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)

2018 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to equity holders decreased by 10% to HK$184,034,000 as compared to the same period of 2017. Such decrease was mainly due to the decrease in share of profits of joint ventures.
- Revenue increased by 26% to HK$4,787,645,000 as compared to the same period of 2017 which was mainly attributable to the increase in segment revenues of coatings, marine fuel and other products and general trading.
- Gross profit increased by 1% to HK$305,636,000 as compared to the same period of 2017. Gross profit margin decreased to 6.4% 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 decreased by 25% as compared to the same period of 2017 to HK$127,978,000.
- Basic and diluted earnings per share was 12.01 HK cents, decreased by 10% as compared to the same period of 2017.
- The Board has declared an interim dividend of 5 HK cents per share.
- The Group had net cash (represented total deposits and cash and cash equivalents less short-term borrowings) of HK$6,301,251,000 as at 30th June 2018 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 2018. 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 2018 (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 2018

		Unaudited	
		Six months ended 30th June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**4,787,645**	3,809,258
Cost of sales		**(4,482,009)**	(3,507,225)
Gross profit		**305,636**	302,033
Other income and gains — net	*5*	**75,934**	65,721
Reversal of provision/(provision) for impairment of trade receivables, net of (provision)/reversal		**2,331**	(1,705)
Reversal of provision for impairment of other receivables		**17,815**	—
Selling, administrative and general expenses		**(256,809)**	(232,956)
Operating profit	*6*	**144,907**	133,093
Finance income	*7*	**76,150**	59,389
Finance costs	*7*	**(1,238)**	(3,311)
Finance income — net	*7*	**74,912**	56,078
Share of (losses)/profits of joint ventures		**(7,492)**	35,126
Share of profits of associates		**5,142**	6,123
Profit before income tax		**217,469**	230,420
Income tax expenses	*8*	**(29,026)**	(22,876)
Profit for the period		**188,443**	207,544
Profit attributable to:			
Equity holders of the Company		**184,034**	205,562
Non-controlling interests		**4,409**	1,982
		188,443	207,544
Earnings per share attributable to equity holders of the Company during the period			
— basic and diluted, HK cents	*9*	**12.01**	13.41

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2018

	Unaudited	
	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**188,443**	207,544
Other comprehensive (losses)/income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(18,978)**	44,962
Share of currency translation differences of joint ventures	**(8,360)**	7,651
Share of currency translation differences of associates	**(2)**	—
Share of cash flow hedges of an associate, net of tax	**—**	(855)
Fair value gains on available-for-sale financial assets, net	**—**	15,703
Items that will not be reclassified to profit or loss:		
Fair value losses on financial assets at fair value through other comprehensive income, net	**(17,873)**	—
Other comprehensive (losses)/income for the period	**(45,213)**	67,461
Total comprehensive income for the period	**143,230**	275,005
Total comprehensive income attributable to:		
Equity holders of the Company	**141,513**	263,546
Non-controlling interests	**1,717**	11,459
	143,230	275,005

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2018

	Note	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**104,031**	104,287
Property, plant and equipment		**318,451**	331,038
Prepaid premium for land leases		**30,932**	31,549
Investment properties		**97,630**	97,468
Investments in joint ventures		**282,193**	298,190
Investments in associates		**128,092**	122,644
Financial assets at fair value through other comprehensive income		**82,450**	—
Available-for-sale financial assets		**—**	60,613
Deferred income tax assets		**50,870**	54,156
Non-current deposits	*11*	**—**	1,563
		1,094,649	1,101,508
Current assets			
Inventories		**378,853**	450,923
Trade and other receivables	*12*	**1,705,956**	1,528,869
Available-for-sale financial assets		**—**	38,848
Financial assets at fair value through profit or loss		**—**	862
Current income tax recoverable		**3,139**	4,283
Restricted bank deposits		**1,779**	1,794
Current deposits and cash and cash equivalents		**6,382,499**	6,483,613
		8,472,226	8,509,192
Total assets		**9,566,875**	9,610,700
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**153,296**	153,296
Reserves		**7,718,391**	7,760,833
		7,871,687	7,914,129
Non-controlling interests		**301,188**	299,471
Total equity		**8,172,875**	8,213,600
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**65,669**	64,829
Current liabilities			
Trade payables, contract liabilities and other payables	*13*	**1,221,076**	1,311,362
Current income tax liabilities		**24,228**	20,909
Short-term borrowings		**83,027**	—
		1,328,331	1,332,271
Total liabilities		**1,394,000**	1,397,100
Total equity and liabilities		**9,566,875**	9,610,700

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. 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").

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 (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 24th August 2018.

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 The Stock Exchange of Hong Kong Limited.

This Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st December 2017, 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 2017 except that the Group has adopted the following new accounting standards issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2018.

		Effective for accounting periods beginning on or after
HKFRS 15	Revenue from contracts with customers	1st January 2018
HKFRS 9	Financial instruments	1st January 2018

The impact of the adoption of these standards are disclosed in note 3. The adoption of other 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 interim financial information.

