to meet all its obligations during different stages of the shipping cycle.

The Group maintained a healthy cash position. As at 31st December 2017, the Group had net cash, which represented total cash and deposits net of short-term borrowings, of HK$6,486,970,000 (2016: HK$6,654,941,000). To enhance the Group's profitability and to maintain 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 suitable and low-risk deposit products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions in Hong Kong, China Mainland, Singapore, Japan, Germany and the United States. During the year, the Group strengthened its funds management and had actively negotiated with banks to strive for higher deposit yields for the huge sum of liquid funds on hand. The

Group achieved a 1.9% rate of return on the Group's cash for the year, representing 20 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of 2017. The Group had no financial instruments for interest rate hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2017, sales to the largest customer and aggregate sales to the five largest customers accounted for 43% and 67% respectively (2016: 39% and 67% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 68% and 72% respectively (2016: 68% and 74% respectively) of the total cost of sales of the Group.

None of the Directors or their associates had interests in any of the five largest customers and suppliers.

Save as disclosed above, to the knowledge of the Directors, none of the shareholders of the Company owning more than 5% of the Company's shares had interests in the five largest customers and suppliers.

EMPLOYEES

As at 31st December 2017, excluding joint ventures and associates, the Group had 846 (2016: 829) employees, of which 110 (2016: 100) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK$318,005,000 (2016: HK$292,999,000). 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 year, all of the Hong Kong employees have 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.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 12 HK cents (2016: 5.5 HK cents) per share for the year ended 31st December 2017. The proposed final dividend will be payable on 28th June 2018 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") on 8th June 2018 subject to the shareholders' approval in the annual general meeting of the Company to be held on 30th May 2018 (the "AGM"). The proposed final dividend together with the interim dividend of 6 HK cents per share, total dividends per share for the year 2017 are 18 HK cents (2016: 14.5 HK cents).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the AGM, the Register of Members will be closed from 25th May 2018 to 30th May 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the

AGM, 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 (the "Branch Share Registrar") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 24th May 2018.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from 6th June 2018 to 8th June 2018, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31st December 2017, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5th June 2018.

REVIEW OF BUSINESS OPERATIONS

In 2017, the global economic recovery showed good momentum and the PRC's economy maintained a steady growth. Benefited from structural factors such as improvement of the world's energy fundamentals and the speeding-up of global infrastructure construction, and the cyclical improvements of increased demand in seaborne trade and recovery in shipping market after adjustment, the overall global shipping market was on the rise and the market demand growth accelerated, which improved the oversupply situation and led the shipping market return to the track of recovery, thus benefiting the Group as well.

During the year, the Group 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 further pushed forward the project development of the Company, expanded the influence of its existing businesses, and speeded up the establishment of "shipping services industrial cluster". In terms of business expansion, with the aim of further integrating the Group's marine equipment and spare parts business, the Company completed the acquisition of CSHT Marine at the beginning of 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. In terms of the existing business, the Group relied on the whole life cycle and took the whole-process integrated solutions as a breakthrough to expand the industry chain of existing business and spared no effort in marketing service and safety management in active response to market changes. The Group expanded its source of income and reduced expenditures, continuously strengthened and optimised the existing business, enhanced the service awareness, highlighted the entirety of shipping services industrial cluster, and strived to generate the synergy effect among businesses, in order to continuously enhance the profitability of 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 year, revenue from the Group's shipping services was HK$8,135,880,000 (2016: HK$6,661,910,000), representing an increase of 22% as compared to 2016. The increase was mainly due to the increases in different degrees attributed by each segment of shipping services. Profit before income tax from shipping services was HK$311,026,000 (2016: HK$275,235,000), representing an increase of 13% as compared to 2016, mainly attributable to the increase in profit before income tax from ship trading agency services, supply of marine equipment and spare parts, production and sale of coatings and trading and supply of marine fuel and related products segments as compared to 2016.

