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中國遠洋控股股份有限公司
China COSCO Holdings Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 1919)

ANNOUNCEMENT OF 2016 INTERIM RESULTS

RESULTS HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	Difference
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>	
Continuing operations			
Revenues	29,628,964	28,872,211	756,753
(Loss)/profit attributable to equity holders of the Company arising from:			
- Continuing operations	(3,499,294)	1,262,968	(4,762,262)
- Discontinued operations	(3,709,883)	<u>711,138</u>	(4,421,021)
	(7,209,177)	<u>1,974,106</u>	(9,183,283)
Basic (loss)/earnings per share			
- From continuing operations	(0.3425)	0.1236	(0.4661)
- From discontinued operations	(0.3631)	<u>0.0696</u>	(0.4327)
	(0.7056)	0.1932	(0.8988)

The Board hereby announces the unaudited consolidated interim results of the Group for the six months ended 30 June 2016. The unaudited interim financial information has been reviewed by the audit committee of the Company, comprising a majority of independent non-executive Directors.

The unaudited condensed consolidated interim income statement, the unaudited condensed consolidated interim statement of comprehensive income and the unaudited condensed consolidated interim balance sheet of the Group and its explanatory notes 1 to 11 as presented below are extracted from the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2016, which has been reviewed by the international auditor of the Company, 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.

**UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

		Six months ended 30 June	
	<i>Note</i>	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>
Continuing operations			
Revenues	3	29,628,964	28,872,211
Cost of services and inventories sold		<u>(31,128,857)</u>	<u>(26,803,085)</u>
Gross (loss)/profit	4	(1,499,893)	2,069,126
Other income, net		83,627	1,350,793
Selling, administrative and general expenses		<u>(1,647,446)</u>	<u>(1,510,244)</u>
Operating (loss)/profit	4	(3,063,712)	1,909,675
Finance income	5	222,831	385,917
Finance costs	5	(990,785)	(977,716)
Net related exchange (loss)/gain	5	(208,923)	155,986
Net finance costs	5	(976,877)	(435,813)
Share of profits less losses of			
- joint ventures		376,473	395,936
- associates		<u>282,931</u>	<u>428,589</u>
(Loss)/profit before income tax		(3,381,185)	2,298,387
Income tax expenses	6	<u>(275,691)</u>	<u>(285,501)</u>
(Loss)/profit for the period from continuing operations		(3,656,876)	2,012,886

**UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
(CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Six months ended 30 June	
<i>Note</i>	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Restated)</i>
Discontinued operations		
Loss on disposals of subsidiaries	(2,430,262)	—
(Loss)/profit for the period after tax of discontinued operations	(708,461)	725,549
(Loss)/profit from discontinued operations	<u>(3,138,723)</u>	<u>725,549</u>
 (Loss)/profit for the period	 <u>(6,795,599)</u>	 <u>2,738,435</u>
 (Loss)/profit attributable to:		
Equity holders of the Company	(7,209,177)	1,974,106
Non-controlling interests	<u>413,578</u>	<u>764,329</u>
	<u>(6,795,599)</u>	<u>2,738,435</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016 (CONTINUED)**

		Six months ended 30 June	
	<i>Note</i>	2016	2015
		<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Restated)</i>
(Loss)/profit attributable to equity holders of the Company arising from:			
-Continuing operations		(3,499,294)	1,262,968
-Discontinued operations		<u>(3,709,883)</u>	<u>711,138</u>
		<u>(7,209,177)</u>	<u>1,974,106</u>
		<i>RMB</i>	<i>RMB</i>
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic (loss)/earnings per share			
-From continuing operations	8	(0.3425)	0.1236
-From discontinued operations	8	<u>(0.3631)</u>	<u>0.0696</u>
		<u>(0.7056)</u>	<u>0.1932</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Six months ended	
	30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
(Loss)/profit for the period	(6,795,599)	2,738,435
	<u>-----</u>	<u>-----</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value (losses)/gain on available-for-sale financial assets, net of tax	(45,759)	46,026
Share of other comprehensive income of joint ventures and associates	2,643	4,630
Currency translation differences	(129,865)	(182,565)
Recycling of currency translation differences upon disposals of subsidiaries	3,368,688	—
<i>Item that may not be reclassified subsequently to profit or loss</i>		
Remeasurements of post-employment benefit obligations	134,980	(80)
	<u>-----</u>	<u>-----</u>
Total other comprehensive income/(loss)	3,330,687	(131,989)
	<u>-----</u>	<u>-----</u>
Total comprehensive (loss)/income for the period	(3,464,912)	2,606,446
	<u>-----</u>	<u>-----</u>
Total comprehensive (loss)/income for the period attributable to:		
- Equity holders of the Company	(4,123,142)	1,884,774
- Non-controlling interests	658,230	721,672
	<u>-----</u>	<u>-----</u>
Total comprehensive (loss)/income attributable to equity holders of the Company arising from:		
- Continuing operations	(3,805,682)	1,173,929
- Discontinued operations	(317,460)	710,845
	<u>-----</u>	<u>-----</u>
	(4,123,142)	1,884,774
	<u>-----</u>	<u>-----</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 JUNE 2016**

	<i>Note</i>	As at 30 June 2016 RMB'000	31 December 2015 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		47,760,939	86,189,724
Investment properties		170,830	313,579
Leasehold land and land use rights		1,692,913	1,866,303
Intangible assets		142,529	163,456
Joint ventures		9,668,529	10,094,493
Associates		9,787,855	11,052,601
Loans to joint ventures and an associate		591,260	574,791
Available-for-sale financial assets		1,662,347	2,514,923
Deferred income tax assets		79,195	129,245
Restricted bank deposits		7,038	4,466
Other non-current assets		<u>308,304</u>	<u>920,306</u>
Total non-current assets		<u>71,871,739</u>	<u>113,823,887</u>
Current assets			
Inventories		1,294,327	1,502,291
Trade and other receivables	9	9,618,025	10,508,375
Available-for-sale financial assets		—	270,000
Restricted bank deposits		285,164	325,566
Cash and bank balances		<u>34,771,087</u>	<u>33,604,777</u>
Total current assets		<u>45,968,603</u>	<u>46,211,009</u>
Total assets		<u>117,840,342</u>	<u>160,034,896</u>

**UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
(CONTINUED)
AS AT 30 JUNE 2016**

	<i>Note</i>	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		10,216,274	10,216,274
Reserves		10,087,782	18,191,391
		20,304,056	28,407,665
Non-controlling interests		18,908,928	24,582,013
Total equity		<u>39,212,984</u>	<u>52,989,678</u>
LIABILITIES			
Non-current liabilities			
Long-term borrowings		48,689,042	75,293,422
Provisions and other liabilities		550,743	1,260,485
Deferred income tax liabilities		511,242	586,644
Total non-current liabilities		<u>49,751,027</u>	<u>77,140,551</u>
Current liabilities			
Trade and other payables	10	19,364,362	17,835,785
Short-term borrowings		4,705,349	2,955,191
Current portion of long-term borrowings		4,068,738	8,216,271
Current portion of provisions and other liabilities		13,859	126,262
Tax payable		724,023	771,158
Total current liabilities		<u>28,876,331</u>	<u>29,904,667</u>
Total liabilities		<u>78,627,358</u>	<u>107,045,218</u>
Total equity and liabilities		<u>117,840,342</u>	<u>160,034,896</u>
Net current assets		<u>17,092,272</u>	<u>16,306,342</u>
Total assets less current liabilities		<u>88,964,011</u>	<u>130,130,229</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

China COSCO Holdings Company Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively.

The businesses of the Company and its subsidiaries (the “Group”) included the provisions of a range of container shipping, dry bulk shipping, managing and operating container terminals and container leasing services on a worldwide basis.

