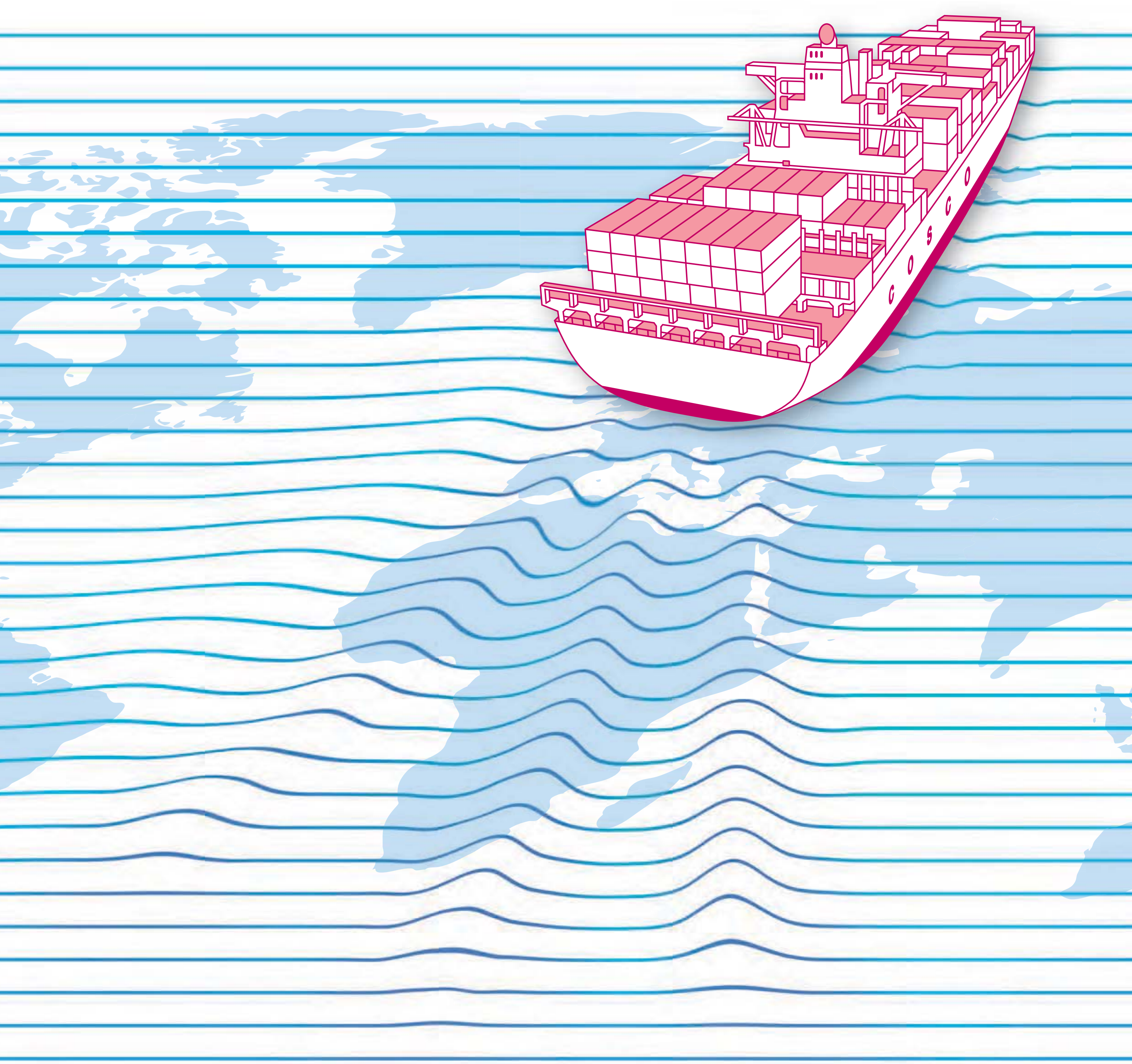
COSCO International

COSCO International Holdings Limited

Stock Code : 00517

TRANSCENDING PROGRESSION with INNOVATION

Annual Report 2015



CORPORATE PROFILE

COSCO International is a company listed on the Main Board of the Stock Exchange (stock code 00517). The Company is a subsidiary of COSCO Hong Kong, which is a wholly-owned subsidiary of COSCO.

COSCO International has aimed to establish the shipping services industrial cluster as its strategic development direction. The Group has initially laid an integrated shipping services platform comprising ship trading agency, marine insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings as well as trading and supply of marine fuel and related products, offering diversified and specialised shipping related services and products to customers such as shipping companies, shipyards, container manufacturers, etc. Its businesses network cover China Mainland, Hong Kong, Singapore, Japan, Germany and the United States, etc.

VISION

COSCO International's vision is to provide specialised products and technical services as well as one-stop solutions for its customers through the establishment of a comprehensive, safe, reliable and highly efficient shipping services industrial cluster, so as to establish itself as a global leading one-stop integrated shipping services provider.

MISSION

By virtue of the support of the parent company and leveraging on the capital raising platform of a Hong Kong listed company, and by securing trustworthy and win-win collaboration and relationship with customers, investors and business partners, COSCO International will accomplish its vision and sustainable development, so as to provide customers with better services, offer staff with a better career prospects, increase shareholders' return, and make more contribution to the community.

CONTENTS

DEFINITIONS AND GLOSSARY

In this annual report, the following expressions have the following meanings unless the context requires otherwise:

"associates"	the meaning ascribed to it in the Listing Rules;
"Board"	the board of Directors;
"CITC"	中遠國際貿易有限公司 (COSCO International Trading Company Limited*), a wholly-owned subsidiary of the Company;
"connected person(s)"	the meaning ascribed to it in the Listing Rules;
"COSCO"	中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*), the ultimate holding company of the Company;
"COSCO (Beijing) Marine Electronic"	中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*), a wholly-owned subsidiary of the Company;
"COSCO Group"	COSCO and its subsidiaries (other than the Group);
"COSCO Hong Kong"	COSCO (Hong Kong) Group Limited, the intermediate holding company of the Company and a wholly-owned subsidiary of COSCO;
"COSCO Insurance Brokers"	HK COSCO Insurance Brokers and SZ COSCO Insurance Brokers collectively;
"COSCO International" or "Company"	COSCO International Holdings Limited, the shares of which are listed on the Stock Exchange;
"COSCO Kansai Companies"	COSCO Kansai (Tianjin), COSCO Kansai (Shanghai), COSCO Kansai (Zhuhai) and COSCO Kansai Paint (Shanghai) collectively;
"COSCO Kansai Paint (Shanghai)"	中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Shanghai)"	中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*), a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Tianjin)"	COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd., a non-wholly owned subsidiary of the Company;
"COSCO Kansai (Zhuhai)"	COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd., a non-wholly owned subsidiary of the Company;
"COSCO Ship Trading"	COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company;
"COSCO Yuantong Operation Headquarters"	composed of Yuantong and its subsidiaries (including Shin Chung Lin, Xing Yuan, Hanyuan, Shanghai Yuantong, COSCO (Beijing) Marine Electronic and Yuan Hua);
"dead weight tonnage"	the unit of measurement of weight capacity of vessels, which is the total weight (usually in metric tonnes) the ship can carry, including cargo, bunkers, water, stores, spares, crew,etc. at a specified draft;
"Director(s)"	the director(s) of the Company;

DEFINITIONS AND GLOSSARY

"Double Rich"	Double Rich Limited, an associate of the Company;
"Group"	the Company and its subsidiaries;
"Hanyuan"	Hanyuan Technical Service Center GmbH, a wholly-owned subsidiary of the Company;
"HK COSCO Insurance Brokers"	COSCO (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Jotun COSCO"	Jotun COSCO Marine Coatings (HK) Limited, a joint venture of the Company;
"Jotun COSCO (Qingdao)"	Jotun COSCO Marine Coatings (Qingdao) Co., Ltd., a wholly-owned subsidiary of Jotun COSCO;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China;
"Shanghai Yuantong"	遠通海務貿易(上海)有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*), a wholly-owned subsidiary of the Company;
"Share(s)"	the share(s) of HK$0.10 each in the capital of the Company;
"Shareholders"	the holders of the Share(s) of the Company;
"Shin Chung Lin"	新中鈴株式會社 (Shin Chung Lin Corporation*), a wholly-owned subsidiary of the Company;
"Sinfeng"	Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder(s)"	the meaning ascribed to it in the Listing Rules;
"SZ COSCO Insurance Brokers"	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;
"United States"	the United States of America;
"Xing Yuan"	Xing Yuan (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company;
"Yuantong"	Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company; and
"Yuan Hua"	Yuan Hua Technical & Supply Corporation, a non-wholly owned subsidiary of the Company.

* *for identification purpose only*

COMPANY INFORMATION

DIRECTORS

Executive Directors

Mr. Ye Weilong *(Chairman)*
Mr. Zhang Liang *(Vice Chairman)*
Mr. Feng Jinhua
Mr. Liu Xianghao *(Managing Director)*

Non-executive Directors

Mr. Wu Shuxiong
Mr. Wang Wei

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Alexander Reid Hamilton

COMPANY SECRETARY

Ms. Chiu Shui Suet

AUDIT COMMITTEE

Mr. Alexander Reid Hamilton *(committee chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.

REMUNERATION COMMITTEE

Mr. Jiang, Simon X. *(committee chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Alexander Reid Hamilton
Mr. Liu Xianghao

NOMINATION COMMITTEE

Mr. Tsui Yiu Wa, Alec *(committee chairman)*
Mr. Jiang, Simon X.
Mr. Alexander Reid Hamilton
Mr. Liu Xianghao

CORPORATE GOVERNANCE COMMITTEE

Mr. Liu Xianghao *(committee chairman)*
Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Alexander Reid Hamilton

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Zhang Liang *(committee chairman)*
Mr. Feng Jinhua
Mr. Liu Xianghao

RISK MANAGEMENT COMMITTEE

Mr. Zhang Liang *(committee chairman)*
Mr. Wu Shuxiong
Mr. Feng Jinhua
Mr. Liu Xianghao

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

Linklaters
Sit, Fung, Kwong & Shum
Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Guangfa Bank Company Limited
China Merchants Bank Company Limited
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Company Limited

COMPANY INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary share (Stock code: 00517)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

47th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

INVESTOR RELATIONS

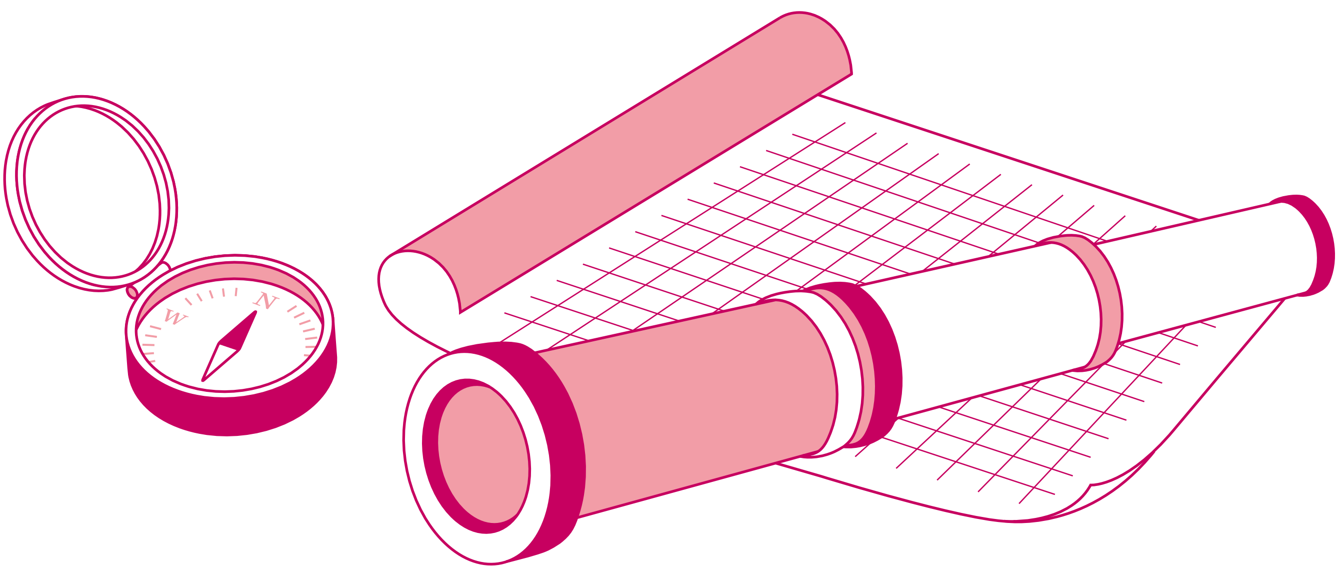
Telephone	: (852) 2809 7888
Facsimile	: (852) 8169 0678
Website	: www.coscointl.com
E-mail	: info@coscointl.com

FINANCIAL CALENDAR

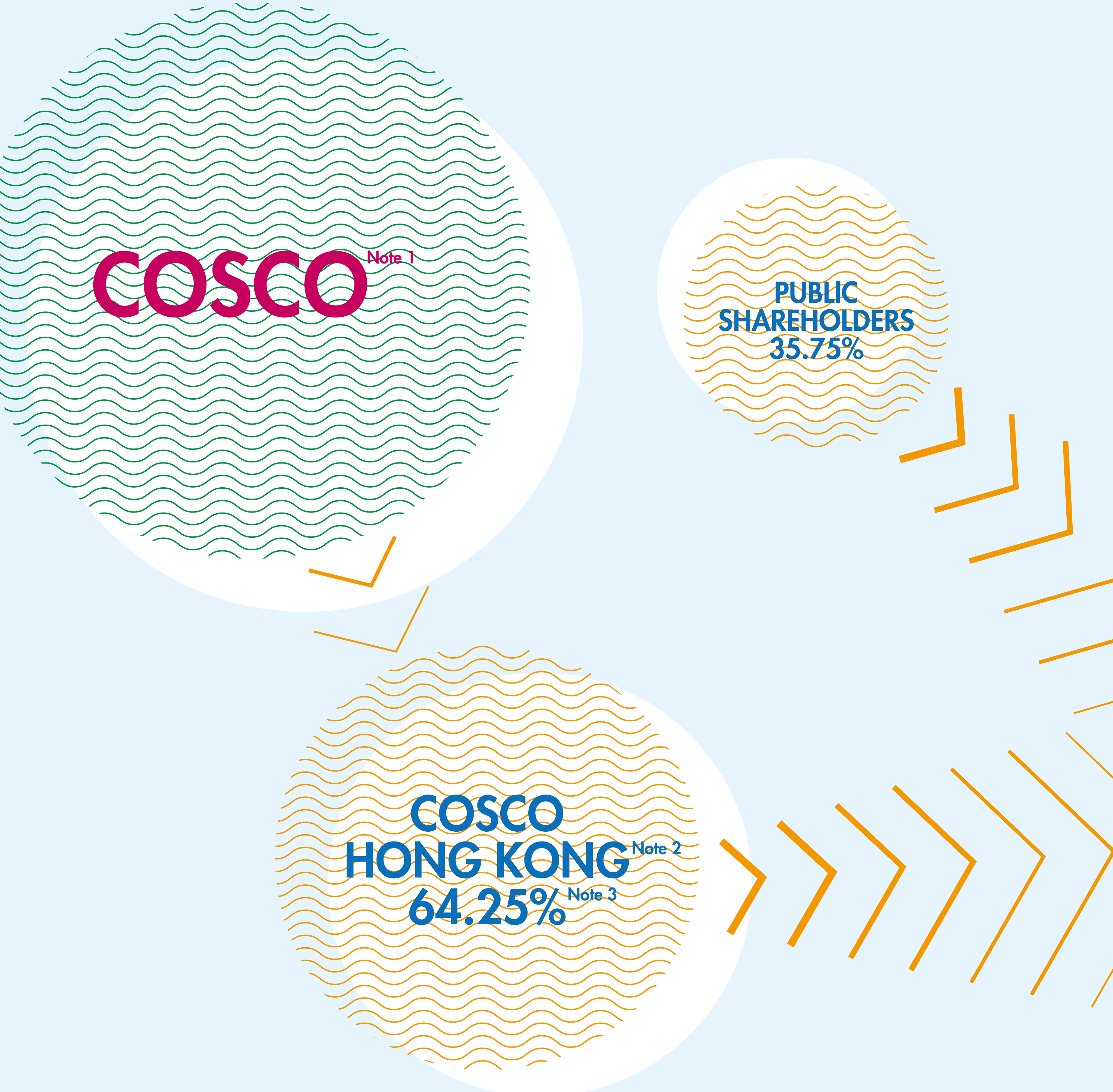
2015 Annual General Meeting	: 29th May 2015
Announcement of 2015 Interim Results	: 19th August 2015
Announcement of 2015 Annual Results	: 22nd March 2016
2016 Annual General Meeting	: 31st May 2016

DIVIDEND

2015 Interim Dividend	: 7 HK cents per share
Proposed 2015 Final Dividend	: 9 HK cents per share
Total Dividends for 2015	: 16 HK cents per share



CORPORATE STRUCTURE



CORPORATE STRUCTURE

SHIPPING SERVICES:

Ship Trading Agency Services	COSCO International Ship Trading Company Limited 100%
Marine Insurance Brokerage Services	COSCO (Hong Kong) Insurance Brokers Limited 100%
Supply of Marine Equipment and Spare Parts	Yuantong Marine Service Co. Limited 100%
Production and Sale of Coatings	中遠關西塗料化工(珠海)有限公司 COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. 64.71% 中遠關西塗料化工(天津)有限公司 COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. 63.07% 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) 63.07% 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) 63.07% Jotun COSCO Marine Coatings (HK) Limited 50%
Trading and Supply of Marine Fuel and Related Products	Sinfeng Marine Services Pte. Ltd. 100% Double Rich Limited 18%

GENERAL TRADING:

General Trading	中遠國際貿易有限公司 (COSCO International Trading Company Limited*) 100%

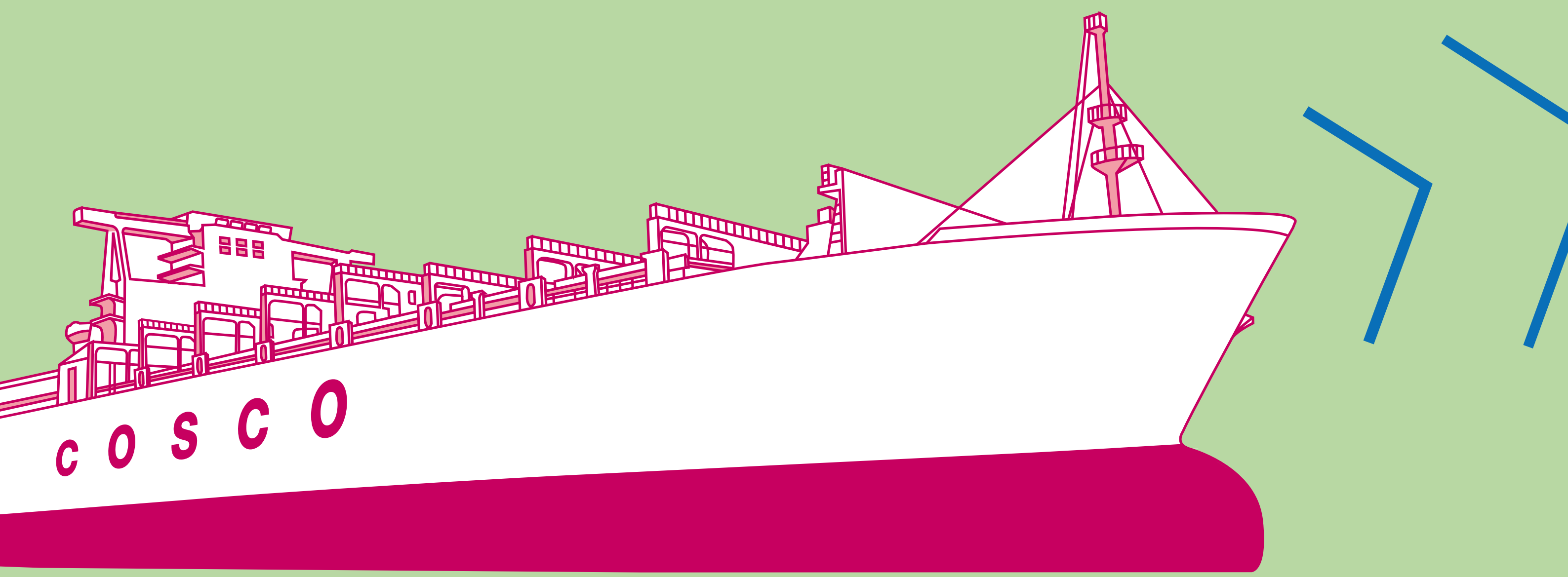
Note 1
COSCO is the ultimate holding company of COSCO International.

Note 2
COSCO International is a subsidiary of COSCO Hong Kong.

Note 3
To the best of the knowledge and belief of the Directors, COSCO Hong Kong through its wholly-owned subsidiary held 64.25% issued share capital of the Company as at 31st December 2015.

** for identification purpose only*

MAXIMISE OUR STRENGTH FOR SUSTAINABLE GROWTH



INHERITANCE AND EXPANSION

The Group has been focusing on its strategic development positioning in "shipping services", with establishing itself as a global leading one-stop integrated shipping services provider as its development vision. It provides specialised products and technical services for its customers through the establishment of a comprehensive, safe, reliable and highly efficient shipping services industrial cluster. The Group continues to enhance its profitability and maintains its capability for sustainable development, thus contributing to our shareholders and society.

FINANCIAL HIGHLIGHTS

	2015 HK$'000	2014 HK$'000	Change
ANNUAL RESULTS HIGHLIGHTS			
For the year ended 31st December			
Revenue	**5,999,646**	7,588,213	–21%
Gross profit	**690,722**	804,492	–14%
Operating profit	**194,708**	245,846	–21%
Profit before income tax	**427,824**	468,093	–9%
Profit attributable to equity holders	**335,763**	358,970	–6%
Basic earnings per share (HK cents)	**21.91**	23.70	–8%
Dividends per share (HK cents)	**16.00**	13.00	+23%
Dividend payout ratio (%)	**73**	55	+18pts

	2015 HK$'000	2014 HK$'000	Change
BALANCE SHEET HIGHLIGHTS			
As at 31st December			
Total assets	**9,467,315**	9,665,334	–2%
Total liabilities	**1,367,691**	1,556,846	–12%
Net assets attributable to shareholders	**7,729,155**	7,739,037	—
Net cash	**6,224,668**	6,107,736	+2%
Net assets per share (HK$)	**5.04**	5.05	—
Net cash per share (HK$)	**4.06**	3.99	+2%
Return on total assets (%)	**3.51**	3.76	–0.25pt
Return on shareholders' equity (%)	**4.34**	4.72	–0.38pt

	2015	2014
KEY FINANCIAL RATIOS		
For the year ended 31st December		
Gross profit margin	**11.5%**	10.6%
Interest coverage	**115.3 times**	161.6 times
Current ratio	**6.1 times**	5.6 times
Liquidity ratio	**5.9 times**	5.3 times
Total liabilities/total assets	**14.4%**	16.1%
Total borrowings/total assets	**0.4%**	0.3%

FINANCIAL HIGHLIGHTS

	2015 HK$'000	2014 HK$'000	Change
SEGMENT REVENUE*			
For the year ended 31st December			
Shipping Services			
Coatings	**1,109,466**	1,391,004	–20%
Marine equipment and spare parts	**1,096,698**	1,050,186	+4%
Ship trading agency	**84,983**	128,710	–34%
Insurance brokerage	**91,889**	91,000	+1%
Marine fuel and other products	**2,779,986**	3,978,870	–30%
	5,163,022	6,639,770	–22%
General Trading	**836,624**	948,443	–12%
Total	**5,999,646**	7,588,213	–21%

* external customers only

	2015 HK$'000	2014 HK$'000	Change
SEGMENT PROFIT BEFORE INCOME TAX			
For the year ended 31st December			
Shipping Services			
Coatings	**184,807**	178,664	+3%
Marine equipment and spare parts	**46,561**	41,666	+12%
Ship trading agency	**61,610**	88,885	–31%
Insurance brokerage	**67,291**	64,206	+5%
Marine fuel and other products	**12,131**	19,949	–39%
	372,400	393,370	–5%
General Trading	**23,143**	2,995	+673%
Corporate and others	**32,281**	71,728	–55%
Total	**427,824**	468,093	–9%

HIGHLIGHTS OF THE YEAR 2015

19TH MARCH

A press conference and an analyst meeting for 2014 annual results were held in Hong Kong. In addition, the Board decided to temporarily increase its annual dividend payout ratio to not less than 50% of net profit, prior to obtaining practical progress in major investment project in the future.

29TH MAY

2015 Annual General Meeting of the Company was held in Hong Kong.

30TH JUNE

A grand opening ceremony for operation of the plant of COSCO Kansai Paint (Shanghai) and a customer appreciation meeting were held in Shanghai Jinshan Industrial Zone II.

24TH JULY

A strategic cooperation agreement signing ceremony between Yuantong and CSHT Marine Machinery Suppliers Ltd was held in Hong Kong. The signing of agreement fortified and developed mutual friendly cooperative relations, and enhanced the expansion of products and services, which were of great importance to the sustainable and stable development of both parties.

14TH SEPTEMBER

COSCO International was selected as one of the 91 constituent members of Hang Seng Corporate Sustainability Benchmark Index by Hang Seng Indexes Company Limited.

16TH OCTOBER

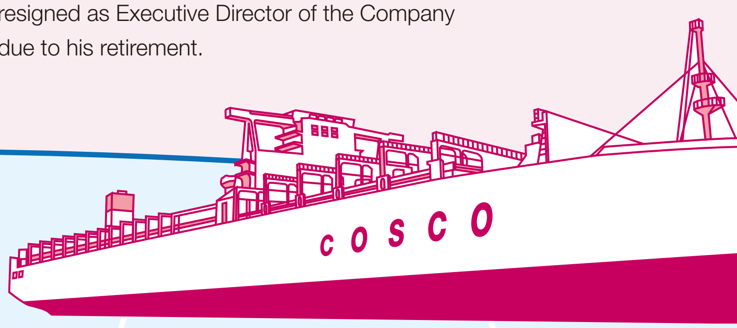
Jotun COSCO celebrated its 10th year anniversary in Qingdao.

1ST TO 4TH DECEMBER

COSCO International participated in the Marintec China 2015. The exhibition played a significant role in promoting the concept of "Shipping Services Industrial Cluster", which greatly helped establish a unified corporate image and develop an integrated business platform.

17TH DECEMBER

Mr. Feng Jinhua was appointed as Executive Director of COSCO International and Mr. He Jiale resigned as Executive Director of the Company due to his retirement.



Hang Seng Corporate Sustainability Index Series

Certificate of Membership

This is to certify that

COSCO International Holdings Ltd.

is a constituent company of the Hang Seng Corporate Sustainability Index Series

September 2015

Vincent Kwan

恒生指數 HANG SENG INDEXES

AWARDS AND RECOGNITIONS

1. Honoured with Gold Award, the "Best Investor Relations Team Award" and the "Best Initiative in Social Responsibility Award" in the Asset Corporate Awards 2015 by the Asset magazine.

2. Honoured with the "Best Investor Relations Company" in the 5th Asian Excellence Recognition Award by Corporate Governance Asia magazine.

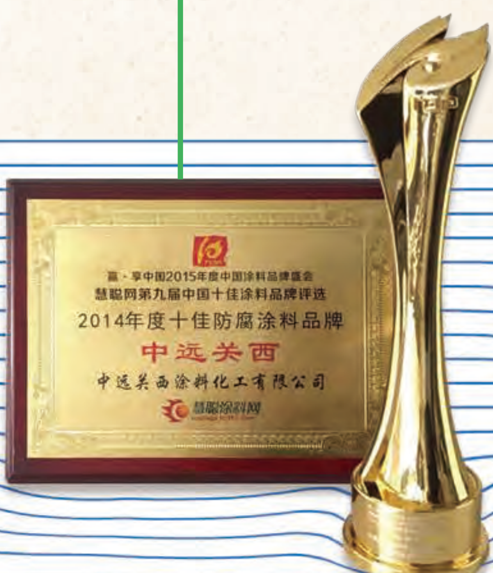
4. Annual Report 2014 won the Silver Awards in both categories of "Traditional Annual Report: Shipping Services" and "Financial Data: Shipping Services" in the 29th International ARC Awards.

5. Annual Report 2014 won the Gold Award in the category of "Annual Reports: Print: Shipping Services" in the 2015 International Galaxy Awards.

6. COSCO International's website (www.coscointl.com) was awarded the Bronze Award in the category of "Investor/ Shareholder Relations" in the 15th Annual International iNOVA Awards Competition.

7. Awarded "5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service in recognition of the Company's contribution and commitment to caring for its employees, the community and the environment for more than five consecutive years.

3. COSCO Kansai Companies were awarded the title of "China Top Ten Anti-Corrosion Coating Brand" by HC Coating Network for the sixth consecutive year.



5 years+ 商界展關懷 caringcompany
Awarded by The Hong Kong Council of Social Service 香港社會服務聯會頒發

CHAIRMAN'S STATEMENT

In 2015, world economic growth slowed down, international demand for and prices of bulk commodities kept falling, emerging markets' demand was weak and China's gross imports and exports decreased by 7% year on year, marking the year 2015 which presented the slowest growth of world trade since the financial crisis. Being plagued by the shrinking and insufficient market demand, the shipping industry landscape and business model have changed significantly, with new features like concentrated shipping capacity, strengthened alliance, economies of scale and minimal cost operation. Facing the complicated and severe market conditions and the prolonged sluggish shipping market, the management of COSCO International led all the staff to proactively cope with the market risks by sparing no effort to improve marketing services, enhance lean management and focus on organic growth of corporate profitability based on the working guideline of "walk the talk, implement as planned, grow on expertise and provide sustainable tracking".

Mr. YE Weilong
Chairman

CHAIRMAN'S STATEMENT

With the joint efforts of various parties, profit attributable to equity holders of the Company amounted to HK$335,763,000 for the year, representing a slight decrease of 6% as compared with 2014. Basic earnings per share was 21.91 HK cents. For the year, the Group's total revenue was HK$5,999,646,000. In order to give better returns to our shareholders, the Board proposed a final dividend of 9 HK cents per share for 2015. Together with the interim dividend of 7 HK cents per share, total dividends for 2015 amounted to 16 HK cents per share, representing a dividend payout ratio of 73%.

CORPORATE OPERATION

In 2015, the Group has kept focusing on its strategic development of "shipping services", with developing itself as "a shipping services industrial cluster" as its vision. Meanwhile, the Group strived for the development of "shipping services industrial cluster" in accordance with the direction of "specialisation and scale". In addition, the Group provided customers with quality products and solutions through its increasing presence all over the world. The Group endeavored to increase its core competence and to expand the scope of its existing businesses, as well as to develop its businesses along the industry value chain, so as to continuously enhance the Group's profitability. During the year, the Company strengthened "the Three Projects", that is, to establish a comprehensive operation and management appraisal mechanism, to improve a Shipping Services Information Management System, and to set up a corporate customer management system of COSCO International. To facilitate the development of its existing business, the Company participated in the Marintec China in Shanghai in 2015 for the first time, which greatly helped establish a unified corporate image, develop an integrated industrial platform, realise integration and promotion of existing products and services and attract interested customers to join the industrial platform.

CHAIRMAN'S STATEMENT

For cash management, the Company secured higher deposit rate on its strong liquid fund through proactive negotiation with various banks. Return on cash for the year was 1.86%, representing 125 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of 2015. Meanwhile, all the operating units proactively controlled their operating costs and reduced controllable expenses, contributing to a decrease of 7% for selling, administrative and general expenses in 2015 as compared with 2014. In respect of receivables collection, the Group reinforced its receivables management with various measures and successfully collected certain overdue receivables. As at the end of 2015, the balance of outstanding trade receivables decreased by 18% as compared to the end of 2014. Net cash generated from operating activities for the year amounted to HK$421,353,000, which demonstrated the effective efforts of its liquidity management and safeguarded the Group's interests and earnings.

