

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



中遠國際控股有限公司*

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2016 INTERIM RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Profit attributable to equity holders decreased by 28% to HK\$144,803,000 as compared to the same period of 2015.
- Revenue decreased by 16% to HK\$2,555,427,000 as compared to the same period of 2015 mainly due to the declines in coatings, marine equipment and spare parts, marine fuel and other products, as well as the year-on-year decrease in segment revenues of ship trading agency.
- Gross profit decreased by 33% to HK\$247,375,000 as compared to the same period of 2015. Gross profit margin decreased to 10% which was mainly attributable to the declines in price and volume of container coatings as well as the decrease in ship trading agency commission.
- Basic earnings per share was 9.45 HK cents, decreased by 28% as compared to the same period of 2015.
- The Board has declared an interim dividend of 4 HK cents per share.
- The Group had net cash of HK\$6,137,864,000 as at 30th June 2016 for the expansion of existing businesses and the support of 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 best shipping services company in China.

The board of directors (the “Board” or the “Director(s)”) of COSCO International Holdings Limited (the “Company” or “COSCO International”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June 2016. The unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the “Audit Committee”).

The Group’s unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of

financial position and explanatory notes 1 to 14 as presented below are extracted from the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2016 (the "Unaudited Condensed Consolidated Interim Financial Information"), which has been reviewed by the Company's independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2016

		Unaudited	
		Six months ended 30th June	
	Note	2016	2015
		HK\$'000	HK\$'000
Revenue	3	2,555,427	3,028,483
Cost of sales		(2,308,052)	(2,659,876)
Gross profit		247,375	368,607
Other income and gains	4	14,626	49,894
Selling, administrative and general expenses		(185,212)	(275,447)
Other expenses and losses	5	(3,760)	(8,144)
Operating profit	6	73,029	134,910
Finance income	7	44,591	67,599
Finance costs	7	(2,124)	(2,098)
Finance income – net	7	42,467	65,501
Share of profits of joint ventures		48,652	47,746
Share of profits of associates		3,816	5,597
Profit before income tax		167,964	253,754
Income tax expenses	8	(18,817)	(40,206)
Profit for the period		149,147	213,548
Profit attributable to:			
Equity holders of the Company		144,803	200,300
Non-controlling interests		4,344	13,248
		149,147	213,548
Earnings per share attributable to equity holders of the Company during the period			
– basic, HK cents	9(a)	9.45	13.07
– diluted, HK cents	9(b)	9.45	12.95

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2016

	Unaudited	
	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Profit for the period	149,147	213,548
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(25,781)	(1,335)
Share of currency translation differences of a joint venture	(4,529)	91
Share of cash flow hedges of an associate, net of tax	6,002	28,321
Fair value gains on available-for-sale financial assets, net	1,397	6,939
Other comprehensive (losses)/income for the period	(22,911)	34,016
Total comprehensive income for the period	126,236	247,564
Total comprehensive income/(losses) attributable to:		
Equity holders of the Company	129,277	234,137
Non-controlling interests	(3,041)	13,427
	126,236	247,564

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2016

	<i>Note</i>	Unaudited 30th June 2016 <i>HK\$'000</i>	Audited 31st December 2015 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Intangible assets		102,428	103,185
Property, plant and equipment		367,080	392,516
Prepaid premium for land leases		31,886	32,876
Investment properties		49,447	49,416
Investments in joint ventures		567,516	525,343
Investments in associates		117,324	107,615
Available-for-sale financial assets		55,449	58,754
Deferred income tax assets		46,014	49,245
Non-current deposits	11	11,700	35,805
		<u>1,348,844</u>	<u>1,354,755</u>
Current assets			
Inventories		311,203	347,241
Trade and other receivables	12	1,533,650	1,509,995
Available-for-sale financial assets		30,157	25,455
Financial assets at fair value through profit or loss		924	909
Current income tax recoverable		8,770	4,035
Restricted bank deposits		1,726	597
Current deposits and cash and cash equivalents		6,142,761	6,224,328
		<u>8,029,191</u>	<u>8,112,560</u>
Total assets		<u>9,378,035</u>	<u>9,467,315</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		153,296	153,296
Reserves		7,567,170	7,575,859
		<u>7,720,466</u>	<u>7,729,155</u>
Non-controlling interests		<u>367,428</u>	<u>370,469</u>
Total equity		<u>8,087,894</u>	<u>8,099,624</u>
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		44,778	44,655
Current liabilities			
Trade and other payables	13	1,210,694	1,278,279
Current income tax liabilities		16,346	8,695
Short-term borrowings		18,323	36,062
		<u>1,245,363</u>	<u>1,323,036</u>
Total liabilities		<u>1,290,141</u>	<u>1,367,691</u>
Total equity and liabilities		<u>9,378,035</u>	<u>9,467,315</u>

Notes:

1 GENERAL INFORMATION

COSCO International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the provision of shipping services and general trading.

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

The ultimate holding company of the Company is China 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.

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2016 (the “Unaudited Condensed Consolidated Interim Financial Information”) is presented in Hong Kong dollars, unless otherwise stated.

This Unaudited Condensed Consolidated Interim Financial Information was approved by the board of directors for issue on 18th August 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31st December 2015, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The accounting policies and methods used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those set out in the annual financial statements for the year ended 31st December 2015 except that the Group has adopted the following amendments to published standards and interpretation issued by the HKICPA, which are relevant to its operations and are effective for accounting periods beginning on or after 1st January 2016.