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*), 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 ship-owners and shipping enterprises outside COSCO SHIPPING Group. COSCO SHIPPING Ship Trading mainly derives its revenue from agency services. For 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 year, revenue from the ship trading agency segment increased by 38% to HK$136,541,000 (2016: HK$98,921,000) as compared to 2016. Segment profit before income tax was HK$95,244,000 (2016: HK$69,632,000), representing an increase of 37% as compared to 2016. The increase in segment profit before income tax was mainly due to the increase in commission income from trading of new build vessels and second-hand vessels during the year as compared to 2016.

The aggregate number of the delivered new build vessels which had been ordered through COSCO SHIPPING Ship Trading was 38 (2016: 22), totaling 4,010,000 dead weight tonnages (2016: 1,686,000 dead weight tonnages). A total of 18 (2016: 17) new build vessels have been ordered through COSCO SHIPPING Ship Trading during the year, totaling 2,634,000 dead weight tonnages (2016: 4,138,000 dead weight tonnages). For second-hand vessels, the sale and purchase of a total of 95 (2016: 48) second-hand vessels through COSCO SHIPPING Ship Trading were recorded, totaling 5,067,000 dead weight tonnages (2016: 2,822,000 dead weight tonnages).

COSCO SHIPPING Ship Trading seized the favorable opportunities arising from the recovering shipping market and increasing number of delivery of new build vessels and actively launched marketing campaigns and paid visits to major customers such as shipbuilders, ship-owners, companies and leasing companies to strengthen relationship and communication. Such measures achieved positive results. In addition, COSCO SHIPPING Ship Trading paid close attention to business integration opportunity related to COSCO SHIPPING Group and expanded into new business areas. In the shrinking market environment of traditional ship trading agency business, COSCO SHIPPING Ship Trading achieved positive results in exploration of new customers by developing into new business sectors with high barriers for entry and high added-value.

1.2 *Marine Insurance Brokerage Services*

COSCO SHIPPING (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 SHIPPING 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 year, revenue from insurance brokerage segment was HK$95,803,000 (2016: HK$94,411,000), up by 1% as compared to 2016. Segment profit before income tax was HK$68,536,000 (2016: HK$69,112,000), representing a slight decrease of 1% as compared to 2016.

COSCO SHIPPING Insurance Brokers achieved good results in the renewal of hull and machinery insurance, protection and indemnity insurance, ship repair insurance and shipbuilders' risk insurance and in non-marine insurance brokerage business such as comprehensive terminal insurance, comprehensive vehicle insurance as it successfully renewed hull and machinery insurance as well as protection and indemnity insurance with a number of enterprises outside COSCO SHIPPING Group. Besides, on the basis of retaining the existing business, it successfully developed a number of domestic and overseas customers for comprehensive terminal insurance and hull and machinery insurance.

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), is principally engaged in the sale and installation of equipment and spare parts for existing and newly 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 existing business network covers cities such as Hong Kong, Shanghai and Beijing and countries and regions such as Japan, Singapore, Germany and the United States, etc..

During the year, revenue from marine equipment and spare parts segment was HK$1,199,307,000 (2016: HK$1,064,999,000), representing an increase of 13% as compared to 2016. Segment profit before income tax was HK$56,570,000 (2016: HK$51,808,000), representing an increase of 9% as compared to 2016, which was mainly attributable to the contribution of the results from CSHT Marine, the acquisition of which was completed at the beginning of 2017, and the reversal of provision for impairment of trade receivables of HK$2,967,000 (2016: HK$1,761,000).

Despite the recovery of the shipping market, the modernised and young vessels with relatively less demand for spare parts had impact on the business of the COSCO Yuantong Operation Headquarters. COSCO Yuantong Operation Headquarters strengthened the development of the technological service capabilities, continuously pushed forward the construction of the material distribution center, steadily adjusted its business models and reduced operating costs; meanwhile, it strived for the most favorable terms from suppliers, and provided one-stop solutions for customers in response to market changes and customers' needs, which improved the customer satisfaction. During the year, COSCO Yuantong Operation Headquarters successfully obtained a number of new customers outside COSCO SHIPPING Group.