On 15 March 2016 and 24 March 2016, the Group completed the disposal of China COSCO Bulk Shipping (Group) Co., Ltd. (“COSCO Bulk”) to COSCO and the disposal of Florens Container Holdings Limited (“FCHL”) to China Shipping (Group) Company (“China Shipping Group”) for considerations of RMB4.87 billion and RMB7.91 billion (subject to completion audit adjustments) respectively. After the disposal, COSCO Bulk and FCHL ceased to be subsidiaries of the Group. The loss on disposals and the operation results of COSCO Bulk and FCHL are disclosed as discontinued operations in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” as the dry bulk shipping and the container leasing businesses each constitutes a separate business segment within the Group. The comparative information in this interim financial information has been restated accordingly.

During the period, the Group had completed the acquisitions from China Shipping Group the equity interests in the below entities (“Acquired Entities”) for considerations as set out below:

- (a) On 18 March 2016, the Group completed its acquisition of all the shares in China Shipping Ports Development Co., Limited (“CSPD”) at a total consideration of RMB7.59 billion (subject to completion audit adjustments);
- (b) In the first quarter of 2016, except for the acquisitions of 100% equity interests in China Shipping Container Lines Agency (Shenzhen) Co., Ltd. and Universal Logistics (Shenzhen) Co., Ltd., the Group completed its acquisitions of remaining agency companies (“Agency Companies”), at a total consideration of RMB0.76 billion (subject to completion audit adjustments).

The Acquired Entities’ parent company is China Shipping Group, which is also a state-owned enterprise wholly-owned and controlled by SASAC and therefore, the aforesaid transactions were regarded as business combinations under common control. The comparative information in this interim financial information has been restated accordingly.

On 29 February 2016, the Company and China Shipping Container Lines Company Limited (“CSCL”) entered into the lease agreement, pursuant to which the Company conditionally agreed to lease from CSCL, and CSCL conditionally agreed to lease to the Company, vessels and containers owned or operated by CSCL. On 1 March 2016, the Company had begun the leasing arrangements with CSCL.

1 **General information (Continued)**

On 11 December 2015, CSCL conditionally agreed to make capital contribution to COSCO Finance Co., Ltd (“COSCO Finance”) while the Company proposed not to exercise the right to contribute at the same proportion. Upon completion of the transaction, the equity interest held by the Group in COSCO Finance shall decrease from approximately 17.25% (without considering the equity interest held by the Group in COSCO Finance via COSCO Bulk, as COSCO Bulk had been disposed of) to 14.23%. As of 30 June 2016, the above transaction had not been completed.

On 4 May 2016, the Company has received notification from China Ocean Shipping (Group) Company (“COSCO”) that State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) has transferred its entire equity interest in COSCO at nil consideration to China COSCO SHIPPING Corporation Limited (“COSCO SHIPPING”), a state-owned enterprise established in the PRC and wholly-owned and controlled by SASAC. With the completion of this equity transfer from COSCO to COSCO SHIPPING, the directors of the Company (the “Directors”) regard COSCO SHIPPING as being the Company’s parent company. COSCO SHIPPING and its subsidiaries (other than the Group) are collectively referred to as “COSCO SHIPPING Group”.

This unaudited interim financial information for the six months ended 30 June 2016 (the “Interim Financial Information”) is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated. The Interim Financial Information was approved by the Board of Directors for issue on 25 August 2016.

The Interim Financial Information has been reviewed, and not audited.

2 **Basis of preparation and significant accounting policies**

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainties particularly over the level of demand for the Group’s services and the availability of bank finance for the foreseeable future. The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the Interim Financial Information.

The Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2015 (the “2015 Annual Financial Statements”) which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

2 Basis of preparation and significant accounting policies (Continued)

Except as described below, the significant accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with the 2015 Annual Financial Statements.

(a) Amendments and interpretation to standards adopted by the Group

The amendments and interpretation to standards which are mandatory for the financial year beginning on 1 January 2016 do not have any significant effect on the Interim Financial Information or result in any significant changes in the Group's significant accounting policies.

(b) New and amended standards not effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Group

The HKICPA has issued certain new and amended standards, which are not yet effective for the year beginning on 1 January 2016.

The Group has not early adopted these new and amended standards in the Interim Financial Information, but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will result.

3 Revenues and segment information

Revenues include gross revenues from operations of container shipping, dry bulk shipping, container terminal operations and container leasing, net of discounts allowed, where applicable. Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Continuing operations		
Container shipping	27,645,643	26,978,854
Container terminal operations	<u>1,693,502</u>	<u>1,520,266</u>
Turnover	29,339,145	28,499,120
Crew service income	30,015	25,605
Others	<u>259,804</u>	<u>347,486</u>
Total revenues from continuing operations	<u>29,628,964</u>	<u>28,872,211</u>
Discontinued operations		
Dry bulk shipping	1,117,222	4,463,784
Container leasing	<u>477,276</u>	<u>978,323</u>
Total revenues from discontinued operations	<u>1,594,498</u>	<u>5,442,107</u>

3 Revenues and segment information (Continued)

Operating segments

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

- Container shipping and related business
- Dry bulk shipping and related business (discontinued operation)
- Container terminal operations and related business
- Container leasing, management, sale and related business (discontinued operation)
- Corporate and other operations that primarily comprise investment holding, management services and financing.

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude joint ventures, associates, loans to joint ventures and associates, available-for-sale financial assets not related to the segment and unallocated assets. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

Unallocated assets consist of deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investments in joint ventures and an associate and other non-current assets (excluding finance lease receivables).

3 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 30 June 2016							
	Continuing operations				Discontinued operations			
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Dry bulk management and related business RMB'000	Container leasing sales and related business RMB'000	Total RMB'000
Income statement								
Total revenues	27,965,524	1,797,966	—	(134,526)	29,628,964	1,117,222	477,276	1,594,498
Inter-segment revenues	—	(134,526)	—	134,526	—	—	—	—
Revenues (from external customers)	<u>27,965,524</u>	<u>1,663,440</u>	<u>—</u>	<u>—</u>	<u>29,628,964</u>	<u>1,117,222</u>	<u>477,276</u>	<u>1,594,498</u>
Segment (loss)/profit	(3,523,880)	1,252,309	(792,141)	—	(3,063,712)	(555,897)	82,591	(473,306)
Finance income					222,831			11,693
Finance costs					(990,785)			(183,503)
Net related exchange loss					(208,923)			(62,204)
Share of profits less losses of								
- joint ventures	11,700	364,773	—	—	376,473			5,233
- associates	6,998	275,933	—	—	282,931			(17)
Loss before income tax					(3,381,185)			(702,104)
Income tax expenses					(275,691)			(6,357)
Loss for the period					<u>(3,656,876)</u>			<u>(708,461)</u>
Loss on disposals of subsidiaries								<u>(2,430,262)</u>
Loss from discontinued operations								<u>(3,138,723)</u>
Loss/(gain) on disposals of property plant and equipment	71,922	(6,409)	—	—	65,513	—	—	—
Depreciation and amortisation	776,011	289,099	3,972	—	1,069,082	266,334	227,362	493,696
(Reversal of provision) /provision for impairment of trade and other receivables, net	(29,124)	994	—	—	(28,130)	6,393	—	6,393
Amortised amount of transaction costs on long-term borrowings	13,996	758	6,000	—	20,754	829	—	829
Amortised amount of discount on issue of notes	—	—	4,944	—	4,944	—	843	843
Additions to non-current assets	<u>480,616</u>	<u>516,391</u>	<u>1,749</u>	<u>—</u>	<u>998,756</u>	<u>38,205</u>	<u>2,082,108</u>	<u>2,120,313</u>