		Effective for accounting periods beginning on or after
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012-2014 Cycle	1st January 2016
Amendment to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations	1st January 2016
Amendments to HKAS 1	Disclosure Initiative	1st January 2016
Amendment 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 interpretation did not result in any substantial changes to the Group’s accounting policies and had no material financial impact on the Unaudited Condensed Consolidated Interim Financial Information.

The following new standards and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 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 HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

3 REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Sale of coatings	286,743	671,085
Sale of marine equipment and spare parts	500,813	539,840
Commission income from ship trading agency	31,023	43,619
Commission income from insurance brokerage	46,129	46,050
Sale of marine fuel and other products	1,389,150	1,411,618
Sale of asphalt and other products	301,569	316,271
	<u>2,555,427</u>	<u>3,028,483</u>

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

All other segments mainly comprise the Group's listed available-for-sale financial assets and financial assets at fair value through profit or loss.

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

	Shipping services					General trading	All other segments	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	
Six months ended and as at 30th June 2016										
Profit and loss items:										
Segment revenue	286,743	500,832	31,023	46,313	1,422,254	2,287,165	317,609	-	(49,347)	2,555,427
Inter-segment revenue	-	(19)	-	(184)	(33,104)	(33,307)	(16,040)	-	49,347	-
Revenue from external customers	<u>286,743</u>	<u>500,813</u>	<u>31,023</u>	<u>46,129</u>	<u>1,389,150</u>	<u>2,253,858</u>	<u>301,569</u>	<u>-</u>	<u>-</u>	<u>2,555,427</u>
Segment operating profit	6,682	32,628	12,940	32,495	2,045	86,790	6,019	2,264	-	95,073
Finance income	3,227	419	3,064	606	270	7,586	307	-	(2,074)	5,819
Finance costs	(190)	(940)	(9)	(88)	(42)	(1,269)	(3,330)	-	2,074	(2,525)
Share of profits of joint ventures	47,246	325	1,081	-	-	48,652	-	-	-	48,652
Share of profits of associates	-	-	58	-	3,050	3,108	708	-	-	3,816
Segment profit before income tax	<u>56,965</u>	<u>32,432</u>	<u>17,134</u>	<u>33,013</u>	<u>5,323</u>	<u>144,867</u>	<u>3,704</u>	<u>2,264</u>	<u>-</u>	<u>150,835</u>
Income tax expenses	(3,734)	(5,169)	(2,846)	(5,750)	(386)	(17,885)	(595)	-	-	(18,480)
Segment profit after income tax	<u>53,231</u>	<u>27,263</u>	<u>14,288</u>	<u>27,263</u>	<u>4,937</u>	<u>126,982</u>	<u>3,109</u>	<u>2,264</u>	<u>-</u>	<u>132,355</u>
Balance sheet items:										
Total segment assets	1,798,389	1,025,981	343,769	304,891	487,612	3,960,642	820,447	84,771	(368,862)	4,496,998
Total segment assets include:										
- Joint ventures	550,404	12,360	4,752	-	-	567,516	-	-	-	567,516
- Associates	-	-	2,051	-	107,452	109,503	7,821	-	-	117,324
Total segment liabilities	<u>293,058</u>	<u>434,203</u>	<u>90,367</u>	<u>168,028</u>	<u>315,479</u>	<u>1,301,135</u>	<u>594,324</u>	<u>-</u>	<u>(368,862)</u>	<u>1,526,597</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	10,151	1,696	118	103	-	12,068	623	-	-	12,691
Net provision for impairment of inventories	3,722	-	-	-	-	3,722	-	-	-	3,722
Net provision/(reversal of provision) for impairment of trade receivables	3,551	(1,008)	-	-	-	2,543	(2,740)	-	-	(197)
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>1,912</u>	<u>1,028</u>	<u>-</u>	<u>21</u>	<u>-</u>	<u>2,961</u>	<u>301</u>	<u>-</u>	<u>-</u>	<u>3,262</u>
Year ended and as at 31st December 2015										
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
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>148,688</u>	<u>24,802</u>	<u>54</u>	<u>620</u>	<u>-</u>	<u>174,164</u>	<u>138</u>	<u>-</u>	<u>-</u>	<u>174,302</u>