The following new standard 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 2018 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1st January 2019
Amendments to HKAS 28	Long term interests in associates and joint ventures	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 standard and amendments, 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 CHANGES IN ACCOUNTING POLICIES

This note explains the impacts of the adoption of HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments on the Group's financial statements that have been applied from 1st January 2018, where they are different to those applied in prior periods.

Impacts on the financial statements

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1st January 2018 which resulted in changes in accounting policies. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Management assessed that the impact of adoption of HKFRS 15 is immaterial and no adjustment was made to the interim financial information at the date of initial application (1st January 2018) except for the reclassification of advances from customers with the amount of HK$486,615,000 to contract liabilities.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31st December 2017, but are recognised in the opening consolidated statement of financial position on 1st January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Consolidated statement of financial position (extract)	31st December 2017 As originally presented	HKFRS 9	HKFRS 15	1st January 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sale financial assets	60,613	(60,613)	—	—
Financial assets at fair value through other comprehensive income ("FVOCI")	—	100,323	—	100,323
Current assets				
Available-for-sale financial assets	38,848	(38,848)	—	—
Financial assets at fair value through profit or loss ("FVPL")	862	(862)	—	—
Current liabilities				
Trade and other payables	1,311,362	—	(486,615)	824,747
Contract liabilities	—	—	486,615	486,615
Equity				
Reserves	1,153,887	(309,524)	—	844,363
Retained earnings	6,606,946	309,524	—	6,916,470

The total impact on the Group's retained earnings as at 1st January 2018 is as follows:

	Notes	***HK$'000***
Closing retained earnings as at 31st December 2017 — HKAS 39		6,606,946
Adjustment to retained earnings upon adoption of HKFRS 9 on 1st January 2018	*(i)*	309,524
Opening retained earnings as at 1st January 2018 — HKFRS 9		6,916,470

(i) *Classification and measurement*

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Notes	**FVPL** *HK$'000*	**Available-for-sale financial assets** *HK$'000*	**FVOCI** *HK$'000*
Closing balance as at 31st December 2017 — HKAS 39		862	99,461	—
Reclassify non-trading equities from FVPL to FVOCI	*(a)*	(862)	—	862
Reclassify non-trading equities from available-for-sale financial assets to FVOCI	*(b)*	—	(99,461)	99,461
Opening balance as at 1st January 2018 — HKFRS 9		—	—	100,323

The impact of these changes on the Group's equity is as follows:

	Notes	**Effect on investment revaluation reserve** *HK$'000*	**Effect on retained earnings** *HK$'000*
Opening balance — HKAS 39		74,289	6,606,946
Reclassify investments from available-for-sale financial assets to FVOCI	*(b)*	(309,524)	309,524
Total impact		(309,524)	309,524
Opening balance — HKFRS 9		(235,235)	6,916,470

(a) Equity investment previously classified as FVPL

On 1st January 2018, the Group assessed the business model for managing equity investment previously classified as FVPL as long-term strategic investments. As a result, assets with a fair value of HK$862,000 were reclassified from FVPL to FVOCI on 1st January 2018.

(b) Equity investments previously classified as available-for-sale financial assets

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments. As a result, assets with a fair value of HK$99,461,000 were reclassified from available-for-sale financial assets to FVOCI and cumulative impairment losses of HK$309,524,000 were reclassified from retained earnings to the investment revaluation reserve on 1st January 2018.

(ii) *Impairment of financial assets*

The Group was required to revise its impairment methodology to a new expected credit loss model under HKFRS 9 mainly for the trade receivables for sales of goods and services.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all the Group's trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Management concluded that the impact of the change in impairment methodology on the Group's retained earnings is immaterial.

4 REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Sale of coatings	**515,916**	386,903
Sale of marine equipment and spare parts	**555,936**	651,961
Commission income from ship trading agency	**61,794**	73,624
Commission income from insurance brokerage	**36,158**	46,582
Sale of marine fuel and other products	**3,309,419**	2,429,803
Sale of asphalt and other products	**308,422**	220,385
	4,787,645	3,809,258

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 financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets and financial assets at fair value through profit or loss).