3 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 30 June 2015 (Restated)							
	Continuing operations				Discontinued operations			
	Container shipping and related business <i>RMB'000</i>	Container terminal and related business <i>RMB'000</i>	Corporate and other operations <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>	Dry bulk shipping and related business <i>RMB'000</i>	Container leasing, management, sales and related business <i>RMB'000</i>	Total <i>RMB'000</i>
Income statement								
Total revenues	27,352,683	1,696,396	—	(176,868)	28,872,211	4,463,784	978,323	5,442,107
Inter-segment revenues	—	(176,868)	—	176,868	—	—	—	—
Revenues (from external customers)	<u>27,352,683</u>	<u>1,519,528</u>	<u>—</u>	<u>—</u>	<u>28,872,211</u>	<u>4,463,784</u>	<u>978,323</u>	<u>5,442,107</u>
Segment profit/(loss)	1,664,117	521,787	(276,229)	—	1,909,675	688,491	380,389	1,068,880
Finance income					385,917			68,245
Finance costs					(977,716)			(450,130)
Net related exchange gain					155,986			6,700
Share of profits less losses of								
- joint ventures	11,958	383,978	—	—	395,936			15,839
- associates	5,796	301,343	121,450	—	<u>428,589</u>			<u>8,805</u>
Profit before income tax					2,298,387			718,339
Income tax (expenses)/credit					<u>(285,501)</u>			<u>7,210</u>
Profit for the period					<u>2,012,886</u>			<u>725,549</u>
Loss on disposals of property plant and equipment	248,740	1,118	—	—	249,858	94,163	—	94,163
Depreciation and amortisation	750,156	299,164	5,403	—	1,054,723	675,945	382,466	1,058,411
(Reversal of provision)/provision for impairment of trade and other receivables, net	(75)	—	—	—	(75)	9,995	(13,001)	(3,006)
Reversal for provision for litigation	—	—	—	—	—	(20,577)	—	(20,577)
Amortised amount of transaction costs on long-term borrowings	14,888	858	6,000	—	21,746	1,942	—	1,942
Amortised amount of discount on issue of notes	—	—	4,449	—	4,449	—	778	778
Additions to non-current assets	<u>90,981</u>	<u>218,797</u>	<u>1,616</u>	<u>—</u>	<u>311,394</u>	<u>2,834,834</u>	<u>1,074,267</u>	<u>3,909,101</u>

3 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 30 June 2016				
	Container shipping and related business	Container terminal and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance sheet					
Segment assets	56,507,302	19,701,191	29,048,169	(9,205,506)	96,051,156
Joint ventures	361,403	9,307,126	—	—	9,668,529
Associates	320,613	9,197,278	269,964	—	9,787,855
Loans to joint ventures and an associate	—	591,260	—	—	591,260
Available-for-sale financial assets	571,990	1,090,357	—	—	1,662,347
Unallocated assets					<u>79,195</u>
Total assets					<u>117,840,342</u>
Segment liabilities	55,141,923	6,270,314	25,185,362	(9,205,506)	77,392,093
Unallocated liabilities					<u>1,235,265</u>
Total liabilities					<u>78,627,358</u>

	As at 31 December 2015 (Restated)						
	Container shipping and related business	Dry bulk shipping and related business	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance sheet							
Segment assets	55,021,069	36,727,783	18,108,347	13,928,813	25,170,407	(13,557,576)	135,398,843
Joint ventures	301,013	616,700	9,938,479	—	—	(761,699)	10,094,493
Associates	49,229	1,252,119	8,931,784	—	819,469	—	11,052,601
Loans to joint ventures and an associate	—	—	574,791	—	—	—	574,791
Available-for-sale financial assets	844,326	555,081	1,431,683	—	270,000	(316,167)	2,784,923
Unallocated assets							<u>129,245</u>
Total assets							<u>160,034,896</u>
Segment liabilities	47,590,229	33,415,579	7,648,573	4,375,299	20,998,916	(8,341,180)	105,687,416
Unallocated liabilities							<u>1,357,802</u>
Total liabilities							<u>107,045,218</u>

3 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

3 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	Six months ended 30 June	
	2016	2015
	RMB'000	<i>RMB'000</i>
		<i>(Restated)</i>
Continuing operations		
Container shipping and related business		
- America	7,433,705	8,352,221
- Europe	5,834,477	5,249,834
- Asia Pacific	5,150,724	5,103,774
- China domestic	7,763,404	7,108,162
- Other international market	1,783,214	1,538,692
Container terminal and related business, corporate and other operations		
- Europe	583,417	450,801
- China domestic	1,079,833	1,030,138
Unallocated	190	38,589
Total	<u>29,628,964</u>	<u>28,872,211</u>
Discontinued operations		
Dry bulk shipping and related business		
- International shipping	906,163	4,043,087
- PRC coastal shipping	211,059	420,697
Container leasing and related business, corporate and other operations	<u>477,276</u>	<u>978,323</u>
Total	<u>1,594,498</u>	<u>5,442,107</u>

3 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, joint ventures and associates and other non-current assets (excluding finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels, containers and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
China domestic	31,521,348	28,643,821
Non-China domestic	8,222,245	13,425,905
Unallocated	<u>29,788,306</u>	<u>68,099,753</u>
Total	<u>69,531,899</u>	<u>110,169,479</u>

4 Operating (loss)/profit

Operating (loss)/profit is stated after crediting/charging the following:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		<i>(Restated)</i>
<u>Crediting:</u>		
Gain on disposals of property, plant and equipment		
- others	8,705	—
Reversal of provision for impairment of trade and other receivables	34,558	4,456
Government subsidy for demolition of vessels and other government subsidies, included in other income, net	—	1,548,680
Other government subsidy, included in other income, net	49,017	120,203
Dividend income from listed and unlisted investments	26,741	1,809
Investment income from available-for-sale financial assets	11,515	20,693
Net exchange gain	<u>5,170</u>	<u>—</u>
<u>Charging:</u>		
Loss on disposals of property, plant and equipment		
- container vessels	74,218	233,872
- others	—	10,475
Cost of bunkers consumed	2,503,003	3,385,284
Operating lease rentals		
- container vessels	5,701,650	3,700,249
- land and buildings	172,915	166,608
- other property, plant and equipment	536,869	514,704
Provision for impairment of trade and other receivables	6,428	4,381
Cost of inventories sold		
- merchandises	203,078	252,289
Net exchange loss	<u>—</u>	<u>110,651</u>

5 **Finance income and costs**

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
		<i>(Restated)</i>
Finance income		
Interest income from:		
- deposits in COSCO Finance	24,615	46,541
- deposits in China Shipping Finance Company Limited (“CS Finance”)	2,109	5,021
- loans to joint ventures and an associate	10,156	16,448
- banks	185,951	317,907
	222,831	385,917
	-----	-----
Finance costs		
Interest expenses on:		
- bank loans	(452,026)	(485,077)
- other loans wholly repayable within five years	(4,559)	(21,845)
- loans from COSCO Finance	(32,466)	(2,892)
- finance lease obligations	(11,058)	—
- notes	(390,064)	(372,282)
	(890,173)	(882,096)
Amortised amount of transaction costs on long-term borrowings	(20,754)	(21,746)
Amortised amount of discount on issue of notes	(4,944)	(4,449)
Other incidental borrowing costs and charges	(74,914)	(69,425)
	(990,785)	(977,716)
	-----	-----
Net related exchange (loss)/gain	(208,923)	155,986
	=====	=====
Net finance costs	(976,877)	(435,813)
	=====	=====

6 Income tax expenses

	Six months ended 30 June	
	2016	2015
	RMB'000	<i>RMB'000</i>
		<i>(Restated)</i>
Current income tax (note a)		
- PRC enterprise income tax	140,150	175,519
- Hong Kong profits tax	1,902	2,374
- Overseas taxation	<u>78,841</u>	<u>54,674</u>
	220,893	232,567
Deferred income tax (note b)	<u>54,798</u>	<u>52,934</u>
	<u>275,691</u>	<u>285,501</u>

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 46% .

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 25% .

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits derived from or arising in Hong Kong for the year.

(b) Deferred income tax

Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted at the balance sheet date.

