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)

2016 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- In 2016, the world trade growth remained slow and the supply and demand of shipping market was still unbalanced. Shipbuilding market has been slackened and fierce competition in coating market squeezed the selling price. These factors affected the Group's results performance directly. Profit attributable to equity holders decreased by 29% to HK$237,205,000 as compared to 2015.
- Revenue increased by 24% to HK$7,430,297,000 as compared to 2015 mainly due to the increase in revenue from marine fuel and other products.
- Net cash flows generated from operating activities for the year reached HK$400,963,000 out of which HK$270,093,000 was attributed to the decrease of trade receivables and other receivables.
- Basic earnings per share was 15.47 HK cents. The Board has recommended the payment of a final dividend of 5.5 HK cents per share. Together with the interim dividend of 4 HK cents per share, total dividends per share are 9.5 HK cents. Meanwhile, in order to celebrate the 20th anniversary of the Company's being a listed subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited, the Board recommended the payment of special dividend of 5 HK cents per share. Total dividends per share for the year 2016 are 14.5 HK cents.
- The Group had net cash of HK$6,654,941,000 as at 31st December 2016 for the expansion of existing businesses and supporting future strategic development.
- Looking forward, the Group will fully seize the opportunity presented by the business reorganisation of COSCO SHIPPING, and develop the "shipping services industrial cluster" which can offer strong supporting services for shipping with independent profit drivers, aiming to become a world class and the leading shipping services company in China.

The board of directors (the "Board" or the "Director(s)") of COSCO SHIPPING International (Hong Kong) Co., Ltd. (formerly known as COSCO International Holdings Limited) (the "Company" or "COSCO SHIPPING International") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2016.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	4	**7,430,297**	5,999,646
Cost of sales	6	**(6,886,051)**	(5,308,924)
Gross profit		**544,246**	690,722
Other income and gains	5	**34,646**	85,933
Selling, administrative and general expenses	6	**(447,434)**	(537,489)
Other expenses and losses	6	**(18,046)**	(44,458)
Operating profit		**113,412**	194,708
Finance income	7	**90,960**	115,163
Finance costs	7	**(4,414)**	(3,795)
Finance income — net	7	**86,546**	111,368
Share of profits of joint ventures		**89,930**	110,171
Share of profits of associates		**10,202**	11,577
Profit before income tax		**300,090**	427,824
Income tax expenses	8	**(63,590)**	(65,760)
Profit for the year		**236,500**	362,064
Profit/(loss) attributable to:			
Equity holders of the Company		**237,205**	335,763
Non-controlling interests		**(705)**	26,301
		236,500	362,064
Earnings per share attributable to equity holders of the Company during the year			
— basic, HK cents	9(a)	**15.47**	21.91
— diluted, HK cents	9(b)	**15.47**	21.81

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**236,500**	362,064
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(93,630)**	(93,643)
Share of currency translation differences of:		
— a joint venture	**(16,128)**	(14,878)
— an associate	**(200)**	(1,353)
Share of cash flow hedges of an associate, net of tax	**9,329**	16,087
Fair value gains/(losses) on available-for-sale financial assets, net	**12,268**	(15,285)
Other comprehensive losses for the year	**(88,361)**	(109,072)
Total comprehensive income for the year	**148,139**	252,992
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	**172,290**	249,329
Non-controlling interests	**(24,151)**	3,663
	148,139	252,992

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**101,951**	103,185
Property, plant and equipment		**343,912**	392,516
Prepaid premium for land leases		**30,138**	32,876
Investment properties		**56,954**	49,416
Investments in joint ventures		**417,617**	525,343
Investments in associates		**117,564**	107,615
Available-for-sale financial assets		**63,091**	58,754
Deferred income tax assets		**53,724**	49,245
Non-current deposits		**11,179**	35,805
		1,196,130	1,354,755
Current assets			
Inventories		**243,360**	347,241
Trade and other receivables	*11*	**1,196,797**	1,509,995
Available-for-sale financial assets		**33,386**	25,455
Derivative financial instruments		**1,645**	—
Financial assets at fair value through profit or loss		**886**	909
Current income tax recoverable		**5,102**	4,035
Restricted bank deposits		**559**	597
Current deposits and cash and cash equivalents		**6,710,279**	6,224,328
		8,192,014	8,112,560
Total assets		**9,388,144**	9,467,315
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**153,296**	153,296
Reserves		**7,548,865**	7,575,859
		7,702,161	7,729,155
Non-controlling interests		**343,580**	370,469
Total equity		**8,045,741**	8,099,624
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**69,349**	44,655
Current liabilities			
Trade and other payables	*12*	**1,186,822**	1,278,279
Current income tax liabilities		**19,156**	8,695
Short-term borrowings		**67,076**	36,062
		1,273,054	1,323,036
Total liabilities		**1,342,403**	1,367,691
Total equity and liabilities		**9,388,144**	9,467,315

NOTES

1 GENERAL INFORMATION

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

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

The ultimate holding company of the Company was China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the People's Republic of China (the "PRC"). On 4th May 2016, the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") transferred its entire equity interests in COSCO to China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise wholly-owned by SASAC in the PRC, thereafter, COSCO SHIPPING becomes the ultimate holding company of the Company.

On 16th November 2016, the English name of the Company was changed from COSCO International Holdings Limited to COSCO SHIPPING International (Hong Kong) Co., Ltd. and 中遠海運國際(香港)有限公司 was adopted as the secondary name of the Company to replace the Chinese name 中遠國際控股有限公司 which was previously used by the Company for identification purposes only.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

3 CHANGES IN ACCOUNTING POLICIES

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

In 2016, the Group has adopted the following amendments to published standards and new interpretation issued by the HKICPA, which are relevant to its operations:

		Effective for accounting periods beginning on or after
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012–2014 Cycle	1st January 2016
Amendments to HKAS 1	Disclosure Initiative	1st January 2016
Amendments to HKAS 27	Equity method in separate financial statements	1st January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016

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

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

The following new standards and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 2016 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 9 (2014)	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
Amendments to HKAS 7	Statement of cash flows	1st January 2017
Amendments to HKAS 12	Income taxes	1st January 2017
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to published standards, but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position.