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*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Six months ended and as at 30th June 2018									
Profit and loss items:										
Segment revenue	**515,916**	**562,885**	**61,939**	**36,201**	**3,364,682**	**4,541,623**	**315,593**	**—**	**(69,571)**	**4,787,645**
Inter-segment revenue	**—**	**(6,949)**	**(145)**	**(43)**	**(55,263)**	**(62,400)**	**(7,171)**	**—**	**69,571**	**—**
Revenue from external customers	**515,916**	**555,936**	**61,794**	**36,158**	**3,309,419**	**4,479,223**	**308,422**	**—**	**—**	**4,787,645**
Timing of revenue recognition:										
At a point in time	**515,916**	**555,936**	**—**	**—**	**3,309,419**	**4,381,271**	**308,422**	**—**	**—**	**4,689,693**
Over time	**—**	**—**	**61,794**	**36,158**	**—**	**97,952**	**—**	**—**	**—**	**97,952**
	515,916	**555,936**	**61,794**	**36,158**	**3,309,419**	**4,479,223**	**308,422**	**—**	**—**	**4,787,645**
Segment operating profit	**9,248**	**37,566**	**56,076**	**23,248**	**3,493**	**129,631**	**21,241**	**3,016**	**—**	**153,888**
Finance income	**511**	**351**	**1,120**	**770**	**405**	**3,157**	**407**	**—**	**(429)**	**3,135**
Finance costs	**(451)**	**(545)**	**(47)**	**(58)**	**(1,351)**	**(2,452)**	**(2,313)**	**—**	**429**	**(4,336)**
Share of (losses)/profits of joint ventures	**(8,476)**	**190**	**794**	**—**	**—**	**(7,492)**	**—**	**—**	**—**	**(7,492)**
Share of profits of associates	**—**	**—**	**62**	**—**	**5,072**	**5,134**	**8**	**—**	**—**	**5,142**
Segment profit before income tax	**832**	**37,562**	**58,005**	**23,960**	**7,619**	**127,978**	**19,343**	**3,016**	**—**	**150,337**
Income tax expenses	**(4,911)**	**(5,629)**	**(7,145)**	**(4,463)**	**(433)**	**(22,581)**	**(5,107)**	**—**	**—**	**(27,688)**
Segment (loss)/profit after income tax	**(4,079)**	**31,933**	**50,860**	**19,497**	**7,186**	**105,397**	**14,236**	**3,016**	**—**	**122,649**
Balance sheet items:										
Total segment assets	**1,365,227**	**1,093,794**	**189,333**	**396,212**	**329,613**	**3,374,179**	**680,992**	**80,691**	**(247,358)**	**3,888,504**
Total segment assets include:										
— Joint ventures	**266,490**	**12,238**	**3,465**	**—**	**—**	**282,193**	**—**	**—**	**—**	**282,193**
— Associates	**—**	**—**	**2,234**	**—**	**118,735**	**120,969**	**7,123**	**—**	**—**	**128,092**
Total segment liabilities	**334,786**	**485,825**	**69,247**	**260,601**	**149,196**	**1,299,655**	**434,817**	**—**	**(247,358)**	**1,487,114**
Other items:										
Depreciation and amortisation, net of amount capitalized	**8,483**	**1,757**	**170**	**153**	**—**	**10,563**	**1,226**	**—**	**—**	**11,789**
Net provision for impairment of inventories	**6,304**	**—**	**—**	**—**	**—**	**6,304**	**—**	**—**	**—**	**6,304**
Net reversal of provision for impairment of trade receivables	**(2,331)**	**—**	**—**	**—**	**—**	**(2,331)**	**—**	**—**	**—**	**(2,331)**
Reversal of provision for impairment of other receivables	**—**	**—**	**—**	**—**	**—**	**—**	**(17,815)**	**—**	**—**	**(17,815)**
Additions to non-current assets (other than financial assets at fair value through other comprehensive income and deferred income tax assets)	**3,340**	**281**	**—**	**55**	**—**	**3,676**	**67**	**—**	**—**	**3,743**
	Year ended and as at 31st December 2017									
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
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

	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

(i) In regard to Marine equipment and spare parts segment, the equity interest in CSHT Marine Machinery Suppliers Limited ("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.

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	
	2018	2017
	HK$'000	*HK$'000*
Profit before income tax for reportable segments	**147,321**	168,630
Profit before income tax for other segments	**3,016**	1,877
Profit before income tax for all segments	**150,337**	170,507
Elimination of segment income from corporate headquarters	**(23)**	(174)
Elimination of segment finance costs to corporate headquarters	**3,105**	1,345
Corporate finance income	**73,015**	52,838
Corporate finance costs	**(7)**	(11)
Corporate (expenses)/income, net	**(8,958)**	5,915
Profit before income tax for the Group	**217,469**	230,420
Income tax expenses for all segments	**(27,688)**	(22,538)
Corporate income tax expenses	**(1,338)**	(338)
Profit after income tax for the Group	**188,443**	207,544

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
	2018	2017	2017
	HK$'000	*HK$'000*	*HK$'000*
Total assets for reportable segments	**4,055,171**	4,120,025	4,344,846
Total assets for other segments	**80,691**	98,563	111,322
Elimination of inter-segment receivables	**(247,358)**	(197,506)	(191,193)
	3,888,504	4,021,082	4,264,975
Corporate assets (mainly deposits and cash and cash equivalents)	**5,850,166**	5,745,085	5,590,216
Elimination of corporate headquarters' receivables from segments	**(171,795)**	(155,467)	(198,418)
Total assets for the Group	**9,566,875**	9,610,700	9,656,773

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

	30th June 2018 *HK$'000*	31st December 2017 *HK$'000*	30th June 2017 *HK$'000*
Total liabilities for reportable segments	**1,734,472**	1,677,218	1,884,704
Elimination of inter-segment payables	**(247,358)**	(197,506)	(191,193)
	1,487,114	1,479,712	1,693,511
Corporate liabilities	**78,681**	72,855	65,589
Elimination of segment payables to corporate headquarters	**(171,795)**	(155,467)	(198,418)
Total liabilities for the Group	**1,394,000**	1,397,100	1,560,682

5 OTHER INCOME AND GAINS — NET

	Six months ended 30th June	
	2018 *HK$'000*	2017 *HK$'000*
Rental income	**1,508**	585
Direct operating expenses for generating rental income	**(23)**	(18)
Dividend income from listed investments	**3,016**	2,888
Net (losses)/gains on disposal of property, plant and equipment	**(44)**	15,045
Fair value losses on derivative financial instruments	**—**	(1,026)
Fair value gains on financial assets at fair value through profit or loss	**—**	15
(Provision)/reversal of provision for impairment of inventories, net of reversal/(provision)	**(6,304)**	481
Written-off of inventories	**(21)**	—
Government subsidy income#	**16,240**	—
Net exchange gains	**39,651**	46,895
Management fee income	**20,909**	—
Others	**1,002**	856
	75,934	65,721

Government subsidy income included HK$12,229,000 (2017: Nil) recognised during the period 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 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") in relocating the production plant and settling the impacted staff. The remaining amount represented other government subsidy income.