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 all non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies"). 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.

During the year, revenue from coatings segment was HK$888,766,000 (2016: HK$637,033,000), representing a significant increase of 40% as compared to 2016. The increase was mainly due to the marked increase in sales of container coatings as compared to 2016. Segment profit before income tax was HK$74,925,000 (2016: HK$72,635,000), representing an increase of 3% as compared to 2016. The rise in profits was lower than the rise in revenue due to the significant increase in the cost of raw materials during the year, which was unable to shift to the selling price of the products, thus reducing the gross profit margin of the coatings business.

In respect of container coatings, the industry faced fierce competition due to the mandatory requirement of using water-based coatings in place of oil-based coatings in container manufacturing industry since April 2017. COSCO Kansai Companies established a task force specialising in solving technological problem of water-based container coatings. It made breakthrough in the research and development and application of water-based container coatings technologies, and also met customers' requirements in terms of coating quality and productivity, thus laying a solid foundation for the future development of container coatings business. In addition, COSCO Kansai Companies actively strived for every order and enhanced the strategic cooperation with container manufacturing enterprises by segmenting target customers, strengthening visits to customers, intensifying business cooperation and enhancing marketing service level. Meanwhile, COSCO Kansai Companies also actively expanded into the special container market and offered quality services to major container manufacturers and container owners, thereby gaining support and trust from key customers. During the year, the sales volume of container coatings was 23,259 tonnes, representing an increase of 43% as compared with 16,237 tonnes in 2016.

In respect of heavy-duty anti-corrosion coatings, COSCO Kansai Companies continued to intensify the business development of industrial heavy-duty anti-corrosion coatings, and identified five major industries comprising offshore engineering, electricity, bridge, petrochemical and infrastructure as the key developing industries. During the year, COSCO Kansai Companies won several tenders of large-scale bridge projects, and entered into the nuclear-grade coatings market and became one of the suppliers of nuclear-grade coatings which broke up the monopoly by foreign manufacturers. The sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 17,939 tonnes (2016: 16,654 tonnes), representing an increase of 8% as compared to 2016.

In respect of marine coatings, sales volume of Jotun COSCO's coatings for new build vessels amounted to 45,483,000 litres during the year, representing a decrease of 13% as compared to 2016. Sales volume of coatings for repair and maintenance was 21,604,000 litres, representing an increase of 30% as compared to 2016. The sales volume of Jotun COSCO's marine coatings amounted to 67,087,000 litres (equivalent to approximately 90,567 tonnes) (2016: 68,753,000 litres (equivalent to approximately 92,814 tonnes)), representing a decrease of 2% as compared to 2016. During the year, the Group's share of profit from Jotun COSCO was HK$63,864,000 (2016: HK$88,236,000), representing a decrease of 28% as compared to 2016.

During the year, despite the severe market conditions, Jotun COSCO proactively maintained and reinforced the customer relations with major domestic shipyards and ship-owners and segmented the market and its target customers in order to establish a service system to improve the differentiation of products and services, and marketing. Meanwhile, Jotun COSCO strived for product enhancement, facilitated energy saving and emission reduction of vessels while continuing to promote the 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.

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, trading and brokerage services of marine fuel and related products with business network covering major oil ports such as Singapore and Malaysia, etc..

During the year, 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 year, total sales volume of marine fuel products was 2,315,346 tonnes, representing an increase of 9% as compared with 2,114,548 tonnes in 2016.

Revenue from the marine fuel and other products segment was HK$5,815,463,000, up by 22% as compared with HK$4,766,546,000 in 2016. It was mainly attributable to the increase in sales volume and selling prices of marine fuel during the year as compared to 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 year, the Group's share of profit from Double Rich was HK$10,457,000 (2016: HK$9,094,000), up by 15% as compared to 2016, which was mainly due to the increase in business volume of bonded bunker in China as compared to 2016.

Profit before income tax from marine fuel and other products segment was HK$15,751,000 (2016: HK$12,048,000), representing an increase of 31% as compared to 2016.