4 REVENUE AND SEGMENT INFORMATION

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

	2016	2015
	HK$'000	*HK$'000*
Sale of coatings	**637,033**	1,109,466
Sale of marine equipment and spare parts	**1,064,999**	1,096,698
Commission income from ship trading agency	**98,921**	84,983
Commission income from insurance brokerage	**94,411**	91,889
Sale of marine fuel and other products	**4,766,546**	2,779,986
Sale of asphalt and other products	**768,387**	836,624
	7,430,297	5,999,646

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

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

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

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

	Year ended and as at 31st December 2016									
	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit and loss items:										
Segment revenue	637,033	1,066,482	99,175	94,836	4,816,883	6,714,409	788,227	—	(72,339)	7,430,297
Inter-segment revenue	—	(1,483)	(254)	(425)	(50,337)	(52,499)	(19,840)	—	72,339	—
Revenue from external customers	637,033	1,064,999	98,921	94,411	4,766,546	6,661,910	768,387	—	—	7,430,297
Segment operating (loss)/profit	(22,156)	51,249	62,867	68,122	2,094	162,176	9,164	4,405	—	175,745
Finance income	6,746	803	6,158	1,172	939	15,818	1,566	—	(4,292)	13,092
Finance costs	(191)	(1,387)	(16)	(182)	(79)	(1,855)	(7,236)	—	4,292	(4,799)
Share of profits of joint ventures	88,236	1,143	551	—	—	89,930	—	—	—	89,930
Share of profits of associates	—	—	72	—	9,094	9,166	1,036	—	—	10,202
Segment profit before income tax	72,635	51,808	69,632	69,112	12,048	275,235	4,530	4,405	—	284,170
Income tax credit/ (expenses)	303	(7,652)	(17,345)	(12,175)	(231)	(37,100)	(2,002)	—	—	(39,102)
Segment profit after income tax	72,938	44,156	52,287	56,937	11,817	238,135	2,528	4,405	—	245,068
Balance sheet items:										
Total segment assets	1,650,279	914,552	394,163	192,048	296,687	3,447,729	796,072	97,249	(235,396)	4,105,654
Total segment assets include:										
— Joint ventures	400,996	12,570	4,051	—	—	417,617	—	—	—	417,617
— Associates	—	—	1,973	—	109,409	111,382	6,182	—	—	117,564
Total segment liabilities	357,661	311,424	154,083	77,618	121,792	1,022,578	580,251	—	(235,396)	1,367,433
Other items:										
Depreciation and amortisation, net of amount capitalised	18,989	3,429	245	249	—	22,912	1,205	—	—	24,117
Net provision for impairment of inventories	10,312	—	—	—	—	10,312	—	—	—	10,312
Net reversal of provision for impairment of trade receivables	(2,072)	(1,761)	—	—	—	(3,833)	(2,869)	—	—	(6,702)
Provision for impairment of other receivables	—	91	—	—	—	91	—	—	—	91
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	6,283	2,467	1,044	211	—	10,005	296	—	—	10,301

	Year ended and as at 31st December 2015									
	Shipping services						General trading	Others	Inter-segment elimination	Total
	Coatings	Marine equipment and spare parts	Ship trading agency	Insurance brokerage	Marine fuel and other products	Total				
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit and loss items:										
Segment revenue	1,109,466	1,096,705	84,983	92,295	2,857,408	5,240,857	850,449	—	(91,660)	5,999,646
Inter-segment revenue	—	(7)	—	(406)	(77,422)	(77,835)	(13,825)	—	91,660	—
Revenue from external customers	1,109,466	1,096,698	84,983	91,889	2,779,986	5,163,022	836,624	—	—	5,999,646
Segment operating profit	70,341	47,470	52,397	66,146	4,408	240,762	26,326	2,427	—	269,515
Finance income	7,331	687	6,735	1,323	214	16,290	1,595	—	(792)	17,093
Finance costs	(198)	(2,009)	(14)	(178)	(2,728)	(5,127)	(6,051)	—	792	(10,386)
Share of profits of joint ventures	107,333	413	2,425	—	—	110,171	—	—	—	110,171
Share of profits of associates	—	—	67	—	10,237	10,304	1,273	—	—	11,577
Segment profit before income tax	184,807	46,561	61,610	67,291	12,131	372,400	23,143	2,427	—	397,970
Income tax expenses	(18,392)	(9,439)	(16,839)	(11,820)	(109)	(56,599)	(6,364)	—	—	(62,963)
Segment profit after income tax	166,415	37,122	44,771	55,471	12,022	315,801	16,779	2,427	—	335,007
Balance sheet items:										
Total segment assets	1,954,085	1,041,329	339,761	174,873	511,991	4,022,039	790,319	83,358	(349,875)	4,545,841
Total segment assets include:										
— Joint ventures	507,688	12,281	5,374	—	—	525,343	—	—	—	525,343
— Associates	—	—	2,034	—	98,315	100,349	7,266	—	—	107,615
Total segment liabilities	478,102	476,912	95,151	62,750	296,631	1,409,546	562,786	—	(349,875)	1,622,457
Other items:										
Depreciation and amortisation, net of amount capitalised	14,281	2,769	270	211	—	17,531	1,224	—	—	18,755
Net reversal of provision for impairment of inventories	(1,013)	—	—	—	—	(1,013)	—	—	—	(1,013)
Net (reversal of provision)/provision for impairment of trade receivables	(1,870)	4,059	—	—	—	2,189	—	—	—	2,189
Net provision/(reversal of provision) for impairment of other receivables	—	88	—	—	—	88	(18,662)	—	—	(18,574)
Government subsidy income	(50,471)	—	—	—	—	(50,471)	—	—	—	(50,471)
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	148,688	24,802	54	620	—	174,164	138	—	—	174,302

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

	2016	2015
	HK$'000	*HK$'000*
Profit before income tax for reportable segments	**279,765**	395,543
Profit before income tax for all other segments	**4,405**	2,427
Profit before income tax for all segments	**284,170**	397,970
Elimination of segment income from corporate headquarters	**(138)**	(111)
Elimination of segment finance costs to corporate headquarters	**408**	6,608
Corporate finance income	**77,868**	98,070
Corporate finance costs	**(23)**	(17)
Corporate expenses, net of income	**(62,195)**	(74,696)
Profit before income tax for the Group	**300,090**	427,824
Income tax expenses for all segments	**(39,102)**	(62,963)
Corporate income tax expenses	**(24,488)**	(2,797)
Profit after income tax for the Group	**236,500**	362,064

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

	2016	2015
	HK$'000	*HK$'000*
Total assets for reportable segments	**4,243,801**	4,812,358
Total assets for all other segments	**97,249**	83,358
Elimination of inter-segment receivables	**(235,396)**	(349,875)
	4,105,654	4,545,841
Corporate assets (mainly deposits and cash and cash equivalents)	**5,379,848**	5,223,410
Elimination of corporate headquarters' receivables from segments	**(97,358)**	(301,936)
Total assets for the Group	**9,388,144**	9,467,315

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

	2016	2015
	HK$'000	*HK$'000*
Total liabilities for reportable segments	**1,602,829**	1,972,332
Elimination of inter-segment payables	**(235,396)**	(349,875)
	1,367,433	1,622,457
Corporate liabilities	**72,328**	47,170
Elimination of segment payables to corporate headquarters	**(97,358)**	(301,936)
Total liabilities for the Group	**1,342,403**	1,367,691

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong were HK$862,957,000 (2015: HK$815,756,000) and HK$6,567,340,000 (2015: HK$5,183,890,000) respectively.