SUSTAINABLE DEVELOPMENT

To enhance corporate sustainability, the Group has been committed to maintaining a high standard of corporate governance and improving its corporate governance system in strict compliance with relevant laws and regulations. In response to the changes in market and operating environment, the Company continued to enhance management and improve its corporate systems. It focused on the operating risk prevention, and endeavoured to strengthen internal audit, which put an emphasis on both supervision and management. Meanwhile, the Group also strived to enhance information disclosure and improve corporate transparency, so as to keep Shareholders fully informed and balance the interests of its stakeholders. It insisted on pursuing high-quality investor communications to improve the management of investor relations.

The Group has always placed great emphasis on safe production and environmental protection. The Group continued to enhance its employees' knowledge and awareness on Health, Safety and Environment ("HSE"). As such, a positive HSE corporate culture has been nurtured by regular hidden hazards examination and rectification in order to enhance the emergency and contingency ability. Furthermore, the HSE management work of each subsidiary was comprehensively regulated and managed, resulting in a good and sustainable management mechanism. COSCO International spared no effort to ensuring safe and stable overall production environment and achieving the goal of "zero accident, zero injury and zero pollution". For environmental protection, COSCO International constantly and actively pushed forward the concept of green shipping. During the year, the coating manufacturing joint ventures of the Company proactively promoted the high performance antifouling coatings and Hull Performance Solutions and successfully conducted testing on high solid epoxy coatings and water-based container coatings, leading the industry in pursuit of green and environmentally-friendly development.

COSCO International always pays attention to and concerns the well-being of the community and the country where it operates. During the year, the Company sponsored and supported diversified social charitable activities in accordance with its established policy on charitable donations. Meanwhile, the Company organised several volunteer activities, such as visiting senior citizens who live alone and helping the underprivileged integrate into the community so as to return the society and fulfill its corporate citizen responsibility. With the concerted efforts of all staff, COSCO International was again included in the 2015-2016 Hang Seng Corporate Sustainability Benchmark Index, and won numerous international and regional awards for corporate governance, investor relations and corporate social responsibility etc., which fully demonstrated that the sustainability of COSCO International was recognised by the capital market.

OUTLOOK AND PROSPECTS

Looking forward to 2016, owing to the great uncertainties in the global economic recovery and the weak demand from international market, trade growth may continue lagging behind economic growth. Moreover, as the shipping market still faces with overcapacity and intensifying competition, the shipping industry is expected to ride a bumpy road to recovery and shuffle among shipbuilders will be more intense.

Nevertheless, COSCO International faces great opportunities arisen from the beginning year of the 13th Five-Year-Plan of the PRC and the implementation of strategic plans of "Supply-side Structural Reform" and "One Belt One Road". COSCO International will seek development amongst restructuring and pursue profits through innovation. By leveraging the restructuring of COSCO Group, COSCO International will endeavor to fully capitalise on its own strengths, to further expand the business coverage of shipping services and optimise the operation capability of service assurance. These efforts will provide more reliable support services for the fleet operation and lead to the overall enhancement of fleet's competitive edges. For business development, the Group will strengthen the "shipping services industrial cluster" by actively expanding and extending the existing businesses, striving to develop business outside COSCO Group through injecting potential assets when appropriate, and refining the boundary and coverage of the cluster, thus maximizing the return to Shareholders.

With full support from the parent company and the endeavor and pioneering spirit of the management and all employees, I am fully confident of the future development of COSCO International. I would like to take this opportunity to express my sincere respect to our shareholders and business partners for their continued support and my heartfelt gratitude to all members of the Board and employees for their diligent services.

YE Weilong
Chairman

Hong Kong, 22nd March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL ANALYSIS OF RESULTS

In 2015, the oversupply in the shipping industry still existed amid continued slowdown in the growth of international trade. Such industry downturn resulted in the pressure of stringent cost control by customers and delays in delivery of certain new build vessels faced by the Company. Facing the unfavorable business environment, the Group strived to develop more new customers and products by utilising its advantages in specialisation and economies of scale, as well as to strengthen cost control and receivable collection measures, so as to secure its overall income. Profit attributable to equity holders of the Company was HK$335,763,000 (2014: HK$358,970,000), representing a decrease of 6% as compared to 2014. Basic earnings per share was 21.91 HK cents (2014: 23.70 HK cents), representing a decrease of 8% as compared to 2014.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK$5,999,646,000 in 2015 (2014: HK$7,588,213,000), representing a decrease of 21% as compared with 2014. Revenue from the core shipping services businesses fell by 22% to HK$5,163,022,000 (2014: HK$6,639,770,000) and accounted for 86% (2014: 88%) of the Group's revenue, with the major declines coming from the marine fuel and other products, ship trading agency and coating segments. Revenue of general trading segment decreased by 12% to HK$836,624,000 (2014: HK$948,443,000) and accounted for 14% (2014: 12%) of the Group's revenue.

Gross Profit and Gross Profit Margin

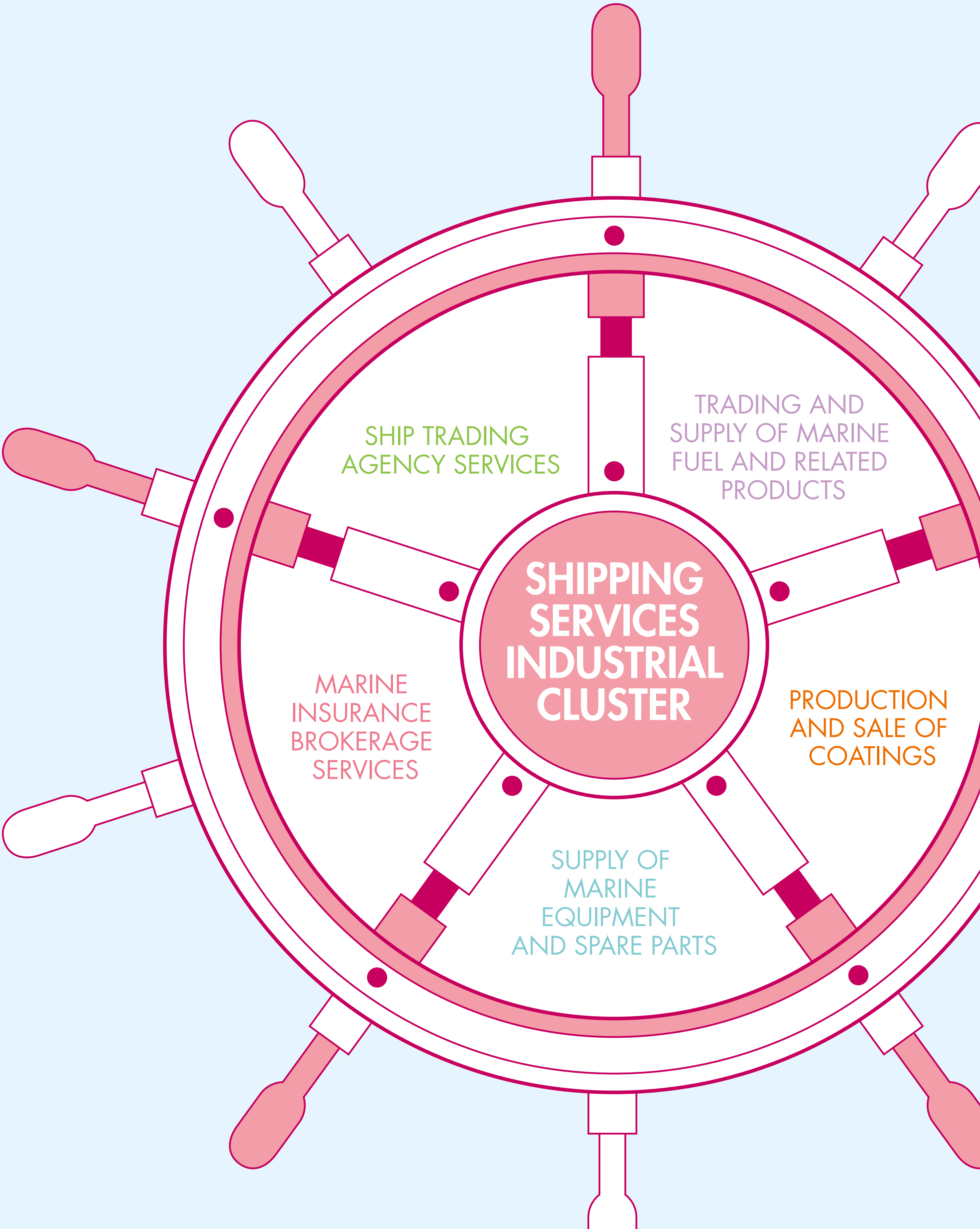
The Group's gross profit for the year decreased by 14% to HK$690,722,000 (2014: HK$804,492,000) while overall average gross profit margin further improved from 10.6% to 11.5%. The improvement of overall average gross profit margin was mainly attributable to the improvement of gross profit margin of marine equipment and spare parts.

Other Income and Gains

The Group recorded other income and gains of HK$85,933,000 (2014: HK$39,988,000). Other income and gains primarily included: (i) government subsidy incomes of HK$50,471,000 recognised in respect of special subsidies granted by the Shanghai Municipal Government and the Baoshan District Government. Such special subsidies represented compensations to COSCO Kansai (Shanghai) for relocating the plant and part of the special subsidies were utilised to offset certain costs and expenses incurred by relocating the plant including settling the impacted staff; (ii) reversal of provision for impairment of other receivables (net of provision) of HK$18,574,000; and (iii) fair value gains on investment properties of HK$4,585,000 (2014: HK$2,919,000).

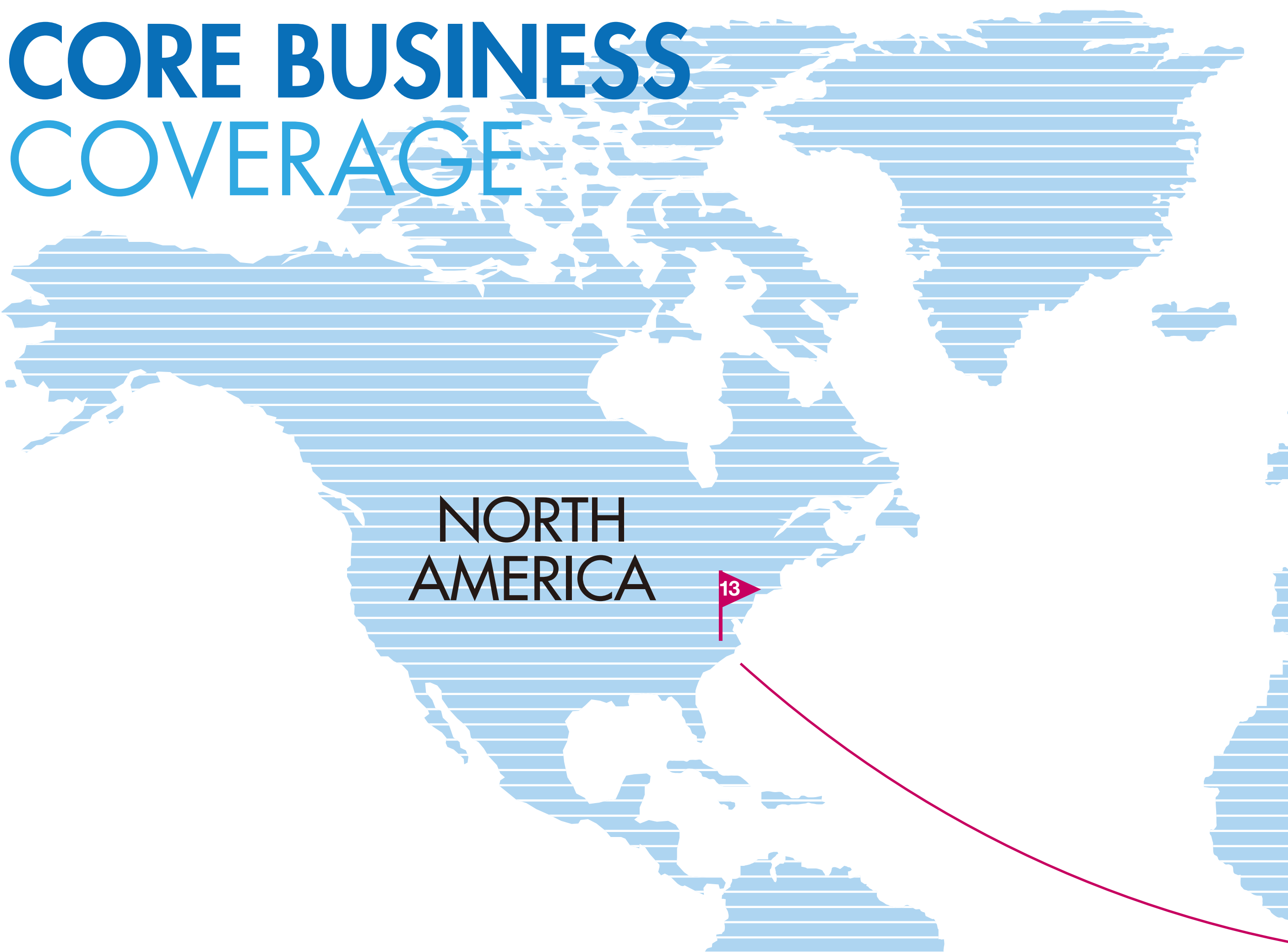
Other Expenses and Losses

The Group recorded other expenses and losses of HK$44,458,000 (2014: HK$21,129,000). Other expenses and losses primarily included provisions for impairment of trade receivables (net of reversal) of HK$2,189,000 (2014: reversal of provision for impairment of trade receivables (net of provision) of HK$23,260,000), and net exchange losses of HK$41,818,000 (2014: net exchange gains of HK$2,199,000).

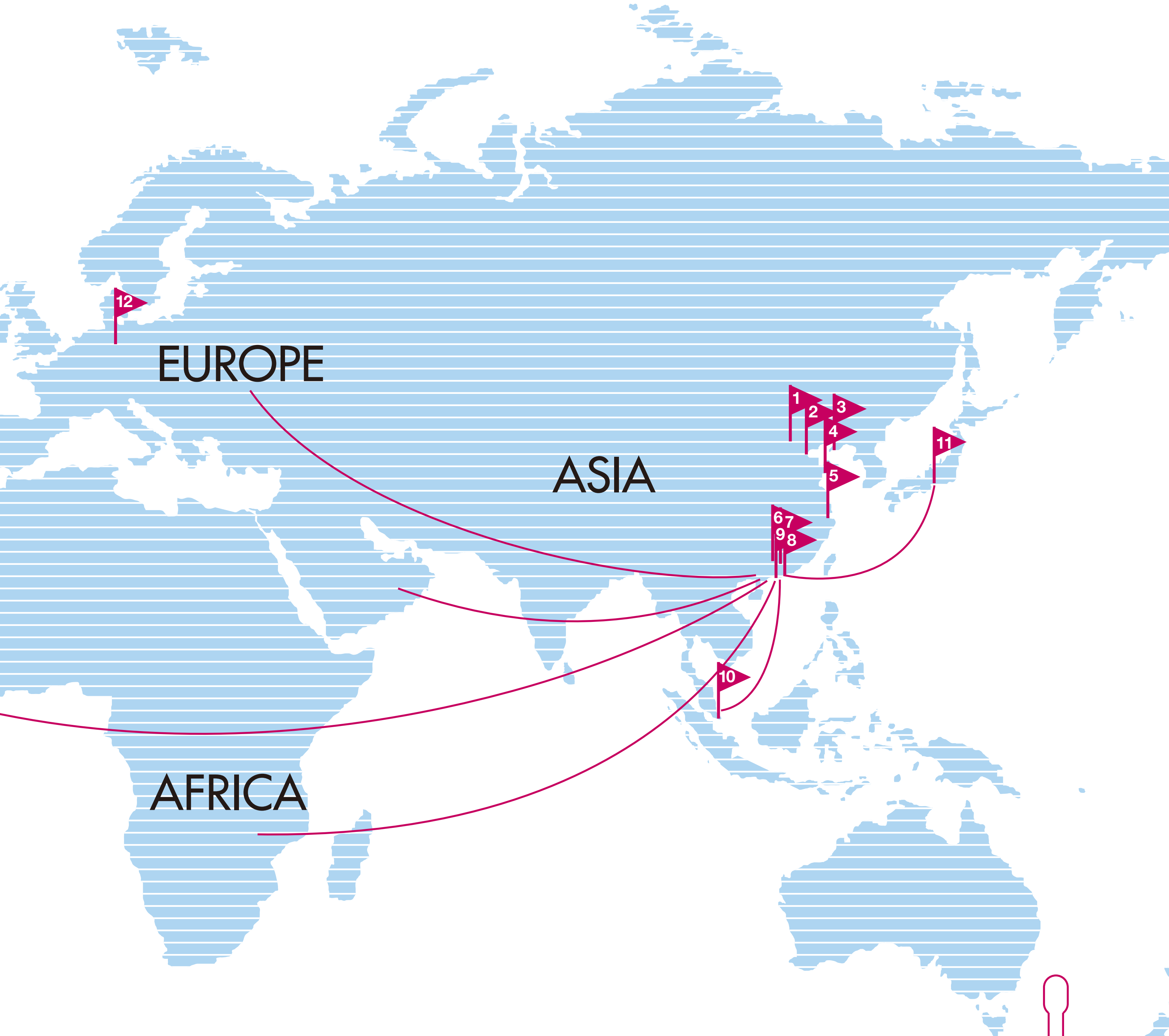

SHIPPING SERVICES INDUSTRIAL CLUSTER
SHIP TRADING AGENCY SERVICES
TRADING AND SUPPLY OF MARINE FUEL AND RELATED PRODUCTS
MARINE INSURANCE BROKERAGE SERVICES
PRODUCTION AND SALE OF COATINGS
SUPPLY OF MARINE EQUIPMENT AND SPARE PARTS

MANAGEMENT DISCUSSION AND ANALYSIS

CORE BUSINESS COVERAGE



	Ship Trading Agency Services	Marine Insurance Brokerage Services	Supply of Marine Equipment and Spare Parts	Production and Sale of Coatings	Trading and Supply of Marine Fuel and Related Products
1 Beijing	🚩		🚩		
2 Tianjin				🚩	
3 Dalian				🚩	
4 Qingdao				🚩	
5 Shanghai			🚩	🚩	
6 Guangzhou				🚩	
7 Shenzhen		🚩			
8 Hong Kong	🚩	🚩	🚩	🚩	🚩
9 Zhuhai				🚩	
10 Singapore			🚩		🚩
11 Japan			🚩		
12 Germany			🚩		
13 the United States			🚩		



Other than China, the Business Coverage and Scope of Supply of Shipping Services

Major sales office or plant

MANAGEMENT DISCUSSION AND ANALYSIS

Selling, Administrative and General Expenses

The Group's selling, administrative and general expenses were HK$537,489,000 (2014: HK$577,505,000), decreased by 7% as compared to 2014. The main components of selling expenses comprised selling expenses payable to customers, sales staff remuneration, technology usage fees and transportation costs. Selling expenses for the year were HK$189,650,000 (2014: HK$217,460,000) and the decrease was primarily due to the lower volume of coating sales as compared to 2014. Administrative and general expenses also decreased by 3% to HK$347,839,000 (2014: HK$360,045,000) as all members of the Group strengthened their efforts to control cost and expenses.

Operating Profit

Due to the factors stated above, the Group's operating profit decreased by 21% to HK$194,708,000 (2014: HK$245,846,000).

Finance Income — Net

The Group's finance income of HK$115,163,000 (2014: HK$142,977,000) represented primarily interest income on bank deposits. The decrease in finance income was mainly attributable to lower cash deposit rates as compared to 2014. The Group's finance costs mainly represented interest expenses on bank loans of HK$1,500,000 (2014: HK$703,000) and other finance charges of HK$2,295,000 (2014: HK$2,261,000). The increase in finance costs was primarily due to the increase in average balance of bank borrowings used in the general trading businesses.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by 69% to HK$110,171,000 (2014: HK$65,218,000). This item primarily represented the share of profit of Jotun COSCO of HK$107,333,000 (2014: HK$64,738,000) which was included in the coatings segment. The profit contribution from Jotun COSCO rose by 66% when compared to 2014 primarily as a result of the improvement of operating results.

Share of Profits of Associates

The Group's share of profits of associates decreased by 32% to HK$11,577,000 (2014: HK$17,016,000). This item primarily comprised the share of profit of Double Rich of HK$10,237,000 (2014: HK$16,272,000) which was included in the marine fuel and other products segment.

Income Tax Expenses

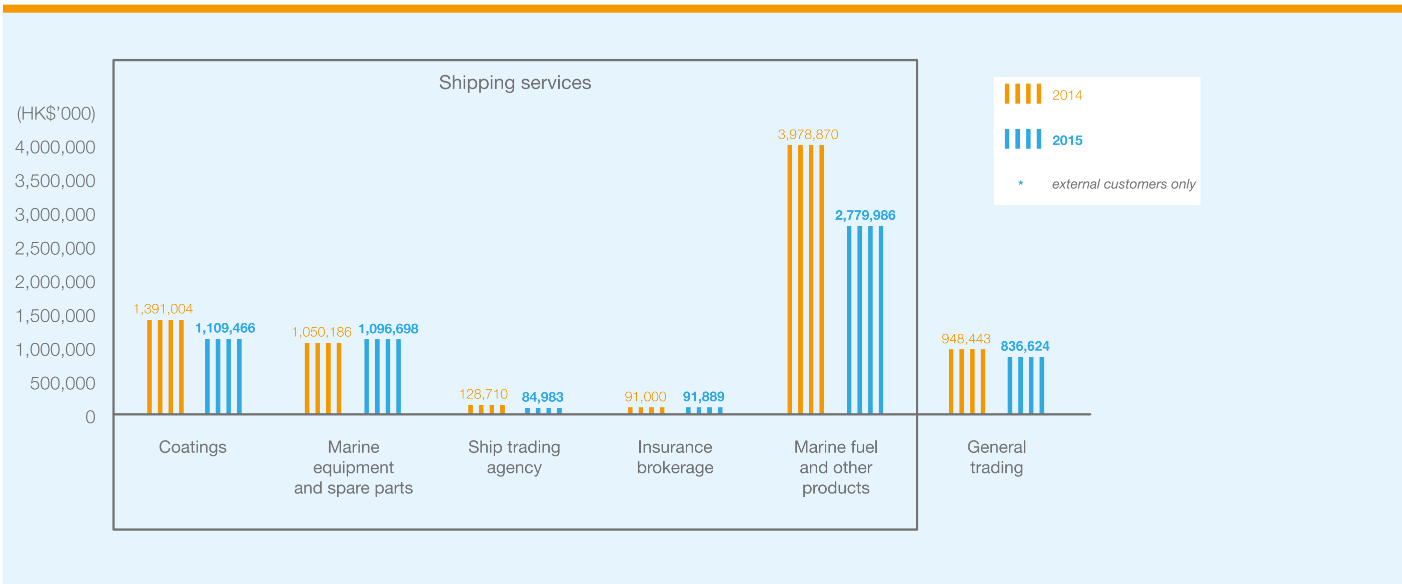
The Group's income tax expenses for the year decreased to HK$65,760,000 (2014: HK$73,331,000). The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, however increased from 19% in 2014 to 21% as a result of increase in land appreciation tax on PRC investment properties.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company for the year decreased by 6% to HK$335,763,000 (2014: HK$358,970,000).

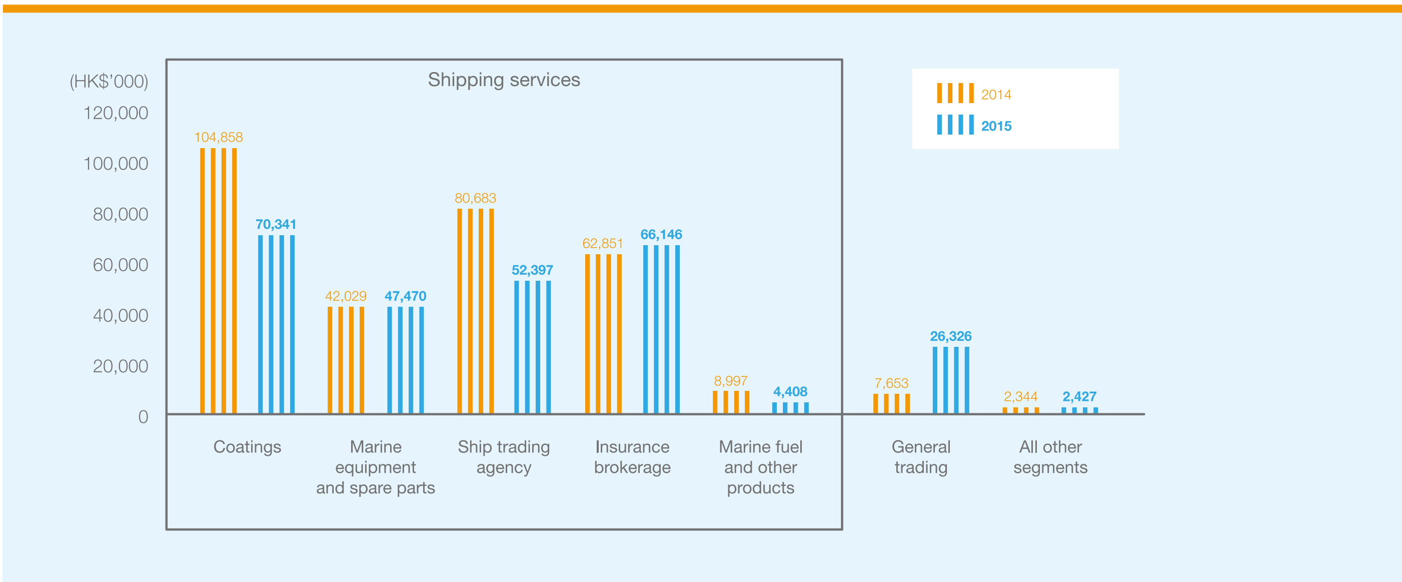
FINANCIAL RESULTS

SEGMENT REVENUE*



Revenue from the core shipping services businesses fell by 22% to HK$5,163,022,000 (2014: HK$6,639,770,000) and accounted for 86% (2014: 88%) of the Group's revenue, with the major declines coming from the marine fuel and other products, ship trading agency and coatings segments.

SEGMENT OPERATING PROFIT



Segment operating profit from shipping services was HK$240,762,000 (2014: HK$299,418,000), representing a decrease of 20% as compared to 2014. It was mainly due to decrease in operating profit from coatings, ship trading agency and marine fuel and other products as compared to 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS (Continued)

For the year ended 31st December	2015 HK$'000	2014 HK$'000	Change HK$'000	%	Remark
Shipping services	**240,762**	299,418	(58,656)	(20)	It was mainly attributable to decreases in segment operating profits from coatings, ship trading agency and marine fuel and other products segment as a result of 1) the declines in sale volume and price of container coatings as compared to 2014; 2) the decreases in new build vessel commission, second-hand vessel commission and other commission income during the year as compared to 2014; and 3) a sharp fall in oil prices during the year.
General trading	**26,326**	7,653	18,673	244	It was mainly attributable to the reversal of provision for impairment of other receivables of HK$18,662,000 due to successful collection of other receivables in default during the year.
All other segments	**2,427**	2,344	83	4	
Corporate expenses, net of income	**(74,696)**	(63,474)	(11,222)	18	
Elimination of segment income from corporate headquarters	**(111)**	(95)	(16)	17	
Operating profit	**194,708**	245,846	(51,138)	(21)	
Finance income-net	**111,368**	140,013	(28,645)	(20)	It was mainly attributable to lower cash deposit rates as compared to 2014.
Share of profits of joint ventures	**110,171**	65,218	44,953	69	The profit contribution from Jotun COSCO rose by 66% when compared to 2014 primarily as a result of the improvement of operating results.
Share of profits of associates	**11,577**	17,016	(5,439)	(32)	Represented mainly share of profit of Double Rich.
Profit before income tax	**427,824**	468,093	(40,269)	(9)	
Income tax expenses	**(65,760)**	(73,331)	7,571	(10)	The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, increased from 19% in 2014 to 21% as a result of increase in land appreciation tax on PRC investment properties.
Profit for the year	**362,064**	394,762	(32,698)	(8)	

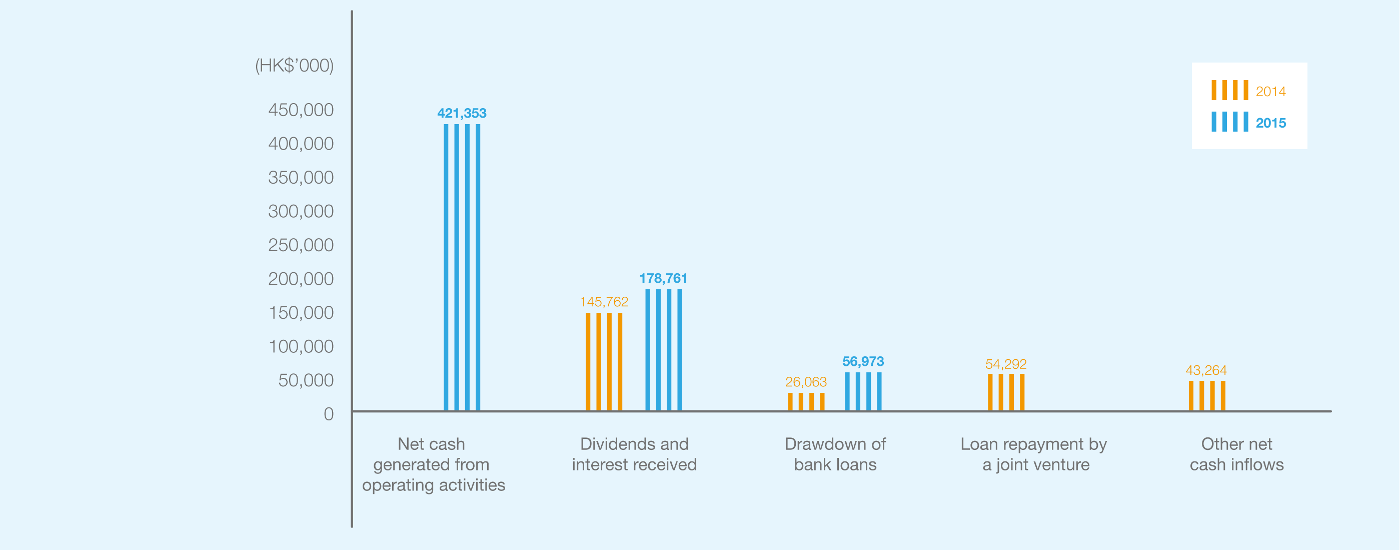
FINANCIAL RESULTS (Continued)

As at 31st December	2015 HK$'000	2014 HK$'000	Change HK$'000	%	Remark
Intangible assets	**103,185**	105,478	(2,293)	(2)	
Property, plant and equipment, prepaid premium for land leases and investment properties	**474,808**	342,128	132,680	39	The increase mainly reflected the addition of fixed assets of the plant of COSCO Kansai Paint (Shanghai) in Jinshan, Shanghai.
Investments in joint ventures	**525,343**	493,107	32,236	7	
Investments in associates	**107,615**	82,520	25,095	30	
Other non-current assets	**107,999**	139,969	(31,970)	(23)	
Completed properties held for sale and inventories	**347,241**	369,390	(22,149)	(6)	
Trade receivables — net	**769,366**	942,612	(173,246)	(18)	All business units refocused on internal management, intensified their efforts to manage working capital and control costs.
Other receivables	**740,629**	1,017,595	(276,966)	(27)	
Cash (including non-current deposits, restricted bank deposits and current deposits and cash and cash equivalents)	**6,260,730**	6,133,797	126,933	2	(a), (b)
Other current assets	**30,399**	38,738	(8,339)	(22)	
Total assets	**9,467,315**	9,665,334	(198,019)	(2)	
Deferred income tax liabilities	**44,655**	39,027	5,628	14	
Trade and other payables	**1,278,279**	1,470,613	(192,334)	(13)	
Current income tax liabilities	**8,695**	21,145	(12,450)	(59)	
Short-term borrowings	**36,062**	26,061	10,001	38	
Non-controlling interests	**370,469**	369,451	1,018	—	
Total liabilities and non-controlling interests	**1,738,160**	1,926,297	(188,137)	(10)	
Net assets attributable to equity holders	**7,729,155**	7,739,037	(9,882)	—	