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Depreciation and amortisation, net of amount capitalised in inventories totalling HK$2,384,000 (2017: HK$1,464,000)	**12,188**	12,278

7 FINANCE INCOME — NET

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Interest income from:		
— a fellow subsidiary	**1,584**	5,577
— a joint venture	**403**	17
— bank deposits	**74,163**	53,795
Total finance income	**76,150**	59,389
Interest expenses on short-term borrowings	**(570)**	(1,120)
Other finance charges	**(668)**	(2,191)
Total finance costs	**(1,238)**	(3,311)
Finance income — net	**74,912**	56,078

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2017: 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% (2017: 17% to 43%) during the period.

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

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

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**12,859**	18,335
— the PRC enterprise income tax	**10,944**	5,393
— other overseas taxation	**1,437**	986
— over-provision in prior period	**(615)**	(53)
Deferred income tax charge/(credit), net	**4,401**	(1,785)
Income tax expenses	**29,026**	22,876

9 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$184,034,000 (2017: HK$205,562,000) and the number of ordinary shares in issue during the period of 1,532,955,429 shares (2017: 1,532,955,429 shares).

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

10 DIVIDEND

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Interim dividend, declared, of HK$0.05 (2017: HK$0.06) per ordinary share	**76,648**	91,977

At the board meeting held on 24th August 2018, the directors of the Company declared an interim dividend of HK$0.05 per ordinary share for the six months ended 30th June 2018. 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 2018.

A final dividend of HK$183,955,000 relating to the year ended 31st December 2017 (2016: a final dividend and a special dividend totaling HK$160,960,000) was paid in June 2018.

11 NON-CURRENT DEPOSITS

As at 31st December 2017, deposit of HK$1,563,000 was placed with a financial institution in Japan and was interest-bearing at prevailing market rates.

12 TRADE AND OTHER RECEIVABLES

	30th June 2018	31st December 2017
	HK$'000	*HK$'000*
Trade receivables, net of provision for impairment	**875,195**	667,031
Bills receivable, prepayments, deposits, other receivables, amounts due from related parties and loan to a joint venture, net of provision for impairment	**830,761**	861,838
	1,705,956	1,528,869

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

	30th June 2018	31st December 2017
	HK$'000	*HK$'000*
Current – 90 days	**555,206**	506,386
91–180 days	**220,824**	100,338
Over 180 days	**99,165**	60,307
	875,195	667,031

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 PAYABLES, CONTRACT LIABILITIES AND OTHER PAYABLES

	30th June 2018	31st December 2017
	HK$'000	*HK$'000*
Trade payables	**448,184**	406,941
Bills payable, contract liabilities (2017: advances from customers), accrued liabilities, other payables, amounts due to related parties and dividend payable to non-controlling interests	**772,892**	904,421
	1,221,076	1,311,362

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 2018	31st December 2017
	HK$'000	*HK$'000*
Current – 90 days	**345,099**	345,913
91–180 days	**88,158**	46,161
Over 180 days	**14,927**	14,867
	448,184	406,941

14 FINANCIAL GUARANTEE CONTRACTS

As at 30th June 2018, the Group had financial guarantees issued in favour of a bank as security for general banking facilities granted to an associate.

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

	Year of maturity	**30th June 2018**	31st December 2017
		HK$'000	*HK$'000*
General banking facilities of an associate	**2019**	**168,731**	168,063

As at 30th June 2018, the credit risk and liquidity risk exposure relating to the above financial guarantee contract are considered as low.

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

15 EVENT AFTER THE BALANCE SHEET DATE

On 28th May 2018, the Company entered into the Capital Increase and Subscription Agreement with 常熟耐素生物材料科技有限公司 (Nasurfar Biomaterial Technology (Changshu) Co., Ltd.*) ("Nasurfar Changshu") and its existing shareholders to subscribe 33% equity interest in Nasurfar Changshu by way of capital injection of RMB89,830,000.

Nasurfar Changshu is principally engaged in the research and development, production and sales of biochemical products.

No payment was made as at 30th June 2018. The transaction was subsequently completed on 6th August 2018 and such investment has not been recognised in the financial statements for the six months ended 30th June 2018.