The total of non-current assets, other than available-for-sale financial assets and deferred income tax assets, located in Hong Kong and places other than Hong Kong were HK$677,131,000 (2015: HK$752,162,000) and HK$402,184,000 (2015: HK$494,594,000) respectively.

In 2016, revenues of HK$2,881,954,000 and HK$1,769,172,000 were derived from two external customers of the marine fuel and other products segment respectively. In 2015, revenue of HK$2,333,298,000 was derived from a single external customer of the marine fuel and other products segment.

5 OTHER INCOME AND GAINS

	2016	2015
	HK$'000	*HK$'000*
Rental income	**1,311**	1,790
Dividend income from listed and unlisted investments	**2,420**	2,604
Gains on disposal of property, plant and equipment	**178**	—
Fair value gains on investment properties	**7,524**	4,585
Fair value gains on derivative financial instruments	**1,720**	—
Reversal of provision for impairment of inventories, net of provision	**—**	1,013
Reversal of provision for impairment of trade receivables, net of provision	**6,702**	—
Reversal of provision for impairment of other receivables, net of provision	**—**	18,574
Government subsidy income#	**—**	50,471
Others	**14,791**	6,896
	34,646	85,933

Government subsidy income of HK$50,471,000 was recognized in 2015 in respect of a special subsidy granted by the Shanghai Municipal Government and the 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 existing production plant and settling the impacted staff.

6 EXPENSES BY NATURE

	2016	2015
	HK$'000	*HK$'000*
Cost of sales		
Cost of inventories sold	**6,886,051**	5,308,924
Selling, administrative and general expenses		
Selling expenses	**121,870**	189,650
Depreciation of property, plant and equipment	**1,759**	2,797
Amortisation of intangible assets	**1,482**	1,930
Amortisation of prepaid premium for land leases	**686**	1,085
Operating lease rental expenses	**32,451**	28,729
Administrative staff costs	**175,828**	181,949
Auditors' remuneration	**5,919**	5,752
Others	**107,439**	125,597
	447,434	537,489
Other expenses and losses		
Net losses on disposal of property, plant and equipment	**—**	129
Direct operating expenses for generating rental income	**143**	145
Provision for impairment of inventories, net of reversal	**10,312**	—
Write-off of inventories	**14**	—
Provision for impairment of trade receivables, net of reversal	**—**	2,189
Write-off of bad debts	**29**	—
Provision for impairment of other receivables	**91**	—
Fair value losses on financial assets at fair value through profit or loss	**23**	177
Net exchange losses	**7,434**	41,818
	18,046	44,458

7 FINANCE INCOME — NET

	2016	2015
	HK$'000	*HK$'000*
Interest income from:		
— a fellow subsidiary	**11,083**	15,274
— bank deposits	**79,877**	99,889
Total finance income	**90,960**	115,163
Interest expenses on:		
— a loan from a fellow subsidiary	**(875)**	—
— bank loans	**(733)**	(1,500)
Other finance charges	**(2,806)**	(2,295)
Total finance costs	**(4,414)**	(3,795)
Finance income — net	**86,546**	111,368

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2015: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2015: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 43% (2015:17% to 43%) during the year.

	2016	2015
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**21,689**	15,282
— the PRC enterprise income tax	**13,702**	19,966
— other overseas taxation	**1,309**	4,120
— over-provision for Hong Kong profits tax in prior years	**(722)**	(21)
— under-provision for the PRC taxation in prior years	**4,808**	1,070
— (over)/under-provision for other overseas taxation in prior years	**(54)**	129
Deferred income tax charge — net	**22,858**	25,214
Income tax expenses	**63,590**	65,760

9 EARNINGS PER SHARE

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

	2016	2015
Profit attributable to equity holders of the Company	**HK$237,205,000**	HK$335,763,000
Weighted average number of ordinary shares in issue	**1,532,955,429**	1,532,495,292
Basic earnings per share	**15.47 HK cents**	21.91 HK cents

(b) Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect of outstanding share options.

	2016	2015
Profit attributable to equity holders of the Company	**HK$237,205,000**	HK$335,763,000
Weighted average number of ordinary shares in issue	**1,532,955,429**	1,532,495,292
Adjustment for assumed issuance of shares on exercise of share options	**—**	7,090,877
Weighted average number of ordinary shares for diluted earnings per share	**1,532,955,429**	1,539,586,169
Diluted earnings per share	**15.47 HK cents**	21.81 HK cents

10 DIVIDENDS

	2016	2015
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.04 (2015: HK$0.07) per ordinary share	**61,318**	107,307
Final dividend proposed of HK$0.055 (2015: HK$0.09) per ordinary share	**84,313**	137,966
Special dividend proposed of HK$0.05 (2015: nil) per ordinary share	**76,648**	—
	222,279	245,273

At the board meeting held on 23rd March 2017, the directors of the Company proposed a final dividend of HK$0.055 and special dividend of HK$0.05 per ordinary share for the year ended 31st December 2016. These proposed dividends have not been recognised as a liability in the financial statements for the year ended 31st December 2016, but will be recognised in shareholders' equity in the year ending 31st December 2017.

11 TRADE AND OTHER RECEIVABLES

As at 31st December 2016, trade and other receivables include trade receivables amounting to HK$646,337,000 (2015: HK$769,366,000).

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

	2016	2015
	HK$'000	*HK$'000*
Current – 90 days	**392,298**	483,415
91–180 days	**128,109**	161,643
Over 180 days	**125,930**	124,308
	646,337	769,366

For sale of coatings, marine equipment, spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 90 days. Other than those with credit terms, all invoices are payable upon presentation.

12 TRADE AND OTHER PAYABLES

As at 31st December 2016, trade and other payables include trade payables amounting to HK$247,302,000 (2015: HK$291,744,000).