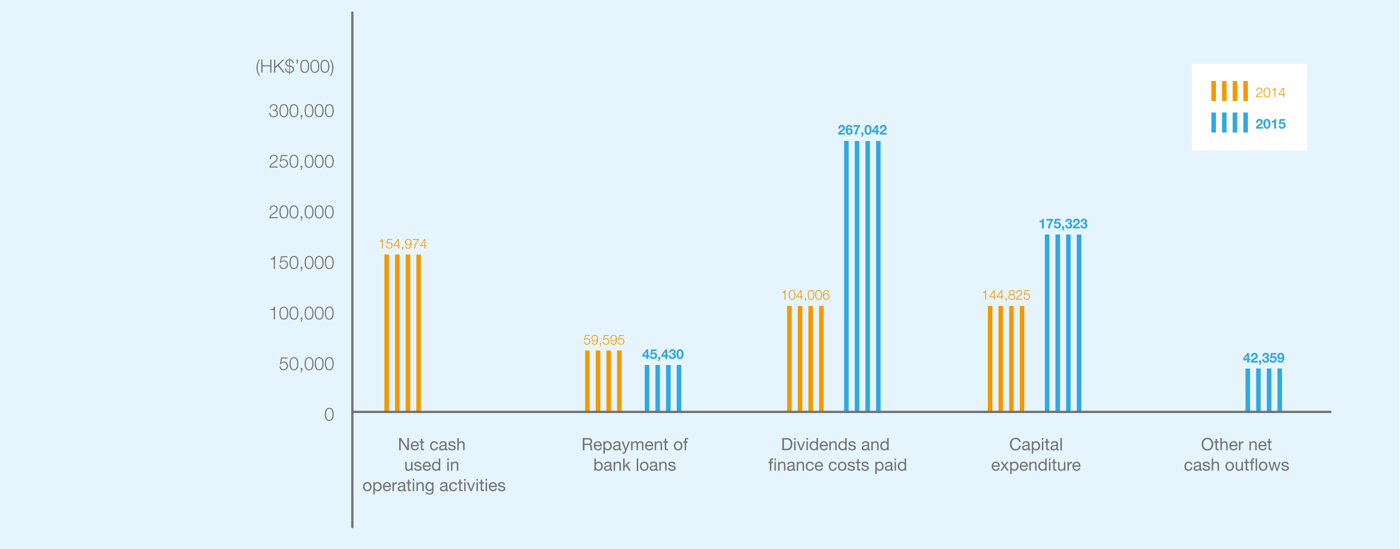
MANAGEMENT DISCUSSION AND ANALYSIS

(a) MAJOR SOURCES AND USE OF CASH

CASH INFLOWS



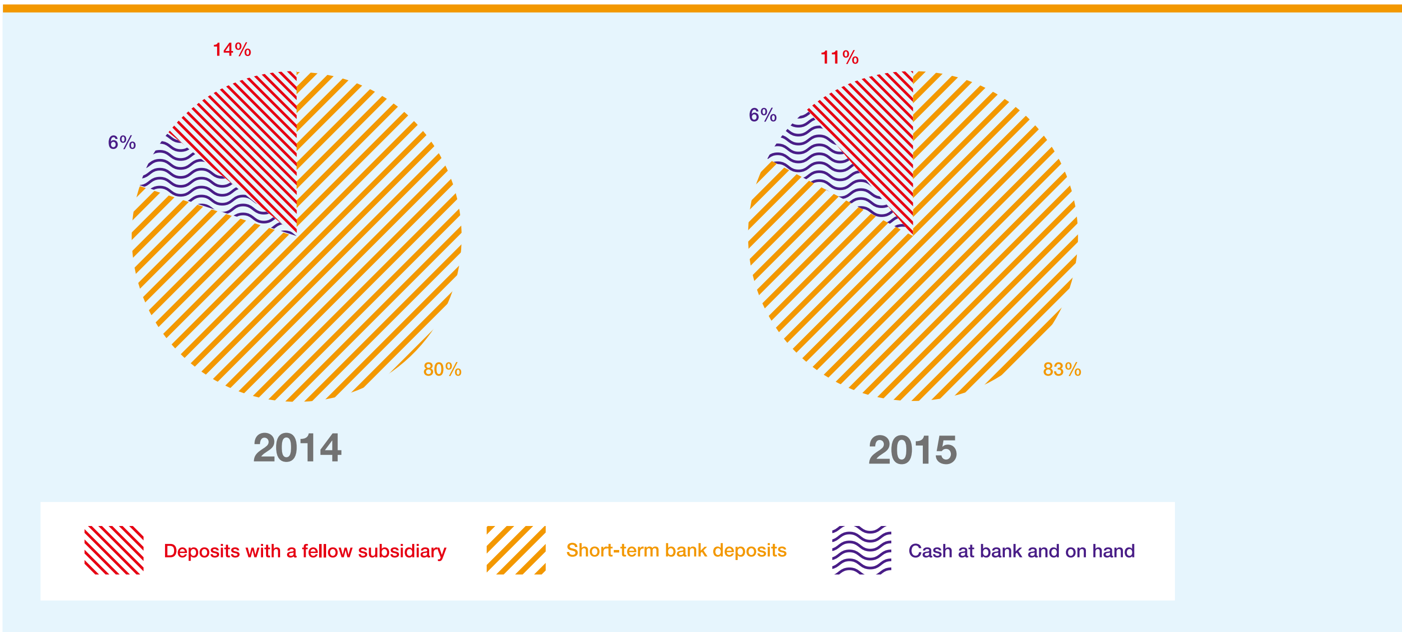
CASH OUTFLOWS



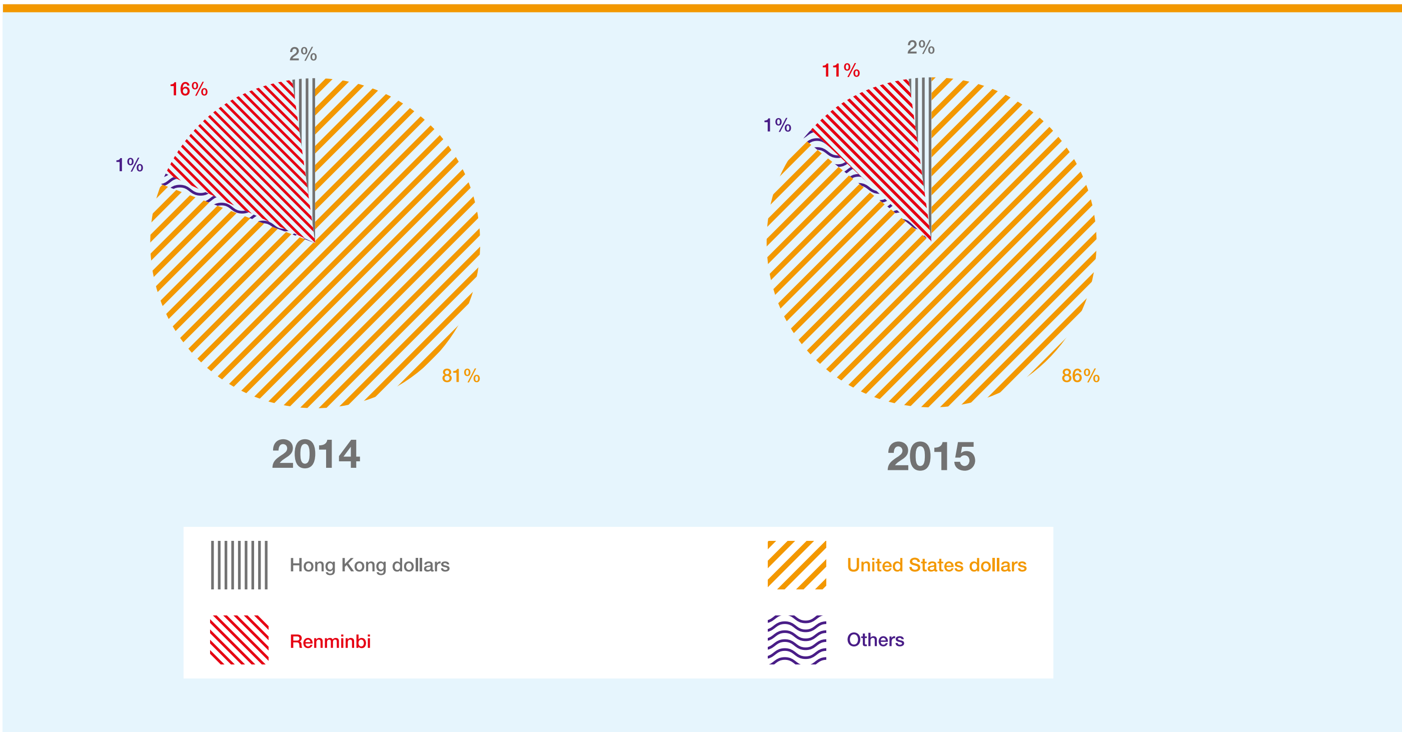
Cash (including non-current deposits, restricted bank deposits and current deposits and cash and cash equivalents) increased by HK$126,933,000 in aggregate during the year. Sources of cash principally included net cash generated from operating activities of HK$421,353,000, dividends and interest received of HK$178,761,000 and drawdown of bank loans of HK$56,973,000. Use of cash principally included repayment of bank loans of HK$45,430,000, payment of dividends and finance costs totalling HK$267,042,000, capital expenditure of HK$175,323,000 and other net cash outflows of HK$42,359,000.

(b) ANALYSIS OF CASH

CLASSIFIED BY NATURE



CLASSIFIED BY CURRENCY



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 a high degree of liquidity. The Board believes this approach is beneficial to the Group's long term development as a major shipping services provider and ensures sufficient financial resources available for merger and acquisition opportunities that fit in well with the Group's strategic direction.

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 2015, deposits and cash and cash equivalents held by the Group accounted for 77% (2014: 72%) of the Group's total current assets.

As at 31st December 2015, the Group's total assets decreased by 2% to HK$9,467,315,000 (2014: HK$9,665,334,000). Total liabilities decreased by 12% to HK$1,367,691,000 (2014: HK$1,556,846,000). The Group remained cautious about potential credit risks that surrounded the shipping services industry especially the bunker market. All business units refocused on internal management, intensified their efforts in working capital management and costs control. As a result, net cash generated from operating activities for the year reached HK$421,353,000, out of which HK$402,151,000 was attributable to the decrease of trade receivables and other receivables. The Group's selling, administrative and general expenses decreased by 7% as compared to 2014.

Net asset value attributable to shareholders was HK$7,729,155,000 (2014: HK$7,739,037,000). Net assets value per share was HK$5.04 (2014: HK$5.05), slightly decreased by 0.2% as compared to the end of 2014.

As at 31st December 2015, the Group's total bank borrowings increased to HK$36,062,000 (2014: HK$26,061,000), 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 2% to HK$6,260,730,000 (2014: HK$6,133,797,000) and decreased by 41% to HK$1,211,191,000 (2014: HK$2,039,361,000) respectively. The gearing ratio, which represented total borrowings over total assets, was 0.4% (2014: 0.3%).

Debt Analysis

	31st December 2015		31st December 2014	
	HK$'000	**%**	HK$'000	%
Classified by maturity:				
— repayable within one year	**36,062**	**100**	26,061	100
Classified by type of loan:				
— unsecured	**36,062**	**100**	26,061	100
Classified by currency:				
— Renminbi	**36,062**	**100**	—	—
— United States dollars	**—**	**—**	26,061	100
	36,062	**100**	26,061	100

Both the bank borrowings and the gearing ratio remained low since the end of 2014. 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 was successful in securing higher yields for liquid funds through exploring channels of deposits with major financial institutions in China Mainland and Hong Kong.

The Group had restricted bank deposits of HK$597,000 (2014: HK$14,120,000) 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. The depreciation of Renminbi against other currencies from the third quarter of 2015 resulted in exchange losses on the Group's Renminbi deposits and the foreign currency liabilities of certain PRC subsidiaries. The Group therefore adjusted the debt portfolio by switching from foreign currency borrowings to local currency borrowings in order to reduce risk and uncertainty from further depreciation of Renminbi for the Group's financial results.

As at 31st December 2015, 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 will consider using forward foreign exchange contracts to hedge its foreign currency exposure should the need arise.

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 2015, the Group had net cash, which represented total cash and deposits net of short-term borrowings, of HK$6,224,668,000 (2014: HK$6,107,736,000). 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 a mixture of financial 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 1.86% return on the Group's cash for the year, representing 125 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of 2015.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2015, sales to the largest customer and aggregate sales to the five largest customers accounted for 39% and 47% respectively (2014: 22% and 49% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 64% and 75% respectively (2014: 32% and 57% 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 owning more than 5% of the Company's shares had interests in the five largest customers and suppliers.

EMPLOYEES

As at 31st December 2015, excluding joint ventures and associates, the Group had 969 (2014: 835) employees, of which 102 (2014: 100) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, were HK$304,082,000 (2014: HK$302,911,000). 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.

On 10th May 2005, certain employees of a subsidiary of the Company were granted share options to subscribe for a total of 2,400,000 shares of the Company at a price of HK$1.21 per share. These share options were exercisable at any time from 6th June 2005 to 5th June 2015. On 9th March 2007, the directors of the Company (excluding independent non-executive directors) and certain employees of the Group and its joint venture were granted share options to subscribe for a total of 25,930,000 shares of the Company at a price of HK$3.666 per share. These share options were exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

REVIEW OF BUSINESS OPERATIONS

In 2015, the global economy was struggling in an uncertain and uneven trend. As affected by the factors such as the sluggish demand, the fluctuation of global exchange rate and the slump in the commodity prices, the growth of world trade declined significantly. The overall oversupply situation of international shipping market remained unchanged. The pressure of oversupply yet eased resulting in the continuous conflict between the supply and demand side. In response to the shrinking and insufficient market demand, shipowners decelerated fleet structure adjustment and maintained strict cost control. These brought forth considerable pressure to the operations of shipping services segment of the Group.

Facing the complicated and challenging operational environment, the Group adhered to focusing on development as its major objective. It further refined the development strategies, actively coped with market changes, spared no effort to extend existing businesses, focused on improving marketing services, enhanced lean management, continuously enhanced service awareness, moved forward transformation and upgrading and also actively built the shipping services industrial cluster. Thus it was able to record stable results despite the difficult business environment.

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, the Group has reduced part of its marine fuel and related products business with relatively high risk for the sake of risk avoidance. With the delays of vessel delivery schedule by some shipowners in the second half of 2015, the vessel scrapping volume decreased from the peak in 2014. In addition, the price of container coatings declined due to fierce price competition among suppliers in view of significant decrease in the volume of new build containers in China amid sluggish world trade demand. As such, revenue from the Group's shipping services during the year was HK$5,163,022,000 (2014: HK$6,639,770,000), representing a decrease of 22% as compared to 2014. The decrease was mainly attributable to significant decline in revenues of three business segments including marine fuel and other products, ship trading agency and coatings. Profit before income tax from shipping services was HK$372,400,000 (2014: HK$393,370,000), representing a decrease of 5% as compared to 2014. It was mainly attributable to marked decrease in profit before income tax from ship trading agency segment as compared to 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

SHIP TRADING AGENCY SERVICES

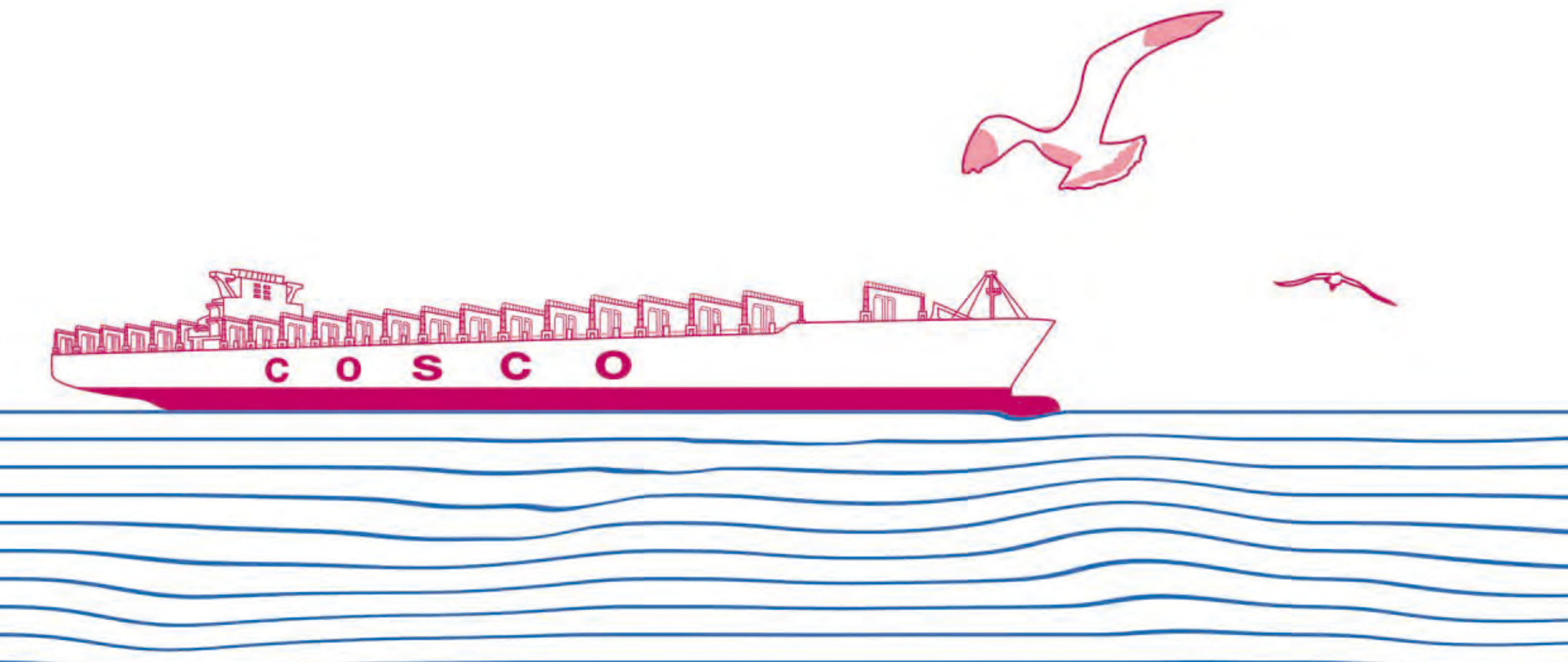
1.1 Ship Trading Agency Services

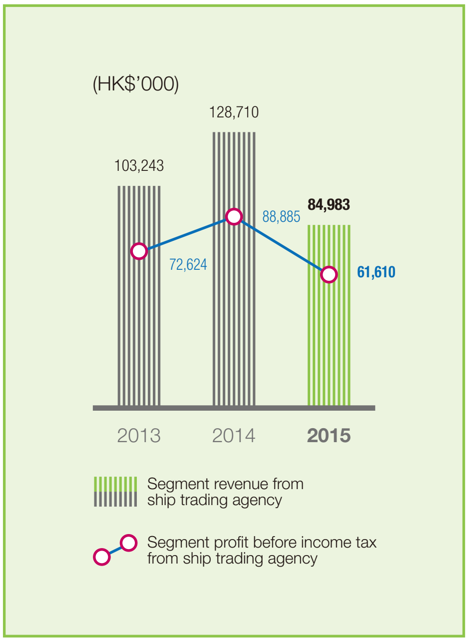
COSCO Ship Trading is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for the fleet of COSCO Group, and is the sole platform for the ship trading of COSCO Group. COSCO Ship Trading also provides similar services for shipowners and shipping enterprises outside COSCO 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 year, the pace of adjustment to the fleet structure slowed down amid a depressed shipping market. The delivery of new build vessels ordered through COSCO Ship Trading reached 2,428,000 dead weight tonnages in aggregate (2014: 1,860,000 dead weight tonnages). For second-hand vessels, the sale and purchase of a total of 45 (2014: 82) second-hand vessels through COSCO Ship Trading were recorded, aggregating 3,710,000 dead weight tonnages (2014: 3,980,000 dead weight tonnages).

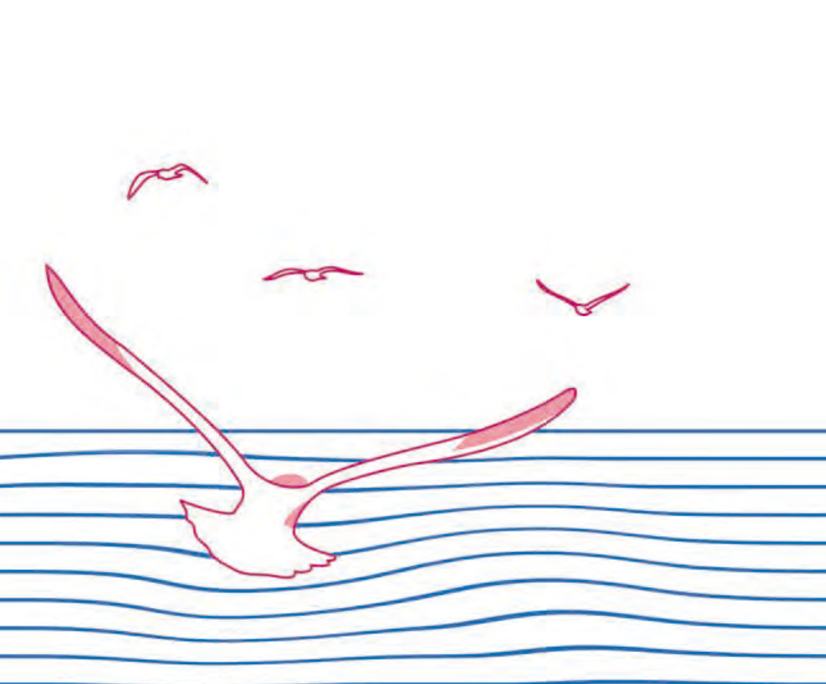
In addition, a total of 30 (2014: 58) new build vessels ordered through COSCO Ship Trading were recorded during the year, aggregating 3,793,000 dead weight tonnages (2014: 5,150,000 dead weight tonnages). As at 31st December 2015, the amount of new build vessels ordered through COSCO Ship Trading and pending delivery reached 10,570,000 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 decreased by 34% to HK$84,983,000 (2014: HK$128,710,000) as compared to 2014. Segment profit before income tax was HK$61,610,000 (2014: HK$88,885,000), representing a decrease of 31% as compared to 2014. The decrease in segment profit before income tax was mainly due to the decrease in new build vessel commission, second-hand vessel commission and other commission income during the year as compared to 2014.




(HK$'000)
103,243
128,710
84,983
88,885
72,624
61,610
2013
2014
2015
Segment revenue from ship trading agency
Segment profit before income tax from ship trading agency


COSCO



MANAGEMENT DISCUSSION AND ANALYSIS

MARINE INSURANCE BROKERAGE SERVICES

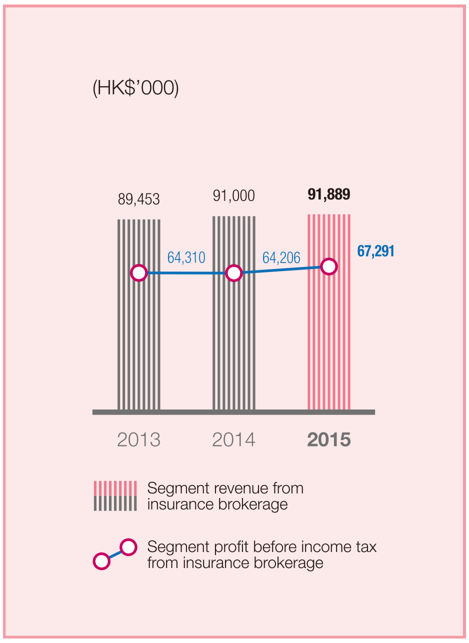
1.2 Marine Insurance Brokerage Services

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 opened up a new path to innovate new services and products and marketing model under the severe operating condition of large number of vessel scrapping. Focusing on the direction of "Establishing group insurance brokerage for COSCO Group's fleet", COSCO Insurance Brokers continued to carry forward two expansion strategies (expansion from business within COSCO Group to business outside COSCO Group, and expansion from marine insurance business to non-marine insurance business) as well as put efforts on innovations in two new expansion strategies (expansion from corporate business to individual business, and expansion from offline business to online business), making significant achievement. During the year, COSCO Insurance Brokers completed the overall renewal of the hull and machinery insurance and war risks insurance of COSCO Group's fleet, successfully explored the motor vehicle insurance and terminals comprehensive insurance businesses within COSCO Group, achieved favourable results in the ship repairer's liability insurance and ship builder's risks insurance businesses, and also successfully explored new businesses such as credit insurance and ship agents comprehensive liability insurance. In addition, COSCO Insurance Brokers strengthened its information construction and commenced online marketing to provide faster and more convenient claim settlement services, and thus to enhance its brand image. The claim settlement system has been officially put into operations. COSCO Insurance Brokers also achieved satisfactory results in online marketing, securing business in relation to the handling of certificates under The Nairobi International Convention on the Removal of Wrecks (內羅畢國際船舶殘骸清除公約) through the successful launch of its WeChat public account, thus achieved stable growth in commission income from marine insurance brokerage services in general.

During the year, revenue from insurance brokerage segment was HK$91,889,000 (2014: HK$91,000,000), up by 1% as compared to 2014. Segment profit before income tax was HK$67,291,000 (2014: HK$64,206,000), representing an increase of 5% as compared to 2014.

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

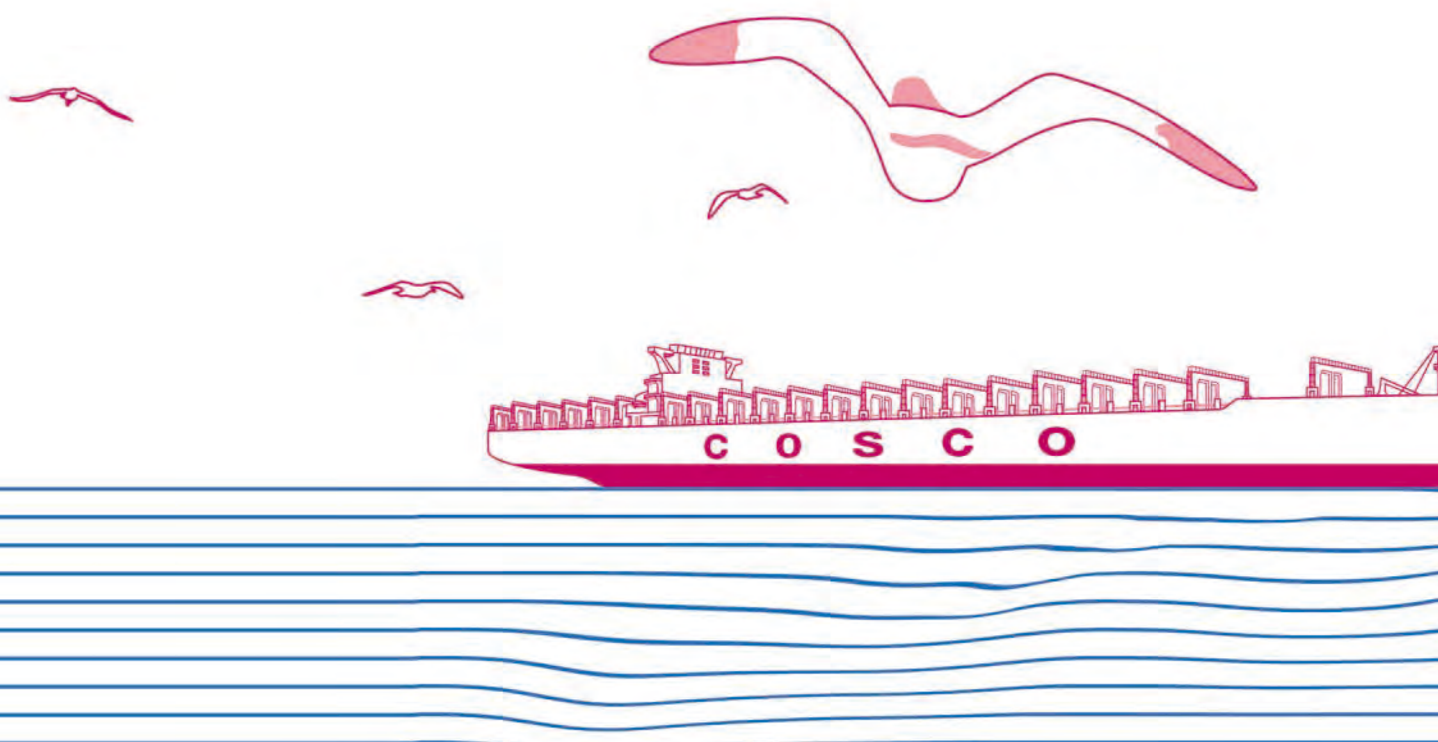
SUPPLY OF MARINE EQUIPMENT AND SPARE PARTS

1.3 Supply of Marine Equipment and Spare Parts

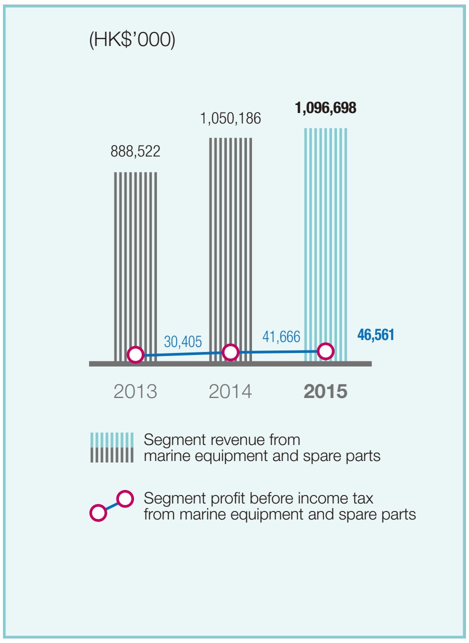
COSCO Yuantong Operation Headquarters are principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communication and navigation systems for ships, offshore facilities, coastal stations and land users, marine materials supply and voyage repairs. Its existing business network covers Hong Kong, Shanghai, Beijing, Japan, Singapore, Germany and the United States.

During the year, facing the fierce market competition, COSCO Yuantong Operation Headquarters continued to intensify its marketing services by conducting proactive visits to customers and strived to increase revenue and save cost. Firstly, COSCO Yuantong Operation Headquarters successfully obtained additional discounts from suppliers leveraging the advantages of centralised procurement of COSCO Group. Secondly, it vigorously developed communications and navigation equipment, spare parts and new build vessel equipment businesses. During the year, non-COSCO Group businesses achieved further progress, representing a significant increase as compared to 2014. 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 enhanced customers' satisfaction and also further enhanced corporate brand value. In terms of business expansion, a distribution center of marine materials was established in Singapore based on regional positioning and geographical advantages, to further strengthen the material supply business.

During the year, revenue from marine equipment and spare parts segment was HK$1,096,698,000 (2014: HK$1,050,186,000), up by 4% as compared to 2014. Segment profit before income tax was HK$46,561,000 (2014: HK$41,666,000), representing an increase of 12% as compared to 2014.