	Shipping services					General trading	All other segments	Inter-segment elimination	Total	
	Coatings HK\$'000	Marine equipment and spare parts HK\$'000	Ship trading agency HK\$'000	Insurance brokerage HK\$'000	Marine fuel and other products HK\$'000	Total HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended and as at 30th June 2015										
Profit and loss items:										
Segment revenue	671,085	539,844	43,619	46,241	1,490,849	2,791,638	316,390	-	(79,545)	3,028,483
Inter-segment revenue	-	(4)	-	(191)	(79,231)	(79,426)	(119)	-	79,545	-
Revenue from external customers	<u>671,085</u>	<u>539,840</u>	<u>43,619</u>	<u>46,050</u>	<u>1,411,618</u>	<u>2,712,212</u>	<u>316,271</u>	<u>-</u>	<u>-</u>	<u>3,028,483</u>
Segment operating profit	35,466	32,763	26,978	33,502	5,921	134,630	32,802	2,712	-	170,144
Finance income	4,108	379	3,984	646	75	9,192	630	-	-	9,822
Finance costs	(135)	(1,004)	(9)	(81)	(2,635)	(3,864)	(4,463)	-	-	(8,327)
Share of profits/(losses) of joint ventures	48,345	(778)	179	-	-	47,746	-	-	-	47,746
Share of profits of associates	-	-	37	-	4,739	4,776	821	-	-	5,597
Segment profit before income tax	87,784	31,360	31,169	34,067	8,100	192,480	29,790	2,712	-	224,982
Income tax expenses	(10,552)	(5,799)	(7,985)	(5,953)	(571)	(30,860)	(7,242)	-	-	(38,102)
Segment profit after income tax	<u>77,232</u>	<u>25,561</u>	<u>23,184</u>	<u>28,114</u>	<u>7,529</u>	<u>161,620</u>	<u>22,548</u>	<u>2,712</u>	<u>-</u>	<u>186,880</u>
Balance sheet items:										
Total segment assets	2,025,362	951,380	345,244	287,755	535,458	4,145,199	915,049	105,867	(225,809)	4,940,306
Total segment assets include:										
– Joint ventures	463,668	11,851	3,418	-	-	478,937	-	-	-	478,937
– Associates	-	-	2,128	-	106,413	108,541	7,868	-	-	116,409
Total segment liabilities	<u>563,528</u>	<u>559,371</u>	<u>42,668</u>	<u>152,612</u>	<u>310,976</u>	<u>1,629,155</u>	<u>667,835</u>	<u>-</u>	<u>(225,809)</u>	<u>2,071,181</u>
Other items:										
Depreciation and amortisation, net of amount capitalised	6,167	1,186	135	28	-	7,516	620	-	-	8,136
Net provision for impairment of inventories	2,524	-	-	-	-	2,524	-	-	-	2,524
Net provision for impairment of trade receivables	4,878	-	-	-	-	4,878	-	-	-	4,878
Reversal of provision for impairment of other receivables	-	-	-	-	-	-	(18,979)	-	-	(18,979)
Government subsidy income	(23,330)	-	-	-	-	(23,330)	-	-	-	(23,330)
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	<u>45,389</u>	<u>864</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>46,267</u>	<u>78</u>	<u>-</u>	<u>-</u>	<u>46,345</u>

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

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Profit before income tax for reportable segments	148,571	222,270
Profit before income tax for all other segments	2,264	2,712
	<hr/>	<hr/>
Profit before income tax for all segments	150,835	224,982
Elimination of segment income from corporate headquarters	(96)	(68)
Elimination of segment finance costs to corporate headquarters	408	6,241
Corporate finance income	38,772	57,777
Corporate finance costs	(7)	(12)
Corporate expenses, net of income	(21,948)	(35,166)
	<hr/>	<hr/>
Profit before income tax for the Group	167,964	253,754
Income tax expenses for all segments	(18,480)	(38,102)
Corporate income tax expenses	(337)	(2,104)
	<hr/>	<hr/>
Profit after income tax for the Group	149,147	213,548

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

	30th June	31st December	30th June
	2016	2015	2015
	HK\$'000	HK\$'000	HK\$'000
Total assets for reportable segments	4,781,089	4,812,358	5,060,248
Total assets for all other segments	84,771	83,358	105,867
Elimination of inter-segment receivables	(368,862)	(349,875)	(225,809)
	<hr/>	<hr/>	<hr/>
	4,496,998	4,545,841	4,940,306
Corporate assets (mainly deposits and cash and cash equivalents)	5,157,913	5,223,410	5,373,575
Elimination of corporate headquarters' receivables from segments	(276,876)	(301,936)	(666,427)
	<hr/>	<hr/>	<hr/>
Total assets for the Group	9,378,035	9,467,315	9,647,454

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

	30th June 2016 HK\$'000	31st December 2015 HK\$'000	30th June 2015 HK\$'000
Total liabilities for reportable segments	1,895,459	1,972,332	2,296,990
Elimination of inter-segment payables	(368,862)	(349,875)	(225,809)
	1,526,597	1,622,457	2,071,181
Corporate liabilities	40,420	47,170	38,553
Elimination of segment payables to corporate headquarters	(276,876)	(301,936)	(666,427)
Total liabilities for the Group	<u>1,290,141</u>	<u>1,367,691</u>	<u>1,443,307</u>

4 OTHER INCOME AND GAINS

	Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Gain on disposal of property, plant and equipment	159	156
Rental income	806	912
Reversal of provision for impairment of trade receivables, net of provision	197	–
Reversal of provision for impairment of other receivables	–	18,979
Dividend income from listed investments	2,249	2,604
Fair value gains on financial assets at fair value through profit or loss	15	108
Net exchange gains	5,394	–
Government subsidy income [#]	–	23,330
Others	5,806	3,805
	<u>14,626</u>	<u>49,894</u>

[#] Government subsidy income of HK\$23,330,000 was recognised during the period ended 30th June 2015 in respect of a special subsidy granted by the Shanghai Municipal Government. Such subsidy was to compensate for the relevant costs and expenses incurred by COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. in relocating the production plant and settling the impacted staff.