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

	2016	2015
	HK$'000	*HK$'000*
Current – 90 days	**198,968**	253,298
91–180 days	**28,894**	32,842
Over 180 days	**19,440**	5,604
	247,302	291,744

13 EVENT AFTER THE REPORTING PERIOD

On 28th November 2016, the Company entered into a share purchase agreement with COSCO SHIPPING Financial Holdings Co., Limited and China Merchants Hoi Tung Trading Company Limited in relation to the acquisition of 100% equity interest of CSHT Marine Machinery Suppliers Limited ("CSHT Marine") at a cash consideration of HK$118,400,000. CSHT Marine is principally engaged in trading of marine equipment, spare parts, ship supply and general merchandise.

Upon completion of all condition precedents set out in the share purchase agreement, the acquisition was completed on 1st January 2017 and CSHT Marine has then become a wholly-owned subsidiary of the Company. A cash consideration of HK$118,400,000 was fully paid for in January 2017. Up to the date of this announcement, the Company is still finalising the fair value of the assets acquired and liabilities assumed as well as the completion account as at the acquisition date, and has not concluded on the financial impact of this business combination.

OVERALL ANALYSIS OF RESULTS

In 2016, there was a downturn in the market of international shipping industry and the industry continued to wallow in the doldrums. Also weighing on the market were the lingering oversupply. Facing such severe business environment, the Group leveraged on its advantages in terms of professionalism and scale and proactively edged up its marketing effort. Nevertheless, the financial results of the Company weakened, due to adjustment of fleet structure, continued slowdown in transactions of new build vessels, ongoing downward pressure on vessel prices, and depressed prices of container coatings as a result of fierce market competition. In 2016, profit attributable to equity holders of the Company was HK$237,205,000 (2015: HK$335,763,000), representing a decrease of 29% as compared to 2015. The basic earnings per share was 15.47 HK cents (2015: 21.91 HK cents), representing a decrease of 29% as compared to 2015.

FINANCIAL REVIEW

Revenue

The Group's revenue in 2016 increased by 24% to HK$7,430,297,000 (2015: HK$5,999,646,000) as compared to 2015. Revenue from the core shipping services business increased by 29% to HK$6,661,910,000 (2015: HK$5,163,022,000) and accounted for 90% (2015: 86%) of the Group's revenue. Segment revenues of ship trading agency, insurance brokerage and marine fuel and other products increased by 16%, 3% and 71% respectively as compared to 2015. Revenue of general trading segment decreased by 8% to HK$768,387,000 (2015: HK$836,624,000) and accounted for 10% (2015: 14%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the year decreased by 21% to HK$544,246,000 (2015: HK$690,722,000) while overall average gross profit margin dropped to 7.3% (2015: 11.5%). The decrease in overall gross profit was mainly attributable to the decrease in price and volume of container coatings as well as the increase in revenue from the low-gross-profit-margin marine fuel and other products.

Other Income and Gains

The Group recorded other income and gains of HK$34,646,000 (2015: HK$85,933,000). Other income and gains included fair value gains on investment properties of HK$7,524,000 (2015: HK$4,585,000) and reversal of provision for impairment of trade receivables (net of provision) of HK$6,702,000. Other income and gains for 2015 primarily included reversal of provision for impairment of other receivables (net of provision) of HK$18,574,000 and government subsidy income of HK$50,471,000 recognised in respect of a specific subsidy granted by the Shanghai Municipal Government and the Baoshan District Government. Such subsidy was a compensation for the relevant costs and expenses incurred by COSCO Kansai (Shanghai) in relocating the plant and settling the impacted staff.

Selling, Administrative and General Expenses

In 2016, selling, administrative and general expenses decreased by 17% to HK$447,434,000 (2015: HK$537,489,000). The decrease in selling expenses was mainly attributable to the significant decline in the sales volume of coating as compared to 2015, while the decrease in administrative and general expenses was attributable to the continuous and enhanced effort on cost control imposed by the Group.

Other Expenses and Losses

The Group recorded other expenses and losses of HK$18,046,000 (2015: HK$44,458,000). Other expenses and losses primarily included provision for impairment of inventories (net of reversal) of HK$10,312,000 and net exchange losses of HK$7,434,000 (2015: HK$41,818,000). Other expenses and losses for 2015 also included provision for impairment of trade receivables (net of reversal) of HK$2,189,000.

Operating Profit

Due to the factors stated above, the Group's operating profit decreased by 42% to HK$113,412,000 (2015: HK$194,708,000).

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, decreased by 21% to HK$90,960,000 (2015: HK$115,163,000) as a result of the decrease in interest rate of cash deposit as compared to 2015.

Finance Cost

Finance cost, which mainly represented interest expenses on short-term borrowings and other financial charges, increased by 16% to HK$4,414,000 (2015: HK$3,795,000).

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by 18% to HK$89,930,000 (2015: HK$110,171,000). This item primarily represented the share of profit of Jotun COSCO of HK$88,236,000 (2015: HK$107,333,000) which was included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates decreased by 12% to HK$10,202,000 (2015: HK$11,577,000). This item primarily comprised the share of profit of Double Rich of HK$9,094,000 (2015: HK$10,237,000) which was included in the marine fuel and other products segment.

Income Tax Expenses

The Group's income tax expenses for the year decreased to HK$63,590,000 (2015: HK$65,760,000). The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, however increased from 21% in 2015 to 32% as a result of increase in withholding tax.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company during the year decreased by 29% to HK$237,205,000 (2015: HK$335,763,000).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's main sources of liquidity comprised cash, bank balances and non-committed unutilised banking facilities. The liquidity is primarily for financing of general working capital requirements, dividend payments and future capital expenditure. As at 31st December 2016, deposits and cash and cash equivalents held by the Group accounted for 82% (2015: 77%) of the Group's total current assets.

As at 31st December 2016, the Group's total assets decreased by 0.8% to HK$9,388,144,000 (2015: HK$9,467,315,000). Total liabilities decreased by 2% to HK$1,342,403,000 (2015: HK$1,367,691,000). The Group remained cautious about potential credit risks that surrounded the shipping services industry. All business units focused on internal management, intensified their efforts on receivables management, working capital management and costs control, and attained remarkable results. As a result, the Group recorded net operating cash inflow in recent years, and the net cash generated from operating activities for the year reached HK$400,963,000, out of which HK$270,093,000 was attributable to the decrease of trade receivables and other receivables. The Group's selling, administrative and general expenses decreased by 17% as compared to 2015.