MANAGEMENT DISCUSSION AND ANALYSIS



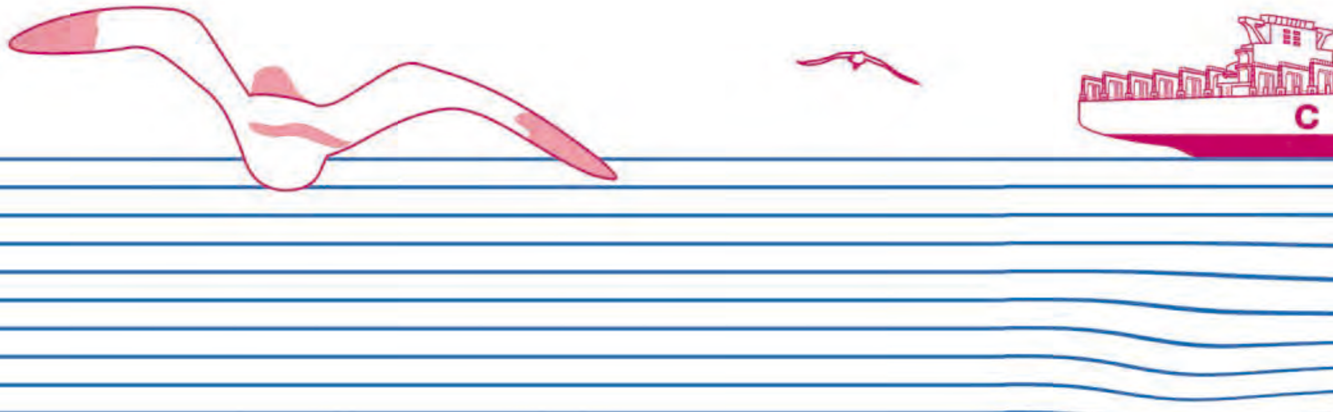
MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCTION AND SALE OF COATINGS

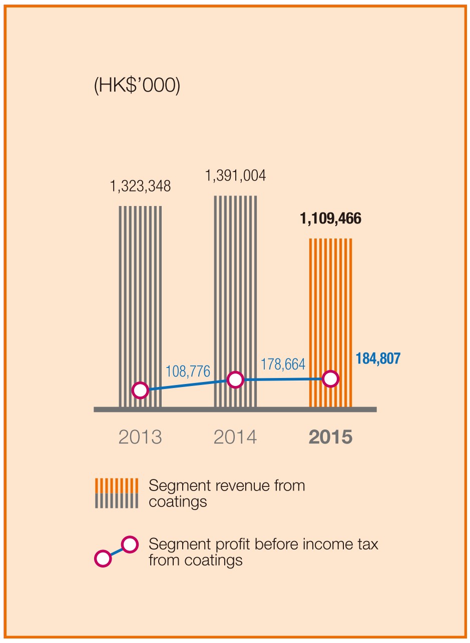
1.4 Production and Sale of Coatings

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 Companies are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. With the plant of COSCO Kansai (Shanghai) in Baoshan, Shanghai ceasing production during the year due to relocation, COSCO Kansai (Shanghai) has been granted approval by relevant authorities to amend its business scope and extend the term of joint venture contract, with its main business as sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and the international coating manufacturer Jotun A/S, Norway, is principally engaged in the production and sale of marine coatings.

For container coatings, as a result of the downturn in shipping market during the year, the volume of new build containers in China declined as a whole as compared to 2014 and there was price war among coating suppliers. Facing such circumstances, COSCO Kansai Companies further consolidated the core customers and meanwhile successfully explored new customers. They carried out strategic marketing tailored to the needs of different markets and customers and provided differential services so as to maintain their leading position in China's container coating market. For marine coatings, Jotun COSCO put greater efforts into marketing and customer care. Its solutions of high-end environmental friendly and energy-saving products accompanying with comprehensive quality services were recognised and promoted in the market, which helped Jotun COSCO maintain its leading position in China's marine coating market and enhance its profitability. In addition, in order to meet the future development needs of the coating business units and maintain a sound market position in China Mainland, the Group had spared no effort to push forward and successfully completed the construction of two new plants, including the plant in Jinshan, Shanghai of COSCO Kansai Paint (Shanghai) which had commenced trial production and the coating plant in Qingdao of Jotun COSCO (Qingdao) which had been officially put into operation.



During the year, revenue from coatings segment was HK$1,109,466,000 (2014: HK$1,391,004,000), representing a decrease of 20% as compared to 2014. The decrease was mainly due to the decline in sale volume and price of container coatings as compared to 2014. Segment profit before income tax was HK$184,807,000 (2014: HK$178,664,000), up by 3% as compared to 2014. Operating profit from coatings segment decreased by 33% as compared to 2014 as a result of the combined effect of lower gross profit margin for container coatings due to the fierce competition in container coating market, coupled with the one-off factors of additional cost incurred from the plant relocation of COSCO Kansai (Shanghai) during the year and the reversal of provision for impairment of trade receivables (net of provision) of HK$22,180,000 as trade receivables were successfully recovered in 2014. During the year, COSCO Kansai (Shanghai) recorded government subsidy incomes of HK$50,471,000 in relation to the specific subsidies granted by the Shanghai Municipal Government and the Baoshan District Government, which fully offset the additional cost incurred in the course of plant relocation. Moreover, the decrease in the operating profit from the coatings segment was fully offset by the significant increase in the share of profit from Jotun COSCO attributable to the Group.



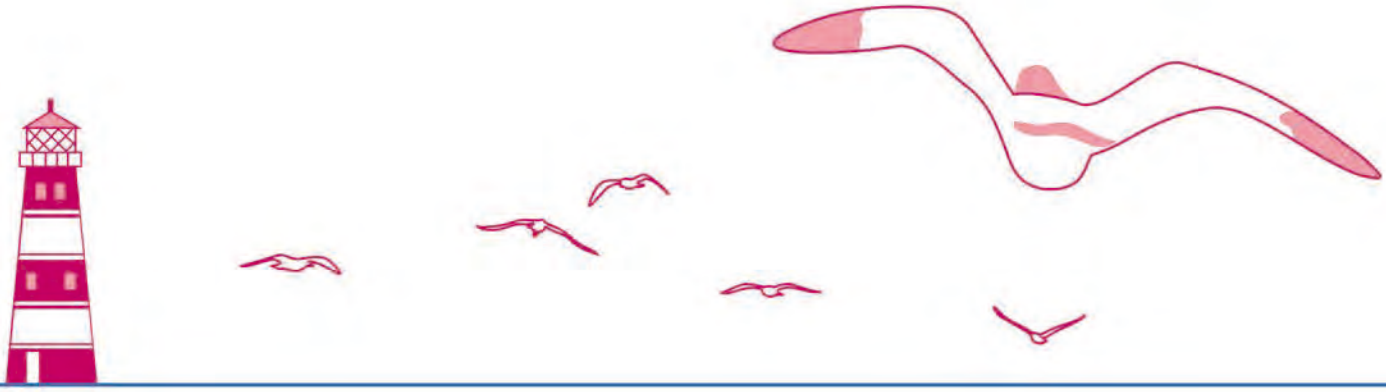
1.4.1 Container Coatings and Industrial Heavy-duty Anti-corrosion Coatings

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

MANAGEMENT DISCUSSION AND ANALYSIS

Facing the tough market conditions, COSCO Kansai Companies, during the year, successfully gained new orders by segmenting their target customers, enhancing communication and improving their marketing services as well as consolidated their strategic relationship with container manufacturing enterprises to maintain the leading market share. They also actively expanded into the special container market and offered quality services to major container manufacturers and container owners through onsite technical services enhancement, which gained the support and trust from key customers. However, the sales volume of container coatings decreased by 23% from 49,516 tonnes in 2014 to 38,099 tonnes during the year, mainly due to the significant decrease in the volume of new build containers in China as compared to 2014.

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 project team on industry orientation to enhance business expansion, deployed sales networks, optimised human resources allocation, focused on key customers and key projects, and increased market development efforts, resulting in breakthroughs in bridges, steel structure, nuclear plant, wind farm and special truck markets. They also actively commenced development into new sectors such as electrophoretic coatings and decorative coatings on a pilot basis and had made significant achievements. During the year, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 16,081 tonnes (2014: 15,061 tonnes), representing an increase of 7% as compared to 2014. During the year, 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 six consecutive years.



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 large number of new build vessels projects commenced construction. Jotun COSCO has seized market opportunities. On the one hand, it increased customer visits so as to proactively maintain and reinforce the customer relationship with domestic major shipyards and shipowners and to segment the market and its target customers based on the market trend and requirement of marketing services in order to establish a service system with differentiated products, services and marketing. On the other hand, 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 with a view to maintaining its market share as well as further improving its profitability. Meanwhile, in order to adapt to the market needs, Jotun COSCO has 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 year, sales volume of Jotun COSCO's coatings for new build vessels amounted to 62,890,400 litres, up by 31% as compared to 2014. Sales volume of coatings for repair and maintenance was 20,545,600 litres, representing an increase of 28% as compared to 2014. The sales volume of Jotun COSCO's marine coatings amounted to 83,436,000 litres (equivalent to approximately 112,639 tonnes) (2014: 63,932,000 litres (equivalent to approximately 86,308 tonnes)), up by 31% as compared to 2014. During the year, the Group's share of profit from Jotun COSCO was HK$107,333,000 (2014: HK$64,738,000), representing a substantial increase of 66% as compared to 2014. Such increase was mainly attributable to significant improvement in the gross profit margin of Jotun COSCO as a result of increase in the sales volume of marine coatings and the decrease in raw material prices during the year as compared to 2014.

In addition, as at 31st December 2015, Jotun COSCO had coating contracts on hand for new build vessels amounting to 37,360,000 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.

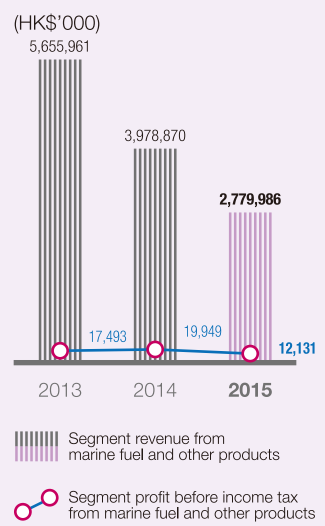
MANAGEMENT DISCUSSION AND ANALYSIS

TRADING AND SUPPLY OF MARINE FUEL AND RELATED PRODUCTS

1.5 Trading and Supply of Marine Fuel and Related Products

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 expanding oil supply business of low risks and conducting business with reputable customers in order to establish stable and long-term business cooperations in response to the complex market environment. During the year, total sales volume of marine fuel products was 1,146,911 tonnes, increased by 33% as compared with 864,335 tonnes in 2014. Revenue from the marine fuel and other products segment was HK$2,779,986,000, down by 30% as compared with HK$3,978,870,000 in 2014, which was mainly due to a sharp fall in oil prices.



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 at the same time sourcing products like 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$10,237,000 (2014: HK$16,272,000), down by 37% as compared to 2014, which was mainly due to the decrease in finance income during the year.

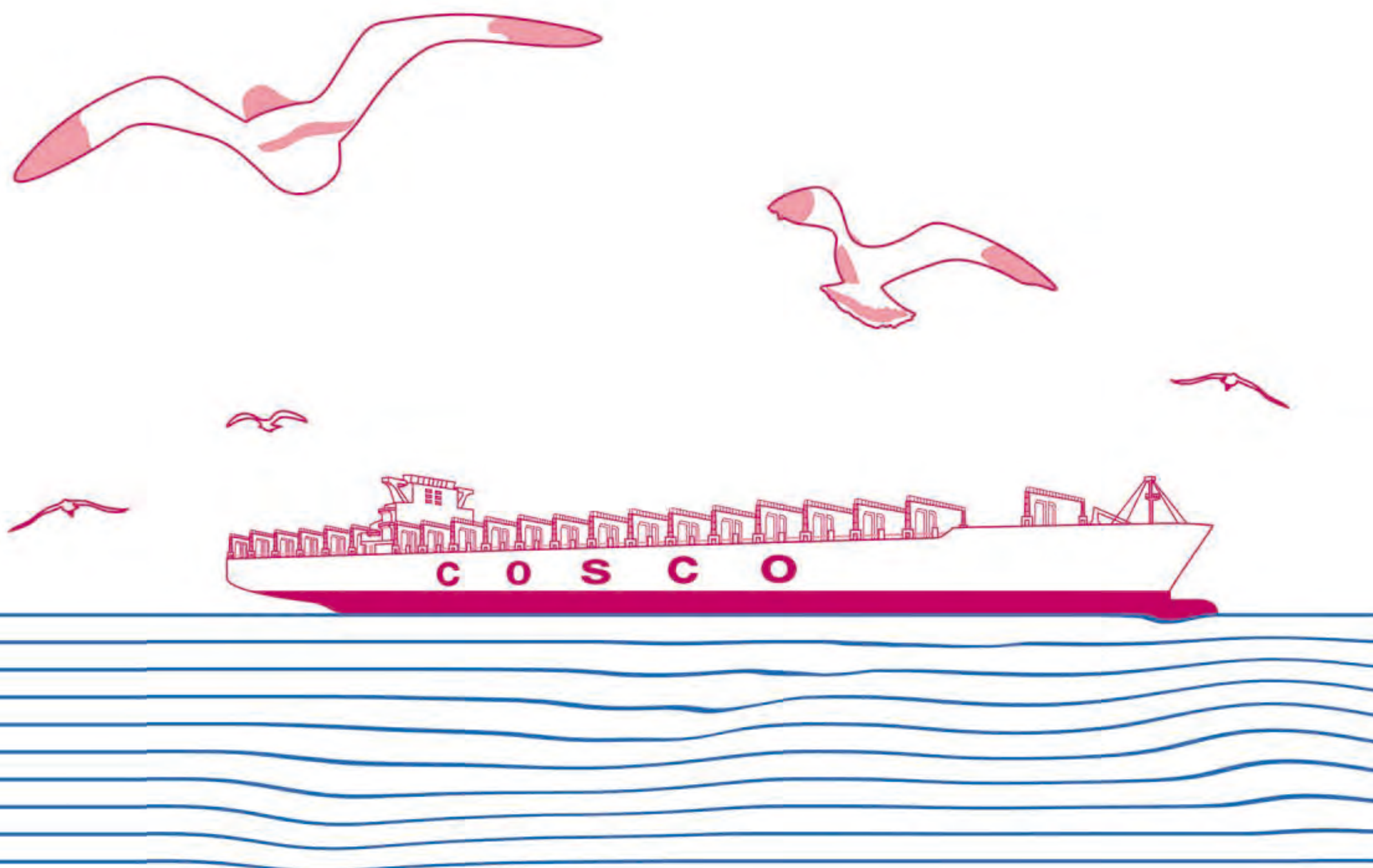
Profit before income tax from marine fuel and other products segment was HK$12,131,000 (2014: HK$19,949,000), representing a decrease of 39% as compared to 2014, which was mainly attributable to the decrease in share of profit of associates.

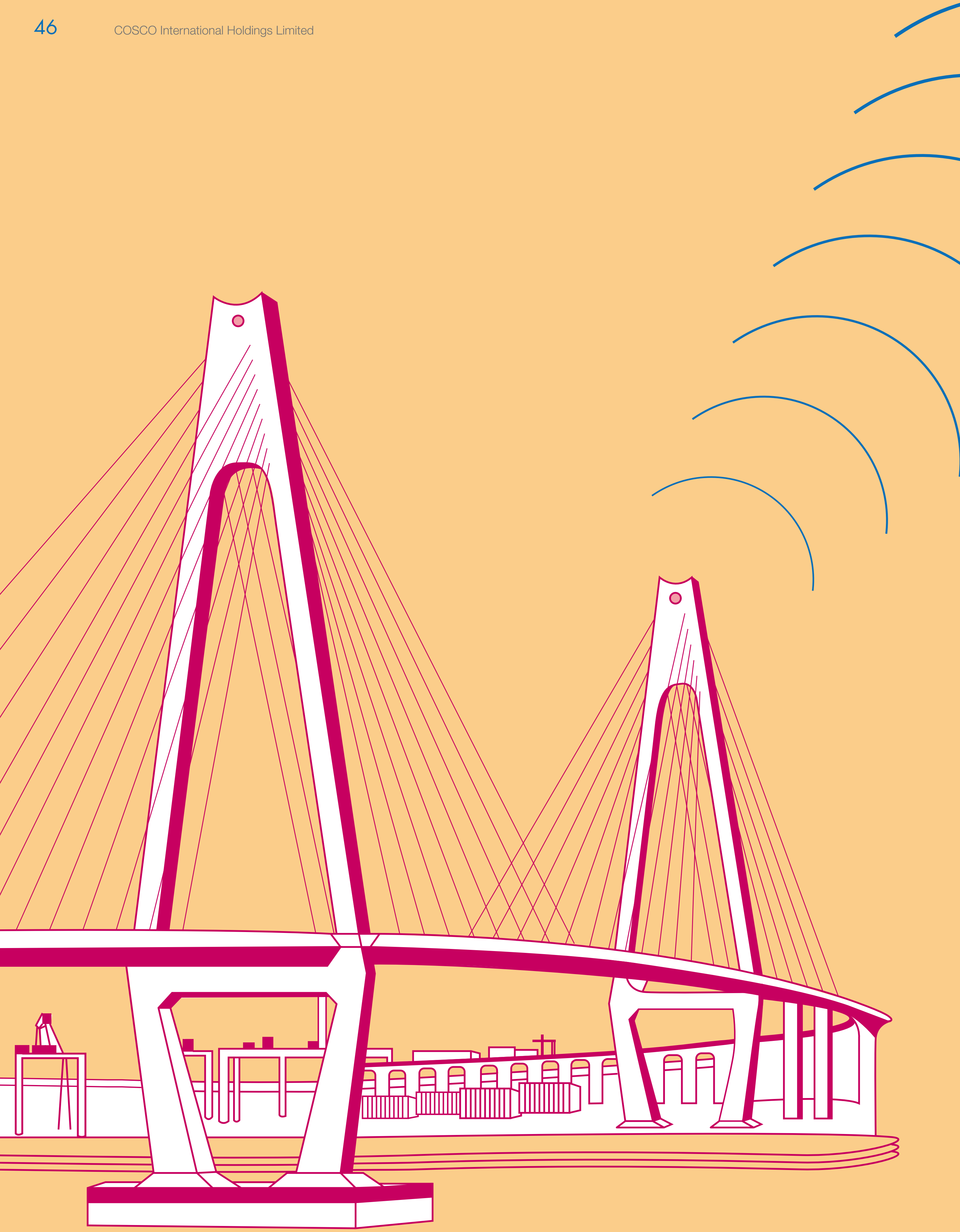
2. General Trading

CITC is principally engaged in the trading of asphalt and other comprehensive trading.

During the year, 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 East China region market. During the year, the sales volume of asphalt of CITC amounted to 173,061 tonnes, representing an increase of 27% as compared to 136,159 tonnes in 2014.

During the year, revenue from general trading segment was HK$836,624,000 (2014: HK$948,443,000), down by 12% as compared to 2014. The decrease in revenue was mainly due to lower selling prices of asphalt which offset the increase of sales volume. Segment profit before income tax was HK$23,143,000 (2014: HK$2,995,000), increased by 673% as compared to 2014. The improvement in segment profit before income tax was mainly attributable to the reversal of provision for impairment of other receivables of HK$18,662,000 due to successful collection of other receivables in default during the year.





EXPLORE NEW MARKETS, FOR MORE DEVELOPMENT OPPORTUNITIES

INNOVATION AND DEVELOPMENT

The Group will be committed to building a "shipping services industrial cluster" by fully capitalising on its own strengths, further refining the business coverage of shipping services and optimising its services boundary and scope. The Group will facilitate the expansion and development of the products and services, aiming to develop itself as a global leading one stop shipping services provider and create value for the Shareholders.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Mr. Ye Weilong
(Chairman)

aged 53, has been the Executive Director and Chairman of the Board of the Company since March 2016. He is also executive vice president of China COSCO Shipping Corporation Limited, executive director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC) (re-designated from non-executive director since May 2014), chairman of China COSCO Bulk Shipping (Group) Co., Ltd. and COSCO West Asia FZE. Mr. Ye was the executive director and chairman of the Board of the Company for the period from February 2012 to September 2013. Mr. Ye had been the assistant to general manager, deputy general manager and general manager of Shanghai International Freight Forwarding Company, the general manager of COSCO Shanghai International Freight Co., Ltd. and COSCO International Freight Co., Ltd., the managing director of COSCO Logistic Co., Ltd., the deputy general manager and chairman of COSCO Container Lines Co., Ltd., the chairman of COSCO Shipping Co., Ltd. (listed in the PRC), the deputy general manager of China COSCO Holdings Company Limited and 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). Mr. Ye has over 20 years of experience in shipping industry and over 10 years of experience in logistics management and also has extensive experience in corporate operational management, strategic operation and management of international cargo transportation and modern logistics. He obtained a Master's degree in Business Administration from the MBA program jointly organised by Shanghai Maritime College and Maastricht School of Management in the Netherlands and a Doctoral degree in Transportation Planning and Management from Dalian Maritime University, and is a senior economist.

Mr. Zhang Liang
(Vice Chairman)

aged 62, has been the Executive Director and Vice Chairman of the Board of the Company since February 2012 and is chairman of Strategic Development Committee and Risk Management Committee of the Company. Mr. Zhang is director of two subsidiaries of the Company. He is also non-executive director and vice chairman of China International Marine Containers (Group) Co., Ltd. (listed in Hong Kong and the PRC) and external director of China Shipbuilding Industry Corporation. Mr. Zhang was the department head of Personnel Department, assistant to the general manager, deputy general manager (and safety control manager) and general manager of Tianjin Ocean Shipping Company, the deputy general manager, general manager and chairman of COSCO Bulk Carrier Co., Ltd., the chief legal consultant and vice president of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the general manager of China COSCO Holdings Company Limited and the chairman of Qingdao Ocean Shipping Co., Ltd., COSCO Logistics Co., Ltd., Shenzhen Ocean Shipping Co., Ltd., the chairman of the board of directors of COSCO (H.K.) Shipping Co., Limited and the executive director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC) up to his resignation in February 2012 and the director, executive vice chairman and president of COSCO (Hong Kong) Group Limited. Mr. Zhang was a marine captain. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operation and management. Mr. Zhang graduated from Dalian Maritime University, majoring in navigation and obtained a Master's degree in Transportation Planning and Management from Shanghai Maritime College as well as a Doctoral degree in Corporate Management from Nankai University, and is a senior engineer.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Shuxiong

aged 61, has been the Non-executive Director of the Company since April 2012 and is member of Risk Management Committee of the Company. He is also non-executive director of China International Marine Containers (Group) Co., Ltd. (listed in Hong Kong and the PRC). Mr. Wu had been the marine chief engineer, the section manager of safety and technology of Ship Management Department, the deputy manager of Ship Management Department of Shanghai Ocean Shipping Company, the general manager of Shanghai Far East Container Manufacturing Co. Ltd., the deputy general manager of Shanghai Ocean Shipping Company, the deputy general manager and director of COSCO Container Lines Co., Ltd., the supervisor of China COSCO Holdings Company Limited and the director and executive vice president of COSCO (Hong Kong) Group Limited. Mr. Wu has over 30 years of experience in the shipping industry and has extensive experience in corporate operational management and ship management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in Transportation Management and is a senior engineer.

Mr. Feng Jinhua

aged 60, has been the Executive Director of the Company since December 2015 and is member of Strategic Development Committee and Risk Management Committee of the Company. Mr. Feng is a director and financial controller of COSCO (Hong Kong) Group Limited. Mr. Feng joined COSCO group in 1980. He had been the head of planning and finance department, the head of finance department and the chief financial officer of Qingdao Ocean Shipping Co., Ltd., the general manager of finance and capital division and finance division of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company) and the chief financial officer of China COSCO Holdings Company Limited. He had been the executive director and deputy managing director of COSCO Pacific Limited (listed in Hong Kong) until his resignation in October 2015. He has over 30 years of experience in the shipping industry and has extensive experience in finance, funds and financial management. Mr. Feng graduated from the University of International Business and Economics and obtained an Executive Master of Business Administration degree. He is a senior accountant.

Mr. Liu Xianghao
(Managing Director)

aged 43, has been the Executive Director and Managing Director of the Company since March 2016, and is chairman of Corporate Governance Committee, member of Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee of the Company. Mr. Liu leads overall management and operation, corporate governance, legal and financial management of the Company. He is vice president and chief legal consultant of COSCO (Hong Kong) Group Limited. Mr. Liu joined COSCO Group in 1996 and had worked in the Supervision Division, Executive Division and General Manager's Office of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). He had been the deputy manager of Secretariat of Executive Division, the deputy manager of Secretarial Office of Executive Division, the deputy director and director of Executive Division, the director of Office of Board of Directors/General Manager's Office of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the deputy director and director of General Manager's Office, the director of Office of Board of Directors/General Manager's Office of China COSCO Holdings Company Limited. Mr. Liu is familiar with the operation of listed companies and has extensive experience in auditing and corporate management. Mr. Liu obtained a Bachelor's degree in Economics from Nankai University and a Master's degree in Business Administration from China Europe International Business School, and is an accountant.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Wei

aged 44, has been the Non-executive Director of the Company since April 2012. He is also non-executive director of COSCO Pacific Limited (listed in Hong Kong), director of COSCO Shipping Co., Ltd. (listed in the PRC), director and vice president of COSCO (Hong Kong) Group Limited. Mr. Wang joined COSCO Group since 1995 and had been the deputy manager of Executives Management Department of Organisation Division/Human Resources Division, the manager of Executives Management Department of Organisation Division/Human Resources Division and the deputy general manager of Organisation Division/Human Resources Division of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the deputy general manager of Organisation Division/Human Resources Division, general manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited. Mr. Wang is familiar with the operation of listed companies and has extensive experience in human resources management. Mr. Wang graduated from Renmin University of China, majoring in Human Resources Management.

Mr. Tsui Yiu Wa, Alec

aged 66, has been the Independent Non-executive Director of the Company since February 2004 and is chairman of Nomination Committee, member of Audit Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Tsui is also chairman of WAG Worldsec Corporate Finance Limited and director of Industrial and Commercial Bank of China (Asia) Limited. He is also independent non-executive director of a number of listed companies in Hong Kong, namely, China Power International Development Limited, Pacific Online Limited, Summit Ascent Holdings Limited, Kangda International Environmental Company Limited, DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) as well as independent director of certain companies listed overseas including ATA Inc. (listed on NASDAQ), Melco Crown Entertainment Limited (listed on NASDAQ) and Melco Crown (Philippines) Resorts Corporation (listed in the Republic of Philippines). Mr. Tsui graduated from the University of Tennessee, the United States and was awarded a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering and had completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University, the United States. He was the chairman of Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000 and the adviser and council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. He previously served as the independent non-executive director of the following listed companies in Hong Kong, namely, China BlueChemical Ltd. until his retirement in June 2012, China Chengtong Development Group Limited until his resignation in November 2013 and China Oilfield Services Limited until his retirement in June 2015.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang, Simon X.

aged 62, has been the Independent Non-executive Director of the Company since April 2007 and is chairman of Remuneration Committee, member of Audit Committee, Nomination Committee and Corporate Governance Committee of the Company. He is also chairman of Cyber City International Limited, independent non-executive director of China Petroleum & Chemical Corporation (listed in Hong Kong and the PRC) and Nokia Corporation (listed on Nasdaq Helsinki and New York Stock Exchange). Mr. Jiang is also a director of China Foundation for Disabled Persons, a trustee of Cambridge China Development Trust and a senior associate at the Judge Business School of Cambridge University of England. He is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the United Nations Investments Committee. Mr. Jiang received his Bachelor's degree from Beijing Foreign Studies University, Master's degree from Australian National University and Doctorate's degree in Economics from Cambridge University of England. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, a director of Zi Corporation, the advisory board member of Capital International Inc. of United States and Rothschild Investment Bank of England and the independent non-executive director of Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (listed in Hong Kong) until his retirement in June 2014. He has experience in fund management.

Mr. Alexander Reid Hamilton

aged 74, has been the Independent Non-executive Director of the Company since June 2011 and is chairman of Audit Committee, member of Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Company. Mr. Hamilton is also independent non-executive director of a number of listed companies, namely, Esprit Holdings Limited (listed in Hong Kong), Shangri-La Asia Limited (listed in Hong Kong) and JPMorgan China Region Fund, Inc. (a USA registered closed end fund quoted on the New York Stock Exchange). He previously served as the independent non-executive director of CITIC Limited until his retirement in June 2015. Mr. Hamilton is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Institute of Certified Public Accountants and Institute of Directors. He was a partner of Price Waterhouse for 16 years and has more than 20 years of audit and accounting experience.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' interests in shares and underlying shares of the Company and its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as at 31st December 2015 are disclosed in the section headed "Directors' Interests in Securities" of the Directors' Report.

Mr. Liu Xianghao is vice president and chief legal consultant of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"). Mr. Wang Wei is director and vice president of COSCO Hong Kong and Mr. Feng Jinhua is director and financial controller of COSCO Hong Kong. True Smart International Limited ("True Smart"), the substantial shareholder of the Company, is the wholly-owned subsidiary of COSCO Hong Kong. As such True Smart has, and COSCO Hong Kong is deemed to have, an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO respectively, details of which are disclosed in the section headed "Substantial Shareholders" of the Directors' Report.

Save as disclosed in the Directors' respective biographical details under "Profile of Directors and Senior Management" and other part in this annual report, the Directors (a) have not held any directorships in other listed public companies, whether in Hong Kong or overseas, during the past three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company as at 31st March 2016.

Each of the Directors referred to under "Profile of Directors and Senior Management" has entered into a letter of appointment with the Company, details of which are disclosed under section headed "Directors' Service Contracts" of the Directors' Report.

The Directors referred to under "Profile of Directors and Senior Management" (except (i) Non-executive Directors and (ii) Mr. Ye Weilong and Mr. Feng Jinhua being Executive Directors) received the Directors' emoluments for the year 2015 which will be determined with reference to the prevailing market conditions, director's experience, qualifications and responsibilities involved in the Company. The details of the emoluments of the Directors for the year ended 31st December 2015 on a named basis are disclosed in note 29(a) to the financial statements.

SENIOR MANAGEMENT

Mr. Lin Wenjin

aged 56, has been the Deputy General Manager of the Company since March 2006. He is also the director of various subsidiaries of the Company. Mr. Lin is in charge of investor relations, administrative and personnel management, business of marine equipment and spare parts of the Company. Mr. Lin has a Bachelor's degree in Engineering from Shanghai Maritime University of the PRC and the marine chief engineer certificate, senior engineer qualification awarded by the Ministry of Communications of the PRC. He had worked in 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company) and had been the assistant manager of Technical Department, the chief of New Building Section in Japan, the manager of Development Department of Ocean Tramping Company, Limited, the deputy general manager of Development Division and Strategic Planning Division, the managing director of Executive Division of COSCO (Hong Kong) Group Limited and the executive director of the Company. He had participated in the acquisitions and financing activities of listed companies. Mr. Lin has extensive experience in shipping management, new shipbuilding, corporate management and planning and capital market operations.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wai Chuen, Ricky

aged 46, has been the Chief Financial Officer of the Company since March 2016. Mr. Chan graduated from The City University of Hong Kong in 1993 and was awarded a Bachelor's honour degree in Accountancy. He obtained a Master's degree in Corporate Finance and a Doctoral degree in Business Administration from The Hong Kong Polytechnic University in 2002 and 2015 respectively. He is a fellow of the Association of Chartered Certified Accountants and a fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has more than twenty years of experience in financial control, capital market, corporate finance and mergers and acquisitions. Since his graduation in 1993, he has worked for Ernst & Young and PricewaterhouseCoopers as an auditing and advisory professional for about six years. He then started to work for investment banks in the United Kingdom and in Hong Kong. Prior to joining the Group, he had served as the chief financial officer and company secretary in three Hong Kong main board listed companies for more than 15 years during which he has actively participated in IPO, equity and capital market fund raising, mergers and acquisitions, privatisation and corporate restructuring. Mr. Chan is currently the Visiting Lecturer in the School of Accounting and Finance at The Hong Kong Polytechnic University by invitation.