FINANCIAL REVIEW

Following the rebound in the market of international shipping industry in 2017, the Group continued to leverage on its advantages in terms of professionalism and scale and proactively edged up its marketing effort, therefore, the operating profit increased by 9% to HK$144,907,000 (2017: HK$133,093,000). However, due to a significant decrease in share of profits of joint ventures of HK$42,618,000, profit attributable to equity holders of the Company decreased to HK$184,034,000 (2017: HK$205,562,000), representing a decrease of 10% as compared to the same period of 2017. The basic and diluted earnings per share was 12.01 HK cents (2017: 13.41 HK cents), representing a decrease of 10% as compared to the same period of 2017.

Revenue

For the six months ended 30th June 2018, the Group's revenue increased by 26% to HK$4,787,645,000 (2017: HK$3,809,258,000) as compared to the same period of 2017. Revenue from the core shipping services business increased by 25% to HK$4,479,223,000 (2017: HK$3,588,873,000) and accounted for 94% (2017: 94%) of the Group's revenue. The increase was attributable to increase in segment revenues of coatings and marine fuel and other products. Revenue of general trading segment increased by 40% to HK$308,422,000 (2017: HK$220,385,000) and accounted for 6% (2017: 6%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the period increased by 1% to HK$305,636,000 (2017: HK$302,033,000) while gross profit margin dropped to 6.4% (2017: 7.9%). The decrease in gross profit margin 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.

Other Income and Gains — Net

Other income and gains — net of HK$75,934,000 (2017: HK$65,721,000) for the period primarily included net exchange gains of HK$39,651,000 (2017: HK$46,895,000) and government subsidy income of HK$12,229,000 (2017: Nil) recognised in respect of a specific subsidy granted by the Shanghai Baoshan District Government. Such subsidy was a compensation for the relevant costs and expenses incurred by COSCO Kansai (Shanghai) in relocating the production plant and settling the impacted staff. Moreover, there was a management fee income of HK$20,909,000 (2017: Nil) arising from the provision of management services by the Company in relation to the day to day business operations and management of COSCO SHIPPING (Hong Kong) Co., Limited, ("COSCO SHIPPING (Hong Kong)") and its subsidiaries according to the management services master agreement (the "Management Services Master Agreement") dated 7th February 2018.

Reversal of Provision/(Provision) for Impairment of Trade and Other Receivables, Net of (Provision)/Reversal

The Group keeps focusing on strengthening collection of trade receivables, therefore, during the period, there was a reversal of provision for impairment of trade receivables, net of provision of HK$2,331,000 (2017: provision for impairment of trade receivables, net of reversal of HK$1,705,000). During the period, there was a reversal of provision for impairment of other receivables of HK$17,815,000 (2017: Nil).

Selling, Administrative and General Expenses

During the period, selling, administrative and general expenses increased by 10% to HK$256,809,000 (2017: HK$232,956,000). The increase in selling expenses was mainly attributable to the significant increase in the segment revenues of coating as compared to the same period of last year. The increase in administrative expenses was attributable to expenses arising from the provision of management services to COSCO SHIPPING (Hong Kong) and its subsidiaries according to the Management Services Master Agreement.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, increased by 28% to HK$76,150,000 (2017: HK$59,389,000) as a result of the increase in interest rate of cash deposit as compared to the same period of 2017.

Finance Costs

Finance costs, which mainly represented interest expenses on short-term borrowings and other financial charges, decreased by 63% to HK$1,238,000 (2017: HK$3,311,000).

Share of (Losses)/Profits of Joint Ventures

The Group's share of losses of joint ventures was HK$7,492,000 (2017: share of profits of HK$35,126,000). This item primarily represented the share of loss of Jotun COSCO of HK$8,476,000 (2017: share of profit of HK$34,181,000) which was included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates decreased by 16% to HK$5,142,000 (2017: HK$6,123,000). This item primarily comprised the share of profit of Double Rich of HK$5,072,000 (2017: HK$5,205,000) 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 decreased by 10% to HK$184,034,000 (2017: HK$205,562,000).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2018, capital and reserves attributable to the Company's equity holders decreased by 1% to HK$7,871,687,000 (31st December 2017: HK$7,914,129,000). As at 30th June 2018, total cash and bank balances (including restricted bank deposits of HK$1,779,000) of the Group was HK$6,384,278,000 (31st December 2017: HK$6,486,970,000, including non-current deposits and restricted bank deposits). During the period, the Group has net drawdown of short-term borrowings in the amount of HK$83,027,000 (2017: Nil). As at 30th June 2018, total banking facilities available to the Group amounted to HK$866,270,000 (31st December 2017: HK$844,952,000), of which HK$212,257,000 (31st December 2017: HK$345,673,000) had been utilised. The gearing ratio, which represented total short-term borrowings over total assets, was 0.9% (31st December 2017: 0%). As at 30th June 2018, the Group had net cash (represented total deposits and cash and cash equivalents less short-term borrowings) of HK$6,301,251,000 (31st December 2017: HK$6,486,970,000). To enhance the Group's finance income and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mixture of stable and conservative financial products, including overnight deposits, term deposits and offshore fixed deposits. Return of 2.35% on the Group's cash was achieved for the period, representing 2 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of June 2018. As at 30th June 2018, 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 when necessary, 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 PRC.

EMPLOYEES

As at 30th June 2018, excluding joint ventures and associates, the Group had 870 (31st December 2017: 846) employees, of which 173 (31st December 2017: 110) were Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, were HK$171,543,000 (2017: HK$150,234,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the period, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme. No share option scheme is in operation and no share options of the Company are outstanding.