Net asset value attributable to shareholders was HK$7,702,161,000 (2015: HK$7,729,155,000). Net assets value per share was HK$5.02 (2015: HK$5.04), slightly decreased by 0.4% as compared to the end of 2015.

As at 31st December 2016, the Group's total bank borrowings increased to HK$67,076,000 (2015: HK$36,062,000), which was mainly for the purpose of working capital requirement for general trading business. For the maturity profile, please refer to the table below. The Group's total cash on hand and non-committed unutilised standby banking facilities increased by 7% to HK$6,722,017,000 (2015:

HK$6,260,730,000) and increased by 4% to HK$1,256,418,000 (2015: HK$1,211,191,000) respectively. The gearing ratio, which represented total borrowings over total assets, was 0.7% (2015: 0.4%).

Debt Analysis

	31st December 2016		31st December 2015	
	HK$'000	***%***	*HK$'000*	*%*
Classified by maturity:				
— repayable within one year	**67,076**	**100**	36,062	100
Classified by type of loan:				
— unsecured	**67,076**	**100**	36,062	100
Classified by currency:				
— Renminbi	**67,076**	**100**	36,062	100

Both the bank borrowings and the gearing ratio remained low since the end of 2015. While the corporate headquarters provided funds to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. Furthermore, the Group continued its efforts in securing higher yields through exploring channels of deposits with major financial institutions.

The Group had restricted bank deposits of HK$559,000 (2015: HK$597,000) as security for bank credit facilities and other purposes.

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

TREASURY POLICY

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

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

As at 31st December 2016, borrowings of the Group carried interests at rates calculated with reference to the benchmark interest rates announced by the People's Bank of China. The Group had used forward foreign exchange contracts to hedge its foreign currency exposure in 2016.

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

The Group maintained a healthy cash position. As at 31st December 2016, the Group had net cash, which represented total cash and deposits net of short-term borrowings, of HK$6,654,941,000 (2015: HK$6,224,668,000). To enhance the Group's revenue and to maintain availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in suitable and low-risk deposit products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions both in Hong Kong, China Mainland, Singapore, Japan, Germany and the United States. During the year, the Group strengthened its funds management and had actively negotiated with banks to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved a 1.4% return on the Group's cash for the year, representing 40 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of 2016. The Group had no financial instruments for interest rate hedging purposes.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2016, sales to the largest customer and aggregate sales to the five largest customers accounted for 39% and 67% respectively (2015: 39% and 47% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 68% and 74% respectively (2015: 64% and 75% respectively) of the total cost of sales of the Group.

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

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

EMPLOYEES

As at 31st December 2016, excluding joint ventures and associates, the Group had 829 (2015: 969) employees, of which 100 (2015: 102) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK$292,999,000 (2015: HK$304,082,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme. No share option scheme is in operation and no share options of the Company are outstanding.

FINAL AND SPECIAL DIVIDENDS

The Board has recommended the payment of a final dividend of 5.5 HK cents (2015: 9 HK cents) per share for the year ended 31st December 2016. Meanwhile, in order to celebrate the 20th anniversary of the Company's being a listed subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited, the Board recommended the payment of special dividend of 5 HK cents per share (2015: Nil). The proposed final dividend and special dividend will be payable on 28th June 2017 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") on 9th June 2017 subject to the shareholders' approval in the annual general meeting of the Company to be held on 29th May 2017 (the "AGM"). The proposed final dividend and special dividend together with the interim dividend of 4 HK cents per share, total dividends per share for the year 2016 are 14.5 HK cents (2015: 16 HK cents).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the AGM, the Register of Members will be closed from 24th May 2017 to 29th May 2017, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited (the "Branch Share Registrar") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 23rd May 2017.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from 7th June 2017 to 9th June 2017, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend and special dividend for the year ended 31st December 2016, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 6th June 2017.

REVIEW OF BUSINESS OPERATIONS

In 2016, amidst the continuous in-depth adjustment of the global economy, the economic recovery was sluggish. The growth of international trade remained weak, together with the frequent occurrence of black swan events and the rising protectionism in trade, leading to an increasingly fragile global economy. The economy of the PRC was in the path of overall stable slowdown, and was expected to accelerate gradually. However, there were conflicts between the overcapacity and the upgrading in demand structure and the endogenous dynamics of economic growth was still insufficient. In the respect of the shipping industry, the international shipping market still faced with an imbalance between supply and demand. The Baltic Dry Index (BDI), the Shanghai Containerized Freight Index (SCFI) and the China Containerized Freight Index (CCFI) dropped to a historical low in 2016 respectively.

During the year, the Company's overall working principle was "steady growth, ensuring profits and enhancing quality and efficiency". It actively coped with market changes, spared no effort to improve marketing services and safety management, increased income and reduced expenditure, continued to strengthen and optimise the existing businesses, enhanced service awareness and endeavoured to maximise its profit. At the same time, it further pushed forwards the project development of the Company, expanded the influence of its existing businesses, speeded up the establishment of "shipping services industrial cluster". In terms of business expansion, with an aim to further integrate the Group's marine equipment and spare parts business, the Company completed the acquisition of CSHT Marine at the beginning of January 2017. The acquisition will on one hand expand the size of the existing relevant business, and on the other hand facilitate synergy creation through economies of scale and cost reduction, bringing more benefits for the Group.

1. Core Business — Shipping Services

The Group's shipping services mainly include ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products.

During the year, with the delay of vessel delivery schedule by some shipowners, the increase in vessel scrapping volume reduced the need of replacement of marine equipment and spare parts. And the sales volume and prices of container coatings declined due to fierce price competition among suppliers in view of the decrease in output of new containers in China amid sluggish global trade demand. During the year, revenue from the Group's shipping services was HK$6,661,910,000 (2015: HK$5,163,022,000), representing an increase of 29% as compared to 2015. The increase was mainly due to the increase in revenue from marine fuel and other products. Profit before income tax from shipping services was HK$275,235,000 (2015: HK$372,400,000), representing a decrease of 26% as compared to 2015, mainly attributable to the marked decrease in profit before income tax from coatings segment as compared to 2015.

1.1 *Ship Trading Agency Services*

COSCO SHIPPING (Hong Kong) Ship Trading Company Limited (formerly known as COSCO International Ship Trading Company Limited), a wholly-owned subsidiary of the Company ("COSCO SHIPPING (Hong Kong) Ship Trading"), is 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 ("COSCO SHIPPING Group"). COSCO SHIPPING (Hong Kong) Ship Trading also provides similar services for shipowners and shipping enterprises outside COSCO SHIPPING Group. COSCO SHIPPING (Hong Kong) 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 (Hong Kong) Ship Trading according to the contracts after the vendors have delivered the vessels to the buyers.