As at 30 June 2016, the unrecognised deferred income tax liabilities were RMB3,674,279,000 (31 December 2015: RMB3,597,842,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2016 amounted to RMB15,898,141,000 (31 December 2015: RMB15,668,002,000).

As at 30 June 2016, the Group had tax losses of RMB47,499,701,000 (31 December 2015: RMB29,353,183,000), which were not recognised for deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB47,191,501,000 (31 December 2015: RMB28,775,961,000) will expire within five years.

7 Dividend

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

8 (Loss)/earnings per share

(a) Basic

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

	Six months ended 30 June	
	2016	2015
	RMB	RMB
		<i>(Restated)</i>
(Loss)/profit from continuing operations attributable to equity holders of the Company (RMB)	(3,499,294,000)	1,262,968,000
(Loss)/profit from discontinued operations attributable to equity holders of the Company (RMB)	<u>(3,709,883,000)</u>	<u>711,138,000</u>
	<u>(7,209,177,000)</u>	<u>1,974,106,000</u>
Number of ordinary shares in issue	<u>10,216,274,357</u>	<u>10,216,274,357</u>
Basic (loss)/earnings per share (RMB)		
From continuing operations	(0.3425)	0.1236
From discontinued operations	<u>(0.3631)</u>	<u>0.0696</u>
	<u>(0.7056)</u>	<u>0.1932</u>

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the (loss)/earnings per share for the six months ended 30 June 2016 and 2015, and the diluted (loss)/earnings per share is equal to the basic earnings per share for the six months ended 30 June 2016 and 2015 respectively.

9 Trade and other receivables

	As at 30 June 2016 <i>RMB'000</i>	As at 31 December 2015 <i>RMB'000</i> <i>(Restated)</i>
Trade receivables (notes a and b)		
- third parties	4,134,738	5,129,308
- fellow subsidiaries	515,663	775,568
- joint ventures	9,319	79,253
- associates	—	3,758
- other related companies	<u>147,895</u>	<u>58,458</u>
	4,807,615	6,046,345
Bills receivable (note b)	<u>212,710</u>	<u>205,951</u>
	<u>5,020,325</u>	<u>6,252,296</u>
Prepayments, deposits and other receivables		
- third parties	2,386,927	3,050,224
- fellow subsidiaries (note c)	1,595,151	623,764
- joint ventures (note c)	332,861	231,510
- associates (note c)	71,574	32,188
- other related companies (note c)	<u>211,187</u>	<u>271,676</u>
	<u>4,597,700</u>	<u>4,209,362</u>
Current portion of finance lease receivables	<u>—</u>	<u>46,717</u>
Total	<u><u>9,618,025</u></u>	<u><u>10,508,375</u></u>

Notes:

- (a) Trading balances with related parties are unsecured and have similar credit periods as third party customers.

9 Trade and other receivables (Continued)

Notes:

- (b) The normal credit period granted to trade receivables of the Group is generally within 90 days. Trade receivables primarily consist of voyage-related receivables. As at 30 June 2016, the aging analysis of trade and bills receivables on the basis of the date of relevant invoice or demand note was as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
1-3 months	4,663,753	6,035,385
4-6 months	251,557	184,301
7-12 months	91,719	58,875
Over 1 year	<u>84,019</u>	<u>191,919</u>
Trade and bills receivables, gross	5,091,048	6,470,480
Provision for impairment	<u>(70,723)</u>	<u>(218,184)</u>
	<u>5,020,325</u>	<u>6,252,296</u>

- (c) Other receivables due from related parties are unsecured, interest free and have no fixed terms of repayment.

10 Trade and other payables

	As at 30 June 2016 <i>RMB'000</i>	As at 31 December 2015 <i>RMB'000</i> <i>(Restated)</i>
Trade payables (note a)		
- third parties	4,219,054	5,224,102
- fellow subsidiaries	2,415,884	1,515,029
- joint ventures	164,648	95,483
- associates	41,447	16,504
- other related companies	<u>155,382</u>	<u>38,324</u>
	6,996,415	6,889,442
Bills payables (note a)	<u>107,800</u>	<u>120,384</u>
	<u>7,104,215</u>	<u>7,009,826</u>
	-----	-----
Advance from customers	<u>312,461</u>	409,461
	-----	-----
Other payables and accruals	<u>10,420,175</u>	8,985,056
	-----	-----
Due to related companies (note b)		
- fellow subsidiaries	490,686	310,899
- joint ventures	239,683	329,597
- associates	2,446	15,092
- other related companies	<u>794,696</u>	<u>775,854</u>
	<u>1,527,511</u>	1,431,442
	-----	-----
Total	<u><u>19,364,362</u></u>	<u><u>17,835,785</u></u>

10 Trade and other payables (Continued)

Notes:

- (a) As at 30 June 2016, the aging analysis of trade and bills receivables on the basis of the date of relevant invoice or demand note was as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
1-6 months	6,931,483	6,853,432
7-12 months	129,485	70,194
1-2 years	27,501	60,026
2-3 years	5,817	9,417
Over 3 years	9,929	16,757
	<u>7,104,215</u>	<u>7,009,826</u>

Trading balances with related parties are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

- (b) Other payables due to related parties, except for advances of US\$8,395,000 (equivalent to approximately RMB55,669,000)(31 December 2015: US\$8,395,000 (equivalent to approximately RMB54,514,000)) and US\$45,241,000(equivalent to approximately RMB300,002,000)(31 December 2015: nil) from non-controlling shareholders of subsidiaries that bear interest at 0.6% above 1-year US dollar LIBOR per annum and 3.9% per annum respectively, are unsecured, interest free and have no fixed terms of repayment.

11 Discontinued operations

- (a) Disposal of 100% equity interest in COSCO Bulk

The disposal of 100% equity interests in COSCO Bulk to COSCO was completed on 15 March 2016 for a total consideration of RMB4,873,281,000. Given that COSCO Bulk represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it had been classified as discontinued operation in the Interim Financial Information.

- (b) Disposal of 100% equity interest in FCHL

On 24 March 2016, COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, completed the disposal of all the issued shares in FCHL (representing the container leasing, management and sales, and related businesses of the Group) to China Shipping Group for a total consideration of US\$1,223,725,000 (approximately RMB7.91 billion). The FCHL's shareholder's loans in the aggregate sum of US\$285,000,000 (approximately RMB1.94 billion) were transferred on the same day to China Shipping Group at the consideration of US\$285,000,000 (approximately RMB1.94 billion). The consideration is subject to completion audit adjustments. Given that FCHL represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it is classified as discontinued operation in the Interim Financial Information.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 PREPARED UNDER THE HONG KONG FINANCIAL REPORTING STANDARDS

	For the six months ended 30 June 2016 <i>RMB'000</i>	For the six months ended 30 June 2015 <i>RMB'000</i> <i>(Restated)</i>	Changes Rate
Continuing operations:			
Revenue	29,628,964	28,872,211	2.62%
Operating (loss)/profit	(3,063,712)	1,909,675	-260.43%
(Loss)/profit before income tax	(3,381,185)	2,298,387	-247.11%
(Loss)/profit after tax from continuing operations	(3,656,876)	2,012,886	-281.67%
Discontinued operations:			
(Loss)/profit for the period after tax of discontinued operations	(708,461)	725,549	-197.64%
Loss on disposals of subsidiaries	(2,430,262)	—	—
(Loss)/profit from discontinued operations	(3,138,723)	725,549	-532.60%
(Loss)/profit for the period	(6,795,599)	2,738,435	-348.16%
(Loss)/profit attributable to equity holders of the Company	(7,209,177)	1,974,106	-465.19%
Basic (loss)/earnings per share	(0.7056)	0.1932	-465.22%

I. DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

In the first half of 2016, the global economy remained challenging and complicated with slowing growth. The overall demand in container shipping market continued to be sluggish since the second half of 2015. Despite the decrease in growth of shipping capacity as compared to last year, the sector still did not see significant improvement in the imbalanced supply and demand. The freight rate in shipping market stood at low level and repeatedly hit record lows. In the first half of 2016, the Shanghai Containerized Freight Index (SCFI) and China Containerized Freight Index (CCFI) were 533.8 points and 690.9 points, respectively, representing year-on-year decrease of 35.8% and 28.8%, respectively. In mid-March and at the end of April, SCFI and CCFI dropped to

the historic low of 400.4 points and 632.4 points, respectively. The prevailing freight rate of main routes in Europe and America recorded a year-on-year decrease of approximately 40%, and the freight rate of Asia and Europe routes even saw a low of US\$50/TEU, both were significantly lower than the level right after the financial crisis happened in 2008.