INTERIM DIVIDEND

The Board has declared an interim dividend of 5 HK cents (2017: 6 HK cents) per share for the six months ended 30th June 2018 which will be payable on 28th September 2018 to the shareholders of the Company whose name appear on the register of members of the Company (the "Register of Members") on 19th September 2018.

For the purpose of ascertaining shareholders' entitlement to the interim dividend, the Register of Members will be closed from 17th September 2018 to 19th September 2018, 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 2018, 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 14th September 2018.

REVIEW OF BUSINESS OPERATIONS

During the first half of 2018, the export growth of the PRC slowed down and the recovery of shipping market was held back as the global economy encountered more interference and difficulties. Under such unfavorable market conditions, the Group actively coped with the change of modern ships and professional ship operation and to turn challenges into opportunities with the construction of shipping services industrial cluster as its basis. In respect of internal management, the Group firmly promoted restructuring and consolidation in order to allocate resources more efficiently. At the beginning of this year, COSCO SHIPPING (Hong Kong), the parent company of the Company has entered into the Management Services Master Agreement with the Company to address the issues of organisational and functional overlapping. As a result, the Company's efficiency of operating and decision-making has been improved substantially. In respect of business expansion, the Company has further optimised its business structure by facilitating the upgrade of its traditional businesses and the development in emerging industries in line with national strategies, industrial development and market demand. The Company has, in May 2018, entered into the capital increase and subscription agreement (the "Capital Increase and Subscription Agreement") in respect of capital increase and subscription of 33% equity interest in Nasurfar Changshu. Nasurfar Changshu is principally engaged in the research and development, production and sales of biochemical products and has been developing a number of product lines principally based on cashew nut shell oil. Such subscription enables the Company to extend its industry chain, and will generate sound synergies with the Company's existing businesses. In respect of existing businesses, the Company actively coped with the tough market conditions. It endeavored to attract customers with more comprehensive technical solutions and better value-added services, increase income and reduce expenditure by actively compressing costs and recovering receivables. The Company also fully exploited the integrity and synergies brought by the shipping services industrial cluster by implementing the marketing strategies and planning from an overall perspective and promoting the synergies while managing different sectors.

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$4,479,223,000 (2017: HK$3,588,873,000), representing an increase of 25% as compared to the same period of 2017. The increase was mainly attributable to the significant increase in revenues from the segment of marine fuel and other products and coatings. Profit before income tax from shipping services was HK$127,978,000 (2017: HK$169,737,000), representing a decrease of 25% as compared to the same period of 2017. The decrease was mainly attributable to the significant decrease in profit before income tax from the segment of coatings for the period as compared to the same period of 2017 resulted from the dramatic decrease in share of profit of Jotun COSCO causing loss making.

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 decreased by 16% to HK$61,794,000 (2017: HK$73,624,000) as compared to the same period of 2017. Segment profit before income tax was HK$58,005,000 (2017: HK$52,265,000), representing an increase of 11% as compared to the same period of 2017. The increase in the segment profit before income tax was mainly attributable to the increase in exchange gains during the period.

The number of delivered new build vessels ordered through COSCO SHIPPING Ship Trading was 18 (2017: 22), aggregating 3,060,000 dead weight tonnages (2017: 2,030,000 dead weight tonnages). During the period, the number of new build vessel ordered through COSCO SHIPPING Ship Trading was 8 (2017: Nil), aggregating 1,927,000 dead weight tonnages (2017: Nil). For second-hand vessels, the sale and purchase of a total of 14 (2017: 52) second-hand vessels through COSCO SHIPPING Ship Trading were recorded, aggregating 560,000 dead weight tonnages (2017: 2,800,000 dead weight tonnages).

COSCO SHIPPING Ship Trading has proactively explored external customers for the second-hand vessels agency business while pushing forward its internal business, and built up brand recognition while achieved economic benefits. For the new business sectors with high barriers for entry and high added-value, COSCO SHIPPING Ship Trading has made significant progress and laid a solid foundation for its sustainable healthy development.

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 provision of professional 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$36,158,000 (2017: HK$46,582,000), representing a decrease of 22% as compared to the same period of 2017. Segment profit before income tax was HK$23,960,000 (2017: HK$33,414,000), representing a decrease of 28% as compared to the same period of 2017, which mainly attributed to the decrease in revenue from insurance brokerage segment.

By closely following market changes, COSCO SHIPPING Insurance Brokers satisfied the needs of customers and addressed their problems through providing its high-quality service. COSCO SHIPPING Insurance Brokers arranged hull and machinery insurance and war insurance, and successfully completed new terminal insurance and annual renewal insurance for the customers. Besides, it also obtained the insurance renewal services of various enterprises outside COSCO SHIPPING Group, and thus ensured the business stability outside COSCO SHIPPING Group.

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 communications systems, satellite communications 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, etc..

During the period, revenue from marine equipment and spare parts segment was HK$555,936,000 (2017: HK$651,961,000), representing a decrease of 15% as compared to the same period of 2017. Segment profit before income tax was HK$37,562,000 (2017: HK$42,555,000), representing a decrease of 12% as compared to the same period of 2017, which was mainly attributable to the younger fleet structures of customers and the lower demand for marine equipment and spare parts.