During the year, some shipping companies delayed delivery of dry bulk vessels under construction due to the depressed shipping market, especially in the downturn of dry bulk shipping market. The delivery of new build vessels ordered through COSCO SHIPPING (Hong Kong) Ship Trading was 22 (2015:17), aggregating 1,686,000 dead weight tonnages (2015: 2,428,000 dead weight tonnages). Facing the tough business environment, COSCO SHIPPING (Hong Kong) Ship Trading actively increased marketing efforts, and paid several visits to internal and external customers of COSCO SHIPPING Group to strengthen exchanges and communication. Such measures have achieved positive results. A total of 17 (2015: 30) new build vessels ordered through COSCO SHIPPING (Hong Kong) Ship Trading were recorded during the year, aggregating 4,138,000 dead weight tonnages (2015: 3,793,000 dead weight tonnages). For second-hand vessels, the sale and purchase of a total of 48 (2015: 45) second-hand vessels through COSCO SHIPPING (Hong Kong) Ship Trading were recorded, aggregating 2,822,000 dead weight tonnages (2015: 3,710,000 dead weight tonnages).

As of 31st December 2016, the amount of new build vessels ordered through COSCO SHIPPING (Hong Kong) Ship Trading and pending delivery reached 12,360,000 dead weight tonnages, which were scheduled for delivery in the coming two to three years.

During the year, revenue from the ship trading agency segment increased by 16% to HK$98,921,000 (2015: HK$84,983,000) as compared to 2015. Segment profit before income tax was HK$69,632,000 (2015: HK$61,610,000), representing an increase of 13% as compared to 2015. The increase in segment profit before income tax was mainly due to the increase in new build vessel commission income and second-hand vessel commission income during the year as compared to 2015.

1.2 *Marine Insurance Brokerage Services*

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

During the year, COSCO Insurance Brokers completed renewal of the hull and machinery insurance, increased value insurance, war risks insurance and protection and indemnity insurance for the fleet, and actively explored other non-marine insurance brokerage business, including credit insurance, directors' liabilities insurance, terminal related insurance and group medical insurance, achieving satisfactory results. In respect of marketing services, COSCO Insurance Brokers actively explored new customers and successfully renewed the hull and machinery insurance and protection and indemnity insurance with a number of large state-owned enterprises. Moreover, it provided professional insurance advices for the existing customers based on the customers' business situation and needs. In addition, COSCO Insurance Brokers also maintained a WeChat public account to publish timely updates on important insurance information, which helped keep in touch with the customers and further improved brand image of the Company.

During the year, revenue from insurance brokerage segment was HK$94,411,000 (2015: HK$91,889,000), up by 3% as compared to 2015. Segment profit before income tax was HK$69,112,000 (2015: HK$67,291,000), representing an increase of 3% as compared to 2015.

1.3 *Supply of Marine Equipment and Spare Parts*

COSCO Yuantong Operation Headquarters, which are composed of Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (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*) and Yuan Hua Technical & Supply Corporation). In addition, upon the completion of acquisition of CSHT Marine by the Company at the beginning of January 2017, CSHT Marine also became one of the members of COSCO Yuantong Operation Headquarters. COSCO Yuantong Operation Headquarters are 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 of America, etc.

During the year, each shipping company made strenuous effort to save cost in a weak shipping market. Coupled with the fact that the increase in vessel scrapping volume reduced the demand for marine spare parts and maintenance, the sales volume of COSCO Yuantong Operation Headquarters was directly affected. Facing the fierce market competition, COSCO Yuantong Operation Headquarters continued to enhance its marketing services. By formulating customised service standards, adjusting key customer service improvement programs and actively visiting customers, it provided one-on-one professional services to its customers. Meanwhile, COSCO Yuantong Operation Headquarters actively intensified effort to develop business outside COSCO SHIPPING Group and successfully acquired new customers outside COSCO SHIPPING Group, achieving fast growth in such external business. In addition, COSCO Yuantong Operation Headquarters explored additional non-traditional services, such as vessel inspection services and overseas repairing services etc., in response to market changes and customers' needs. These services not only satisfied customers' needs but also created new profit drivers for the Group. In order to further strengthen the materials supply business, a distribution center of marine materials established in Singapore had been officially put into operation based on its regional positioning and geographical advantage.

During the year, revenue from marine equipment and spare parts segment was HK$1,064,999,000 (2015: HK$1,096,698,000), representing a decrease of 3% as compared to 2015. Segment profit before income tax was HK$51,808,000 (2015: HK$46,561,000), representing an increase of 11% as compared to 2015, which was mainly attributable to the continuous and enhanced effort on cost control and the reversal of provision for impairment of trade receivables of HK$1,761,000 (2015: provision for impairment of trade receivables of HK$4,059,000) during the year.

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) are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings, while COSCO Kansai (Shanghai) is primarily engaged in the sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and Jotun A/S, Norway, an international coating manufacturer, is principally engaged in the production and sale of marine coatings.

For container coatings, as a result of the continued sluggish shipping market during the year, market demand for new build containers and the prices of new containers dropped. The operating results of COSCO Kansai Companies were significantly affected despite the fact that they successfully developed new customers by providing differential services. For marine coatings, Jotun COSCO put greater effort into marketing and customer care, which helped to maintain its leading position in China's marine coating market.

During the year, revenue from coatings segment was HK$637,033,000 (2015: HK$1,109,466,000), representing a significant decrease of 43% as compared to 2015. The decrease was mainly due to the decline in sales volume and price of container coatings as compared to 2015. Segment profit before income tax was HK$72,635,000 (2015: HK$184,807,000), representing a decrease of 61% as compared to 2015, which included the decrease in the Group's share of profit from Jotun COSCO.

1.4.1 *Container Coatings and Industrial Heavy-duty Anti-corrosion Coatings*

COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai) have coating plants in Tianjin, Zhuhai and Shanghai respectively. These coating plants are respectively located in the Pan-Bohai Rim, the Pearl River Delta and the Yangtze River Delta, the three most economically developed regions of China.