In order to adapt to the new competitive landscape and development trend in shipping industry, seize the unprecedented opportunities from the “One Belt and One Road” strategy of China and increase the competitiveness, in December 2015, China COSCO announced its restructuring plan with focus on the development of container logistics and terminal businesses. On 1 February 2016, the resolutions regarding the restructuring were overwhelmingly passed with over 99% of the votes casted in favor of the resolutions at the general meeting.

The integration of container shipping business under China COSCO commenced on 1 March 2016. Guided by the concept of “Four Ones” (One Team, One Culture, One Goal and One Dream), China COSCO executed and promoted various complicated and challenging work such as the comprehensive integration of institution and human resources, optimization of allocation of vessel and container fleets resources, communication and integration between customers and suppliers, optimization and integration of domestic and overseas networks, sorting out and improvement of business process, building and comprehensive training of marketing service team and change of shipping routes IT system. With nearly six months of efforts, progress has been made in a stable and efficient manner in every aspect, and major work of business integration have been basically completed with the establishment of standard marketing management system and customer maintenance system as well as standard operational process and operation management system. After the integration, the new container shipping company has diversified its route product portfolio, expanded its service network and achieved continuous improvement in customer experience. The scale of the self-operating container fleets increased significantly with self-operating capacity of 304 vessels and 1.61 million TEUs as of the end of June 2016, representing a year-on-year increase of 83.3%, and climbed to the fourth place in the world in terms of shipping capacity. In the first half of 2016, container shipping volume amounted to 7,413,378 TEUs, representing an increase of 39.19% as compared to the same period last year. As to cost saving, the Company was gradually creating synergy through optimization of shipping routes network and shipping capacity distribution, integration of container fleets, optimization of cost related to suppliers and optimization of management cost. In the first half of 2016, the cost per TEU recorded a year-on-year decrease of 13.17%; and the cost per TEU after deducting the fuel cost recorded a year-on-year decrease of 7.07%.

The integration of the terminal business under China COSCO was also smoothly executed. On 18 March 2016, COSCO SHIPPING Ports (formerly known as COSCO Pacific Limited), a non-wholly owned subsidiary of China COSCO, completed the acquisition of CSPD, and achieved significant expansion in the size of its terminal assets. As of the end of June, the Company's terminals operated 171 berths across the coastal area in China and several hub ports in the world, including 149 berths for containers in operation, 20 berths for break-bulk cargo and 2 berths for automobiles. In the first half of the year, the Company made significant progress in project development, which mainly included: the signing of a supplementary agreement in respect of the joint venture of container terminals with PSA Singapore on 28 March 2016 and the signing of equity transfer agreement with Europe Container Terminals B.V. (a subsidiary of Hutchison Port Holdings Limited) in respect of the Rotterdam EUROMAX container terminal project on 11 May 2016. In addition to completing the restructuring and integration of the head office, COSCO SHIPPING Ports also conducted research and formulated new strategic development plan, and actively facilitated the business integration of existing terminals in order to create synergy and enhance efficiency.

As to the performance of social responsibility, China COSCO continued to take various measures to actively protect the sustainable growth of the society and environment. For the container shipping business, the Company actively promoted the slow steaming operation and the usage of low sulfur fuel and reduced the emission of greenhouse gases such as carbon dioxide and sulfur oxides. Recently, the Company reiterated that in order to protect the marine biological environment, it would not accept the cargo space booking and transportation of the products related to whales and sharks. On 26 June 2016, COSCO SHIPPING Panama successfully completed its maiden voyage to the Panama Canal Expansion and became the first Neopanamax vessel to cross the newly constructed locks. For the terminal business, COSCO SHIPPING Ports actively promoted technology improvement and innovation with an aim to protecting the environment, achieving green and low-carbon operation, saving the energy, reducing emissions, saving costs and enhancing efficiency. It effectively reduced the carbon emission of terminals by promoting the implementation of various projects such as the substitution of fuel-powered terminal equipment with electrical-powered terminal equipment, LED lighting, smart and automatic terminal, smart control system of crane lighting and the new air hybrid power drop deck semi-trailers. In addition, the Company's performance of social responsibilities was continuously reflected by other energy-saving and emission-reduction projects such as the power supply for vessels at terminals.

In the first half of 2016, affected by the extremely low freight rate in the container shipping market, the average income per TEU from the Company's container shipping business recorded a year-on-year decrease of 23.93%, which exceeded the

decrease in average container freight cost per TEU. In the first half of 2016, with the restructuring, China COSCO realized net loss attributable to equity holders of the parent company of RMB7.209 billion, as compared to net profit attributable to equity holders of the parent company of RMB1.974 billion for the same period of last year. The loss for the reporting period was mainly due to loss on disposal of COSCO Bulk and FCHL of RMB2.403 billion; and the Company received no government subsidy on vessel demolition during the reporting period, as compared to government subsidy on vessel demolition of RMB3.942 billion which was received by the Group for the same period of last year. Deducting the impact of the aforementioned, net loss attributable to equity holders of the parent company would be RMB4.779 billion for the reporting period, as compared to RMB1.968 billion for the same period of last year.

Looking forward to the second half of 2016, the low growth and high risk situation of the global economy may hardly improve, the uncertainty in the interest rate hike of the US dollar may increase and the level of geopolitical risk may escalate. As set out in the World Economic Outlook published by International Monetary Fund (IMF) on 19 July 2016, the projected global economic growth for 2016 and 2017 were reduced to 3.1% and 3.4%, respectively, due to the potential risk from Brexit. The global economic growth for 2016 remained the same as that for 2015, the lowest since the financial crisis. It is expected that the global economy and the demand in container shipping market will continue to be in the new normal of slow growth in 2016. Despite the expected slowing growth of the capacity of global container fleet in the second half of 2016 and the pick-up of market demand with the traditional peak season in the third quarter, the overall oversupply of shipping capacity will continue to plague the container shipping industry, and the market situation will remain challenging.

Despite facing various challenges, China COSCO also received unprecedented opportunities. First of all, the overall economy of China is stable, with accelerating implementation of a series of national strategies. The “One Belt and One Road” strategy, construction of the “Yangtze River Economic Belt”, Marine Power Strategy and “Made in China 2025” will bring new strategic opportunities to the rapid development of China COSCO in the next few years. In addition, the transformation and restructuring of COSCO SHIPPING (our indirect controlling shareholder) began to show positive effect. As the largest integrated shipping company in the world, COSCO SHIPPING significantly strengthened its leading ability in the industry, and substantially enhanced its market position and influence. With the strong support from its indirect controlling shareholder, China COSCO has achieved initial success in business integration, which is expected to release synergies more thoroughly in the second half of 2016 and 2017.