5 OTHER EXPENSES AND LOSSES

	Six months ended 30th June	
	2016 HK\$'000	2015 HK\$'000
Direct operating expenses for generating rental income	38	47
Provision for impairment of inventories, net of reversal	3,722	2,524
Provision for impairment of trade receivables, net of reversal	–	4,878
Net exchange losses	–	695
	<u>3,760</u>	<u>8,144</u>

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Depreciation and amortisation, net of amount capitalised in inventories totalling HK\$1,659,000 (2015: HK\$914,000)	<u>12,946</u>	<u>8,325</u>

7 FINANCE INCOME – NET

	Six months ended 30th June	
	2016	2015
	HK\$'000	HK\$'000
Interest income from:		
– a fellow subsidiary	4,876	8,649
– bank deposits	<u>39,715</u>	<u>58,950</u>
Total finance income	<u>44,591</u>	<u>67,599</u>
Interest expenses on bank loans wholly repayable within five years	(620)	(980)
Other finance charges	<u>(1,504)</u>	<u>(1,118)</u>
Total finance costs	<u>(2,124)</u>	<u>(2,098)</u>
Finance income – net	<u>42,467</u>	<u>65,501</u>

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 period.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the period at 25% (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 period 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 period.

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

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

	Six months ended 30th June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	10,043	7,952
– the PRC enterprise income tax	4,297	18,624
– other overseas taxation	1,287	2,834
– (over)/under-provision in prior period	(3)	875
Deferred income tax charge, net	3,193	9,921
Income tax expenses	18,817	40,206

9 EARNINGS PER SHARE

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

	Six months ended 30th June	
	2016	2015
Profit attributable to equity holders of the Company	HK\$144,803,000	HK\$200,300,000
Weighted average number of ordinary shares in issue	1,532,955,429	1,532,027,528
Basic earnings per share	9.45 HK cents	13.07 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 in respect of outstanding share options in 2015. There is no outstanding share options in 2016.

	Six months ended 30th June	
	2016	2015
Profit attributable to equity holders of the Company	HK\$144,803,000	HK\$200,300,000
Adjusted weighted average number of ordinary shares in issue	1,532,955,429	1,546,326,810
Diluted earnings per share	9.45 HK cents	12.95 HK cents

10 DIVIDEND

	Six months ended 30th June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend, declared, of HK\$0.04 (2015: HK\$0.07) per ordinary share	61,318	107,307

At the board meeting held on 18th August 2016, the directors of the Company declared an interim dividend of HK\$0.04 per ordinary share for the six months ended 30th June 2016. This dividend has not been recognised as a liability in the Unaudited Condensed Consolidated Interim Financial Information, but will be recognised in shareholders' equity in the year ending 31st December 2016.

A dividend of HK\$137,966,000 relating to the year ended 31st December 2015 (2014: HK\$153,296,000) was paid in June 2016.

11 NON-CURRENT DEPOSITS

These deposits, which were denominated in Renminbi and interest-bearing at prevailing market rates, were placed with a fellow subsidiary, which is a financial institution in the PRC.

12 TRADE AND OTHER RECEIVABLES

	30th June 2016 HK\$'000	31st December 2015 HK\$'000
Trade receivables, net of provision for impairment	851,079	769,366
Bills receivables, prepayments, deposits, other receivables and amounts due from related parties, net of provision for impairment	682,571	740,629
	<u>1,533,650</u>	<u>1,509,995</u>

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

	30th June 2016 HK\$'000	31st December 2015 HK\$'000
Current – 90 days	474,805	483,415
91 – 180 days	177,177	161,643
Over 180 days	199,097	124,308
	<u>851,079</u>	<u>769,366</u>

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.

13 TRADE AND OTHER PAYABLES

	30th June 2016 HK\$'000	31st December 2015 HK\$'000
Trade payables	282,953	291,744
Bills payables, advances from customers, accrued liabilities, other payables, amounts due to related parties and dividend payable to non-controlling interests	927,741	986,535
	<u>1,210,694</u>	<u>1,278,279</u>

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

	30th June 2016 HK\$'000	31st December 2015 HK\$'000
Current – 90 days	232,723	253,298
91 – 180 days	43,761	32,842
Over 180 days	6,469	5,604
	282,953	291,744

14 FINANCIAL GUARANTEE CONTRACTS

As at 30th June 2016, the Group had financial guarantees issued in favour of banks as security for general banking facilities granted to an associate and a joint venture, and financial guarantee issued in favour of the shareholder of a joint venture as counter guarantee in relation to general banking facilities granted to the joint venture.

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

	Year of maturity	30th June 2016 HK\$'000	31st December 2015 HK\$'000
General banking facilities of:			
– a joint venture	2017	38,794	38,750
– an associate	2017	205,608	205,377
Counter guarantee	2017	22,500	22,475
		266,902	266,602

As at 30th June 2016, the credit risk and liquidity risk exposure relating to the above financial guarantee contracts are considered as low.

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

FINANCIAL REVIEW

In the first half of 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, adjustment of fleet structure and the continuous slowdown of transactions of new build vessel market. Downward pressure continued to drag down vessel prices and the demand for new container shrank significantly, while the price of container coatings was depressed under fierce market competition. Facing such severe operation environment, the Group leveraged on its advantages in terms of professionalism and scale and proactively edged up its marketing effort. During the period, profit attributable to equity holders of the Company was HK\$144,803,000 (2015: HK\$200,300,000), representing a decrease of 28% as compared to the same period of 2015. The basic earnings per share was 9.45 HK cents (2015: 13.07 HK cents), representing a decrease of 28% as compared to the same period of 2015.