COSCO Yuantong Operation Headquarters actively took measures responsive to the trend of fleet modernization and decreasing vessel age. For the purpose of minimising costs and improving effectiveness for the shipping companies, it strove to obtain the most favourable terms from its suppliers. Meanwhile, it endeavored to establish win-win relationships with shipping companies by actively enriching its service items and contents, to exploring its own market share and further improving customer satisfaction while effectively lower the cost for shipping companies.

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 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), 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 period, revenue from coatings segment was HK$515,916,000 (2017: HK$386,903,000), representing an increase of 33% as compared to the same period of 2017. The increase was mainly due to a marked increase of 71% in average selling price of container coatings as compared to the same period of 2017. Segment profit before income tax was HK$832,000 (2017: HK$34,558,000), representing a decrease of 98% as compared to the same period of 2017. Such decrease was mainly due to dramatic decrease in share of profit of Jotun COSCO turning to share of loss of HK$8,476,000 from share of profit of HK$34,181,000 in the same period of 2017.

For container coatings, COSCO Kansai Companies continued to strengthen the research and development and application of water-based container coatings technologies, as well as proactively coped with the cost pressure on one hand; and improved marketing service level, strived for every order and consolidate the cooperation with each strategic consumer on the other hand. During the period, the sales volume of container coatings was 9,983 tonnes, representing a decrease of 24% as compared with 13,200 tonnes in the same period of 2017.

The decrease was mainly due to the placing of large amount of orders for oil-based container coatings before the implementation of the policy in respect of replacing oil-based coatings by water-based coatings in April 2017 which did not happen during the period.

For heavy-duty anti-corrosion coatings, COSCO Kansai Companies seized the opportunity of market boom, the business volume of port facilities and bridge coatings grew rapidly, thus the overall business volume enjoyed a steady increase. During the period, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 9,117 tonnes (2017: 8,387 tonnes), representing an increase of 9% as compared to the same period of 2017.

For marine coatings, sales volume of Jotun COSCO's coatings for new build vessels amounted to 22,711,000 litres (2017: 22,173,000 litres) during the period, representing an increase of 2% as compared to the same period of 2017. Sales volume of coatings for repair and maintenance was 10,450,000 litres (2017: 10,668,000 litres), representing a decrease of 2% as compared to the same period of 2017. The sales volume of Jotun COSCO's marine coatings amounted to 33,161,000 litres (equivalent to approximately 44,768 tonnes) (2017: 32,841,000 litres (equivalent to approximately 44,335 tonnes)), representing an increase of 1% as compared to the same period of 2017. During the period, the Group's share of loss from Jotun COSCO was HK$8,476,000 (2017 share of profit: HK$34,181,000). It was mainly attributable to the significant increase in raw material price. With the selling price being fixed under the sales contracts signed before 2018, there was a decline in gross profit compared with the same period last year, resulting in a loss during the period.

As at 30th June 2018, Jotun COSCO had coating contracts on hand for new build vessels amounting to 37,220,000 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.

Under the sharp increase in raw material price and severe price competition, Jotun COSCO strengthened and enhanced its influence and reputation in the industry through interaction and communication at the technical level such as product testing and joint publication of articles. Jotun COSCO has built a stable business connection by visiting the major customers of the ship building and repairing sector. It set up and promoted coating application solutions with an aim to improve coating efficiency and reduce costs; and stabilized the business relationship with major shipbuilders, so as to lay a solid foundation for the future market recovery.

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 and related products, and its principle activities is the oils (including crude oil, solid fuel and other petroleum-related products), trading and supply services of marine fuel. Its business network preliminary covers oil ports such as Singapore and Malaysia, etc..

During the period, total sales volume of marine fuel products was 1,047,818 tonnes, representing an increase of 4% as compared with 1,004,982 tonnes in the same period of 2017. Revenue from the marine fuel and other products segment was HK$3,309,419,000, representing an increase of 36% as compared with HK$2,429,803,000 in the same period of 2017, which was mainly attributable to the increase in sales volume and prices of marine fuel as compared to the same period of 2017.

Sticking to the concept of steady operation, Sinfeng continuously focused on the business with low risk and retained quality customers through management measures such as steadily exploring markets, strengthening collection of accounts receivable and minimising management cost in order to continuously increase profit.

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$5,072,000 (2017: HK$5,205,000), down by 3% as compared to the same period of 2017.

During the period, profit before income tax from marine fuel and other products segment was HK$7,619,000 (2017: HK$6,945,000), representing an increase of 10% as compared with the same period of 2017.

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, warehousing, processing and supply of asphalt and other comprehensive trading.

During the period, COSCO SHIPPING International Trading's sales volume of asphalt was 77,197 tonnes, representing an increase of 53% as compared with 50,458 tonnes in the same period of 2017. Revenue from general trading segment was HK$308,422,000 (2017: HK$220,385,000), representing an increase of 40% as compared to the same period of 2017. Segment profit before income tax was HK$19,343,000 (2017: loss before tax of HK$1,107,000), representing an increase of HK$20,450,000 as compared to the same period of 2017. It was mainly attributable to the growth of asphalt business and reversal of provision for impairment of other receivables of approximately HK$17,815,000 during the period.