Confronting a market full of challenges and opportunities, the Company will focus on the four core strategies of “cost-saving, customer-oriented, enhancing the full trip transportation and globalisation” in the aspect of container shipping business, aiming to be the top container shipping enterprise in the world with international competitiveness by continuously enhancing its operation and management capabilities, as well as creating sustainable advantages in diversified services, so as to create higher values for customers and business partners and improve its operating performance. Our major operation strategies in the future includes: firstly, implementing cost-saving strategies, exploring potentials in cutting cost, enhancing resources allocation capabilities, strengthening suppliers management and accelerating the achievement of greater synergistic effects; secondly, adhering to customer-oriented strategy, continuously improving services workflows, timely solving the problems of customers and continuously enhancing the service capabilities and customer experience; thirdly, further improving the capabilities in full trip transportation solutions, exploring the demands for extended services, devoting efforts in expanding service business and striving for values creation for customers; fourthly, implementing globalization strategies via the acceleration of the construction of a network of global shipping routes with east-west and north-south connection and regional linkage, and creating a cost-saving network. The Company continues to enhance its operating efficiency by continuously optimizing its alliance cooperation mechanism and routes network.

For the terminal business, COSCO SHIPPING Ports will make full use of the advantages from the expansion of container fleets after the restructuring of China COSCO to strengthen the operational collaboration and strategic synergy with the container shipping business. While consolidating the leading position in the terminal investment sector in China, we will also focus on the international strategy, accelerate the globalized distribution of the terminal business and strengthen the development along the regions of “One Belt and One Road” in order to optimize the global network of container hub ports and thereby enhancing the service capability to shipping companies and shipping alliance. We will seek the opportunities to invest in terminals, increase the number of controlling terminals, strengthen our control over the terminals and enhance the operational capability and efficiency of our terminal portfolio in a more efficient manner. Meanwhile, we will actively facilitate the integration of existing terminal portfolio in order to optimize the terminal assets and management standard.

2016 is a milestone year in the development history of China COSCO. Although there will be difficulties in the future, the most complicated and challenging work in the restructuring and integration of the Company have been basically completed. In the next step, China COSCO will strive to enhance its efficiency and reduce the loss

through transformation and restructuring so as to continuously improve its results. Based on the new strategic position, China COSCO will make tireless efforts to create value for its customers and create return for its shareholders with an aim to becoming amongst the top container shipping and terminal service provider in the world.

(I) Analysis of principal businesses of continuing operations

1. Table of movement analysis for the related items in the financial information

Items	For the six months ended 30 June 2016 RMB'000	For the six months ended 30 June 2015 RMB'000 (Restated)	Difference RMB'000	Change (%)
Revenue	29,628,964	28,872,211	756,753	2.62%
Cost of services and inventories sold	(31,128,857)	(26,803,085)	(4,325,772)	16.14%
Other income, net	83,627	1,350,793	(1,267,166)	-93.81%
Selling, administrative and general expenses	(1,647,446)	(1,510,244)	(137,202)	9.08%
Finance income	222,831	385,917	(163,086)	-42.26%
Finance costs	(990,785)	(977,716)	(13,069)	1.34%
Net related exchange (loss)/gain	(208,923)	155,986	(364,909)	-233.94%
Net cash flows generated from operating activities	63,280	6,463,747	(6,400,467)	-99.02%
Net cash flows generated from/(used in) investing activities	7,403,733	(3,609,305)	11,013,038	305.13%
Net cash flows (used in)/generated from financing activities	(6,693,998)	1,441,032	(8,135,030)	-564.53%
Research and development expenses	1,774	3,654	(1,880)	-51.45%

Reasons for the change of the revenue

In the first half of 2016, the revenue of the Group amounted to RMB29,628,964,000, representing an increase of RMB756,753,000 or 2.62% as compared to the same period of last year.

Revenue from container shipping and related business

In the first half of 2016, revenue from container shipping and related business amounted to RMB27,965,524,000, representing an increase of RMB612,841,000 or 2.24%.

Since March 2016, COSCON added original operating lanes of CSCL upon the restructuring of COSCO and China Shipping. Since 1 March, COSCON had started leasing container vessels from China Shipping for operation. As at 30 June 2016, the container shipping team operated 304 container vessels with a total capacity of 1,611,208 TEUs. As at 30 June 2016, the Company had 21 orders for container vessels, representing a total of 326,960 TEUs; CSCL and its holding subsidiaries had 14 orders for container vessels, representing a total of 234,000 TEUs, which will be operated by COSCON pursuant to the lease agreement entered into in relation to the restructuring of material assets of China COSCO. The aforementioned 35 orders for container vessels represented a total of 560,960 TEUs.

In the first half of 2016, the overall container shipping market remained weak as in the second half of 2015. The supply and demand landscape was still severe, and the freight rates remained low and showed a downward trend. In the first half of 2016, container shipping volume amounted to 7,413,378 TEUs, representing an increase of 39.19% as compared to the same period of last year. In the first half of 2016, the freight rates of main shipping routes decreased, resulting in the smaller increase in revenue from container shipping than the increase in container shipping volume. Average container freight rate amounted to RMB3,173.51 per TEU, representing a decrease of 23.93% as compared to the same period of last year.

In the first half of 2016, the China Containerized Freight Composite Index was 690.90, representing a decrease of 28.8% as compared to the same period of last year, because the decrease in COSCON's container revenue was lower than the decrease in the China Container Export Freight Index.

Revenue from terminal and related business

In the first half of 2016, total throughput of controlled and participating container terminal business of COSCO SHIPPING Ports amounted to 46,027,400 TEUs, representing an increase of 1,558,500 TEU or 3.5%. In the first half of 2016, the container throughput of controlled terminals of COSCO SHIPPING Ports amounted to 7,880,000 TEUs, representing an increase of 520,000 TEUs or 7.07%; the dry bulk throughput of controlled terminals amounted to 6,960,000 tons, representing a decrease of 2,030,000 tons or 22.61%.

In the first half of 2016, mainly due to the combined effect of the increase in container throughput of controlling terminals of COSCO SHIPPING Ports and the decrease in dry bulk throughput. In the first half of 2016, revenue (before inter-segment elimination) generated from the terminal and related business amounted to RMB1,797,966,000, representing an increase of RMB101,570,000 or 5.99%.

Unit: TEU

Location of terminal	January to June 2016	January to June 2015	Difference	Change
Bohai Rim Region	16,101,111	15,442,784	658,327	4.30%
Yangtze River Delta Region	9,306,485	9,729,740	(423,255)	-4.40%
Southeast Coast and others	2,114,601	1,956,226	158,375	8.10%
Pearl River Delta Region	11,622,980	11,964,651	(341,671)	-2.90%
Southwest Coast	530,625	385,797	144,828	37.50%
Overseas	<u>6,351,603</u>	<u>4,989,693</u>	1,361,910	27.30%
Total	<u>46,027,405</u>	<u>44,468,890</u>	1,558,515	3.50%
Of which: Controlled terminals	7,880,362	7,360,293	520,070	7.07%
Participating terminals	38,147,043	37,108,597	1,038,446	2.80%

Analysis of cost of services and inventories sold

In the first half of 2016, the cost of services and inventories sold of the Group amounted to RMB31,128,857,000, representing an increase of RMB4,325,772,000 or 16.14%.

Container shipping and related business cost

In the first half of 2016, the container shipping and related business cost amounted to RMB30,142,540,000, representing an increase of RMB4,246,458,000 or 16.40%. The cost of container shipping amounted to RMB26,691,435,000, representing an increase of RMB4,607,077,000 or 20.86%. The cost of container related business amounted to RMB3,451,105,000, representing a decrease of RMB360,620,000 or 9.46%.

Since March 2016, COSCON began to operate shipping routes originally operated by CSCL upon the restructuring of COSCO and China Shipping. Since 1 March 2016, COSCON had started leasing container vessels from China Shipping for operation. The increase in shipping capacity and shipping volume resulted in the increase in the cost of container shipping in the first half of 2016.