Revenue

For the six months ended 30th June 2016, the Group's revenue decreased by 16% to HK\$2,555,427,000 (2015: HK\$3,028,483,000) as compared to the same period of 2015. Revenue from the core shipping services business declined by 17% to HK\$2,253,858,000 (2015: HK\$2,712,212,000) and accounted for 88% (2015: 90%) of the Group's revenue. The decline was attributable to coatings, marine equipment and spare parts, marine fuel and other products, as well as the year-on-year decrease in segment revenues of ship trading agency. Revenue of general trading segment decreased by 5% to HK\$301,569,000 (2015: HK\$316,271,000) and accounted for 12% (2015: 10%) of the Group's revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit for the period decreased by 33% to HK\$247,375,000 (2015: HK\$368,607,000) while overall average gross profit margin dropped to 10% (2015: 12%). The decrease in overall gross profit was mainly attributable to the declines in price and volume of container coatings as well as the decrease in ship trading agency commission.

Other Income and Gains

Other income and gains of HK\$14,626,000 (2015: HK\$49,894,000) for the period primarily included reversal of provision for impairment of trade receivables (net of provision) of HK\$197,000 and net exchange gain of HK\$5,394,000. Other income and gains for the same period of 2015 primarily included reversal of provision for impairment of other receivables of HK\$18,979,000 and government subsidy income of HK\$23,330,000 recognised in respect of a specific subsidy granted by the Shanghai Municipal Government. Such subsidy was a compensation 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 plant and settling the affected staff.

Selling, Administrative and General Expenses

During the period, selling, administrative and general expenses decreased by 33% to HK\$185,212,000 (2015: HK\$275,447,000). The decrease in selling expenses was mainly attributable to the significant decline in the sales volume of coating as compared to the same period of last year, 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\$3,760,000 (2015: HK\$8,144,000). Other expenses and losses primarily included provision for impairment of inventories (net of reversal) of HK\$3,722,000 (2015: HK\$2,524,000). Other expenses and losses for the same period of 2015 also included provision for impairment of trade receivables (net of reversal) of HK\$4,878,000 and net exchange losses of HK\$695,000.

Finance Income

Finance income, which primarily represented interest income on the Group's bank deposits, decreased by 34% to HK\$44,591,000 (2015: HK\$67,599,000) as a result of the decrease in interest rate of cash deposit as compared to the same period of 2015.

Finance Cost

Finance cost, which mainly represented interest expenses on bank loans and other financial charges, increased by 1% to HK\$2,124,000 (2015: HK\$2,098,000).

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by 2% to HK\$48,652,000 (2015: HK\$47,746,000). This item primarily represented the share of profit of Jotun COSCO of HK\$47,246,000 (2015: HK\$48,345,000) which was included in the coatings segment.

Share of Profits of Associates

The Group's share of profits of associates decreased by 32% to HK\$3,816,000 (2015: HK\$5,597,000). This item primarily comprised the share of profit of Double Rich of HK\$3,050,000 (2015: HK\$4,739,000) which was included in the marine fuel and other products segment.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company during the period decreased by 28% to HK\$144,803,000 (2015: HK\$200,300,000).

FINANCIAL RESOURCES AND LIQUIDITY

As at 30th June 2016, capital and reserves attributable to the Company's equity holders decreased by 0.1% to HK\$7,720,466,000 (31st December 2015: HK\$7,729,155,000). As at 30th June 2016, total cash and bank balances (including non-current deposits of HK\$11,700,000 and restricted bank deposits of HK\$1,726,000) of the Group was HK\$6,156,187,000 (31st December 2015: HK\$6,260,730,000). During the period, the Group has a net repayment of loans in the amount of HK\$17,302,000 (2015: HK\$6,671,000). As at 30th June 2016, total banking facilities available to the Group amounted to HK\$1,441,470,000 (31st December 2015: HK\$1,462,791,000), of which HK\$326,447,000 (31st December 2015: HK\$251,600,000) had been utilised. The gearing ratio, which represented total borrowings over total assets, fell to 0.2% (31st December 2015: 0.4%) since the end of 2015. As at 30th June 2016, the Group had net cash of HK\$6,137,864,000 (31st December 2015: HK\$6,224,668,000). Due to the provision of funds from the corporate headquarters to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. To enhance the Group's finance income and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mixture of financial products, including overnight deposits, term deposits and offshore fixed deposits. Return of 1.44% on the Group's cash was achieved for the period, representing 81 basis points above 3-month US Dollar London Interbank Offered Rate ("LIBOR") as at the end of June 2016. As at 30th June 2016, borrowings of the Group were unsecured debt denominated in Renminbi which carried interest at rates calculated with reference to the base rates announced by the People's Bank of China and repayable within one year. The Group had no financial instruments for interest rate hedging purposes.