Ms. Chiu Shui Suet

aged 49, has been the Company Secretary of the Company since October 2005 and is the General Manager of Company Secretarial Department of the Company. She is also the secretary of six Board Committees of the Company and the company secretary of various subsidiaries of the Company. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton in 1996 and completed her Postgraduate Certificate in Laws at the City University of Hong Kong in 1998. Ms. Chiu was admitted as a solicitor in Hong Kong in 2000. Besides being a member of the Law Society of Hong Kong, she is also a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Prior to joining the Company, Ms. Chiu had worked for various entities including accounting firms, legal firm and listed companies. She is well conversant with business law and company law and has extensive experience and solid knowledge in dealing with the company secretarial, corporate governance and legal matters for private and listed companies.

Mr. Xu Baoqi

aged 56, joined the Company in May 2012. He is the Assistant to Managing Director of the Company and the director of various subsidiaries of the Company. Mr. Xu graduated from Dalian Maritime University and obtained his Master's degree of Business Administration from the Chinese University of Hong Kong. Mr. Xu joined COSCO Group in 1980 and served as a ship radio operator of COSCO Group, deputy manager of Communications and Navigation Department, deputy director of General Office, deputy manager of Research & Development Department of Technology Centre and manager of Labour and Onshore Safety Management Office of Safety and Technology Supervision Department of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). Mr. Xu was a member of Communications and Navigation Committee of the China Institute of Navigation. He has senior engineer qualification in marine technology/safety management. Mr. Xu has worked in ship technology management and corporate safety management, and he has extensive experience in corporate management.

Mr. Li Jingshi

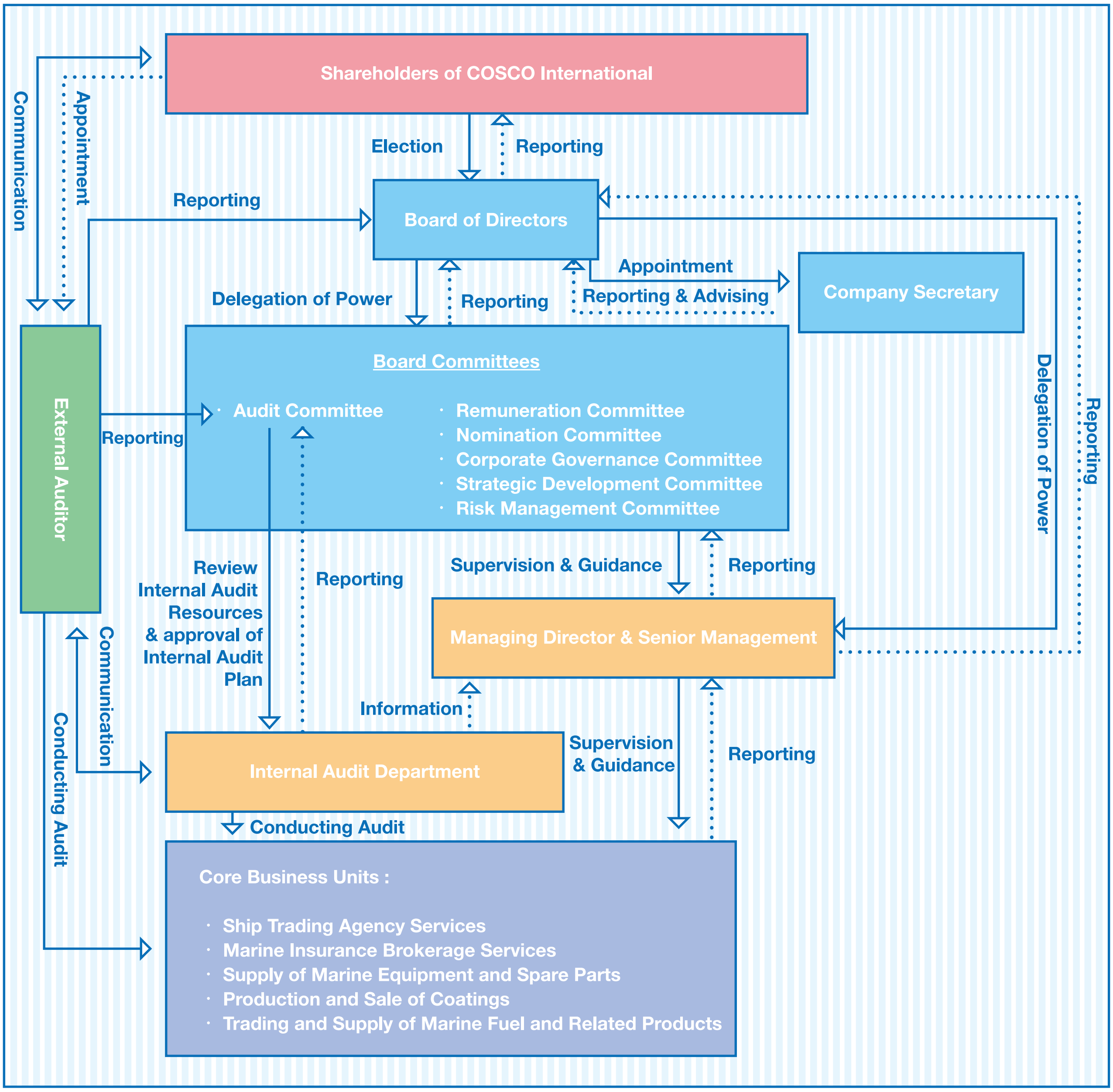
aged 43, joined the Company in July 2014. He is currently the Assistant to Managing Director and the General Manager of Administration and Human Resources Department of the Company. Mr. Li obtained a Bachelor degree of Shipbuilding Engineering and a Master's degree of Design & Shipbuilding and Offshore Structure both from Tianjin University. Mr. Li joined COSCO Group in 1997, and had worked in the Planning Division, Strategic Development Division, Executive Division of COSCO, and Executive Division of China COSCO Holdings Company Limited. Mr. Li is familiar with the operation of listed companies, and has rich experience in corporate governance, investment management, human resources management and administration.

CORPORATE GOVERNANCE REPORT

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a good framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standard of accountability and protect the Shareholders' interest in general.

Set out below is the current corporate governance framework of the Group:



CORPORATE GOVERNANCE REPORT

Comprehensive guidelines, policies and procedures including the corporate governance statement of policy, code of conduct regarding securities transactions of directors and employees, whistleblowing policy, information management policy, director appointment policy, the terms of reference for board committees, board diversity policy and shareholders communication policy have been formulated by the Board to support the Group's corporate governance framework. These policies and procedures enable the Company to follow and apply the principles of the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "CG Code"). These documents are reviewed regularly by the Board and the relevant board committees and are updated in line with the revised applicable legislations and rules as well as the current market practices.

The Company also maintains an employee handbook providing guidance to employees on matters such as ethical standards, business conduct, employees conduct and reporting any misconduct within the Group. The employee handbook applies to all employees of the Group who must ensure strict compliance with the policies therein. Through the establishment of a performance charter for the management and appropriate appraisal mechanisms, the Company has been able to align the interests of the management and all the staff with the growth and performance of the Company. The Company pays particular attention to the establishment of an optimal corporate culture. With the support of all staff, the Company has identified, formulated and implemented a corporate culture that is considered appropriate for its special circumstances, thereby ensuring that good corporate governance is maintained at all levels and at all times within the Group. In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in light of local and international best practices.

During the year, in accordance with the amendments to the Listing Rules relating to the risk management and internal control which, inter alia, require the board to oversee the same on an ongoing basis, the terms of reference of audit committee and risk management committee were revised to reflect the changes in order to ensure an effective system of risk management be maintained to safeguard the Company's assets and the Shareholders' interests. The Company had applied the principles and complied with the CG Code throughout the year ended 31st December 2015.

THE BOARD

The Board currently comprises nine Directors, namely, Mr. Ye Weilong (Chairman), Mr. Zhang Liang (Vice Chairman), Mr. Feng Jinhua and Mr. Liu Xianghao (Managing Director) as Executive Directors; Mr. Wu Shuxiong and Mr. Wang Wei as Non-executive Directors; and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as Independent Non-executive Directors, whose biographical details are set out in the "Profile of Directors and Senior Management" of this annual report and also available on the Company's website. An updated list of the Directors by category identifying their roles and functions is available on the websites of the Stock Exchange and the Company.

The positions of the Chairman, the Vice Chairman and the Managing Director are currently held by Mr. Ye Weilong, Mr. Zhang Liang and Mr. Liu Xianghao respectively. In order to reinforce their respective independence, accountability and responsibility, the roles of the Chairman and the Vice Chairman are separated from that of the Managing Director. The Chairman and the Vice Chairman are responsible for formulating the overall strategies and policies of the Company while the Managing Director is responsible for the day-to-day operation and management of the Company in accordance with the objectives and directions, and internal control policies and procedures laid down by the Board. Division of responsibilities between the Chairman, the Vice Chairman and the Managing Director is clearly defined and set out in writing.

CORPORATE GOVERNANCE REPORT

Executive Directors are mainly responsible for the daily operation and management of the Company. Non-executive Directors (including Independent Non-executive Directors) are well aware of their functions and have been actively performing their functions including but not limited to bringing an independent judgment at the Board meetings, taking the lead where potential conflicts of interests arise and scrutinising the Company's performance. Non-executive Directors and Independent Non-executive Directors have from time to time contributed to the Board their constructive and valuable advice in the development of the Company's strategy, in particular the internal controls of the Company. Besides, Independent Non-executive Directors serve as member of Board Committee(s), details of which are set out in the sub-section of "Board Committees" under the section headed "The Board" of this report. Annual written confirmation from each of Independent Non-executive Directors confirming his independence in accordance with Rule 3.13 of the Listing Rules was received by the Company. The Company has assessed their independence and considers that all the Independent Non-executive Directors are independent based on the independence criteria in accordance with the requirements of the Listing Rules set out in the confirmation letter, the non-involvement of Independent Non-executive Directors in the daily operation and management of the Group and the absence of any relationship which would interfere with the exercise of their independent judgment.

During the year, a meeting between the then Chairman and the Non-executive Directors (including Independent Non-executive Directors) without presence of the Executive Directors was held in March 2015. The Board regarded such meeting as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed.

In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense and Directors and Officers Liability Insurance cover was arranged and subject to annual review.

The overall management of the Company's business is vested in the Board. The Board is responsible for overseeing all major matters of the Company which include formulating and approving the Company's operational strategies, management policies, internal control and risk management systems, reviewing the Company's policies and practices on corporate governance, setting the objectives and targets with a view to enhance the Shareholders' value for the management, monitoring performance of the management and providing guidance to the management. The Directors have to make decisions objectively in the interests of the Company. The Board is accountable to the Shareholders, in a responsible and effective manner leading the Group.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company which include evaluating businesses and operational performance, ensuring effective implementation of the Board's decisions, ensuring adequate funding and monitoring performance of the management of the Group. The segregation of duties and responsibilities between the Board and the management is clearly defined in the internal guidelines of the Company. The senior management of the Company is being closely monitored by the Board through the Managing Director and is accountable for the performance of the Company as measured against the business targets and management directions set by the Board. The Managing Director and the management of relevant subsidiaries and departments of the Company met together on regular basis to review and discuss on operational and financial matters in order to enhance and strengthen internal communications and cooperation within the Group. The delegated functions and work tasks were periodically reviewed.

Board Meetings

The Board met regularly and held four regular meetings in 2015. Notice of meeting was given to the Directors at least 14 days prior to each regular Board meeting. The Directors were invited to include any matters which they thought appropriate in the agenda. Agenda and board papers with adequate information were sent to all Directors at least 3 days before the meeting in order to ensure that they had sufficient time to review the board papers and prepare for the meeting. At each regular Board meeting, the Directors were properly briefed on the Company's current situation and issues arising at such meeting. Executive Director(s) and/or chairman of Board Committees and/or the senior

CORPORATE GOVERNANCE REPORT

management of the Company reported to the Board on various aspects, including the business performance, financial performance, corporate governance, risk management and internal control, etc.. Queries raised by the Directors were responded promptly by the senior management of the Company. Directors were encouraged to make an active contribution to the Board's affairs and express their views and concerns. Sufficient time was allowed for the Directors to discuss matters about which they were concerned. For Director who was unable to attend the regular Board meeting, he was properly briefed the matters to be discussed in advance and his view expressed prior to the meeting was reported to the Board.

Minutes of the Board meetings and the Board Committee meetings were recorded in sufficient detail the matters discussed and the decisions reached. Draft minutes were sent to the Directors and Board Committee members respectively for their review and comment within a reasonable time (generally within 7 days) after each meeting. Final version of minutes of respective meetings had been sent to the Directors or relevant Board Committee members.

Directors play active role in the Company's meetings through contribution of their opinions and active participating in discussion. The attendance record of each of the Directors for the Board meetings, the Board Committees meetings and the general meeting(s) held during the year is listed as follows:

	General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Strategic Development Committee	Risk Management Committee
Executive Directors								
Mr. Sun Jiakang Note (1)	1/1	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Zhang Liang	1/1	4/4	N/A	N/A	N/A	N/A	1/1	1/1
Mr. Xu Zhengjun Note (2)	1/1	4/4	N/A	4/4	2/2	2/2	1/1	1/1
Mr. Feng Jinhua Note (3)	0/0	0/0	N/A	N/A	N/A	N/A	0/0	0/0
Non-executive Directors								
Mr. Wu Shuxiong	1/1	4/4	N/A	N/A	N/A	N/A	N/A	0/1
Mr. Wang Wei	1/1	4/4	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors								
Mr. Tsui Yiu Wa, Alec	1/1	4/4	3/3	4/4	2/2	2/2	N/A	N/A
Mr. Jiang, Simon X.	1/1	3/4	2/3	3/4	1/2	2/2	N/A	N/A
Mr. Alexander Reid Hamilton	1/1	4/4	3/3	4/4	2/2	2/2	N/A	N/A
Ex-Director								
Mr. He Jiale Note (4)	1/1	4/4	N/A	N/A	N/A	N/A	1/1	1/1

Notes:

(1) Mr. Sun Jiakang resigned as Executive Director and Chairman on 18th March 2016.

(2) Mr. Xu Zhengjun resigned as Executive Director and Managing Director on 18th March 2016 and accordingly ceased to be committee chairman of Corporate Governance Committee, committee member of each of Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee.

(3) Mr. Feng Jinhua was appointed as Executive Director on 17th December 2015. On the same day, he was appointed as committee member of each of Strategic Development Committee and Risk Management Committee.

(4) Mr. He Jiale resigned as Executive Director on 17th December 2015 and accordingly ceased to be committee member of each of Strategic Development Committee and Risk Management Committee.

CORPORATE GOVERNANCE REPORT

Board Committees

The Board delegates its power and authorities from time to time to the Board Committees in order to ensure the operational efficiency and specific issues are being handled by relevant expert. The Board currently has six Board Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee, Corporate Governance Committee, Strategic Development Committee and Risk Management Committee with respective terms of reference which clearly defined its authorities and duties. The terms of reference of Audit Committee, Remuneration Committee and Nomination Committee are available on the website of each of the Stock Exchange and the Company and the terms of reference of Corporate Governance Committee, Strategic Development Committee and Risk Management Committee are available on the website of the Company. The chairmen of the Board Committees report regularly to the Board of their work, findings and recommendations. All Board Committees are provided with accurate and sufficient information in timely manner so as to enable the Board Committees to make informed decisions for the benefit of the Company and sufficient resources to discharge their duties and may have access to external professional advice, if necessary, at the Company's expense.

(a) Audit Committee

Members	Three Independent Non-executive Directors, namely, Mr. Alexander Reid Hamilton (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X..
Major responsibilities	○ reviewing the accounting policies and supervising the Company's financial reporting process; ○ monitoring the performance of both the internal and external auditors; ○ monitoring the effectiveness of the financial reporting, risk management and internal control systems; ○ ensuring compliance with applicable statutory accounting and reporting requirements; ○ reviewing the financial information of the Company; and ○ acting as the key representative body responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2015	○ reviewing and making recommendations for the Board's approval on 2014 annual results announcement, the audited consolidated financial statements for the year ended 31st December 2014, 2015 interim results announcement, interim report 2015 and the unaudited condensed consolidated financial statements for the six months ended 30th June 2015; ○ reviewing the report of external auditor; ○ reviewing the effectiveness of the internal control system; ○ reviewing the continuing connected transactions of the Group for the year ended 31st December 2014 and the period ended 30th June 2015 respectively; ○ making recommendations to the Board, subject to the Shareholders' approval at the 2015 annual general meeting, the re-appointment of PricewaterhouseCoopers as the external auditor of the Company; ○ reviewing the internal audit planning for the year 2016 and external audit planning for the year ending 31st December 2015; and ○ reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Company adopted a Whistleblowing Policy (available on the Company's website) under which employees of the Group have been provided a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group. The policy includes the establishment of an electronic reporting mailbox and a hotline. All reporting is treated as confidential and in a sensitive manner. The chairman of Audit Committee would review the complaint and decide how the investigation should proceed. During the year, no complaint from the employees of the Group was received.

(b) Remuneration Committee

Members	Current members: Three Independent Non-executive Directors, namely, Mr. Jiang, Simon X. (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Alexander Reid Hamilton; and an Executive Director, namely, Mr. Liu Xianghao.
Major responsibilities	○ making recommendations to the Board on the policy for the remuneration of the Directors and senior management of the Company; ○ ensuring the remuneration offered to the Directors and senior management of the Company is appropriate for the duties and in line with market practice; ○ determining the remuneration packages of individual Executive Directors and senior management with delegated responsibility by the Board; and ○ making recommendations to the Board on the remuneration of Non-executive Directors.
Major work performed during the year 2015	○ reviewing and making recommendations to the Board on the Directors' fees of Independent Non-executive Directors for the year of 2015; ○ approving the salary adjustment of the Vice Chairman and the Managing Director; ○ reviewing the remuneration report of the Group including determining the salary package for Executive Directors and senior management; and ○ approving the terms of letter of appointment of Mr. Feng Jinhua, the newly appointed Executive Director.

(c) Nomination Committee

Members	Current members: Three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec (committee chairman), Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton; and an Executive Director, namely, Mr. Liu Xianghao.
Major responsibilities	○ reviewing the structure, size and composition of the Board; ○ making recommendations to the Board on the appointment and succession planning for the Directors; ○ assessing the independence of Independent Non-executive Directors; ○ monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Non-executive Directors; and ○ monitoring and reviewing the implementation of the Board Diversity Policy.
Major work performed during the year 2015	○ conducting a review of the Board diversity, assessing the independence of Independent Non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election at the annual general meeting of 2016; and ○ recommending the nomination of Mr. Feng Jinhua as Executive Director.

CORPORATE GOVERNANCE REPORT

(d) Corporate Governance Committee

Members	Current members: An Executive Director, namely, Mr. Liu Xianghao (committee chairman); and three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton.
Major responsibilities	○ developing and reviewing the Company's policies and practices on corporate governance; ○ reviewing and monitoring the training and continuous professional development of Directors and/or senior management; and ○ reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the annual report.
Major work performed during the year 2015	○ reviewing the continuous professional development of Directors, the Company's compliance status of the CG Code for the year ended 31st December 2014 and the disclosure of the corporate governance report in the annual report of 2014; and ○ reviewing the Company's compliance status of the CG Code for the six months ended 30th June 2015.

(e) Strategic Development Committee

Members	Current members: Three Executive Directors, namely, Mr. Zhang Liang (committee chairman), Mr. Feng Jinhua and Mr. Liu Xianghao.
Major responsibilities	○ reviewing the annual strategic development plan of the Company and monitoring the implementation of strategies; ○ reviewing the major investment projects and financing proposals; ○ reviewing the major capital deployment and project on operation of assets; ○ reviewing the strategic direction of the Company's business and operational management; and ○ reviewing and evaluating the project evaluation systems.
Major work performed during the year 2015	○ reviewing and discussing the implementation of strategic development plan for the year 2014 and the strategic development plan for 2015 submitted by Strategic Investment Department.

(f) Risk Management Committee

Members	Current members: Three Executive Directors, namely, Mr. Zhang Liang (committee chairman), Mr. Feng Jinhua and Mr. Liu Xianghao; and a Non-executive Director, namely, Mr. Wu Shuxiong.
Major responsibilities	○ monitoring the risk management framework to identify and deal with risks faced by the Group (including operational, regulatory and financial risks etc.); ○ reviewing and assessing the effectiveness of the Group's risk management framework; and ○ monitoring the implementation of risk control.
Major work performed during the year 2015	○ discussing the risk management report for 2015 in relation to the analysis on production safety risk, exchange rate risk, customers and receivables risk, procurement risk and construction project management risk, and the risk management plan for 2016.

REMUNERATION OF DIRECTORS

The Company's Administration and Human Resources Department assists Remuneration Committee to discharge its duties by providing relevant remuneration data and market conditions for Remuneration Committee's consideration. The remuneration of Executive Directors and senior management of the Company is determined with reference to the Company's performance as well as remuneration benchmarks in the industry and the prevailing market conditions.

Emoluments paid to each Director and the senior management of the Company by band for the year are disclosed in notes 27 to 28 to the financial statements of this annual report.

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company adopted the Director Appointment Policy (available on the Company's website) which provides framework and standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee is responsible for identifying and nominating suitable candidates for the Board's consideration. Pursuant to the bye-laws of the Company, any Director appointed to fill vacancy shall hold office until the next following general meeting or annual general meeting of the Company and shall then be eligible for re-election at that meeting, and every Director is subject to retirement by rotation at least once every three years and shall be eligible for re-election at such annual general meeting of the Company. Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the Shareholders. In addition, Nomination Committee recommended the proposal of Directors' re-election in the 2016 annual general meeting of the Company. Each of Mr. Wu Shuxiong and Mr. Wang Wei, being the Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Each of the above letters of appointment is subject to termination by either party giving one month's prior notice in writing or such other shorter notice period as may be agreed by both parties. Besides the Independent Non-executive Directors and the Non-executive Directors, all Executive Directors were appointed for a specific term and letters of appointment setting out the key terms and conditions of appointment were entered into between the Company and each of the Directors, details of which are set out in the "Directors' Report" of this annual report.

CORPORATE GOVERNANCE REPORT

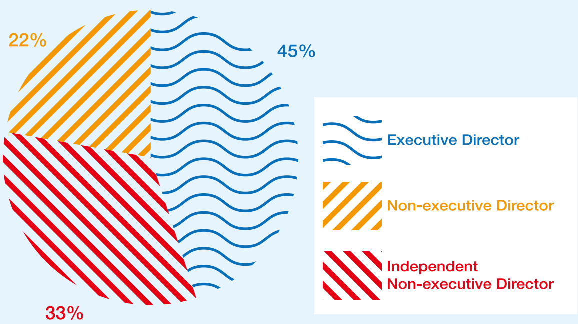
Board Diversity

The Company adopted the Board Diversity Policy in August 2013 setting out the approach to achieve diversity on the Board. The Company believes that a diversity of perspectives can be achieved through consideration of a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. There is no financial, business, family or other material/relevant relationships between Board members and in particular, between the Chairman and the Managing Director.

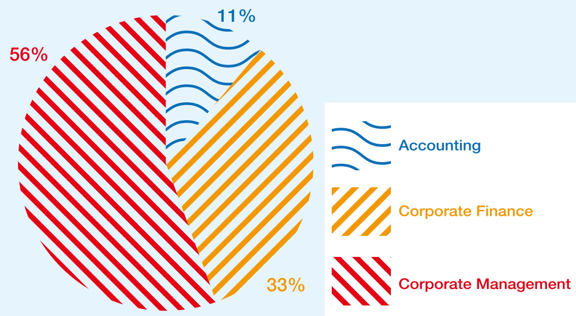
The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

The Board composition and the professional experience of Directors

Board Composition



Professional Experience of Directors



Induction and Continuous Professional Development

Every newly appointed director will receive a comprehensive information package containing an introduction to the operations and businesses of the Group, a guide on directors' duties, outlines on disclosure of interest in securities, policies on dealings in the Company's securities, guidelines on disclosure of inside information and disclosure obligations of a listed company under the Listing Rules, etc.. The Company Secretary updates directors on the latest developments and changes to the Listing Rules and the applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties.

Messrs. Sun Jiakang, Zhang Liang, Wu Shuxiong, Wang Wei, Xu Zhengjun, Feng Jinhua, Tsui Yiu Wa, Alec, Jiang, Simon X. and Alexander Reid Hamilton, all being the Directors during the year 2015 and Mr. He Jiale, the ex-Executive Director have participated in the continuous professional development by way of attending workshops and/or seminars and/or reading materials.

Directors' Responsibilities for Financial Reporting and Disclosures

Management of the Company was required to provide detailed report(s) and explanation to enable the Board to make an informed assessment of the financial and other information put forward for its approval.

Management of the Company provided all members of the Board with monthly reports giving updated and understandable information of the Company's business operating performance, status and progress of project, work done in investor relations and details of share price to enable each Director to discharge his duties.

The Directors acknowledged their responsibilities for preparing the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company aimed to present a clear and balanced assessment of its financial position and prospects. The Board must ensure that the financial statements of the Group prepared to give a true and fair view of the financial status of the Group. Audited financial statements are published in accordance with the disclosure requirements under the Listing Rules.

The reporting responsibilities of the Directors and the external auditor are further set out in the "Independent Auditor's Report" of this annual report. For other financial disclosures required under the Listing Rules are disclosed pursuant to statutory requirements.

The Company is committed to ensuring compliance with regulatory requirements under the Listing Rules, applicable laws and regulations in handling connected transactions. Accordingly, the Company implemented various internal control mechanisms to capture and monitor connected transactions to ensure that connected transactions are conducted under normal commercial terms or on terms that are fair and reasonable and properly disclosed and (if necessary) approved by the independent shareholders in accordance with the Listing Rules. The connected persons will be required to abstain from voting in the general meetings. Details of the connected transactions of the Company during the year are set out in the "Directors' Report" of this annual report.

SECURITIES TRANSACTIONS OF DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") (available on the Company's website) no less exacting than the required standard as 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 Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee comprising the Chairman, the Vice Chairman, the Managing Director and a Director was set up to deal with such transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year of 2015, all Directors confirmed that they had complied with the required standards as set out in the Model Code and the Securities Code during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing its effectiveness to safeguard the Company's assets and the Shareholders' interests.

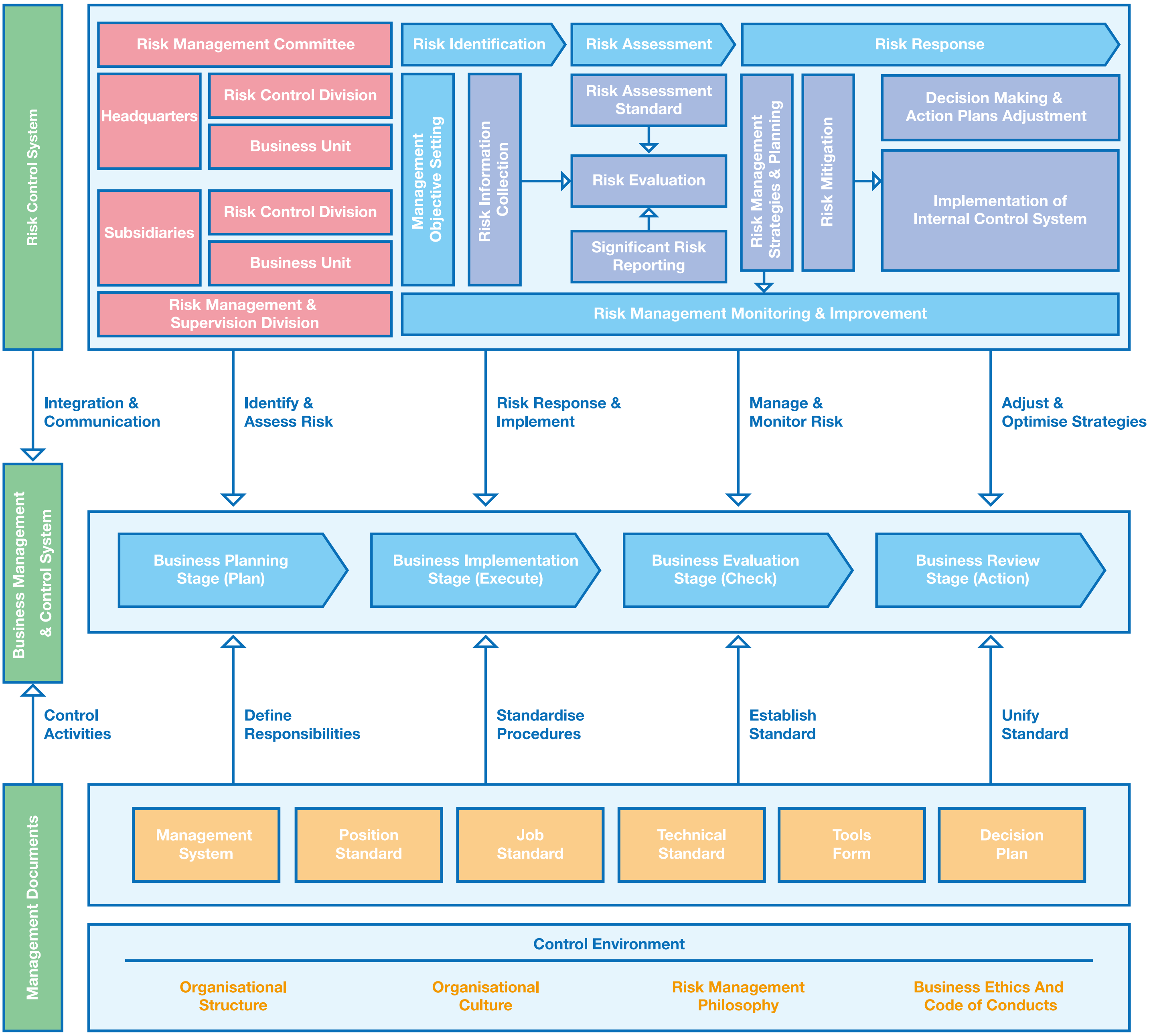
The Board always regards risk management as an important task and believes that effective corporate risk management is an essential element of good corporate governance. The Risk Management Committee and Audit Committee have been established under the Board, which are responsible for monitoring and reviewing the risk management and internal control systems of the Group.

Framework and Approach

The Group had adopted the risk management framework formulated by the Committee of Sponsoring Organisations of the Treadway Commission in the United States as recommended by the Hong Kong Institute of Certified Public Accountants. The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the eight elements of this risk management framework: control environment, objective setting, risk identification, risk assessment, risk response, control activities, information and communication, and also monitoring and improvement.

CORPORATE GOVERNANCE REPORT

Risk Management Framework of the Group



Control Environment

The Group believes that risk management is the responsibility of everyone within the Group. It aims to develop risk awareness and control responsibility as our culture and the foundation of our internal controls system. The internal controls system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

The Group also believes that corporate governance is often associated with business ethics. In order to ensure the Company's reputation be enhanced by the honest, loyal and ethical behaviours of staff, the Group has formulated a formal Staff Code and Whistleblowing Policy. Furthermore, the Group has from time to time arranged different levels of staff, ranging from top management to front-line staff, to participate in a series of business ethics seminars conducted by the Independent Commission Against Corruption, reputed lecturers or internal audit functions of the Company and COSCO Group in order to enhance the staff's recognition and commitment to the Staff Code.

Management has also conducted annual self-check to see whether the rules and guidelines specified in the Staff Code have been properly adhered to, and the respective written declarations have been documented and reported to the Audit Committee.