Facing the tough market condition, COSCO Kansai Companies, during the year, actively strived for every order by segmenting their target customers, enhancing communication by visiting customers and improving their marketing services, consolidated their strategic cooperation relationships with container manufacturing enterprises and endeavoured to promote and publicise their water-based coatings, all such initiatives achieved promising results. COSCO Kansai Companies also actively expanded into the special container market and offered quality services to major container manufacturers and container owners, thereby gaining the support and trust from key customers. However, the sales volume of container coatings decreased by 57% from 38,099 tonnes in 2015 to 16,237 tonnes during the year, mainly due to the decrease in the output of new containers in China and fierce market competition as compared to 2015.

In addition, COSCO Kansai Companies continued to vigorously develop the business of industrial heavy-duty anti-corrosion coatings, actively formulated sales and marketing strategies for each business sector, established a regional sales network, optimised organisational structure, focused on key customers and key projects, and increased market development effort. While consolidating the market share of existing businesses, COSCO Kansai Companies also strived to develop new areas of business and have made achievement in developing the integrated industrial and construction machinery sector. A series of products in relation to protective coatings for nuclear power plants developed by COSCO Kansai Companies have been granted the authentication by the Science and Technology Product Identification Conference (科學技術產品鑑定會) organised by the China Nuclear Energy Association, thereby further consolidating the leading position of COSCO Kansai Companies in the said industry. During the year, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 16,654 tonnes (2015: 16,081 tonnes), representing an increase of 4% as compared to

2015. Moreover, COSCO Kansai Companies were awarded "The Top 10 Anti-Corrosion Coating Brands Awards of China" by 慧聰塗料網 (HC Coating Network) for the seventh straight year.

1.4.2 *Marine Coatings*

Jotun COSCO is principally engaged in the production and sale of marine coatings in the region of China including China Mainland, Hong Kong and Macau Special Administrative Regions.

During the year, a significant decrease in the number of new build vessel orders received by Chinese shipyards and ships in need of dock repair were recorded. In line with the increasing industrial competition under the rigorous market conditions, Jotun COSCO increased customer visits so as to proactively maintain and reinforce the customer relationship with major domestic shipyards and shipowners and segmented the market and its target customers based on the market trend and demand of marketing services so as to gradually establish a service system with differentiated products, services and marketing. In addition, it strived to obtain coating orders with better terms for new build vessels through selective market development and spared no effort to strengthen coatings for repair and maintenance business in order to maintain its market share. Meanwhile, Jotun COSCO strived for product enhancement, facilitated energy saving and emission reduction of vessels while focusing on the promotion of HPS (Hull Performance Solution) as well as the combination of vessel maintenance concept with maintenance coating products. Jotun COSCO offered solutions to its customers according to their business needs so as to maintain its leading position in China's marine coating market. Furthermore, Jotun COSCO formulated a strategy of exploiting the potentials of its customers while maintaining the ship repairing projects from major and quality customers, with a view to deepening the development of other potential markets. During the year, sales volume of Jotun COSCO's coatings for new build vessels amounted to 52,082,000 litres, representing a decrease of 17% as compared to 2015. Sales volume of coatings for repair and maintenance was 16,671,000 litres, representing a decrease of 19% as compared to 2015. The sales volume of Jotun COSCO's marine coatings amounted to 68,753,000 litres (equivalent to approximately 92,814 tonnes) (2015: 83,436,000 litres (equivalent to approximately 112,639 tonnes)), representing a decrease of 18% as compared to 2015. During the year, the Group's share of profit from Jotun COSCO was HK$88,236,000 (2015: HK$107,333,000), representing a decrease of 18% as compared to 2015, which was mainly attributable to the decrease in sale volume of marine coatings.

In addition, as at 31st December 2016, Jotun COSCO had coating contracts on hand for new build vessels amounting to 34,690,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming three years, which guaranteed steady development of Jotun COSCO's future business.

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

Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company ("Sinfeng"), is primarily engaged in the supply of marine fuel, trading and brokerage services of marine fuel and related products. Currently, its business network primarily covers major oil ports such as Singapore and Malaysia. During the year, Sinfeng adopted prudent business strategies by conducting business with reputable customers in order to establish stable and long-term business cooperation in response to the complex market environment. During the year, total sales volume of marine fuel products was 2,114,548 tonnes, increased by 84% as compared with 1,146,911 tonnes in 2015.

Revenue from the marine fuel and other products segment was HK$4,766,546,000, significantly increased by 71% as compared with HK$2,779,986,000 in 2015, which was mainly attributable to the increase in sales volume during the year as compared to 2015.

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 shipowners and ship operators. During the year, the Group's share of profit from Double Rich was HK$9,094,000 (2015: HK$10,237,000), down by 11% as compared to 2015, which was mainly due to the decline in investment gain during the year.

Profit before income tax from marine fuel and other products segment was HK$12,048,000 (2015: HK$12,131,000), representing a slight decrease of 1% as compared to 2015, which was mainly attributable to the decrease in share of profit of an associate.

2. General Trading

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

During the year, faced with the sluggish domestic macro economy, tight funding for infrastructure, the continuously fluctuating crude oil market and the market condition under increasingly fierce competition, CITC endeavored to maintain its market shares in areas where it has obtained advantages in bidding and tendering, including Guangxi, Yunnan, Guizhou, Hunan, etc., and focused on exploring new markets, such as Anhui, Jiangsu and Inner Mongolia, etc. CITC made use of the advantages of resources and logistics and successfully bidded the asphalt supply project for the expressway within the Anhui Province and therefore has tapped into the market of such area. In respect of the non-tender business, CITC continued to vigorously develop end customers, and gradually participated in urban infrastructure and asphalt retail areas while ensuring the risk control so as to expand business scope and seek new profit drivers. By leveraging such strategies, CITC had achieved remarkable success in exploring retail business in the Eastern China region market. In addition, CITC also has gradually set up a relatively stable supply system of imported and domestic asphalt by enhancing the cooperative relationships with the well-known domestic and foreign resource suppliers, thereby further enhanced its ability in the integration of resource allocation and contributed to the development of asphalt supply business. During the year, the sales volume of asphalt of CITC amounted to 181,177 tonnes, representing an increase of 5% as compared to 173,061 tonnes in 2015.

During the year, revenue from general trading segment was HK$768,387,000 (2015: HK$836,624,000), down by 8% as compared to 2015, which was mainly due to lower selling prices of asphalt which offset the increase of sales volume. Segment profit before income tax was HK$4,530,000 (2015: HK$23,143,000), representing a significant decrease of 80% as compared to 2015. It was mainly attributable to the reversal of provision for impairment of other receivables of HK$18,662,000 resulted from successful collection of other receivables in default in 2015.