FINANCIAL RISK MANAGEMENT

The Group principally operates in Hong Kong, Singapore and China Mainland, and is exposed to foreign exchange risk arising from foreign currencies held, mainly US dollars and Renminbi. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities. The Group manages its foreign exchange exposure by regularly reviewing the foreign currency exposure of its operating subsidiaries and will consider hedging exposure by foreign exchange forward contracts when the need arises. The Group's marine fuel business is subject to fluctuation in oil prices. The Group exercises stringent control over the use of derivative financial instrument for hedging against the price risks of marine fuel and other products. In addition, the conversion of Renminbi into foreign currencies in Mainland is subject to the rules and regulations of foreign exchange controls promulgated by the government of the PRC.

EMPLOYEES

As at 30th June 2016, excluding joint ventures and associates, the Group had 951 (31st December 2015: 969) employees, of which 104 (31st December 2015: 102) were Hong Kong employees. During the period, total employee benefit expenses, including directors' emoluments and provident funds, were HK\$129,443,000 (2015: HK\$154,764,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the period, all of the Hong Kong employees had participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

DIVIDEND

The Board has declared an interim dividend of 4 HK cents (2015: 7 HK cents) per share for the six months ended 30th June 2016 which will be payable on 30th September 2016 to the shareholders of the Company whose name appear on the register of members of the Company (the “Register of Members”) on 13th September 2016.

For the purpose of ascertaining shareholders’ entitlement to the interim dividend, the Register of Members will be closed from 9th September 2016 to 13th September 2016, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the interim dividend for the six months ended 30th June 2016, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 8th September 2016.

REVIEW OF BUSINESS OPERATIONS

In the first half of 2016, the global political and economic turbulence triggered threats frequently. There was no highlight in the economic growth of major economies, while the emerging economies remained weak. During the first half of the year, China’s economy was generally stable with progress in addressing overcapacity, reducing inventory and deleveraging. However, there was a decline in private investment and downward pressure of economy remained relatively high. Economic and trade environment was not in favour of the recovery of shipping industry and continuously adjusting shipping capacity was the only choice of the market. In the first half of the year, the shipping market was still experiencing a downturn, leading to an even more prudent market sentiment. The Group’s shipping services segment faced a relatively adverse market environment.

During the period, with the opportunity presented by the business reorganisation of 中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*) (“COSCO SHIPPING”), the Group kept strengthening its existing businesses and accelerated the establishment of shipping services industrial cluster. Facing the complicated and challenging operational environment, the Group adhered to focusing on development and further refined its development strategies. The Group actively coped with market changes, focused on improving marketing services, strengthened lean management, continuously enhanced service awareness, and promoted transformation and upgrading of the Company so as to minimise the impact on results due to the market downturn.

1. Core Business – Shipping Services

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

During the period, with the delay of vessel delivery schedule by some shipowners, the vessel scrapping volume further decreased as compared to the same period of 2015. In addition, new build vessels reduced the need of replacement of marine spare parts and equipment and the sales volume and price of container coatings declined due to fierce price competition among suppliers in view of the significant decrease in the volume of new build containers in China amid sluggish global trade demand. During the period, revenue from each core shipping services segment recorded varying degree of decline and revenue from the Group's shipping services was HK\$2,253,858,000 (2015: HK\$2,712,212,000), representing a decrease of 17% as compared to the same period of 2015. Profit before income tax from shipping services was HK\$144,867,000 (2015: HK\$192,480,000), representing a decrease of 25% as compared to the same period of 2015, mainly attributable to the marked decrease in profit before income tax from coatings and ship trading agency segment as compared to the same period of 2015.

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company ("COSCO Ship Trading"), is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for the fleet of COSCO SHIPPING and its subsidiaries ("COSCO SHIPPING Group"). COSCO Ship Trading also provides similar services for shipowners and shipping enterprises outside COSCO SHIPPING Group. COSCO 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 Ship Trading according to the contracts after the vendors have delivered the vessels to the buyers.

During the period, the pace of adjustment to the fleet structure continued to slow down amid a depressed shipping market. The delivery of new build vessels ordered through COSCO Ship Trading was 160,000 dead weight tonnages in aggregate (2015: 1,050,000 dead weight tonnages). In addition, a total of 13 (2015: 19) new build vessels ordered through COSCO Ship Trading were recorded during the period, aggregating 4,108,000 dead weight tonnages (2015: 1,622,000 dead weight tonnages). For second-hand vessels, the sale and purchase of a total of 19 (2015: 35) second-hand vessels through COSCO Ship Trading were recorded, aggregating 1,330,000 dead weight tonnages (2015: 1,807,000 dead weight tonnages).

As at 30th June 2016, the amount of new build vessels ordered through COSCO Ship Trading and pending delivery reached 13,860,000 dead weight tonnages, which were scheduled for delivery in the coming two to three years.

During the period, revenue from the ship trading agency segment decreased by 29% to HK\$31,023,000 (2015: HK\$43,619,000) as compared to the same period of 2015. Segment profit before income tax was HK\$17,134,000 (2015: HK\$31,169,000), representing a decrease of 45% as compared to the same period of 2015. The decrease in segment profit before income tax was mainly due to the decrease in second-hand vessel commission and other commission income as compared to the same period of 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 period, COSCO Insurance Brokers innovated new services and products, explored marketing model, continued to pursue expansion from business within COSCO SHIPPING Group to business outside COSCO SHIPPING Group, and from marine insurance business to non-marine insurance business, and promoted expansion from corporate business to individual business, and from offline business to online business. During the period, COSCO Insurance Brokers completed the overall renewal of the hull and machinery insurance and war risk insurance, continuously explored the motor vehicle insurance and terminals comprehensive insurance businesses within COSCO SHIPPING Group, and achieved favourable results in the ship repairer's liability insurance and ship builder's risks insurance businesses. Furthermore, COSCO Insurance Brokers strengthened their information construction and commenced online marketing to provide faster and more convenient claim settlement services and enhance their brand image with satisfactory results, thus achieving stable growth in commission income from marine insurance brokerage services in general.