Control Activities

In the Group's core shipping services business units, control activities have been built on regular top-level reviews, segregation of duties and physical controls. Currently, the key features of the internal controls system include:

- the design of an organisational structure with defined lines of responsibility and delegation of authority;
- the setup and adherence of authorisation and approval limits of the Company and each business unit;
- the establishment of policies and procedures to support deployment of management's directives;
- the systems and procedures to identify and mitigate risks on an ongoing basis; and
- the application of enterprise resource planning (ERP) systems and other relevant information technology in business processes to strengthen internal controls and promote internal efficiency.

Risk Management Process

The Group seeks to have risk management features embedded in the day-to-day operations. At the beginning of each year, the Group conducts a risk assessment on the existing or potential risks that may impact the achievement of business objectives over the course of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the Group determines the action plans and management targets. The management of each business unit of the Group is responsible for managing their respective day-to-day operating risks, and implementing measures to mitigate such risks.

Internal Audit Department monitors the implementation of risk management, and continuously reviews and assesses the efficiency and adequacy of action plans in regular basis. Such assessment results will be regularly communicated and reported to Risk Management Committee and the Board.

Major operational risk factors and measures

Production safety of the Group's four coating manufacturing enterprises operated in the PRC is the main source of risk. As the coating production and storage process involve flammable, explosive and toxic chemical materials, safety risk management/control is critical and therefore be a key attention area of the Group.

During the year, each of the subsidiaries of the Company firmly adhered to the approach of "Safety Red Line" and "Ensuring Safety according to Law" in addition to "Absolute Safety with Three Zeros" as the general objective of the safety management. The substantial work on safety management carried out including (i) ensuring the production safety by having a comprehensive and achievable safety management; (ii) advancing the Safety Self-Assessment System and Safety Education and Training System; (iii) enforcing the two safety security front-lines

CORPORATE GOVERNANCE REPORT

(namely, prevention and emergency treatment); (iv) keeping focus on the safety supervision of three projects: firstly, safety management on new coating plant of Jotun COSCO (Qingdao) in full production capacity; secondly, safety management on new plant of COSCO Kansai Paint (Shanghai) in trial production stage; thirdly, safety management on asphalt warehouses of CITC; and (v) implementing field inspection and assessment for finding hidden safety issues. In addition, the Safety Management Committee of the Company refined the safety management work and regularly carried out safety inspections on each operating unit and follow-up action.

Credit risk on accounts receivable refers to the risk that a customer fails to make required payments according to the sales contracts and invoices, this risk may deteriorate in the event of an economic downturn.

Each of the subsidiaries of the Company implemented a series of measures to control and minimise the trade receivable risk which include (i) establishing the trade receivable management team, designating the collection responsibility to each department and specific personnel and monitoring the trade receivable activities on continuous basis; (ii) holding regular trade receivable conferences with the working parties to grasp the overall situation; (iii) establishing visiting plan for face-to-face meeting(s) with the customers in order to understand their payment progress and plan; and (iv) strengthening credit approval process for new customers and formulating a clear standard and requirement for granting credit.

In addition, Internal Audit Department focuses on the internal control and risk management processes on trade receivable activities, whereas Finance Department carries out monthly analysis on the trade receivable balance of each subsidiary of the Company and identifies if there is any recoverability issue.

Procurement risk mainly occurs in the process of selection of supplier, particularly in procurement operations of COSCO Kansai Companies, CITC and COSCO Yuantong Operation Headquarters. High attention is required to be paid to COSCO Kansai Companies as they involve orders for various types of raw materials involving significant amounts.

In order to regulate the procurement operations, COSCO Kansai Companies implemented various measures to minimise the procurement risk so as to standardise the procurement procedure and strengthen the management measures. Procurement department teamed up with information technology management department to set up the electronic procurement platform for bidding projects which was put into used. Material procurement conducted through the platform will prevent human intervention in the bidding process and thus can ensure an open and transparent supplier selection. Meanwhile, the relevant departments can, through real-time monitoring, ensure the bidding procurement be more efficient. By setting up an interface integrating electronic procurement platform and SAP system, the supplier evaluation data collection will be improved. The procurement department will spend less time on negotiation and pricing, and more time and effort can be applied for supplier development and quality improvement. As such, it can achieve benefit maximisation in procurement process, improve and optimize the existing procurement management.

Internal Audit and Control Effectiveness

Internal Audit Department performs regular reviews of the Company's internal controls based on the annual audit plan approved by the Audit Committee.

The annual audit plan is prepared by using a risk-based approach to determine the priorities of the internal audit activities. The Audit Committee has the final authority to approve the annual audit plan. Special reviews may also be performed on areas of concern identified by the Audit Committee or the management from time to time. The Audit Committee assesses the effectiveness of the internal control system by reviewing the work of Internal Audit Department and its findings. A follow-up review will be performed by Internal Audit Department approximately three to six months after the date of the audit response to determine if the audit recommendations have been implemented. Follow-up work will continue until all recommendations have been appropriately addressed.

The management of the business units is responsible for ensuring the agreed-upon action plans be implemented within an appropriate timeframe. The management must also confirm annually to Internal Audit Department that business units under their control have taken or are in the process of taking the appropriate actions to deal with all significant recommendations made by external auditor of the Company in management letters or by regulators following regulatory inspections, if any.

During the year, Internal Audit Department had performed reviews on all major aspects of the Company's operations in Hong Kong, the PRC and overseas according to the approved internal audit plan. The work of Internal Audit Department covered all major financial, operational and compliance controls. Findings and recommendations on internal control deficiencies were well communicated with the management such that action plans were developed by the management to address the issues identified. Post-audit reviews were scheduled to ensure the action plans were executed as designed. Key findings of each internal control review assignment were reported to and reviewed by the Audit Committee.

The Audit Committee reviews the internal audit work conducted by the Internal Audit Department which includes the review of effectiveness of the Group's internal control systems covering all material controls, including financial, operational and compliance controls and risk management functions every year. During the year, such exercise has been conducted. The Audit Committee was satisfied with the results of the self-evaluation of the Group and considered that the internal control systems of the Group were effective and adequate and its opinion was endorsed by the Board. In addition, the chairman of Audit Committee would report to the Board on any key findings at least two times a year. During the year, no significant areas of concern which might affect the Shareholders were identified.

EXTERNAL AUDITOR

During the year, the remuneration paid or payable to the Company's external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group were approximately HK$3,585,000 and HK$1,056,000 respectively. These amounts excluded remuneration paid or payable to other external auditors of subsidiaries of the Company which were included in Auditors' remuneration disclosed in note 26 to the financial statements.

The above non-audit services included professional advisory on taxation, professional services in relation to the Company's announcements, interim results and continuing connected transactions.

COMPANY SECRETARY

Ms. Chiu Shui Suet, the Company Secretary, plays an important role in supporting the Board by ensuring good information flow within the Board and that the Board policy and procedures are followed. The Company Secretary assists the Chairman to prepare the agenda of the regular Board meetings. Board members can access to the services of the Company Secretary, who is responsible for advising the Board on governance matters and assisting the induction and professional development of Directors by providing a tailored induction package and updating Directors on the latest developments and changes to the Listing Rules and the applicable regulatory requirements.

During the year, the Company Secretary has attended no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

In order to ensure the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company, the Shareholders Communication Policy (available on the Company's website) was adopted and the Board is responsible to review the policy on a regular basis in order to ensure its effectiveness.

The Board believes that the general meetings provide an opportunity for communication between the Shareholders and the Board members. During the year, an annual general meeting of the Company was held on 29th May 2015 (the "2015 AGM"). Shareholders were given at least 20 clear business days' notice of the 2015 AGM. The Chairman of the Board and the chairmen of relevant committees attended the 2015 AGM. The representative from PricewaterhouseCoopers, the external auditor of the

CORPORATE GOVERNANCE REPORT

Company attended the 2015 AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, whenever necessary. Q&A session had been provided to the Shareholders to raise their concern at the 2015 AGM. The chairman of the 2015 AGM explained the detailed procedures for conducting a poll at such meeting. At the 2015 AGM, separate resolution for each substantially separate issue was proposed in order to avoid bundling resolutions. The poll voting results of the 2015 AGM were published on the websites of the Stock Exchange and the Company on the same day after the 2015 AGM.

Shareholders' Rights

Procedures for Shareholders to convene a special general meeting ("SGM")

In accordance with the Company's bye-laws and the Companies Act 1981 of Bermuda ("Companies Act"), the Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can deposit a written request at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda (the "Registered Office of the Company") and 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Principal Office of the Company") to require a SGM to be convened by the Board for the transaction of any business specified in such requisition and the Board shall proceed to convene such meeting within 21 days after the deposit of such requisition. Such written requisition must state the purposes of the general meeting, signed by the Shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders may also direct questions or requests for information through the Company's website or by contacting the representatives of Investor Relations Department.

Procedures for Shareholders to make proposals at general meeting

In accordance with the Companies Act, Shareholders holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting; or (ii) not less than 100 Shareholders, can submit a written request stating the resolution intended to be moved at the annual general meeting or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. Such written request/statement must be signed by the Shareholder(s) concerned and deposited at the Registered Office of the Company and the Principal Office of the Company not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the annual general meeting; or (ii) to circulate the statement for the general meeting, provided that the Shareholder(s) concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholder(s) concerned in accordance with the statutory requirements to all the registered Shareholders. On the contrary, if the requisition is invalid or the Shareholder(s) concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholder(s) concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the annual general meeting; or the statement will not be circulated for the general meeting.

Procedures for a Shareholder to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website.

CONSTITUTIONAL DOCUMENTS

There was no change to the memorandum of association and bye-laws of the Company during the year ended 31st December 2015.

INFORMATION DISCLOSURE

The Company adheres to high standards with respect to the disclosure of its financial statements. To foster regular and contribute two-way communications amongst the Company, its shareholders and potential investors, Investor Relations Department is designated to respond to enquiries from the Shareholders and the public. Press conference and analyst meeting were held subsequent to the annual results announcement of which the Executive Directors and senior management were available to answer the questions relating to the Group's operational and financial performance. In addition, the Company is committed to maximising the use of its website as a channel to provide updated information in a timely manner and strengthen the communications with both the public and the Shareholders.

By order of the Board

CHIU Shui Suet
Company Secretary

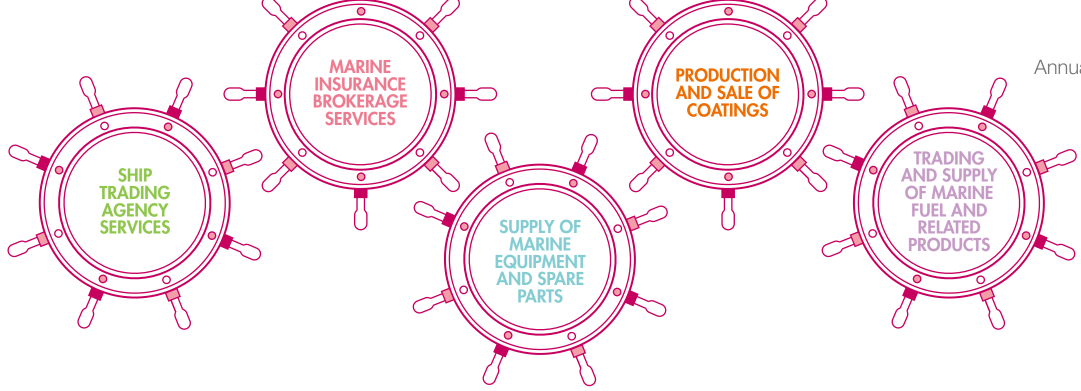
Hong Kong, 22nd March 2016

PROSPECTS

In 2016, the global economy will experience deepening adjustment with sluggish recovery. The growth of international trade will slow down and the financial market and commodity market are expected to fluctuate. The global shipping market will remain depressed, it is difficult to expect the situation of overcapacity will have a fundamental change in a short term, and the competition among the shipping enterprises will become more intense. It is expected that shipowners will maintain strict cost control, and the shipping services will still be confronted with substantial operating pressure. However, 2016 is the beginning year of the "Thirteenth Five-year Plan" of China. Facing with opportunities arising from the active implementation of strategic plans of "Supply-side Structural Reform" and "One Belt One Road" in China, as well as the great opportunity brought by the establishment of China COSCO Shipping Corporation Limited, COSCO International will embrace a critical year of transformation and upgrading, of which opportunities and challenges will coexist. COSCO International will conform the new market situation to grasp the opportunities and seek for innovation while fully utilising its enhanced scale effect and bargaining power, so as to strive to realise the transformation of an enterprise from serving for corporations to serving for the whole sector.

On one hand, the Group will be committed to building a "shipping services industrial cluster" in line with the development strategy of China COSCO Shipping Corporation Limited. The Group will fully capitalise on its own strengths, further refine the business coverage of shipping services and optimise its service boundary and scope. 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 the relevant assets under the new group, while making efforts to expand business outside the group and inject potential projects 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 endeavor to co-ordinate with the shipyards and shipowners to ensure smooth delivery of new build vessels, and to further strengthen the communication with ship breaking yards for carrying out joint monitoring over scrapped vessel dismantling amidst the downward situation of ship building market and sluggish global economy. 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 efforts in developing non-COSCO customers business and further expand its business channels and scope. For supply of marine equipment and spare parts, the continuing cost control and cost reduction of shipping companies will have impacts on the demand of marine equipment and spare parts. COSCO Yuantong Operation Headquarters will expand its business scope from sales of products to functional services by transforming to the new marketing model of providing systematic solution to its customers, reinforcing technical communication between suppliers and customers and its onsite services on ships and enhancing its service quality in customer-oriented manner. Besides, they will further optimise network establishment and strengthen the cooperation with large stated-owned enterprises in the same industry in order to enhance the global procurement capability, 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 depressed. COSCO Kansai Companies will fully utilise the effectiveness of the new plant in Jinshan, Shanghai, actively maintain their existing customers,



consolidate their close relationship with container manufacturing enterprises and container owners and promote the application and upgrading of environmental friendly coatings so as to capture more sales orders in terms of container coating types and quantity in order to maintain their leading positions in terms of the market share in the container coating market. Meanwhile, COSCO Kansai Companies will also increase their efforts in exploring the reefer container and special container market to enhance the market share. For industrial heavy-duty anti-corrosion coatings, growth in the industry is expected to remain slow and moderate. COSCO Kansai Companies will improve the marketing network with priority on market development in the areas such as the Southern, Eastern, Central and Northern China, guided by industry segments. They will endeavor to consolidate the presence in the existing industries and customers and at same time, actively explore new customers and new regions based on the existing industries. Meanwhile, they will put more efforts into developing and follow-up work of key customers and project developments in order to increase the success rate of projects. For marine coatings, given the decline in new build vessel orders, Jotun COSCO will conduct proper market and competitor analysis, strengthen its marketing and customer care efforts to enhance customers' satisfaction. It will also selectively expand markets, strike for orders of marine coatings for new build vessels with better terms, and improve the market share of vessel repairs. 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 and adopt prudent business strategy, and solicit business from new customers prudently and cautiously while retaining its existing quality customers, so as to expand its business under the premise of strict risk control. For the general trading, facing fierce competition, CITC will continue to strengthen the construction of the marketing networks and facilitate the business connection between various regions, in order to enhance its ability of coordination and risk mitigation of the asphalt business. In addition, CITC will also devote greater efforts to expanding the development of supplying asphalt to municipal government departments.

Looking forward, the Group will continue to pursue the objective of maximising the return of the Shareholders. By seizing the opportunity presented by the business reorganisation of China COSCO Shipping Corporation Limited, the Group will accelerate the building of shipping services industrial cluster to provide reliable support services for the fleet transportation, in order to maximize the return to Shareholders.

INVESTOR RELATIONS

INVESTOR RELATIONS MANAGEMENT STRATEGY

COSCO International's investor relations management strategy is to maintain good communications and active interaction with shareholders, investors and analysts through timely, complete, accurate and truthful disclosure of the Company's valuable information. Our strategy aims to ensure that they understand the strategic positioning, operating conditions, results and development prospects of the Company, to fortify and boost shareholders and investors' confidence in the Company, as well as to bring the recommendations and advices from Shareholders and investors to the Board and the management of the Company in a timely manner. Therefore, it can enhance corporate governance and improve the Company's value, and ultimately maximise shareholders' value.

In 2015, COSCO International won several awards for investor relations. In addition to being honoured with the "Best Investor Relations Company" Award in the Asian Excellence Recognition Awards by Corporate Governance Asia magazine for three consecutive years, the Company's investor relations team won the "Best Investor Relations Team Award 2015" by the Asset magazine for the first time, making it one of the seven awarded companies in the Asia Pacific region. Furthermore, the corporate website of the Company won the Bronze Award in the category of "Investor/Shareholder Relations" in the 15th Annual International iNOVA Awards Competition.

CAPTURE MARKET OPPORTUNITIES, STRENGTHEN INVESTOR RELATIONS MANAGEMENT AND BOOST MARKET ATTENTION TO THE COMPANY

In 2015, global economic growth remained slow, the shipping market stayed depressed, and global capital market, in particular the stock markets in China Mainland and Hong Kong, experienced unusual fluctuations. COSCO International seized upon the opportunity to take some effective measures including increasing its dividend payout ratio to reinstate and reinforce Shareholders and investors' confidence in the Company in the face of market opportunities and challenges, such as the PRC Government's loosening of capital restriction in the mainland, the commencement of stock connects mechanism between the stock markets in China Mainland and Hong Kong, and the introduction of State-Owned Enterprise reform plans, etc.; proactively increasing the frequency, scope and channels of communication with the investment community, and improving the quality of information disclosure. These efforts have effectively enabled the Company to optimise its shareholder structure, and attract more attention from potential investors and analysts. During the year, both the price and liquidity of the Company's shares increased significantly.

In respect of shareholder structure, the top 10 institutional investors' shareholding in the Company increased significantly in 2015 as compared with 2014 and some of them are among the largest investment institutions in the world that mostly focus on long-term value investing. As for analysts' research coverage, at least 12 brokerage firms (2014: 4 brokerage firms) wrote 28 sell-side research reports (including non-rated reports) (2014: 9 reports) and tens of emails with brief commentaries in 2015. Notably, RHB OSK, a Malaysian broker, initiated research coverage on COSCO International for the first time during the year, which provided more detailed analysis and recommendations for investors and marked a breakthrough for the Company in the past four years.

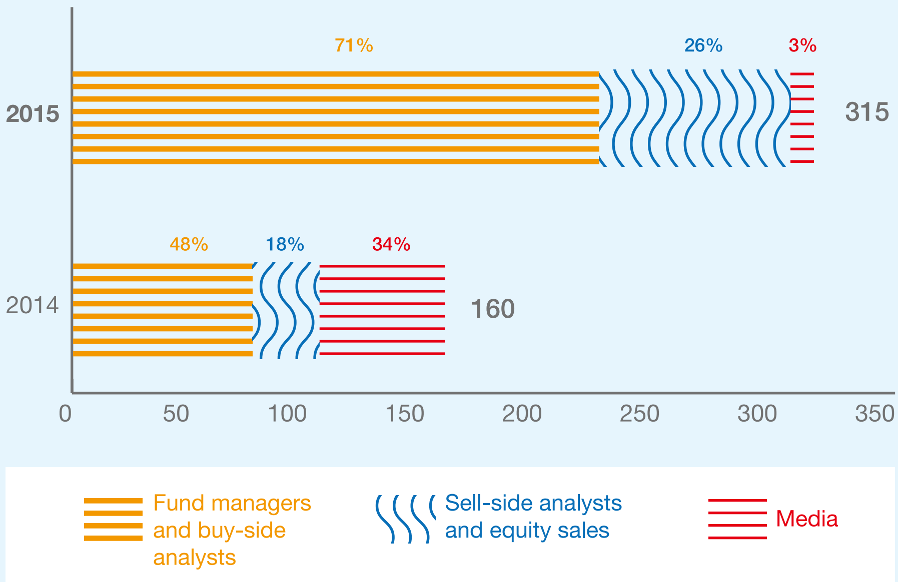
DIVERSIFIED COMMUNICATION CHANNELS OF INVESTOR RELATIONS

Company website www.coscointl.com **Investor Relations Home** www.coscointl.com/en_ir_ho.asp ○ Announcements and circulars ○ Financial reports ○ Presentations ○ Investor calendar ○ FAQ ○ Historical financial data ○ Dividends history	**Press conferences and analysts meetings for results announcement** ○ Results presentation and its transcript are posted on the Company's website immediately after the meetings ○ Webcast of the meeting is posted on the corporate website within 6 hours afterwards, so as to allow access by investors around the globe ○ Press release of the results is disseminated to all major financial media worldwide immediately following the meeting **Shareholder general meetings** ○ Arranging direct communication for Shareholders with the directors and the management of the Company **Attending investors conferences, roadshows and luncheons held by brokerage firms** **Company visits, emails and conference calls**

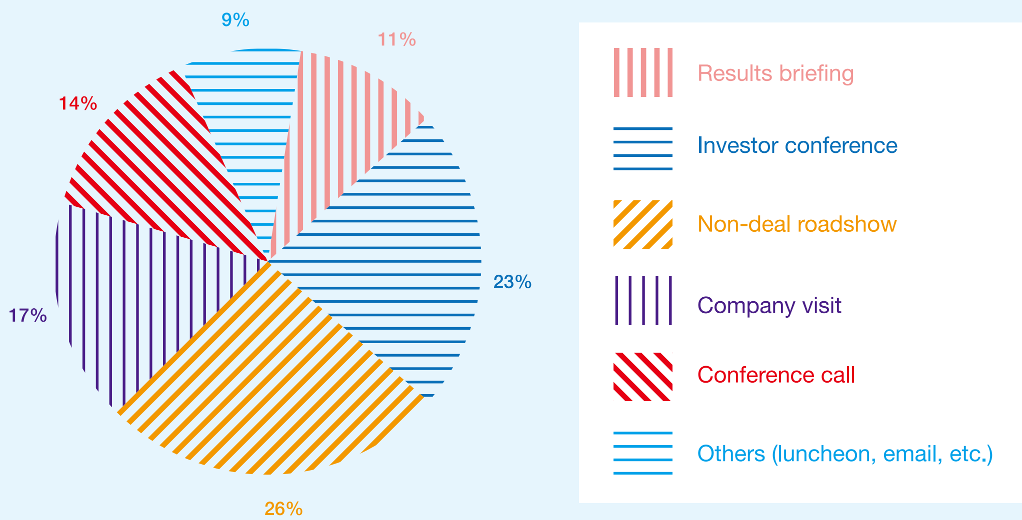
In 2015, the Company communicated timely, widely and thoroughly with institutional investors, sell-side analysts and the media for 223 attendances, 82 attendances and 10 attendances, respectively, amounting to a total of 315 attendances (2014: 160 attendances) through diversified communication channels and methods, representing a significant increase as compared with 2014.

INVESTOR RELATIONS

BREAKDOWN OF FREQUENCY OF COMMUNICATION WITH INSTITUTIONAL INVESTORS, SELL-SIDE ANALYSTS AND THE MEDIA



BREAKDOWN OF METHODS FOR COMMUNICATION WITH INSTITUTIONAL INVESTORS, ANALYSTS AND THE MEDIA IN 2015



A Glance at Investor Relations Activities Attended and Held by COSCO International In 2015

Date	Organiser	Activity	Location
March	COSCO International	Press Conference and Analyst Meeting for 2014 Annual Results	Hong Kong
	DBS Vickers	Non-deal Roadshow for 2014 Annual Results	Hong Kong
	JI Asia	Non-deal Roadshow for 2014 Annual Results	Hong Kong
	Haitong International	Non-deal Roadshow for 2014 Annual Results	Hong Kong
April	HSBC	The 9th Annual Shipping & Aviation Conference	Hong Kong
May	Macquarie	2015 Greater China Conference	Hong Kong
	China Galaxy International	Investor Luncheon	Hong Kong
	HSBC	2015 China Conference	Shanghai
	DBS Vickers	Non-deal Roadshow	Singapore
	RHB OSK	Non-deal Roadshow	Singapore
	Deutsche Bank	dbAccess Asia Conference 2015	Singapore
	BOC International	Non-deal Roadshow	Singapore
	COSCO International	2015 Annual General Meeting	Hong Kong
June	JP Morgan	Global China Summit 2015	Beijing
	RHB OSK	Post-initiation Non-deal Roadshow	Hong Kong
November	Bank of America Merrill Lynch	2015 China Conference	Beijing
	Goldman Sachs	Annual China Conference 2015	Shanghai

INVESTMENT HIGHLIGHTS IN 2015

Investor feedbacks generally showed that the redesigned presentation materials in 2015 facilitated them to understand and grasp the investment highlights of the Company more effectively:

1. The Group's core business is driven by both factors of the existing amount of shipping capacity and its changes over time, so its earnings are not affected by short-term fluctuations in shipping freight rates, representing relative defensiveness;

2. The Board of the Company decided to increase its annual dividend payout ratio from previously not less than 25% of net profit to not less than 50% of net profit prior to undertaking major acquisition project in the future;

3. The Group had a net cash of over HK$6.1 billion as at 31st December 2014, about 80% of which was held as short-term USD denominated bank deposit. The strong financial position laid a solid foundation for substantial acquisitions in the future.

INVESTOR RELATIONS

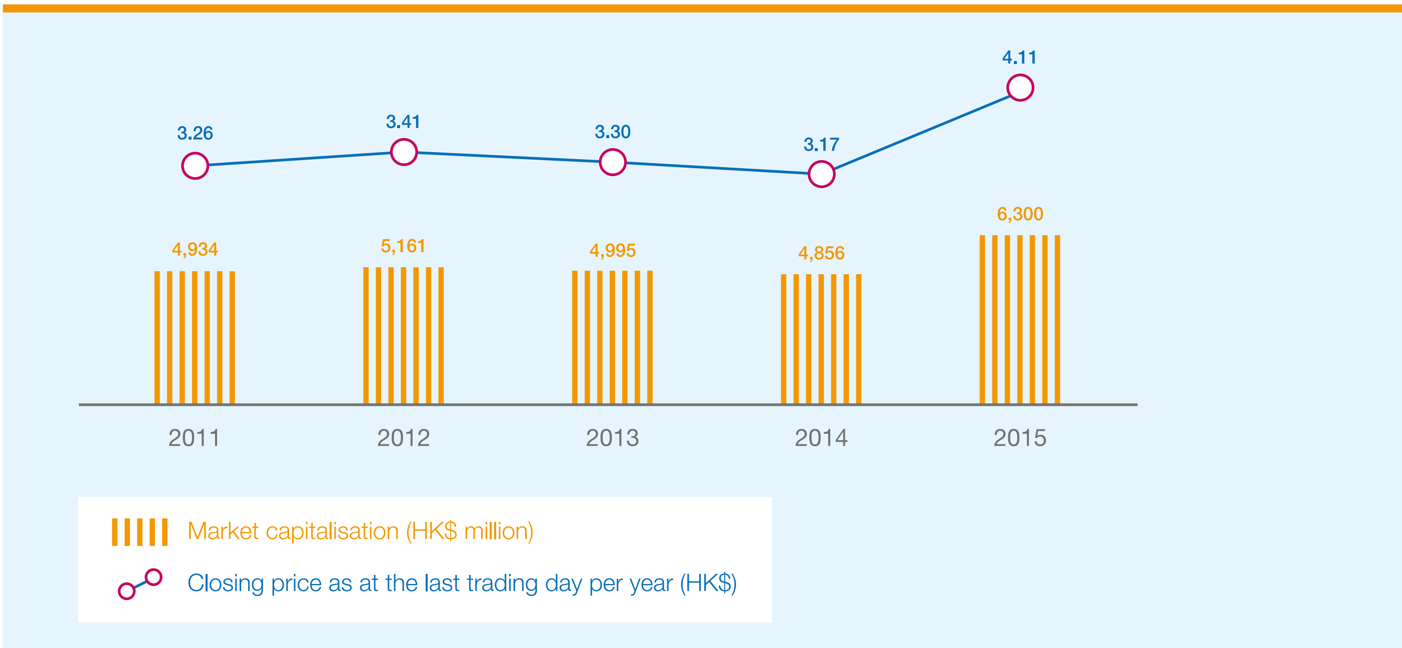
SHARE PRICE PERFORMANCE

On the last trading day of 2015, the closing share price of COSCO International was HK$4.11 (2014: HK$3.17) per share, which represented 30% increase in 2015 and outperformed the Hang Seng Index. The shares in issue of COSCO International were 1,532,955,429 shares (2014: 1,531,805,429 shares). The market capitalisation of the Company was HK$6,300,447,000 (2014: HK$4,855,823,000). During the year, the highest share price was HK$5.73 and the lowest share price was HK$2.99. The average share price was HK$4.54 (2014: HK$3.28). The daily average trading volume and daily average trading turnover were 1,798,538 shares (2014: 896,247 shares) and HK$7,111,000 (2014: HK$2,939,000) respectively.

COSCO INTERNATIONAL'S SHARE PRICE PERFORMANCE VS. HANG SENG INDEX IN 2015

Note: To ensure fair information disclosure, safeguard investors' interests and prevent unusual share price performance, COSCO International's shares were suspended trading on the Stock Exchange during the period from 10th August 2015 to 11th December 2015 as COSCO International's ultimate holding company, COSCO, was planning significant matter(s) possibly involving the Company.

PERFORMANCE OF SHARE PRICE AND MARKET CAPITALISATION FOR THE PAST FIVE FINANCIAL YEARS



DIVIDEND POLICY

COSCO International's annual dividend payout ratio is not less than 50% of net profit prior to obtaining practical progress in major investment project in the future. In case, after the Company publishes major transaction announcement in relation to investment project, the annual dividend payout ratio will maintain at the level of not less than 25% of net profit subject to the results, availability of distributable reserves and cash flow position of the Company at that time.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

The basic earnings per share of the Company for 2015 was 21.91 HK cents (2014: 23.70 HK cents). The Board proposed the 2015 final dividend of 9.0 HK cents (2014: 10.0 HK cents) per share, together with the interim dividend of 7.0 HK cents (2014: 3.0 HK cents) per share paid, the annual dividend for 2015 totalled 16.0 HK cents (2014: 13.0 HK cents) per share, representing a dividend payout ratio of 73% (2014: 55%).

INVESTOR RELATIONS

BASIC EARNINGS PER SHARE, DIVIDENDS PER SHARE AND DIVIDEND PAYOUT RATIO FOR THE PAST FIVE FINANCIAL YEARS

	2011	2012	2013	2014	**2015**
Basic earnings per share (HK cents)	25.80	23.98	15.96	23.70	**21.91**
Dividends per share (HK cents)	9.00	8.00	5.50	13.00	**16.00**
Dividend payout ratio (%)	35	33	34	55	**73**

A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended and as at 31st December	2011	2012	2013	2014	**2015**
Total number of shares issued (million)	1,514	1,514	1,514	1,532	**1,533**
Closing price[Note] (HK$)	3.26	3.41	3.30	3.17	**4.11**
Market capitalisation[Note] (HK$ million)	4,934	5,161	4,995	4,856	**6,300**
Basic earnings per share (HK cents)	25.80	23.98	15.96	23.70	**21.91**
Price/earnings ratio[Note] (times)	12.64	14.22	20.68	13.38	**18.76**
Dividends per share (HK cents)	9.0	8.0	5.5	13.0	**16.0**
Dividend payout ratio (%)	35%	33%	34%	55%	**73%**
Net assets value per share (HK$)	4.69	4.85	4.94	5.05	**5.04**
Return on total assets (%)	4.1%	3.8%	2.5%	3.8%	**3.5%**
Return on shareholders' equity (%)	5.4%	5.0%	3.3%	4.7%	**4.3%**
Net cash-to-shareholders' equity ratio (%)	80%	81%	84%	79%	**80%**
Current ratio (times)	3.92	4.30	5.19	5.58	**6.13**
Liquidity ratio (times)	3.62	4.05	4.91	5.34	**5.87**
Interest coverage (times)	33.3	123.4	83.0	161.6	**115.3**

Note: As at the last trading day per year

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COSCO International practises the philosophy of corporate social responsibility of COSCO Group, abides by the scientific development of people-orientation and pursues comprehensive, coordinative and sustainable development. COSCO International takes its responsibilities with respect to workplace quality, environmental protection, operating practices and community involvement as an integral part of the Company's development strategies, operations and management. The existing internal policies, rules and regulations of COSCO International, such as Staff Code of Conduct (the "Staff Code") and Whistleblowing Policy provide guidances on our operations.