2. General Trading

中遠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, storage, processing, supply of asphalt and other comprehensive trading.

During the year, the sales volume of asphalt of COSCO SHIPPING International Trading was 154,488 tonnes, down by 15% as compared to the 181,177 tonnes in 2016. Revenue from general trading segment was HK$650,214,000 (2016: HK$ 768,387,000), down by 15% as compared to 2016. Segment profit before income tax was HK$3,177,000 (2016: HK$4,530,000), representing a decrease of 30% as compared to 2016 which was mainly attributable to the decrease in gross profit of asphalt.

POST BALANCE SHEET EVENT

On 7th February 2018, the Company, COSCO SHIPPING (Hong Kong) and COSCO SHIPPING entered into the management services master agreement ("Management Services Master Agreement"), pursuant to which the parties have agreed to set out the terms for future transactions regarding the provision of management services by the Company in relation to the day to day business operation and management of COSCO SHIPPING (Hong Kong) and its subsidiaries and associates (other than those relating to the Group and Piraeus Port Authority S.A.) ("COSCO SHIPPING (Hong Kong) Group") from the date of the Management Services Master Agreement (i.e. 7th February 2018) until 31st December 2019. The proposed annual caps for the management fees payable by members of the COSCO SHIPPING (Hong Kong) Group to the Company contemplated under the Management Services Master Agreement for the years ending 31st December 2018 and 2019 are HK$130,000,000 and HK$130,000,000 respectively. Details of which were disclosed in the announcement of the Company dated 7th February 2018.

PROSPECTS

Looking forward to 2018, the global economy and world trade is likely to experience a new cycle of recovery and growth, and will maintain a relatively high growth rate. The International Monetary Fund and the World Bank both raised their estimates on global economic growth in the latest reports of world economic outlook. It is expected that the steady growth in global economy and trade will provide solid support and impetus for demand recovery in shipping market. With the gradually obvious structural industrial integration and accelerated development of rational market competition, it is reasonable to believe that seaborne trade will have healthy development. It is expected that global seaborne volume will maintain at a moderate growth rate of 3.6% in 2018. However, tightened monetary policies of various economic entities, increased expectation in global inflation, geopolitical tensions, intensified trade protectionism and other factors will pose uncertainties to the growth of global economy. The imbalance of supply and demand in the shipping market will still be the sword of Damocles hanging over the shipping market. The demand for modern ships and professional ship operation will provide new business space for shipping service enterprises, but will constitute a tough and advanced challenge. Overall, the shipping services industry will maintain its unique stability in 2018.

In 2018, COSCO SHIPPING International will accelerate the development of shipping services industrial cluster and non-financial business investment platform with the support of COSCO SHIPPING Group. In relation to the establishment of shipping services industrial cluster, the Company still strives to become a world class and the leading shipping services company in China. The Company will actively adhere to the development strategy of COSCO SHIPPING Group by striving for the consolidation and restructuring of shipping service assets under COSCO SHIPPING Group and seek external acquisition opportunities for shipping services business. Meanwhile, the Company will review its business structure and search for appropriate opportunities for adjustment, in order to strengthen the synergy effect, expand the scope of shipping service business, extend and improve the industrial chain of shipping services, and gradually build up the core competitiveness of shipping services industrial cluster. Confronted with the contracted traditional business, we will shift our mindsets to integrate new technology in the existing business sector, actively look for and extend to new business areas with high added-values, so as to fully enhance the basis for earnings of each business unit.

For the ship trading agency services, COSCO SHIPPING Ship Trading will seize the opportunity, co-ordinate the relationship between the shipyards and ship-owners and keep improving its services to ensure smooth delivery of new build vessels. In addition, it will actively explore business outside COSCO SHIPPING Group and reinforce visiting the potential customers to further diversify its businesses. As of 31st December 2017, the amount of new build vessels ordered through COSCO SHIPPING Ship Trading and pending delivery reached 10,980,000 dead weight tonnages, which were scheduled for delivery in the coming two to three years.