During the period, revenue from insurance brokerage segment was HK\$46,129,000 (2015: HK\$46,050,000), which remained stable with the same period of 2015. Segment profit before income tax was HK\$33,013,000 (2015: HK\$34,067,000), representing a decrease of 3% as compared to the same period of 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). It is principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communication and navigation systems for ships, offshore facilities, coastal stations and land users; marine materials supply and voyage repairs. Its existing business network covers cities such as Hong Kong, Shanghai and Beijing, etc. and countries such as Japan, Singapore, Germany and the United States, etc..

During the period, each shipping company made strenuous effort to save cost in a weak shipping market. Coupled with the fact that new build vessels are covered by warranties, which reduced the demand for marine spare parts and maintenance, also directly affected the sales volume of COSCO Yuantong Operation Headquarters. Facing the fierce market competition, COSCO Yuantong Operation Headquarters continued to enhance its marketing services and achieved satisfactory results by conducting proactive visits to customers, further strengthening the communication with customers and actively acquiring quality customers with over forty newly added customers outside COSCO SHIPPING Group. In addition, COSCO Yuantong Operation Headquarters actively launched additional services, such as ship repairs, safety inspection assistance and express spare parts ordering in response to market changes and customers' needs to ensure navigation safety. These services not only enhanced customers' satisfaction but also further increased corporate brand value. In terms of business expansion, a distribution center of marine materials established in Singapore had been officially put into operation based on regional positioning and geographical advantages to further strengthen the materials supply business.

During the period, revenue from marine equipment and spare parts segment was HK\$500,813,000 (2015: HK\$539,840,000), representing a decrease of 7% as compared to the same period of 2015. Segment profit before income tax was HK\$32,432,000 (2015: HK\$31,360,000), representing an increase of 3% as compared to the same period of 2015, which was mainly attributable to the continuous and enhanced effort on cost control during the period.

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 period, the market demand for new build container shrank, the prices of new build containers and container leasing dropped and container owners’ willingness to place order was low. Facing such circumstances, COSCO Kansai Companies further consolidated the core customers while successfully developing new customers. COSCO Kansai Companies tailored to the needs of different markets and customers and provided differential services so as to capture the leading position in China’s container coating market. 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 period, revenue from coatings segment was HK\$286,743,000 (2015: HK\$671,085,000), representing a significant decrease of 57% as compared to the same period of 2015. The decrease was mainly due to the decline in sales volume and price of container coatings as compared to the same period of 2015. Segment profit before income tax was HK\$56,965,000 (2015: HK\$87,784,000), representing a decrease of 35% as compared to the same period of 2015.

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 conditions, COSCO Kansai Companies, during the period, actively strived for every order by segmenting their target customers, enhancing communication and improving their marketing services as well as consolidating their strategic cooperation relationship with container manufacturing enterprises. 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 77% from 25,944 tonnes in the same period of 2015 to 6,091 tonnes during the period, mainly due to the significant decrease in the volume of new build containers in China as compared to the same period of 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. During the period, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 7,702 tonnes (2015: 7,425 tonnes), representing an increase of 4% as compared to the same period of 2015.

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 period, facing the delay of new build vessel projects, 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 in order 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 also offered solutions to its customers according to their business need so as to maintain its leading position in China's marine coating market. During the period, sales volume of Jotun COSCO's coatings for new build vessels amounted to 28,003,000 litres, representing a decrease of 8% as compared to the same period of 2015. Sales volume of coatings for repair and maintenance was 7,666,000 litres, representing a decrease of 17% as compared to the same period of 2015. The sales volume of Jotun COSCO's marine coatings amounted to 35,669,000 litres (equivalent to approximately 48,153 tonnes) (2015: 39,762,000 litres (equivalent to approximately 53,679 tonnes)), representing a decrease of 10% as compared to the same period of 2015. During the period, the Group's share of profit from Jotun COSCO was HK\$47,246,000 (2015: HK\$48,345,000), representing a decrease of 2% as compared to the same period of 2015.

In addition, as at 30th June 2016, Jotun COSCO had coating contracts on hand for new build vessels amounting to 39,600,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two years, which guaranteed steady development of Jotun COSCO's 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 period, Sinfeng adopted prudent business strategies by conducting business with reputable customers in order to establish stable and long-term business cooperation in response to the complex market environment. During the period, total sales volume of marine fuel products was 616,532 tonnes, increased by 23% as compared with 499,948 tonnes in the same period of 2015.

Revenue from the marine fuel and other products segment was HK\$1,389,150,000, down by 2% as compared with HK\$1,411,618,000 in the same period of 2015, which was mainly attributable to the decline of oil price during the period as compared to the same period of 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 period, the Group’s share of profit from Double Rich was HK\$3,050,000 (2015: HK\$4,739,000), down by 36% as compared to the same period of 2015, which was mainly due to the decline in investment gain during the period.