REPORTING FRAMEWORK AND SCOPE

This report aims to review the performance and achievements of COSCO International's implementation of social responsibility strategies in 2015 and is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

The scope of this report covers workplace quality, environmental protection, operating practices and community involvement that enhance our job fulfillment, reduce our environmental impact, reinforce our class-leading safety culture and mitigate safety and environmental risks and promote responsible engagement in the community where we operate. For the governance aspect, please refer to the Corporate Governance Report in this annual report. Among the segments of shipping services of COSCO International, certain key performance indicators from the coatings segment are relatively important. In this report, we focus on reporting the operations of head office and the business units of the core business of shipping services, especially the coating manufacturing enterprises.

MATERIALITY ASSESSMENT

The determination of the content of this report is based on a materiality assessment and a review of stakeholders' concerns which includes the processes of a) identifying the sustainability issues and stakeholders; b) determining and prioritising the reporting issues; c) preparing the reporting issues and validating the report; and d) reviewing and addressing stakeholders' expectation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix

Impact on Stakeholders	Low-to-Medium (Relevance to the Group)	High (Relevance to the Group)
High	**Areas identified as relevant for discussion:** Waste management Operating practices Community involvement Anti-corruption	**Areas identified as critical for disclosure:** Product responsibility Emissions Energy efficiency Reduction of sewage and pollutant emission Health and safety
Low-to-Medium	**Areas identified as not material for disclosure:** Other outputs	**Areas identified as relevant for discussion:** Energy consumption Go green and environmental protection Employment standards Development and training Working conditions

Stakeholder Engagement

The stakeholders of COSCO International include Shareholders, institutional investors, customers, employees, regulators/government bodies, suppliers, business partners, bankers and industry practitioners.

COSCO International strives for mutual-benefits and joint development with customers, employees, Shareholders and other stakeholders, and tries to benefit the community with our development achievements. Therefore, stakeholder engagement is an integral part of the Company's business development and commitment to corporate social responsibility.

Recognising the necessity to build trust and productive relationships with our stakeholders, we interact regularly with them through various communication channels. During the year, Q&A session had been provided to the Shareholders to raise their concern at the 2015 annual general meeting of the Company. Besides, the Company maintained two-way communications with Shareholders, potential investors and sell-side analysts by holding results announcement press conferences, analyst meetings, post-results roadshows, annual general meeting, and organising or participating in investors' conferences or industry forums held by securities firms, one-on-one meetings and responding to email inquiries, so as to enable Shareholders and investors to understand the latest developments and future direction of the Company. In addition to day-to-day contact with customers, we arranged regular visits to key customers who provide valuable opinions about our operations and ways we can improve. Internally, employees raised their concerns through two-way appraisal.

WORKPLACE QUALITY

Working Conditions

COSCO International believes that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. We are committed to providing a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits, such as healthcare benefits, education and training allowances. In order to encourage employees feedback and free expression of ideas on different aspects of workplace, such as employee benefits and communication channels, COSCO International has conducted survey to collect employees' opinions that are therefore taken into consideration when management formulates employee caring programmes.

The Group strictly complies with the rules and regulations of the Company, such as Staff Code, and the labour legislations and the relevant guidelines in different areas where the businesses situated. In Hong Kong, we complied with all applicable rules and regulations such as the "Minimum Wage Ordinance", the "Sex Discrimination Ordinance", the "Race Discrimination Ordinance" and the "Disability Discrimination Ordinance" etc.. In the PRC, we complied with the "Labor Law of the People's Republic of China", the "Labor Contract Law of the People's Republic of China" and "Law of the People's Republic of China on the Protection of Disabled Persons" etc.. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

As at 31st December 2015, the Group had a total of 969 (2014: 835) employees, all of them are permanent full-time employees.

Details of workforce of the Group are as follows:

	As at 31st December	
	2015	2014
Total No. of Employees	**969**	835
By gender		
Male	**784**	650
Female	**185**	185
By region		
Hong Kong	**102**	100
The PRC	**829**	700
Outside Hong Kong and the PRC (note)	**38**	35
By age group		
Below 30	**200**	171
30 to 50	**684**	589
Over 50	**85**	75
Employee Turnover Rate (%)	**8%**	8%
By gender		
Male	**7%**	7%
Female	**15%**	13%
By region		
Hong Kong	**22%**	19%
The PRC	**6%**	6%
Outside Hong Kong and the PRC (note)	**24%**	20%
By age group		
Below 30	**10%**	9%
30 to 50	**8%**	8%
Over 50	**4%**	4%

note: The figures refer to employees stationed in Japan, Singapore, Germany and the United States.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

COSCO International is an investment holding company and the nature of our daily operations means that we have a relatively low safety risk profile. The Company has equipped its office with suitable fire-fighting facilities like fire extinguishers. Designated staff would conduct inspection from time to time so as to ensure the exit passageway clear and unblocked. In addition, we organise fire drills from time to time. COSCO Kansai Companies, being non-wholly owned subsidiaries of the Company, and Jotun COSCO, being a joint venture of the Company, engaging in the production of inflammable and explosive coating chemical products in China Mainland, COSCO International strongly believes that ensuring stable and safety production is the most important social responsibility to its shareholders, employees and the community where it situates. Therefore, the Group has always regarded ensuring safety and stable production as one of the priorities in corporate management. All the coating enterprises have set up their own safety management system, and strictly adhered to the relevant rules such as the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", the "Law of the People's Republic of China on Work Safety" and the "Fire Protection Law of the People's Republic of China".

The Safety Committee of the Company was set up in 2006, with the mission of "Safety First, and Precaution is Crucial with Comprehensive Management". It performs unified guidance, inspection, assessment, supervision, education and promotion of safety production of the subsidiaries in accordance with the "Law of the People's Republic of China on Work Safety", relevant laws and regulations of the local governments of the PRC, industry standards and the relevant safety management regulations of Hong Kong. The safety management work of each subsidiary is comprehensively regulated and managed, and the employees of all levels gain heightened awareness in occupational safety and health through the establishment of a normalised and standardised management system as well as the construction of a corporate culture of Health, Safety and Environment (HSE). During the year, the Company was not aware of any material non-compliance of relevant standards, rules and regulations.

COSCO International firmly adheres to "Absolute Safety with Three Zeros" as the general objective of the safety management. "Absolute Safety" refers to the safety of overall production environment be ensured and "Three Zeros" refers to zero number of reports in accident, injury and pollution be ensured. The coating manufacturing subsidiaries of COSCO International had obtained Quality Management System Certification (ISO9001), Occupational Health and Safety Assessment Series Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) formulated by the International Organisation for Standardisation ("ISO") and they were certified, thus effectively guaranteeing the establishment of a healthy, safe and stable working environment. Daily operations are inspected by relevant department, according to the occupational health and safety requirements of the respective company. Any non-compliance will also be identified and rectified on a timely basis.

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In 2015, there was no work-related fatalities (2014: nil) nor work injury cases (2014: nil). During the year, the Group did not record any significant incident in relation to production safety so that safe and stable production was ensured.

During 2015, the Group adopted various safety and health measures as follows:

Safety measures adopted	Work implemented and monitored in 2015
1. Full-range hidden hazards rectification in various forms on multi-levels by means of "Three Inspections": ○ self inspection ○ wide inspection ○ supervisory inspection	○ To take precautions at an early stage, the Group carried out safety inspections of each operating unit regularly and irregularly so as to track the hidden hazards and make rectifications accordingly. ○ COSCO Kansai Companies launched three activities, namely "Safety Self-assessment Campaign", "I Am Safety Supervisor Campaign" and "Dangerous Experience and Hidden Hazard Report Campaign". During the year, COSCO Kansai Companies implemented various safety checks for 171 times (2014: 158 times), found 1,183 (2014: 1,363) hidden hazards, all of which have been rectified.
2. Increased the number of unannounced emergency drills and raised the number of examination and renewal of the contingency equipment	○ Safety Committee conducted a total of 22 (2014: 27) on-site safety inspections in the Group. ○ Coating manufacturing subsidiaries of COSCO International held a total of 20 (2014: 23) large-scale comprehensive and special emergency drills with 914 attendances (2014: 1,216 attendances).
3. Promotion and education on occupational safety and health	○ Set different safety and health training goals for different safety management tasks and organised a variety of training activities.

In addition, Jotun COSCO has adopted fundamental measures on occupational health and safety. For engineering control, it has taken considerations of and implemented production facilities with relatively high level of occupational health protection at the stage of plant design. For individual protection, it has equipped its employees with labour protection appliances of relevant level based on exposure hazards of different jobs. Safety Committee also conducted 2 (2014: 2) on-site safety inspections in the plant of Jotun COSCO during the year.

Development and Training

COSCO International places strong emphasis on the career development of individual employees. Employees are encouraged to keep abreast of the changing world and pursue continuing education, so as to cope with the rapidly changing society and meet the evolving corporate development needs. The Group encourages and subsidies its employees to participate in individual continuing education programs which are related to their job duties, with a view to strengthening the professional career training of its staff teams, promoting professional expertise of management teams and stimulating the potential abilities of employees. In addition, in order to enable new staff to fit into the Company and comprehend the company policy and corporate culture as soon as possible, the Group provides basic orientation training for all the new staff. On-site study will be arranged for new staff in the business department of relevant subsidiary of the Company so as to enhance their theoretical knowledge and professional quality for better job done.

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During the year, the Company also organised working seminars or meetings in relation to business development, thus increasing the opportunities for the different levels of staff and professionals from different regions to exchange and explore issues through active discussion of and expression of views, thereby achieving a better result for exchange and learning from each other during trainings. In addition, the Group's employees also attended seminars held by professional bodies from time to time to enrich their business knowledge. Frontline sales staff would also enhance their skills through sales technique training. In future, the Company will continue to enhance the quality of the management staff and provide more advancement opportunities through systematic training management to motivate each employee to grow together with COSCO International.

Training records of the employees of the Group are as follows:

	For the year ended 31st December	
	2015	2014
Total no. of training hours received	**18,621 hours**	17,905 hours
Average no. of training hours per employee/rate of employees trained by employee category		
Senior	**24 hours/82%**	20 hours/81%
Middle-level	**28 hours/84%**	25 hours/90%
General	**15 hours/64%**	20 hours/83%
Average no. of training hours per employee/rate of employees trained by gender category		
Male	**13 hours/64%**	17 hours/82%
Female	**35 hours/82%**	38 hours/94%

Employment Standards

The Company has a set of comprehensive human resources management policy set out in rules and regulations of the Company to support everything we do in regard to human resources. The policies include recruitment, appraisal, training and benefits, such as subsidy of annual subscription fee for professional bodies to which the employees belong. In addition, our subsidiaries also have their respective entry administrative regulations. The Group has always strictly observed the relevant legislations of different regions regarding the equal employment opportunities, child labour and forced labour.

COSCO International abides by the employment regulations, relevant policies and guidances of the relevant jurisdictions where it operates, including the "Employment Ordinance", the "Employees' Compensation Ordinance" and the "Occupational Safety and Health Ordinance", etc. in Hong Kong; and the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China" and the "Law of the People's Republic of China on the Protection of Disabled Persons" etc. in the PRC. As such, the Company can ensure the employees' enjoyment of human rights and the effective prevention of the phenomenon of child labour or forced labour.

The Company has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. Furthermore, the Group strictly complies with the internal recruitment process during recruitment to ensure no employment of child labour and forced labour in any form. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices, including but not limited to compensation and remuneration, recruitment, working hours, equal opportunity, health and safety, child labour and forced labour.

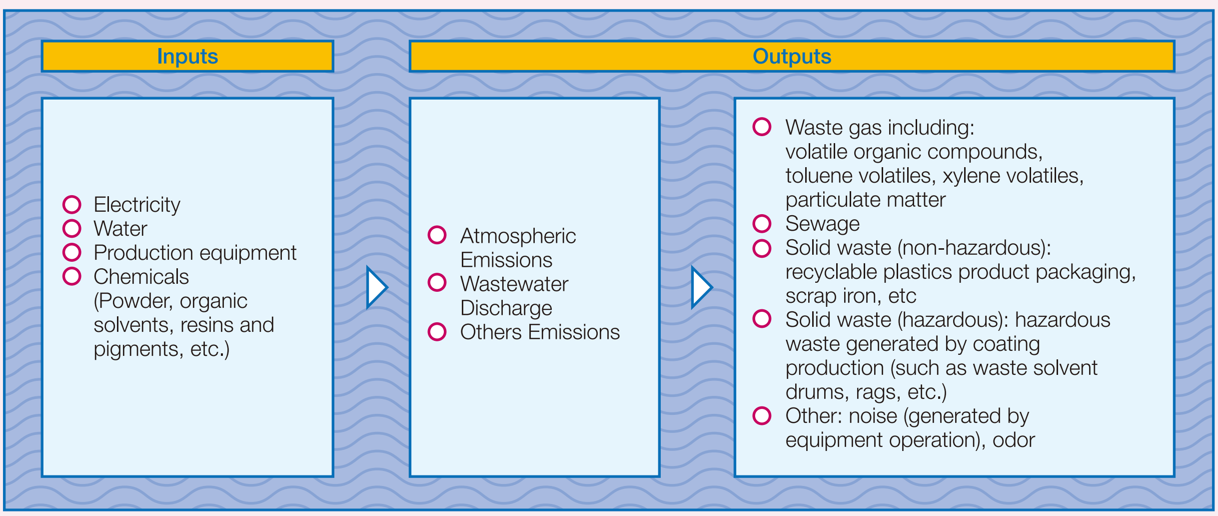
ENVIRONMENTAL PROTECTION

The Group is committed to promoting green operation and actively implementing energy saving, emission reduction and recycling. Especially, the coating manufacturing subsidiaries of the Company have strictly implemented the various systems and management measures stated in the Environmental Management System Certification formulated by ISO, and developed new technologies and skills for the promotion of energy saving and emission reduction, in order to minimise the environmental damage caused during the production process. Internally, we encourage our employees to adopt environmentally responsible behaviour and continue to improve our environmental management practices and measures to reduce the use of other resources, minimise wastage and increase recycling.

The coating manufacturing subsidiaries of the Company strictly comply with the laws and regulations in the PRC, including but not limited to the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Environmental Protection Law of the People's Republic of China" and the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste", as well as different local rules and standards in the PRC in respect of prevention and control of environment pollution by discarded dangerous chemicals, standard of air pollutants and integrated wastewater discharge standard. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

Emissions

The coating manufacturing subsidiaries of the Company require the following inputs in the operation and production of coatings, the outputs that have an impact on the environment are listed below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Types of emissions and respective emissions data of coating manufacturing subsidiaries of the Company

	Unit	2015	2014
Sewage	metric tons	**43,873**	27,046
Waste gas:	metric tons	**1.63**	2.43
Volatile Organic Compound ("VOC") and Benzene	metric tons	**0.18**	0.01
Toluene	metric tons	**0.18**	0.28
Xylene	metric tons	**0.26**	0.58
Particulate matter	metric tons	**1.01**	1.56
Solid waste (Hazardous)	metric tons	**1,165**	1,788
Solid waste (Non-hazardous)	metric tons	**101**	97

Greenhouse gas ("GHG") emissions data of the Group

	2015	2014
Total GHG emissions (Scope 1 and 2) (metric tons)	**4,098**	4,450
Total GHG emissions (Scope 1 and 2) per floor area (metric tons/m^2)	**0.14**	0.18
Total GHG emissions (Scope 1 and 2) per employee (metric tons/employee)	**4.23**	5.33
Total GHG emissions (Scope 1, 2 and 3) (metric tons)	**4,447**	4,821
Total GHG emissions (Scope 1, 2 and 3) per floor area (metric tons/m^2)	**0.15**	0.20
Total GHG emissions (Scope 1, 2 and 3) per employee (metric tons/employee)	**4.59**	5.77
Direct emissions (Scope 1) (metric tons)		
Petrol[note 2]	**220.29**	288.62
Diesel[note 2]	**230.95**	221.61
Indirect emissions (Scope 2) (metric tons)		
Electricity[note 3]	**3,647**	3,940
Indirect emissions (Scope 3) (metric tons)		
Business travel[note 4]	**188.54**	214.83
Paper consumption	**160.02**	155.59

notes:

1. GHG emissions data is presented in carbon dioxide equivalent.
2. Emissions data relating to petrol and diesel are arising from company vehicles.
3. As disclosed in note 2. under the section headed "Energy Consumption" of this report, emission data relating to electricity excludes COSCOSHIP Beijing Company Limited.
4. Business travel refers to business travel by air. Emission data relating to air travel was largely based on the International Civil Aviation Organisation Carbon Emissions Calculator. Such emission data relating to business travel excludes COSCO Kansai Companies.
5. The intensity is calculated based on the total floor area (plants and offices) and total number of employees of the Group.

During the year, total packaging materials used for coatings by COSCO Kansai Companies were approximately 3,869 tonnes (2014: approximately 4,776 tonnes).

Reduction of Sewage and Pollutant Emission

During the year, the environmental management measures on emission reduction and sewage reduction implemented by coating manufacturing subsidiaries of the Company were as follows:

- Cleaned the environmentally friendly sewage treatment sedimentation tank on a regular basis, inspected the condition of water pump and aeration tank and made corresponding records, and enhanced the management on sewage treatment in order to meet the sewage discharge requirements of environmental protection department.
- Used pipelines, central ventilation system and dust filtration equipment to reduce waste.
- Promoted proactively the replacement of solvent coatings by water based coatings to reduce the emission of VOC.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, water and electricity in order to avoid resources wastage.
- Strengthened the management and supervision of on-site operation to reduce waste.
- Adopted measures to increase the utilisation of waste and packing materials, including replacing the small packages by large packages.

Waste Management

The Group is dedicated to managing waste in a responsible way and strives to optimise the use of resources. Hazardous wastes like discharge from waste and waste gas treatment facilities and waste equipment cleaning solvents as well as wastes from workshops and research and development laboratories, etc., are delivered to qualified units for processing. Non-hazardous wastes like some waste bags, clips, papers, etc., are recycled by qualified units for reuse. General garbage is cleaned by the sanitation department regularly.

During the year, the coating manufacturing subsidiaries of the Company adopted the following waste reduction initiatives:

- Strengthened staff's awareness and knowledge about hazardous wastes and treatment of hazardous wastes through training workshops.
- Enhanced hazardous wastes collection and storage management.
- Advanced production operations management, to ensure smooth production and reduce the generation of hazardous wastes.

During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations and had no significant incident record of environmental pollution.

Energy Efficiency

The Company considers that "Energy" is one of the sustainability priorities, and improvement of the energy efficiency of operations will not only ensure improved environmental outcomes, but also reduce cost and improve operational efficiency in the long-term.

The Group held diversified trainings and education activities through cooperation with different environmental protection organisations to raise its employees' awareness of environmental conservation, enhance the application and knowledge of energy saving and emission reduction, energy efficiency, thereby further establishing a corporate culture of low-carbon office. COSCO International launched environment-friendly campaign of "Saving a drop of water, a kilowatt of power and a piece of paper" by encouraging staff to reduce office consumables such as printing papers; to save energy by turning off the computers or electrical appliances and equipments when not in use, using energy efficient bulbs, and adjusting the air conditioning temperature to 25°C at office, so as to build up conservation awareness among all staff and save energy.

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In addition, COSCO Kansai Companies adopted the following energy saving measures in daily operation during the year:

- Launched Total Productive Maintenance ("TPM") campaign for all staff, organising regular TPM training for staff in workshops to enhance staff's awareness on regulated operation of equipment so as to reduce equipment failure and impairment, improve operation efficiency and ensure the safe operation of equipment.
- Replaced old lighting with highly energy efficient light-emitting diode ("LED") lights. This measure not only increases the brightness but also reduces electricity consumption and saves energy. On average, one LED light can save up to 150 kWh per year.
- Through the promotion activities of energy savings by the channels of network, billboards, television in canteens, employees can better understand the significance of energy saving. In addition, a number of energy conservation promotional banners and posters were post up in various places to remind workers. Through catchy slogan and posters, everyone paid high attention to environmental protection and resource conservation.
- Strengthened energy conservation training and education. During the off season, the companies organised trainings on the knowledge of energy conservation and hazardous waste, to improve the awareness of energy conservation and the waste disposal specification.
- Utilised new technology and process to reduce energy consumption.
- Carried out energy saving and emission reduction measures to reduce the consumption of energy, water and electricity in order to avoid resources wastage; further reinforced publicity and education through posting small stickers about saving electricity beside the switches of the meeting rooms and office etc.; regulated the temperature of air-conditions to be not lower than 26°C in summer and not higher than 20°C in winter; carried out patrol inspection by the logistics department to further ensure that the electrical equipments in public area are powered off on a timely basis; upgraded the water heating system in bathroom with time-to-temperature linkage function, which sets up the time of heating according to the user number and water consumption and heats up automatically during the electricity slack hours at night; and further specified the working schedule of production equipment in workshop like sanders and sanding blenders as per our standard production accessions.

Energy Consumption

The following is energy consumption of the Group by type:

	2015	2014
Total water consumption (metric tons)[note 1]	**95,936**	61,687
Total water consumption per floor area (metric tons/m^2)[note 1]	**4.03**	3.34
Total electricity consumption (kilowatt hour)[note 2]	**3,973,025**	4,355,372
Total electricity consumption per floor area (kilowatt hour/m^2)[note 2]	**135.90**	182.49
Total electricity consumption per employee (kilowatt hour/employee)[note 2]	**4,195.38**	5,357.16
Total natural gas consumption (metric tons)[note 3]	**0**	4

notes:

1. As the water supply of the members of the Group (except for COSCO Kansai Companies and SZ COSCO Insurance Brokers) is controlled by the respective property management office or landlord of the office premises and provision of sub-meters for the units occupied by them are not available, the amount of water consumed by the Group other than COSCO Kansai Companies and SZ COSCO Insurance Brokers is not available. Therefore, the intensity for water consumption is calculated based on the floor area (plants and offices) of those members of the Group having water consumption data.

2. As the electricity supply of COSCOSHIP Beijing Company Limited, a subsidiary of the Company, is controlled by the property management office or landlord of the office premises and provision of sub-meter for the unit occupied by COSCOSHIP Beijing Company Limited is not available, the amount of electricity consumed by COSCOSHIP Beijing Company Limited is not available. Therefore, the intensity for electricity consumption is calculated based on the floor area (plants and offices) and number of employees of those members of the Group having electricity consumption data.
3. Only COSCO Kansai (Shanghai) consumed natural gas in 2014 and there is no natural gas consumption of the Group during 2015.

Go Green and Environmental Protection

Development and Promotion of Green Coating Products

In respect of the promotion of green coating, COSCO Kansai Companies and Jotun COSCO have made great efforts in the research and development and promotion of green coatings for years. COSCO Kansai Companies actively shifted its focus from price competition in a homogeneous product to gaining leadership by differentiated technologies, enhanced their technical research and development work, increased their technology reserves, as well as improved their innovative capability and their ability for applying new technology. Among their products, the fluorocarbon coatings for wind turbine tower with a 20-year ultra-long anti-corrosion period and the high performance anti-frozen coatings for wind turbine blade developed by COSCO Kansai Companies have become the leading products for coating upgrade in marine wind turbine and specific coating areas. In 2015, both the fluorocarbon coatings for wind turbine tower with ultra-long anti-corrosion period and the trial coating in respect of high performance water-based container coatings delivered satisfactory performance and won customers' trust. The newly developed water-based trailer coatings have been successfully launched and the marketing promotion effort is expected to increase. COSCO Kansai Companies have successful developed and introduced water-based primer for use in light steel structure, with a plan to promote the application of this product in 2016.

In 2015, Jotun COSCO continued to enhance the promotion of Hull Performance Solution and the high performance anti-fouling coating, Sea Quantum X200. As such product can lessen the roughness of the vessel body, enhancing saving energy and accelerating the speed. Theoretically, it can save up to 13.2% fuel consumption, as compared with market average level, which greatly reduces the fuel cost of shipowners and reduces emission of greenhouse gases. During the year, the Sea Quantum X200 anti-fouling coatings were successfully applied in several new build very large crude carriers and container vessels. Hull Performance Solution of Jotun COSCO has gained increasing recognition from the industry.

Promotion and Implementation of Green Coating Standards

Green coating is an important component in the development of green shipping. The Company actively promotes the development of green coating in an effort to protect the global climate. With its professional experiences and techniques in developing and using green coatings over the years, Jotun COSCO participated in formulation of international standard, namely the "Anti-fouling and Anti-rusting System for Vessel Body" which has been issued and the formulation of another one, namely "ISO 19030: Measurement of changes in hull and propeller performance" led by Jotun COSCO will also be launched. Such efforts of Jotun COSCO can maintain the effective and sustainable development of shipping enterprises. Jotun COSCO has actively developed products with high solid content and low VOC in order to reduce VOC emissions.

OPERATING PRACTICES

Being a responsible enterprise, COSCO International seeks to understand the customers and their business and adheres to trading practices that comply fully with local and international law. Staff are required to observe internal and external codes of conduct prohibiting bribery, fraud, competitive behavior and corruption. As the reputation of the Company and the quality of products are extremely important, the Group therefore emphasises that purchases must be made from suppliers after going through internal selection.

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Supply Chain Management

Suppliers management measures govern the engagement of suppliers. The Group implements supplier management in accordance with internal guidance. Suppliers are chosen according to screening and evaluation procedures among the suppliers, based on the quality as well as price. In addition, to ensure supplier capability in quality assurance, safety and other aspects of environmental management, field investigation will be conducted on their production capacity, technology level, quality assurance capabilities, supply capacity, safety and environment management qualifications if needed. Only the highly qualified suppliers complied with regulatory requirements are eligible for the selection by the Group.

The Group strictly implements supplier management. All suppliers will be assessed with criteria specified by the Company for this purpose, through which we will evaluate new suppliers' overall capabilities, assets position, nature of business, reputation in the industry, quality of products, goods delivery and compliance with law and discipline. The information and relevant qualification documents in relation to the suppliers are updated annually.

Number of suppliers of the Group by geographical region are as follows:

Year	China Mainland	Hong Kong	Other Countries
2015	791	122	765
2014	865	122	768

Product Responsibility

The Group is committed to providing quality, health and safety products and services to its customers in accordance with the applicable local and international laws. COSCO Kansai Companies were registered as dangerous chemical production enterprises pursuant to the relevant rules and regulations of the PRC. Unified classification and format of product safety technical manual and safety label according to the relevant requirements of State Administration of Work Safety are used. In addition, COSCO Kansai Companies strictly comply with the notice of "Implementation Plan For Reducing Lead Content in Coating of Container Industry" (集裝箱行業降低油漆鉛含量實施方案) issued by China Container Industry Association, GB9750-1998 Marks for the "Package of Coating Products" of the People's Republic of China, GB15258-2009 "General Rules for Preparation of Precautionary Label for Chemicals" and the "Product Quality Law of the People's Republic of China". During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

The Group continuously strives to provide customers with quality products and services, high attention is paid to complaints about products and services. Procedures for handling complaints are in place to deal with complaints in relation to the services and product. Specific person(s) is(are) responsible to investigate and take certain corrective measures to avoid such complaints in the future. During the year, the Group has received 12 (2014: 10) products and services related complaints and the companies concerned have made adjustment on the production methods and products and replacement of goods. All complaints have been properly handled and settled.

To ensure the product safety and quality, quality assurance process and recall procedures were established. In the production process, sampling and laboratory testing would be conducted regularly. Any product that fails to meet the standards would be classified as inferior-quality product for further investigation. Recalled products would be tested and in case the products meet with the standards, they would become stock, otherwise adjustments would be made. However, if the products fail to meet with the standard after adjustment, they would be destroyed. During the year, no products manufactured by the Group sold was subject to recalls for safety and health reasons (2014: nil).

The Company attaches great importance to intellectual property. COSCO Kansai Companies have responsible departments specialising in maintenance and management of intellectual property, keeping proper communication with the State Intellectual Property Office of the PRC and conducting patent search for the existing product technology regularly so as to make good use of patent in product development.

In the daily operations in Hong Kong, personal data from the stakeholders of the Company is collected from time to time for different purposes. Personal data is collected only for lawful and relevant purposes and in accordance with Hong Kong Personal Data (Privacy) Ordinance. We ensure that personal and business information of our stakeholders is used in the proper context and exclusively for authorised business purpose, being accessible only to those staff who need to know. For the operations in the PRC, customer management measures are adopted and specific personnel is responsible for the maintenance of customer data in order to strictly protect consumers' data and privacy, which are traced in the customer satisfaction surveys.

Anti-corruption

In order to ensure the Company's reputation be enhanced by the honest, loyal and ethical behaviours of staff, the Group has in place a formal Staff Code and Whistleblowing Policy. Staff Code serves as a clear and complete guideline to monitor the code of conduct of the employees of the Group during daily operations. Every year, the Group reviews the implementation status of the Staff Code within the Group through a self-inspection process by the Company and each of its subsidiaries, in order to ensure that the Staff Code had been thoroughly applied throughout the actual operations and management practices, so as to balance and safeguard the interests of the Group and the stakeholders and build up a long-term partnership. Whistleblowing Policy provides a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group. Employee who has a malpractice concern can inform the relevant designated superiors or take the complaint directly to the Chairman of the Audit Committee. Electronic reporting mailbox and a hotline were established, all reporting is treated as confidential and in a sensitive manner. The chairman of Audit Committee would review the complaint and decide how the investigation should proceed. In addition, the subsidiaries of the Company in China Mainland also developed relevant systems to prohibit commercial bribery, and strictly complied with relevant laws including the "Criminal Law of the People's Republic of China", the "Anti-Unfair Competition Law of the People's Republic of China" and the "Bidding Law of the People's Republic of China". Each subsidiary attached importance to contract and strictly obliged the terms and strictly complied with relevant laws and requirements during the operating activities. Meanwhile, great importance was attached to the construction of prevention and punishment systems. In addition, the Group continued to advance its comprehensive risk management. On precautions, the Group focused on enhancing incorruptibility education, refining the procurement tender system and improving the system of selection and appointment of key staff, as well as implementing the key personnel rotation system. For the channel of whistleblowing, the reports were mainly delivered to the general manager's mailbox and the Internal Audit Department. On monitoring methods, there was routine audit by external professional institutions and internal special audit as well as daily review on systems. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations. Furthermore, there was no legal case regarding corrupt practices brought against COSCO International or its employees during 2015 (2014: nil).

Furthermore, the Group promotes corruption-free business and has from time to time arranged different levels of staff, ranging from top management to front-line staff, to participate in a series of business ethics seminars conducted by the Company and/or COSCO Hong Kong, with the aim of further enhancing the professional conduct and integrity management of its management team, promoting a management culture with high values of business ethics and incorruptibility and enhancing the staff's recognition and commitment to the Staff Code.

COMMUNITY INVOLVEMENT

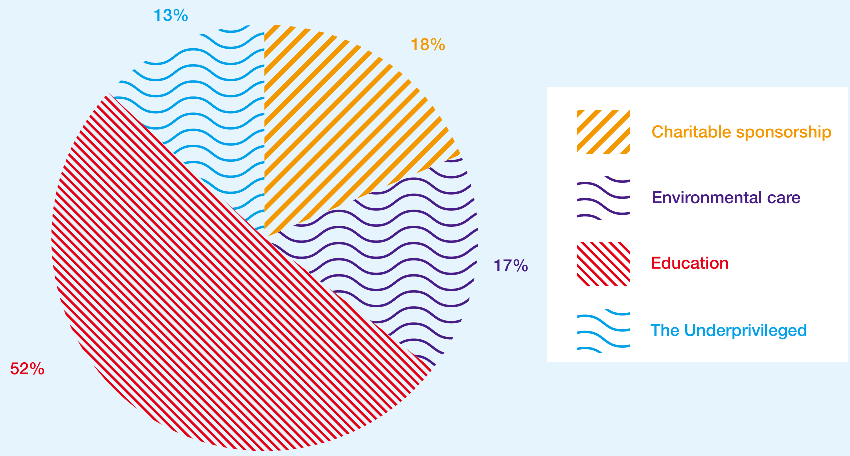
Community Investment

COSCO International is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders. Under the philosophy of "giving back to the community with what they get from the community", COSCO International does not only endeavour to fulfill its obligations as a corporate citizen and proactively give back to the society, but also motivates its employees to participate in various social charitable activities, so that it can contribute to the country and the community, and provide more assistance to the people in need.