In terms of marine insurance brokerage services, COSCO SHIPPING Insurance Brokers will further expand its business channels and scope, and actively expand to more insurance products within COSCO SHIPPING Group with marine insurance as its focus. At the same time, it will continue to expand third party businesses.

For the supply of marine equipment and spare parts, in response to the continuing cost control by shipping enterprises and young vessel age in general, COSCO Yuantong Operation Headquarters will continue to enhance the centralised procurement capacity of spare parts, marketing service and service quality. Also, it will strengthen network construction and data analysis, implement common spare parts pre-purchase scheme, set up common spare parts warehouse, and provide one-stop logistics service according to customers' needs. Meanwhile, it will further consummate the management of suppliers, expand its business development outside COSCO SHIPPING Group and domestic spare parts business, optimise the operation process, reduce overall procurement costs and boost the profitability as a whole.

For container coatings, COSCO Kansai Companies will continue to strengthen research and development of water-based coatings, push forward the market promotion and services of the water-based coatings products and consolidate the marketing effort on container manufacturing enterprises and container owners to improve market share, and they will develop the special container business and tap into the its market potential. For industrial heavy-duty anti-corrosion coatings, they will focus on strengthening the development and technical support of nuclear and wind power while maintaining their advantages on bridge products. They will energetically develop the market of industrial water-based coatings and actively promote the application of trailers, power transformers and light steel structure. Moreover, they will put more effort in the development and follow-up work of key customers and projects in order to increase the success rate of projects.

For marine coatings, faced with depressing market condition of less demand for new build marine coatings in China, Jotun COSCO will continue to adopt the Hull Performance Solution promotion strategy to attract and retain customers and fully utilise the product advantage. Whilst maintaining market share and stable profit, it will expand markets orderly and selectively to keep business running smoothly. In view of the data analysis and Fleet Lifecycle (ship lifetime value), it will improve service capability and quality, as well as fortify its competitive advantages to achieve sustainable development. As at 31st December 2017, Jotun COSCO had coating contracts on hand for new build vessels amounting to 26,000,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming three years, which guaranteed steady development of Jotun COSCO's business.

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 adopt prudent business strategy, and solicit business from new customers prudently and cautiously while retaining its existing quality customers, and strived to expand its business under the premise of strict risk control.

For general trading, COSCO SHIPPING International Trading will keep track on the successfully tendered projects to ensure the project execution and achieve expected revenue. It will continue to strengthen the establishment of the marketing network and the relationship management with customers, and actively participate in project bidding 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 and intensifying the synergy according to their own circumstances, so as to improve the profitability of each segment.

As for the non-financial business investment platform, the Company will participate in the investment of COSCO SHIPPING Group in strategic and key development areas and strive to look for new business area. The Company will also pay attention to the investment opportunities arisen from new economy and new industries so as to bring actual benefits to the stakeholders as soon as possible and achieve the leapfrog development.

In 2018, thanks to the support of all investors, the Company was selected as a constituent of Hang Seng Composite Index Series and Hang Seng Stock Connect Hong Kong Index Series. Taking this as a new starting point, the Company will further establish an efficient and transparent operational system, keep the shareholders fully informed, balance the interests of all stakeholders, enhance communications with investors and actively collect opinions and advices from investors, thereby enabling the corporate value to be reasonably reflected in the capital market, and finally maximising our corporate value and the shareholder's return.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 year ended 31st December 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") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st December 2017.

The audit committee of the Company (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 and reviewed the results announcement and the audited condensed consolidated financial statements of the Group for the year ended 31st December 2017.

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

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 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 year ended 31st December 2017, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

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

Hong Kong, 23rd March 2018

As at the date of this announcement, the Board comprises nine Directors with Mr. Wang Yuhang (Chairman), Mr. Zhu Jianhui (Vice Chairman and Managing Director) and Mr. Liu Gang as executive directors; Mr. Feng Boming, Mr. Chen Dong and Mr. Ren Yongqiang as non-executive directors and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as independent non-executive directors.

* *for identification purposes only*