Profit before income tax from marine fuel and other products segment was HK\$5,323,000 (2015: HK\$8,100,000), representing a decrease of 34% as compared to the same period of 2015, which was mainly attributable to the decrease in share of profit of 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 period, CITC proactively responded to intensifying market competition and had adjusted its business strategies in a timely manner. Firstly, it continued to focus on regional markets by consolidating the asphalt supply business for highway. Secondly, whilst enhancing risk control, CITC gradually participated in urban infrastructure and asphalt retail areas 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. During the period, the sales volume of asphalt of CITC amounted to 79,727 tonnes, representing an increase of 52% as compared to 52,363 tonnes in the same period of 2015.

During the period, revenue from general trading segment was HK\$301,569,000 (2015: HK\$316,271,000), down by 5% as compared to the same period of 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\$3,704,000 (2015: HK\$29,790,000), representing a significant decrease of 88% as compared to the same period of 2015. It was mainly attributable to the reversal of provision for impairment of other receivables of HK\$18,979,000 due to successful collection of other receivables in default in 2015.

PROSPECTS

In the second half of 2016, the pace of recovery of global economy will continue to slow down while monetary policies and political risks induce uncertainties. However, China's steadily developing economy still possesses immense potential. The progress of new types of industrialisation, informatisation, urbanisation and modernisation of agricultural industry are at the advanced stage, which contain strong request for expansion of domestic demand. The supply-side structural reforms, which have become a crucial driving force for the sustainable growth of the economy, continue to bring about considerable benefits. With the substantial support from COSCO SHIPPING Group, COSCO International will organise and carry out overall plan so as to accelerate the establishing of "shipping services industrial cluster", pursue professionalism and integration, in order to further expand our economy of scale and enhance bargaining power in the industry.

On one hand, the Group will be committed to establishing a "shipping services industrial cluster" in line with the development strategy of COSCO SHIPPING. The Group will fully capitalise on its own strength, further refine the business coverage of shipping services and optimise its service boundary and scope. It will also make use of the assets consolidation opportunity of COSCO SHIPPING Group to reorganise and consolidate the businesses such as supply and trading of marine equipment and spare parts. In the meantime, the Group will facilitate the expansion and development of the products and services and the exploration of new business sector of shipping services by integrating and acquiring assets related to other shipping services under COSCO SHIPPING Group, while making effort 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 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, COSCO Ship Trading will endeavour to co-ordinate with the shipyards and shipowners to ensure smooth delivery of new build vessels amidst sluggish global economy and the downtrend of ship building market. Meanwhile, it will seize market opportunities and develop new business actively to lay a solid foundation for the future development of COSCO Ship Trading. For the marine insurance brokerage services, given the challenging business environment, COSCO Insurance Brokers will put more effort in developing third-party business and further expand its business channels and scope. For the supply of marine equipment and spare parts, demand for marine equipment and spare parts will decrease due to the continuing cost control of shipping companies and the fact that new build vessels scheduled for delivery are covered by warranties. COSCO Yuantong Operation Headquarters will enhance its marketing services by conducting proactive visits to major customers, organising technical communication activities for suppliers and customers, and enhancing the building of technical services capacity. It will further consummate the management

of suppliers, optimise the operation process, reduce overall procurement costs and boost the overall effectiveness, with a view to gradually developing its core competitiveness. For container coatings, demand is expected to remain subdued. COSCO Kansai Companies will actively maintain their existing customers, consolidate their close relationship with container manufacturing enterprises and container owners and promote the application and upgrading the products of water-based coatings and environmentally-friendly coatings in order to increase their market share. Meanwhile, COSCO Kansai Companies will also increase their effort in exploring the reefer container and special container market to increase market share. 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 expand 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 works of key customers and projects in order to increase the success rate of projects. For marine coatings, facing intensifying market competition, Jotun COSCO will conduct proper market and competitor analysis, strengthen its marketing and customer care effort, and selectively expand markets to realise sturdy operation. It will continue to focus on the promotion of HPS (Hull Performance Solution) and maintenance coating products that deliver the vessel maintenance concept. 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 the second half of 2016 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 which can offer strong supporting services for shipping with independent profit drivers, aiming to become a world class and the best shipping services company in China.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 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") contained in Appendix 14 to the Listing Rules during the six months ended 30th June 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, 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 consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of Audit Committee include reviewing the accounting policies and the Company's financial reporting; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting, the risk management and internal control systems; ensuring compliance with applicable statutory accounting and reporting requirements. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company. The Audit Committee and the independent external auditor have reviewed the Unaudited Condensed Consolidated Interim Financial Information of the Group for the six months ended 30th June 2016.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee currently comprising the Chairman, the Vice Chairman, the Managing Director and a Director was set up to deal with such transactions. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the six months ended 30th June 2016, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the period.

By Order of the Board
COSCO International Holdings Limited
Liu Xianghao
Managing Director

Hong Kong, 18th August 2016

As at the date of this announcement, the Board comprises seven directors with Mr. Ye Weilong (Chairman), Mr. Zhu Jianhui (Vice Chairman) and Mr. Liu Xianghao (Managing Director) 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 purpose only*