During the period, despite the intensifying competition faced by the asphalt business, COSCO SHIPPING International Trading took various measures, such as making proper projects supply management and setting reasonable procurement schedule, to reduce warehousing cost. Meanwhile, COSCO SHIPPING International Trading kept a steady profit margin of asphalt business through following up the trend of procurement prices, proactively improving the resources allocation and purchasing via different channels.

EVENT AFTER THE BALANCE SHEET DATE

On 28th May 2018, the Company entered into the Capital Increase and Subscription Agreement with Nasurfar Changshu and its existing shareholders to subscribe 33% equity interest in Nasurfar Changshu by way of capital injection of RMB89,830,000. Nasurfar Changshu is principally engaged in the research and development, production and sales of biochemical products. The transaction was completed on 6th August 2018.

PROSPECTS

Looking forward to the second half of 2018, although authoritative organisations remain optimistic about economic growth, the International Monetary Fund (IMF) considers that with increasing international trade tensions, the extensive global economic expansion that began about two years ago has entered the top plate phase and the balance has been reduced, and the global growth rate for this year and next year is about 3.9%. However, it should be pointed out that due to trade friction and other factors, the synchronisation of global economic growth has presented a downward trend and the uncertainties has increased. Emerging markets are facing a risk of capital outflows and the market volatility will continue. The shipping market is overshadowed by the intensifying trade friction between China and the United States, the continuous slowdown of the gross domestic product (GDP) growth rate of the PRC in the second quarter as well as the rising oil price and the capacity imbalance which have plagued the shipping industry. Despite less direct impact from the macro market, the shipping services industry also encounters the cost pressure from the shipping industry. Meanwhile, it also needs to actively respond to the challenges arising from fleet modernisation and professionalisation in ship operation.

COSCO SHIPPING International will further accelerate the development, transformation and upgrades 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 will further strive for the consolidation and restructuring of shipping service assets within COSCO SHIPPING Group and seek acquisition opportunities for shipping services business outside COSCO SHIPPING Group in order to extend and improve the industrial chain of shipping services, gradually build up the core competitiveness of shipping services industrial cluster and become a world class and the leading shipping services company in China. For the non-financial business investment platform, the Company will strive to promote the development of new projects through focusing on opportunities brought by the "One Belt and One Road" and "Guangdong-Hong Kong-Macao Bay Area" strategies and combining with the investment demands of COSCO SHIPPING Group's strategic and key development areas, hence bringing actual benefits to the investors.

For ship trading agency services, COSCO SHIPPING Ship Trading will further optimise its management structure and enhance the quality and efficiency of service standards. While completing the delivery of internal new build vessel orders, the Company will promote and implement the external cooperation projects, striving for the completion of new business as soon as possible.

For marine insurance brokerage services, COSCO SHIPPING Insurance Brokers will strive to explore the potential of non-marine insurance business while maintaining its existing business. Meanwhile, the Company will endeavor to develop new customers on the basis of maintaining the existing business of non-COSCO SHIPPING Group customers.

For supply of marine equipment and spare parts, against the backdrop of the weakness of spare parts market in the second half of 2018, COSCO Yuantong Operation Headquarters will continue to create benefits based on services, enhance its one-stop services capability of procurement and logistics, and further closely co-operate with suppliers to achieve and improve its bargaining power with suppliers.

For container coatings, COSCO Kansai Companies will further optimise product performance through proactively shifting the development of water-based coatings from adaptability to superiority, and reduce the prescription cost and expand the selection of suppliers as well as supply pipeline by deeply cooperating with partners who are equipped with higher technical strength and cost competitiveness in raw material. Meanwhile, they will also consolidate the marketing effort on container manufacturing enterprises and container owners to gradually improve market share. For industrial heavy-duty anti-corrosion coatings, they will further promote the research and development of industrial anti-corrosion coating products and gradually accelerate the water-based development of industrial anti-corrosion coating products.

For marine coatings, Jotun COSCO will incorporate various uncertainties into its decision-making by taking into account of the analysis on various possible scenarios in the future, tease out its marketing service resources and conduct data analysis on customer base to develop and maintain the market according to customers and product positioning, strive to increase the market share of the coatings for repair and maintenance by securing high-quality orders for new build vessels, and pursue a sound credit control policy as well as implement strict control on cost budget and other measures, so as to achieve better operating results in a tough market.

For 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 the steady operation strategy and devote to control risk, solicit business from new customers cautiously while retaining its existing quality customers to secure the steady growth of profits and business scale.

For general trading, COSCO SHIPPING International Trading will keep track on the successfully tendered projects and refine the existing business to generate the expected revenue. Meanwhile, it will make efforts to accelerate its transformation and upgrading.

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 2018.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30th June 2018 except that Mr. Chen Dong, the Non-executive Director, was unable to attend the annual general meeting of the Company held on 30th May 2018 due to other business engagement, a deviation from the code provision of A.6.7. of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings 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 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 2018.

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 six months ended 30th June 2018, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the period.

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

Hong Kong, 24th August 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*