Average shipping cost amounted to RMB3,600.44 per TEU, representing a decrease of RMB546.05 of 13.17%. After the deduction of fuel prices, average shipping cost amounted to RMB3,262.81 per TEU, representing a decrease of RMB248.07 or 7.07%. This was mainly due to:

- (1) the adoption of measures such as lane network optimization, rate negotiation with suppliers and synergy of control over container management cost, resulting in the cost synergies after restructuring;
- (2) after restructuring, through leasing container vessels from China Shipping, the number of self-operating vessels of over 8000 TEUs increased from 42 at the beginning of the year to 86; while the proportion of capacity of operating vessels of over 8000 TEUs increased from 51% at the beginning of the year to 60% as at 30 June 2016, further achieving economies of cost and scale of large vessels.

Terminal and related business cost

Under the combined effect of the increase in container throughput and the decrease in dry bulk throughput, in the first half of 2016, the terminal and related business cost amounted to RMB1,097,005,000, representing an increase of RMB31,946,000 or 3%.

Other income, net

In the first half of 2016, the Group's net other income amounted to RMB83,627,000, representing a decrease of RMB1,267,116,000 or 93.81% as compared to the same period of last year. The Group received a subsidy of RMB1,548,679,000 for the demolition and decommissioning of vessels of the container shipping business during the last period, while there was no subsidy for the demolition and decommissioning of vessels for this period. In the first half of 2016, 1 container vessel was demolished, resulting in a net loss of RMB74,218,000 on disposal; while 28 container vessels were demolished in the same period of last year, resulting in a total net loss of RMB233,872,000 on disposal.

Selling, administrative and general expenses

In the first half of 2016, the selling, administrative and general expenses of the Group amounted to RMB1,647,446,000, representing an increase of RMB137,202,000 or 9.08%. A significant reason for the increase in the selling, administrative and general expenses as compared to the same period of last year is the professional fees and taxation in connection with the restructuring incurred in the first half of 2016.

Finance income

In the first half of 2016, the finance income of the Group amounted to RMB222,831,000, representing a decrease of RMB163,086,000 or 42.26% as compared to the same period of last year. This was due to the continuous decrease in interest rate on deposits since the beginning of 2015, and with the expectation of USD appreciation in the first half of 2016, the structure of bank deposits was adjusted and the proportion of RMB deposits with higher interest rate was decreased to avoid exchange rate risks.

Finance costs

In the first half of 2016, the finance costs of the Group amounted to RMB990,785,000, representing an increase of RMB13,069,000 or 1.34% as compared to the same period of last year. This was because the structure of bank loans was adjusted and the proportion of RMB loans with higher interest rate was increased to avoid exchange rate risks, with the expectation of USD appreciation in the first half of 2016.

Net related exchange (loss)/gain

In the first half of 2016, the Group's net related exchange loss related to borrowings amounted to RMB208,923,000, as compared to a net related exchange gain borrowings of RMB155,986,000 in the same period of last year mainly due to the appreciation of exchange rate between USD and RMB, since the RMB had been depreciating since the second half of last year, significantly different from the appreciation in to the same period of last year.

(II) Analysis of loss in discontinued operations for the period

In the first half of 2016, loss from discontinued operations of the Group amounted to RMB3,138,723,000.

Upon the Group's disposal of COSCO Bulk and FCHL, a net loss on disposal of RMB2,430,262,000 was incurred. The reason for the loss was that the transaction price was higher than the net asset of the companies disposed of and, in accordance with the requirements of Hong Kong Financial Reporting Standards, the currency translation differences related to these two companies and subject to reclassification to the profit or loss for the period was transferred to the loss on disposal on the date of disposal. The companies disposed of recorded net loss of RMB708,461,000 prior to the disposal, which was mainly due to the operating loss incurred by COSCO Bulk before its disposal date.

(III) Working capital, financial resources and capital structure

As at 30 June 2016, the cash and cash equivalents of the Group amounted to RMB34,771,087,000, representing an increase of RMB1,166,310,000 as compared to that as at 31 December 2015. The cash and cash equivalents of the Group were mainly denominated in RMB and USD, and others denominated in Euro, Hong Kong dollars and other currencies.

The net cash inflow from operating activities amounted to RMB63,280,000 as compared to net cash inflow of RMB6,463,747,000 in the same period of last year. This was mainly due to the operating loss of container and dry bulk shipping in the first half of 2016, resulting in the significant decrease in the net cash inflow from operating activities as compared to the same period of last year, and the receipt of subsidy from demolition of vessels in the first half of 2015.

The net cash inflow from investing activities amounted to RMB7,403,733,000 as compared to the net cash outflow of RMB3,609,305,000 in the same period of last year. Disposal of subsidiaries generated net cash of RMB9,458,989,000, which was the proceeds from the disposal of COSCO Bulk and FCHL.

The net cash outflow from financing activities amounted to RMB6,693,998,000 as compared to the net cash inflow of RMB1,441,032,000 in the same period of last year. RMB8,491,077,000 in cash was paid for other financing activities, which was mainly the capital for the purchase of agency companies and the terminal company from China Shipping Group, and for the increase in shareholding of COSCO SHIPPING Ports.

As at 30 June 2016, the total outstanding borrowings of the Group were RMB57,463,129,000. After deducting the cash and cash equivalents, the net amount was RMB22,692,042,000.

The working capital and capital resources of the Group have been and will continue to be generated from cash flows of operating activities, proceeds from new share issuance and loan facilities from banks. Cash of the Group has been and is expected to be utilized for various purposes such as payment of operating costs, purchases of container vessels, investments in terminals and repayment of loans.

As at 30 June 2016, the gearing ratio of the Group (total liabilities divided by total assets was 66.72%), representing a decrease of 0.17 percentage points from 66.89% as at 31 December 2015. Due to the disposal of COSCO Bulk Group which had a higher gearing ratio (87.18% as at 29 February 2016), the gearing ratio of the Group decreased as compared to the beginning of the year, despite the larger amount of loss incurred during the first half of 2016.

Debt analysis

Repayment of debts due and performance of obligations due

	As at 30 June 2016	As at 31 December 2015
	<i>RMB'000</i>	<i>RMB'000</i> <i>(Restated)</i>
Short-term borrowings	4,705,349	2,955,191
Long-term borrowings		
Less than 1 year	4,068,738	8,216,271
1 to 2 years	15,892,876	15,457,529
3 to 5 years	11,862,131	41,160,877
Over 5 years	<u>20,934,035</u>	<u>18,675,016</u>
 Sub-total	 <u>52,757,780</u>	 <u>83,509,693</u>
 Total	 <u>57,463,129</u>	 <u>86,464,884</u>

Breakdown of borrowings by category

As at 30 June 2016, the secured borrowings of the Group amounted to RMB13,510,166,000 while unsecured borrowings amounted to RMB43,952,963,000, representing 23.51% and 76.49% of the total borrowings, respectively. Most of the Group's borrowings bear interest at floating rate.

Breakdown of borrowings by currency

As at 30 June 2016, the Group had borrowings denominated in US dollars equivalent to RMB32,607,687,000 and borrowings denominated in RMB amounting to RMB19,991,481,000, representing 56.75% and 34.79% of the total borrowings, respectively.

Corporate guarantees and contingent liabilities

As at 30 June 2016, the Group had provided a guarantee on a banking facility granted to an associate in the amount of RMB82,800,000. Except for that, the Group had no other significant contingent liabilities as at 30 June 2016.

Foreign exchange risk

The Group operates internationally and is exposed to various foreign exchange risks arising from non-functional currencies. Foreign exchange risks are derived from

future business transactions and recognized assets and liabilities. The actual foreign exchange risks faced by the Group are therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings. Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure with derivative financial instruments should the need arise.

Material acquisitions and disposals regarding subsidiaries, associated companies and joint ventures during the period

The disposal of 100% equity interests in COSCO Bulk to COSCO was completed on 15 March 2016 for a total consideration of RMB4,873,281,000.

On 24 March 2016, COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, completed the disposal of all the issued shares in FCHL (representing the container leasing, management and sales, and related businesses of the Group) to China Shipping Group for a total consideration of US\$1,223,725,000 (equivalent to approximately RMB7,906,733,000). The FCHL's shareholder's loans in the aggregate sum of US\$285,000,000 (equivalent to approximately RMB1,940,329,000) were transferred on the same day to China Shipping Group at the consideration of US\$285,000,000 (equivalent to approximately RMB1,940,329,000). The consideration is subject to completion audit adjustments.