SUBSEQUENT EVENT

On 28th November 2016, the Company entered into a share purchase agreement with COSCO SHIPPING Financial Holdings Co., Limited and China Merchants Hoi Tung Trading Company Limited in relation to the acquisition of 100% equity interest of CSHT Marine at a cash consideration of HK$118,400,000 (the "Acquisition"). Details of the Acquisition were set out in the Company's announcement dated 28th November 2016 and the circular dated 12th December 2016. The Acquisition was approved by independent shareholders at the special general meeting of the Company held on 30th December 2016, and was completed on 1st January 2017.

PROSPECTS

According to the International Monetary Fund, the global economic growth in 2017 is forecast to be 3.4%, which is higher than that of 2016. The escalation of the global economic growth will provide better support and boost for the growth of demand in shipping market. China's economic growth may be slightly slower but it will still operate within an appropriate range. Although the overall imbalance between the supply and demand in the shipping sector still exists, it will be relieved somehow. The shipping market is on the rise, it will become more and more rational, and the structural recovery of the industry will further enhance market confidence. In particular, the further promotion of China's "Go Global" strategy and "One Belt and One Road" initiative will present enormous opportunities for China shipping enterprises to develop new markets. Adhering to the "shipping services industrial clusters" strategic guidance, COSCO SHIPPING International remains committed to optimising the industrial chain of shipping services and improving the service level of shipping related industries, in accordance with the overall strategy of COSCO SHIPPING Group. Through continuous effort, it will push forward the transformation and upgrading, make progress while maintaining stability to maximise the value of the enterprise.

On one hand, the Group will be committed to establishing of "shipping services industrial cluster" in line with the development strategy of COSCO SHIPPING. The Group will fully capitalise on its strength, further refine the business coverage of shipping services and optimise its services boundary and scope. It will also make use of the assets consolidation opportunity of COSCO SHIPPING Group to consolidate assets of other shipping service businesses within the Group. The Group will facilitate the expansion and development of the products and services in order to explore new business sectors of shipping services. In the meantime, the Group will make efforts to expand business outside the Group and inject potential projects, which are outside COSCO SHIPPING Group and are relevant to the existing business, in due course, so as to expand the business footprint of the Group.

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

For the ship trading agency services, COSCO SHIPPING (Hong Kong) Ship Trading will strengthen its market research, endeavour to co-ordinate with the shipyards and shipowners and keep improving its services to ensure smooth delivery of new build vessels amidst sluggish global economy and the downtrend of ship building market. Meanwhile, it will widen its horizons, actively explore business outside COSCO SHIPPING Group and further diversify its businesses by expanding into the business areas throughout the whole life cycle of vessels, such as consultation on ship technology, consultation on ship trading and supervision of shipbuilding progress, with a view to laying a solid foundation for the future development of COSCO SHIPPING (Hong Kong) Ship Trading.

For the marine insurance brokerage services, given the challenging business environment, COSCO Insurance Brokers will put more effort into developing third-party business and further expand its business channels and scope.

For the supply of marine equipment and spare parts, due to the continuing cost control of shipping companies and generally young vessel age as a result of replacement of old vessels with the new ones, COSCO Yuantong Operation Headquarters will focus on marketing service, enhance its technical services, and carry out business consolidation to orderly push forwards the centralised procurement within COSCO SHIPPING Group. It will consummate the management of suppliers further, expand its business scope outside COSCO SHIPPING Group and domestic spare parts business, optimise the operation process, reduce overall procurement costs and boost the overall effectiveness.

For container coatings, although the number of new build containers in 2017 is expected to slightly increase compared to that in 2016, the business environment of the container coatings companies is still challenging with the rising price of raw materials and intense competition of the environment-friendly coating products. COSCO Kansai Companies will actively promote the application and upgrading of the products of water-based coatings and environment-friendly coatings and devote to marketing and service in order to increase their market share. Meanwhile, COSCO Kansai Companies will dedicate themselves to obtaining recognitions and orders from the customers of Europe and the United States of America, in an effort to expand its container coatings business into these regions, and it will make full effort to explore the reefer container and special container market to increase market potential. For industrial heavy-duty anti-corrosion coatings, growth in the industry is expected to remain slow and moderate. COSCO Kansai Companies will focus on certain economic belts in China to explore new industries such as infrastructure (including landmarks, petrochemical and electrical maintenance etc.) and new customers. Moreover, they will put more effort in the development and follow-up work of key customers and projects in order to increase the success rate of projects.

For marine coatings, facing intensifying market competition, Jotun COSCO will continue to apply the HPS (Hull Performance Solution) promotion strategy to attract and retain customers and fully utilise the product advantage to selectively expand markets and secure shipbuilding orders with better terms. Whilst maintaining its leading position in marine coating market, Jotun COSCO will dedicate to enhance its share in repair and maintenance coating market.

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

For general trading, CITC will endeavour to fulfill the tasks in respect of the successfully tendered projects, while keeping on track with key projects in 2017 in key regions. It will continue to strengthen the establishment of the marketing network in order to secure project orders.

Looking forward, the Group will fully seize the opportunity presented by the business reorganisation of COSCO SHIPPING, and develop the "shipping services industrial cluster" into an industrial cluster which can offer strong supporting services for shipping with independent profit drivers aiming to become a world class and leading shipping services company in China.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2016.

CORPORATE GOVERNANCE

Maintaining high standards of corporate governance has always been one of the Company's priorities. This is achieved through an effective, timely disclosure of information by the Board and a proactive investor relations programme. The Company will continue to implement measures in order to further strengthen its corporate governance and overall risk management.

The Board believed that the Company has complied with the code provisions of Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st December 2016 except that Mr. Wu Shuxiong, the then non-executive director, was unable to attend the annual general meeting of the Company held on 31st May 2016 due to other engagement, and Mr. Alexander Reid Hamilton, the independent non-executive director, was unable to attend the two special general meetings of the Company held on 30th December 2016 due to urgent personal matter, a deviation from the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings of the Company.

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of Audit Committee include reviewing the accounting policies and the Company's financial reporting; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting, the risk management and internal control systems; ensuring compliance with applicable statutory accounting and reporting requirements. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited consolidated financial statements of the Group for the year ended 31st December 2016.

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

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee currently comprising the Chairman, the Vice Chairman, the Managing Director and a Director was set up to deal with such transactions.

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31st December 2016, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

By Order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Liu Gang
Managing Director

Hong Kong, 23rd March 2017

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

* *for identification purposes only*