During the reporting period, the Group had completed the acquisitions from China Shipping Group of the equity interests in the below companies:

- (1) On 18 March 2016, the Group completed its acquisition of all the shares in CSPD at a total consideration of RMB7.59 billion (subject to completion audit adjustments);
- (2) In the first quarter of 2016, except for the acquisitions of 100% equity interests in China Shipping Container Lines Agency (Shenzhen) Co., Ltd. and Universal Logistics (Shenzhen) Co., Ltd., the Group completed its acquisitions of remaining agency companies at a total consideration of RMB0.76 billion (subject to completion audit adjustments).

For details of the above acquisitions and disposal, please refer to the announcements of the Company dated 11 December 2015, 27 January 2016 and 1 February 2016, and the circular of the Company dated 31 December 2015.

For the first half of 2016, the total external equity investment costs of the Group amounted to RMB170,815,000, of which the Group made additional investments of RMB43,414,000 to Qingdao Qianwan Container Terminal (青島前灣智能集裝箱碼頭). The Group had an increase of three invested associated companies and joint ventures as a result of the restructuring, with an aggregate investment cost of RMB127,401,000.

Invested Companies	Principal business	Shareholding percentage as at the end of the period	Increase in investment costs during the period (RMB'000)
Qingdao Qianwan Container Terminal Co.,Ltd	Shipping port	20%	43,414
Dalian Vanguard International Logistics Co., Ltd.	Cargo agency service	50%	51,968
Angang Vehicle Transportation Co., Ltd	Transportation	20.07%	73,101
Liaoning Shenha Fortune Logistics Co., Ltd.	Cargo agency service	45%	<u>2,332</u>
		Total	<u>170,815</u>

Due to the disposal of COSCO Bulk during the first half of 2016, a decrease of RMB 2,030,435,000 in the total investment costs for 13 associated companies and joint ventures prior to the disposal of COSCO Bulk was reflected in the consolidated financial statements of the Company.

Capital commitments

The Company currently owns 21 container vessels under construction. The capital commitments for construction of container vessels amounted to RMB15,489,157,000.

The capital commitments for investment in terminals amounted to RMB6,911,560,000 in aggregate, among which the commitments for purchasing fixed assets amounted to RMB 1,757,814,000 and the equity investment commitment of terminals amounted to RMB5,153,746,000.

Financing plans

Pursuant to the resolutions as approved at the 25th meeting of the fourth session of the Board of China COSCO, as at the end of 2016, interest bearing liabilities shall be limited to RMB 64.537 billion, with a balance of interest bearing liabilities of RMB 57.463 billion as at 30 June 2016. China COSCO shall consolidate its material capital expenditure for the second half of the year, including the construction of container vessels and expenditure for terminal infrastructure projects and overseas network acquisitions, to enhance capital management, optimize the utilization efficiency of funds, control the scale of debts effectively and formulate relevant financing arrangements within the annual financing facilities.

AUDIT COMMITTEE

The Company has an audit committee established in compliance with Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group (including the adequacy of resources, staff qualifications and experience, effectiveness of internal audit, corporate governance and control, and the training programmes and budget of the Company's accounting and financial reporting function), the completeness and accuracy of its accounts and to liaise on behalf of the Directors with external auditors. The audit committee consists of two independent non-executive Directors, Mr. Kwong Che Keung, Gordon (chairman of the audit committee) and Mr. Yang, Liang Yee Philip, and one non-executive Director, Ms. Sun Yueying, who will meet regularly with management of the Company and the Company's external auditors, review external auditors' review and audit reports (as applicable) and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the unaudited interim financial information for the six months ended 30 June 2016, and recommended its adoption by the Board. The audit committee is of the view that the internal control mechanism after the completion of the Company's material asset restructuring complies with relevant requirements.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board considers that effective corporate governance is essential and makes important contribution to the corporate success and to enhancing Shareholder value.

The Company adopted a corporate governance code (the “**Code**”) which incorporates all the code provisions in the Corporate Governance Code and a majority of the recommended best practices therein.

Having made all reasonable enquiries, none of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions in the Corporate Governance Code or the Code for any part of the period for the six months ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct (“**Code of Conduct**”) regarding securities transactions of the Directors and supervisors of the Company effective on 9 June 2005, on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company had not redeemed any of its listed Shares during the six months ended 30 June 2016. Neither the Company nor any of its subsidiaries had purchased or sold any of its listed Shares during the six months ended 30 June 2016.

INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2016.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained within this interim results announcement are historical in nature, and past performance does not guarantee the future results of the Group. Any forward-looking statements and opinions contained within this interim results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the

Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this interim results announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialize or turn out to be incorrect.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The electronic version of this announcement has been published on the website of the Stock Exchange (<http://www.hkexnews.hk>). An interim report for the six months ended 30 June 2016 containing all the relevant information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the website of the Stock Exchange in due course. In addition, the Company has published the A Share interim report prepared under the PRC Accounting Standards on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) for reference of the investors.

DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meaning in this announcement:

“Board”	the board of Directors
“China Shipping”	China Shipping (Group) Company* (中國海運(集團)總公司), a PRC state-owned enterprise and a wholly-owned subsidiary of COSCO SHIPPING
“China Shipping Group”	China Shipping and its subsidiaries
“Company” or “China COSCO”	China COSCO Holdings Company Limited (中國遠洋控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“COSCO”	China Ocean Shipping (Group) Company* (中國遠洋運輸(集團)總公司), a Chinese state-owned enterprise and the controlling Shareholder, and a wholly-owned subsidiary of COSCO SHIPPING

“COSCO Bulk”	China COSCO Bulk Shipping (Group) Co., Ltd.* (中遠散貨運輸(集團)有限公司), a limited liability company established in the PRC
“COSCO Bulk Group”	COSCO Bulk and its subsidiaries
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司), a Chinese state-owned enterprise and the indirect controlling shareholder of the Company
“COSCO SHIPPING Ports”	COSCO SHIPPING Ports Limited (formerly known as COSCO Pacific Limited), a limited liability company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code:1199) and a non-wholly owned subsidiary of the Company
“COSCON”	COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司), a company established in the PRC and a subsidiary of the Company
“CSCL”	China Shipping Container Lines Company Limited* (中海集裝箱運輸股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2866) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601866)
“CSPD”	China Shipping Ports Development Co., Limited, a company incorporated in Hong Kong and subsidiary of the Company
“Director(s)”	the director(s) of the Company
“FCHL”	Florens Container Holdings Limited, a company incorporated in the BVI with limited liability
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Model Code”	the Model Code for the Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China
“PRC Accounting Standards”	the accounting standards for business enterprises of the PRC issued by the Ministry of Finance of the PRC
“Share(s)”	ordinary share(s) (including A share(s) and H share(s) of the Company) of RMB1.00 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEU”	twenty-foot containers subscribing to the standards adopted by the International Organization for Standardization

By Order of the Board
China COSCO Holdings Company Limited
Guo Huawei
Company Secretary

Shanghai, the People’s Republic of China
25 August 2016

As at the date of this announcement, the directors of the Company are Mr. WAN Min² (Chairman), Mr. HUANG Xiaowen¹ (Vice Chairman), Ms. SUN Yueying², Mr. SUN Jiakang¹, Mr. YE Weilong¹, Mr. WANG Yuhang², Mr. XU Zunwu¹, Dr. FAN HSU Lai Tai, Rita³, Mr. KWONG Che Keung, Gordon³, Mr. Peter Guy BOWIE³ and Mr. YANG, Liang Yee Philip³.

¹ *Executive director*

² *Non-executive director*

³ *Independent non-executive director*

** For identification purpose only*