Since 2014, COSCO International has formulated a charitable donation policy. The donation policy is intended to provide a guideline for the Group in allocating the fund to the non-governmental organisations and other charitable bodies. It formalises the manner in which its philanthropic efforts are handled and to ensure its commitment to building partnerships in the communities in which the Company and its subsidiaries operate. In accordance with the policy, the Company would, in principle, set the charitable donation budget as about 0.1% of the profit attributable to the shareholders of the previous financial year for all direct donations and indirect expenses to all charitable events and related community services for the year. The actual amount of the charitable donation may be adjusted appropriately in line with the profit performance, and the actual charitable donation budget plan has to be submitted to the senior management for final approval every year.

During the year, the Group's involvement in the community continued focusing on the areas of education, environmental care, and volunteer services for the underprivileged.

Breakdown of Allocation of Charitable Donations in 2015



Education

Continuous Support to Education in Mountainous Areas in China Mainland

COSCO International has continuously made donations to the students in mountainous areas to support them to continue their studies and change their lives with knowledge, and sponsored the annual large-scale fund-raising hiking activity of Sowers Action, a non-profit making charitable organisation, namely "Sowers Action Challenging 12 Hours Charity Marathon". Every year, COSCO International encouraged and sponsored its staff to participate in the charitable hiking activity to raise fund.

In 2015, COSCO International sent 63 employees and their family members, totaling 16 teams, number of which hit record high, to participate in the fund raising activity of "Sowers Action Challenging 12 Hours 2015" charity marathon. This was the eighth consecutive year that COSCO International supported and sponsored the event. All participating teams completed the 12km race of run for education within the designated time, in which COSCO International's employee won the champion in the Individual Men Senior Team, and 3 Open Teams received one Merit Silver medal and two Merit Bronze medals respectively. The results exceeded our expectation.

Environmental Care

Partnering with Environmental Protection Bodies to Cultivate Green Awareness

As a corporate member of WWF-Hong Kong, COSCO International always supports its conservation work for protecting the environment. In 2015, COSCO International, with its headquarters in Hong Kong, supported the WWF-Hong Kong's annual eco-event, Earth Hour, to show our commitment to save the planet by turning off all non-essential lights. Moreover, the Company participated in WWF-Hong Kong's Ho Hai Wan coral and marine life visit activity. By learning more about the rich coral and fish in Hong Kong, the Company's employees and their families were able to know the importance of caring for marine life and foster sustainable life awareness.

Every year, the Company co-operates with the non-profit organisation, Christian Action, to organise the "Green Collection Day" programme to encourage the employees to reduce waste by donating recycled items for the people in need. In 2015, a total of 332 kilograms of clothes, toys, electrical applicances and others were donated. The donated items were sent to those families newly migrated to Hong Kong, ethnic minorities, and the orphans and disabled children in Qinghai province, China, or sold for charity to finance various charitable services of Christian Action.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Volunteer Services for the Underprivileged

To show our care for the underprivileged and our commitment to contribute to society, COSCO International has launched volunteer services since 2011. In the past few years, the Company has stepped up various efforts to improve volunteer services policy by formation of a volunteer team in Hong Kong with a team slogan of "Our Passion to Serve", and launching of a volunteer holiday policy to encourage its staff to participate in volunteer services. All Hong Kong staff who has participated in volunteer services organised or referred by the Company for over 8 hours in a year will be entitled to a half-day paid leave. For volunteer services, our service targets are mainly the underprivileged including the elderly living alone or in poverty, and the low-income families. The Company has partnered with non-profit organisations such as Neighbourhood Advice-Action Council and the Christian Action to organise various types of volunteer activities, like home visits, outdoor visits and farm workshop, etc., and provide direct subsidy to the people in need.

In 2015, COSCO International's volunteer team has paid home visits during winter, festive seasons like Dragon Boat Festival and Mid-autumn Festival to the senior citizens who live alone. A total of 69 senior citizens living alone were successfully visited while the Company sponsored the gifts to show care. Furthermore, the Company's volunteer team accompanied with 35 children aged from 5 to 13 to go to organic farm in Yuen Long, to learn using natural resources to make recycled products and organic food with their own hands, so as to help the children foster awareness on cherishing things and environmental protection.

In 2015, the number of volunteers participating in volunteer services amounted to 69 attendances while 344 volunteer hours were recorded. A total of 104 persons benefited from the above activities, reflecting that COSCO International's spirit of social responsibility in active community services and caring for the underprivileged.

	Year ended 31st December	
	2015	2014
Community Investment		
Corporate charitable donations & sponsorships (HK$)	**270,000**	230,000
Volunteer Participation		
Number of attendance	**69**	38
Service hours	**344**	236
Beneficiaries		
Number of beneficiaries	**104**	48

DIRECTORS' REPORT

The board of directors of the Company (the "Director(s)" or the "Board") presents this Directors' Report (the "Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2015.

PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The principal activities of the Group include shipping services and general trading. The activities of the principal subsidiaries are set out in note 39 to the financial statements. An analysis of the revenue and segment information of the Group for the year is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2015 are set out in the consolidated income statement on page 120 of this annual report. The Board has recommended the payment of a final dividend of 9 HK cents (2014: 10 HK cents) per share for the year ended 31st December 2015. Subject to the approval of shareholders of the Company (the "Shareholders") in the annual general meeting of the Company to be held on 31st May 2016 (the "2016 AGM"), approximately HK$137,966,000 will be payable on 28th June 2016 to the Shareholders whose names appear on the register of members of the Company on 13th June 2016. The proposed final dividend together with the interim dividend of 7 HK cents per share, total dividends per share for the year 2015 are 16 HK cents (2014: 13 HK cents).

BUSINESS REVIEW

The Group is principally engaged in the provision of shipping services and general trading. The shipping services business, the core business of the Group which includes 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. The Group is committed to promoting green operation and actively implementing energy saving, emission reduction and recycling by implementing practices such as turning off all non-essential lights and donating recycled items to the people in need on continuous basis. In addition, the Group's coating business reflects the significant environmental impacts among other businesses and therefore the coating manufacturing subsidiaries of the Company in China Mainland strictly comply with the relevant laws and regulations in the People's Republic of China. Being people-oriented, the Group ensures that all staff is reasonably remunerated and maintains a good relationship with its customers and suppliers.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622), including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2015, an indication of likely future development in the Group's business, an analysis using financial key performance indicators, a discussion on the Group's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Prospects", "Corporate Governance Report", "Environmental, Social and Governance Report" and "Five-Year Financial Summary" of this annual report. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year are set out in note 7 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2015 calculated under Companies Act of Bermuda amounted to HK$5,372,322,000 (2014: HK$5,485,332,000).

BORROWINGS

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 24 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 to the financial statements.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year, save for the share options granted in prior years, details of which are set out in note 21 to the financial statements and the section headed "Share Options" contained in the Report.

DONATIONS

Donations made by the Group during the year amounted to approximately HK$270,000 (2014: HK$230,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 203 to 204.

DIRECTORS

The Directors during the year and up to the date of the Report were:

Executive Directors

Mr. Ye Weilong *(Chairman)*
(appointed on 18th March 2016)
Mr. Zhang Liang *(Vice Chairman)*
Mr. Feng Jinhua
(appointed on 17th December 2015)
Mr. Liu Xianghao *(Managing Director)*
(appointed on 18th March 2016)
Mr. Sun Jiakang
(resigned on 18th March 2016)
Mr. He Jiale
(resigned on 17th December 2015)
Mr. Xu Zhengjun
(resigned on 18th March 2016)

Non-executive Directors

Mr. Wu Shuxiong
Mr. Wang Wei

Independent Non-executive Directors

Mr. Tsui Yiu Wa, Alec
Mr. Jiang, Simon X.
Mr. Alexander Reid Hamilton

In accordance with bye-law 99 of the Company's bye-laws, every Director shall be subject to retirement by rotation at least once every three years and a retiring Director shall be eligible for re-election at such annual general meeting of the Company. In accordance with bye-law 102(B) of the Company's bye-laws, any Director appointed to fill a causal vacancy shall hold office only until the next following general meeting or annual general meeting of the Company and shall then be eligible for re-election at that meeting. Pursuant to bye-laws 99 and 102(B) of the Company's bye-laws, Messrs. Ye Weilong, Feng Jinhua, Liu Xianghao, Wang Wei and Jiang, Simon X. shall retire from office at the forthcoming annual general meeting of the Company and be eligible for re-election.

Mr. Sun Jiakang resigned as Executive Director and Chairman on 18th March 2016 due to change of work designation. Mr. He Jiale resigned as Executive Director on 17th December 2015 due to his retirement. And Mr. Xu Zhengjun resigned as Executive Director and Managing Director on 18th March 2016 due to his retirement. Each of Mr. Sun Jiakang, Mr. He Jiale and Mr. Xu Zhengjun confirmed that there was no disagreement with the Board needed to be brought to the attention of the Shareholders.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Ye Weilong and Mr. Liu Xianghao, being the Executive Director, has entered into a letter of appointment with the Company on 18th March 2016 for a term commencing from 18th March 2016 to the conclusion of the 2018 annual general meeting of the Company. Mr. Zhang Liang, being the Executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Mr. Feng Jinhua, being the Executive Director, has entered into a letter of appointment with the Company on 17th December 2015 for a term commencing from 17th December 2015 to the conclusion of the 2017 annual general meeting of the Company. Each of Mr. Wu Shuxiong and Mr. Wang Wei, being the Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company.

DIRECTORS' REPORT

Mr. Sun Jiakang, being the ex-Executive Director, has entered into a letter of appointment with the Company on 29th May 2015 for a term commencing from 29th May 2015 to the conclusion of the 2017 annual general meeting of the Company. Each of Mr. He Jiale and Mr. Xu Zhengjun, being the ex-Executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company.

Each of the above letters of appointment is subject to termination by either party giving one month's prior notice in writing or such other shorter notice period as may be agreed by both parties.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with any member of the Group which is not determinable within one year by respective member of the Group without the payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries, its holding company or any subsidiary of its holding company was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, Directors for the time being shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices pursuant to the Company's bye-laws. In addition, the Company has maintained appropriate directors and officers liability insurance coverage for the directors of the Group.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the section headed "Directors' Interests in Securities", at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of the Report, the following Directors were considered to have interests in businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out below:

Name of Directors	**Name of the entities which were considered to compete or likely to compete with the businesses of the Group**	**Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group**	**Nature of Director's interest in the entities**
Mr. Ye Weilong	Companies controlled by 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*) ("COSCO")	Shipping services	director
Mr. Zhang Liang	Companies controlled by COSCO	Shipping services	director
Mr. Wu Shuxiong	Companies controlled by COSCO	Shipping services	director
Mr. Feng Jinhua	Companies controlled by COSCO	Shipping services	director
Mr. Wang Wei	Companies controlled by COSCO	Shipping services	director
Ex-Directors			
Mr. Sun Jiakang#	Companies controlled by COSCO	Shipping services	director
Mr. He Jiale^	Companies controlled by COSCO	Shipping services	director
Mr. Xu Zhengjun@	Companies controlled by COSCO	Shipping services	director

Mr. Sun Jiakang resigned as Executive Director and Chairman on 18th March 2016.

^ Mr. He Jiale resigned as Executive Director on 17th December 2015.

@ Mr. Xu Zhengjun resigned as Executive Director and Managing Director on 18th March 2016.

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors controls the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these companies.

* *for identification purpose only*

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions and/or continuing connected transactions of the Group are required to be disclosed in this annual report:

Continuing Connected Transactions

1. (a) ***Supply Continuing Connected Transactions***

A master supply agreement was entered into between the Company and COSCO (Hong Kong) Group Limited, an intermediate holding company of the Company ("COSCO Hong Kong") on 13th November 2013 in relation to (1) provision of marine and general insurance brokerage services and other services by the Group to 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*), the ultimate holding company of the Company ("COSCO") and its subsidiaries and associates (other than the Group), being connected persons of the Company (collectively "COSCO Group"); and (2) provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the Group to COSCO Group, including without limitation: (a) the provision of ship agency services in relation to shipbuilding, ship trading, chartering businesses and the sale and purchase of marine equipment and other related services; (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) radio communication, satellite communication, navigation equipment and other materials, and (iii) construction materials and facilities, chemicals and information management systems; and (c) the sale of coatings (collectively the "Supply Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Master Supply Agreement"). Pursuant to the Master Supply Agreement, COSCO Hong Kong agreed and would procure the Supply Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Supply Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Supply Caps").

(b) ***Purchase Continuing Connected Transactions***

A master purchase agreement was entered into between the Company and COSCO Hong Kong on 13th November 2013 in relation to provision of shipping and other services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by COSCO Group to the Group, including without limitation: (a) the provision of agency services, technical services and ancillary services, including the collection of market information, technical advisory, promotion and marketing, coordination with suppliers and customers, purchase of raw materials and products from suppliers, the provision of assistance in collecting sale proceeds and the procurement or provision of certain after-sale services; (b) the provision of logistics and transportation services; (c) the sale of other materials and products including construction materials and chemicals; and (d) the solicitation and referral of businesses by COSCO Group to the Group, including recommending products manufactured by the Group to the customers and manufacturers of COSCO Group (collectively the "Purchase Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Master Purchase Agreement"). Pursuant to the Master Purchase Agreement, COSCO Hong Kong agreed and would procure the Purchase Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Purchase Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Purchase Caps").

* *for identification purpose only*

(c) *Financial Services Continuing Connected Transactions*

A financial services master agreement was entered into between the Company and COSCO Hong Kong on 13th November 2013 in relation to provision of a range of financial services, including the deposit services, loan services, settlement services, remittance services and entrusted loan services (as lending agent in entrusted loan arrangements among the members of the Group) by 中遠財務有限責任公司 (COSCO Finance Co., Limited*), a subsidiary of COSCO, being connected person of the Company ("COSCO Finance") to the Group (collectively the "Financial Services Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Financial Services Master Agreement"). Pursuant to the Financial Services Master Agreement, COSCO Hong Kong agreed and would procure the Financial Services Continuing Connected Transactions be conducted on normal commercial terms and at such fee no less favourable than those available to or from (as appropriate) independent third parties. The amount of daily cash balance(s) of all cash deposit accounts of the member(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services and entrusted loan services) payable by the Group to COSCO Finance in connection with the Financial Services Continuing Connected Transactions (except transactions in connection with the provision of loan services) for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Deposit Caps"). The amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO Finance in connection with the loan transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Loan Caps") (the Deposit Caps and the Loan Caps are collectively called the "Financial Services Caps").

(d) *Fuel Oil Continuing Connected Transactions*

A fuel oil master agreement was entered into between the Company and COSCO Hong Kong on 13th November 2013 in relation to trading and supply of fuel oil and/or related products and services between the Group and COSCO Group, including without limitation: (a) purchase or sale of fuel oil and/or related products by the Group from or to COSCO Group; and (b) provision of services by COSCO Group to the Group to carry out arrangements at the instruction of and for and on behalf of the Group from time to time to enter into fuel oil and/or related products swap contracts and/or derivatives with independent third parties to facilitate the Group to hedge against the risk of fuel oil and/or related products price fluctuation under the fuel oil and/or related products transactions of its business of providing fuel oil and/or related products and services including marine bunker supplies, trading of fuel oil and related products and broker services (collectively the "Fuel Oil Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Fuel Oil Master Agreement"). Pursuant to the Fuel Oil Master Agreement, COSCO Hong Kong agreed and would procure the Fuel Oil Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration for the sale or purchase of fuel oil and/or related products no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Fuel Oil Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Fuel Oil Caps").

* *for identification purpose only*

DIRECTORS' REPORT

(e) *Management Services Continuing Connected Transactions*

A management services master agreement was entered into between the Company and COSCO Hong Kong on 13th November 2013 in relation to provision of administrative services including information technology and fixed line network support, business management and manpower resources (including without limitation manpower resources with expertise and experience in the business carried on by the Group from time to time and management of human resources), technical support and other administrative and ancillary support (including without limitation sharing of office equipment, network and communication system, information technology, other technical support, system management, financial system and maintenance) by COSCO Group to the Group and sharing of office premises by the Group (the "Management Services Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Management Services Master Agreement"). Pursuant to the Management Services Master Agreement, COSCO Hong Kong agreed and would procure the Management Services Continuing Connected Transactions be conducted on normal commercial terms. The aggregate amount of the Management Services Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Management Services Caps").

(f) *Tenancy Continuing Connected Transactions*

A master tenancy agreement was entered into between the Company and COSCO Hong Kong on 13th November 2013 in relation to leasing or sub-leasing of any of the properties owned by or leased to COSCO Group from time to time by COSCO Group to the Group (the "Tenancy Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Master Tenancy Agreement"). Pursuant to the Master Tenancy Agreement, COSCO Hong Kong agreed and would procure the Tenancy Continuing Connected Transactions be conducted on normal commercial terms. The aggregate amount of the Tenancy Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Tenancy Caps").

The Management Services Master Agreement, the Master Tenancy Agreement, the Management Services Caps and the Tenancy Caps were exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 13th November 2013. The Master Supply Agreement, the Master Purchase Agreement, the Financial Services Master Agreement, the Fuel Oil Master Agreement, the Supply Caps, the Purchase Caps, the Financial Services Caps and the Fuel Oil Caps were approved by the independent shareholders at the special general meeting of the Company held on 23rd December 2013, details of which were disclosed in the announcement and circular of the Company dated 13th November 2013 and 3rd December 2013 respectively.

Caps with COSCO Group

	Caps for the year ending 31st December 2014	**Caps for the year ending 31st December 2015**	Caps for the year ending 31st December 2016
Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	HK$1,400,000,000	**HK$1,525,000,000**	HK$1,660,000,000
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$325,000,000	**HK$438,000,000**	HK$565,000,000
Amount of daily cash balance(s) of all cash deposit accounts of the member(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services and entrusted loan services) payable by the Group to COSCO Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	RMB900,000,000	**RMB900,000,000**	RMB900,000,000
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO Finance for loan transactions contemplated under the Financial Services Master Agreement	RMB310,000,000	**RMB310,000,000**	RMB310,000,000
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	US$900,000,000	**US$900,000,000**	US$900,000,000
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the Management Services Master Agreement	HK$28,500,000	**HK$29,500,000**	HK$30,500,000
Aggregate amount payable by the Group to COSCO Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO Group) for transactions contemplated under the Master Tenancy Agreement	HK$43,000,000	**HK$44,000,000**	HK$45,000,000

DIRECTORS' REPORT

The amount of Supply Continuing Connected Transactions, the Purchase Continuing Connected Transactions, the Financial Services Continuing Connected Transactions, the Fuel Oil Continuing Connected Transactions, the Management Services Continuing Connected Transactions and the Tenancy Continuing Connected Transactions (collectively called the "COSCO Continuing Connected Transactions") for the financial year ended 31st December 2015 were as follows:

Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	HK$1,016,264,536
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$86,781,011
Amount of daily cash balance(s) of all cash deposit accounts of the member(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services and entrusted loan services) payable by the Group to COSCO Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	Not exceeded RMB900,000,000
Amount of daily outstanding balance(s) of all loan accounts of the member(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO Finance for loan transactions contemplated under the Financial Services Master Agreement	Nil
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	US$20,506,610
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the Management Services Master Agreement	HK$15,184,606
Aggregate amount payable by the Group to COSCO Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO Group) for transactions contemplated under the Master Tenancy Agreement	HK$24,989,373

The price and the terms of the COSCO Continuing Connected Transactions have been determined in accordance with the pricing policies disclosed in the announcement of the Company dated 13th November 2013 and the circular of the Company dated 3rd December 2013. As set out in notes 37(a)(i), 37(a)(ii), 37(a)(iii), 37(a)(iv), 37(a)(v), 37(a)(vi), 37(a)(vii), 37(b)(i), 37(b)(ii), 37(b)(iii), 37(b)(iv), 37(b)(vi), 37(b)(vii) and 37(b)(ix) to the financial statements, certain related party transactions of the Group also constituted continuing connected transactions of the Group as disclosed above.

2. (a) ***Kansai Technology Transfer Continuing Connected Transactions***

(i) On 15th June 2010, each of COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)") and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. ("COSCO Kansai (Zhuhai)"), all being non-wholly owned subsidiaries of the Company entered into a technology transfer agreement with Kansai Paint Co., Ltd. (關西塗料株式會社), a substantial shareholder of certain subsidiaries of the Company, being a connected person of the Company ("Japan Kansai"), whereby Japan Kansai has agreed, inter alia, to provide necessary technology and know-how in relation to the production of container coatings, marine coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Tianjin), and to provide necessary technology and know-how in relation to the production of container coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Zhuhai) in return for fees to be paid by the respective COSCO Kansai (Tianjin) and COSCO Kansai (Zhuhai) (collectively called the "Tianjin and Zhuhai Technology Transfer Agreements"). The Tianjin and Zhuhai Technology Transfer Agreements will remain in effect until the expiry of the joint venture contract for COSCO Kansai (Tianjin) and COSCO Kansai (Zhuhai) respectively.

(ii) On 26th June 2015, 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) ("COSCO Kansai Paint (Shanghai)"), being a non-wholly owned subsidiary of the Company) entered into a technology transfer agreement with Japan Kansai, whereby Japan Kansai has agreed, inter alia, to provide necessary technology and know-how in relation to the production of container coatings, marine coatings and heavy-duty anti-corrosion coatings to COSCO Kansai Paint (Shanghai) in return for fees to be paid by COSCO Kansai Paint (Shanghai) (the "Jinshan Shanghai Technology Transfer Agreement"). The Jinshan Shanghai Technology Transfer Agreement will remain in effect until the expiry of the joint venture contract for COSCO Kansai Paint (Shanghai). In addition, the Existing Technology Transfer Caps (as defined in the announcement of the Company dated 26th June 2015) will be applicable to the continuing connected transactions contemplated under the Technology Transfers Agreements (as defined hereinbelow). Details of which were disclosed in the announcement of the Company dated 26th June 2015.

(iii) On 15th June 2010, 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)"), being non-wholly owned subsidiary of the Company entered into a technology transfer agreement with Japan Kanai, whereby Japan Kansai has agreed, inter alia, to provide necessary technology and know-low in relation to the production of container coatings, marine coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Shanghai) in return for fees to be paid by COSCO Kansai (Shanghai) (the "Shanghai Technology Transfer Agreement"). As the term of equity joint venture contract of COSCO Kansai (Shanghai) would expire on 21st December 2015, COSCO Kansai (Shanghai) had applied for the extension of term of equity joint venture contract to 21st December 2035 which was approved by Shanghai Administration of Industry and Commerce of the People's Republic of China. As the arrangements under the Shanghai Technology Transfer Agreement will remain in effect until the expiry of the equity joint venture contract of COSCO Kansai (Shanghai), the duration of the Shanghai Technology Transfer Agreement has also been automatically extended to 21st December 2035 as a result of the extension of the term of the aforesaid equity joint venture contract. As there are no changes to the terms and conditions of the Shanghai Technology Transfer Agreement except the duration, the Existing Technology Transfer Caps (as defined in the announcement of the Company dated 26th June 2015) will remain applicable to the continuing connected transactions contemplated under the Technology Transfer Agreements (as defined hereinbelow). Details of which were disclosed in the announcement of the Company dated 5th November 2015.

* *for identification purpose only*

DIRECTORS' REPORT

(COSCO Kansai (Tianjin), COSCO Kansai (Zhuhai), COSCO Kansai Paint (Shanghai) and COSCO Kansai (Shanghai) are collectively called the "COSCO Kansai Companies". The Tianjin and Zhuhai Technology Transfer Agreements, the Jinshan Shanghai Technology Transfer Agreement and the Shanghai Technology Transfer Agreement set out in item (i), (ii) and (iii) above are collectively called the "Technology Transfer Agreements" and the transactions contemplated under the Technology Transfer Agreements are collectively called the "Kansai Technology Transfer Continuing Connected Transactions").

The aggregate amount of the Kansai Technology Transfer Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with Japan Kansai Group" (the "Kansai Technology Caps").

(b) Kansai Supply Continuing Connected Transactions

A master supply agreement was entered into between the Company and Japan Kansai on 17th December 2013 in relation to sale of coating related products, semi-finished products and materials and provision of services by the Group to Japan Kansai and its subsidiaries and associates (collectively the "Japan Kansai Group") (collectively the "Kansai Supply Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Master Kansai Supply Agreement"). Pursuant to the Master Kansai Supply Agreement, Japan Kansai agreed and would procure the Kansai Supply Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. As the Group would further explore the decorative coating business and the original annual cap for the financial year ending 31st December 2016 may be insufficient, a supplemental agreement was entered into between the Company and Japan Kansai on 26th June 2015, pursuant to which the annual cap of the Master Kansai Supply Agreement for the financial year ending 31st December 2016 was revised from RMB11,000,000 to RMB20,000,000. Details of which were disclosed in the announcement of the Company dated 26th June 2015. The aggregate amount of the Kansai Supply Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with Japan Kansai Group" (the "Kansai Supply Caps").

(c) Kansai Purchase Continuing Connected Transactions

A master purchase agreement was entered into between the Company and Japan Kansai on 17th December 2013 in relation to sale of coating related and other materials and products and provision of services by Japan Kansai Group to the Group, including without limitation: (a) the sale of raw materials, semi-finished products and products; and (b) the introduction of businesses (collectively the "Kansai Purchase Continuing Connected Transactions") for the three financial years ending 31st December 2016 (the "Master Kansai Purchase Agreement"). Pursuant to the Master Kansai Purchase Agreement, Japan Kansai agreed and would procure the Kansai Purchase Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Kansai Purchase Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with Japan Kansai Group" (the "Kansai Purchase Caps").

The Technology Transfer Agreements, the Master Kansai Supply Agreement, the Master Kansai Purchase Agreement, the Kansai Technology Caps, the Kansai Supply Caps and the Kansai Purchase Caps were exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules, details of which were disclosed in the announcements of the Company dated 17th December 2013, 26th June 2015 and 5th November 2015.

Caps with Japan Kansai Group

	Caps for the year ending 31st December 2014 RMB	**Caps for the year ending 31st December 2015 RMB**	Caps for the year ending 31st December 2016 RMB
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the Technology Transfer Agreements	18,000,000	**18,000,000**	18,000,000
Aggregate amount receivable by the Group for transactions contemplated under the Master Kansai Supply Agreement	10,000,000	**10,000,000**	20,000,000
Aggregate amount payable by the Group for transactions contemplated under the Master Kansai Purchase Agreement	19,000,000	**30,000,000**	41,000,000

The amount of the Kansai Technology Transfer Continuing Connected Transactions, Kansai Supply Continuing Connected Transactions and the Kansai Purchase Continuing Connected Transactions (collectively called the "Japan Kansai Continuing Connected Transactions") for the financial year ended 31st December 2015 were as follows:

	RMB
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the Technology Transfer Agreement	3,526,913
Aggregate amount receivable by the Group for transactions contemplated under the Master Kansai Supply Agreement	2,680,653
Aggregate amount payable by the Group for transactions contemplated under the Master Kansai Purchase Agreement	2,753,458

The price and the terms of the Japan Kansai Continuing Connected Transactions have been determined in accordance with the pricing policies disclosed in the announcements of the Company dated 17th December 2013 and 26th June 2015. As set out in notes 37(a)(i), 37(b)(ii), 37(b)(v) and 37(b)(viii) to the financial statements, certain related party transactions of the Group also constituted continuing connected transactions of the Group as disclosed above.

The Independent Non-executive Directors had reviewed (1) the Supply Continuing Connected Transactions; (2) the Purchase Continuing Connected Transactions; (3) the Financial Services Continuing Connected Transactions; (4) the Fuel Oil Continuing Connected Transactions; (5) the Management Services Continuing Connected Transactions; (6) the Tenancy Continuing Connected Transactions; (7) the Kansai Technology Transfer Continuing Connected Transactions; (8) the Kansai Supply Continuing Connected Transactions; and (9) the Kansai Purchase Continuing Connected Transactions (collectively the "Group's Continuing Connected Transactions") and were of the opinion that the Group's Continuing Connected Transactions for the financial year ended 31st December 2015 had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purposes of Rule 14A.56 of the Listing Rules in relation to the Group's Continuing Connected Transactions, the Board engaged the auditor of the Company to report on the Group's Continuing Connected Transactions for the year ended 31st December 2015 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the Group's Continuing Connected Transactions for the year ended 31st December 2015 in accordance with Rule 14A.56 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Material related party transactions of the Group are set out in note 37 to the financial statements. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions of the Group as defined in the Listing Rules, the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules had been complied with.

SHARE OPTIONS

The Company's share option scheme approved and adopted by the Shareholders on 17th May 2002 and with amendment approved by the Shareholders at the special general meeting of the Company held on 5th May 2005 (the "Share Option Scheme") expired on 16th May 2012. Share options granted under the Share Option Scheme prior to its expiry shall continue to be valid and exercisable pursuant to the provisions of the Share Option Scheme. Summary of the Share Option Scheme disclosed in accordance with the Listing Rules is as follows:

1. Purpose of the Share Option Scheme

(a) The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group.

(b) The Share Option Scheme shall be an incentive to encourage the participants and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

2. Participants of the Share Option Scheme

(a) any director of the Group;

(b) any director of the substantial shareholder of the Company;

(c) any employee of the Group;

(d) any employee of the substantial shareholder of the Company or any employee of such substantial shareholder's subsidiaries or associated companies;

(e) any business associate of the Group; and

(f) any business associate of any substantial shareholder of each member of the Group.

3. Total number of securities available for issue under the Share Option Scheme

The total number of shares which may be issued upon exercise of all share options to be granted under the share option scheme approved on 17th May 2002 is 139,438,929, being 10% of the issued share capital of the Company as at the said date. A 10% limit refreshment was approved by the Shareholders at the general meeting of the Company held on 5th May 2005 which enabled the grant of further share options to subscribe up to 141,644,129 shares of the Company, being 10% of the issued share capital of the Company as at the said date.

As the Share Option Scheme expired on 16th May 2012, no further share option can be granted under the Share Option Scheme. All share options granted and yet to be exercised under the Share Option Scheme lapsed during the year.

4. Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement for each participant is that the total number of shares of the Company issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. Any grant of further options exceed this limit shall be subject to certain requirements as stipulated in the rules of the Share Option Scheme.

5. Period within which the securities must be taken up under an option

Share options granted on 10th May 2005 are exercisable at any time from 6th June 2005 to 5th June 2015. Share options granted on 9th March 2007 are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

6. Minimum period for which an option must be held before it can be exercised

There is and shall be no minimum period for which an option must be held before it can be exercised except the share options granted on 9th March 2007, details of which were disclosed in item 5 above.

7. Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocably declined.

8. Basis of determining the exercise price

The exercise price is determined by the Board and shall be the highest of:

(a) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the offer date;

(b) the average closing price of shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and

(c) the nominal value of a share of the Company.

9. Remaining life of the Share Option Scheme

The Share Option Scheme is valid and effective for a period of 10 years, it commenced on 17th May 2002 and expired on 16th May 2012.

DIRECTORS' REPORT

Details of the movements of the share options granted under the Share Option Scheme during the year are set out below:

Category	Exercise Price (HK$)	Outstanding as at 1st January 2015	Category changed during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2015	Approximate percentage of total issued share capital of the Company	Notes
Continuous contract employees of the Group and joint venture(s)	1.21	600,000	–	(600,000)	–	–	–	(1),(3)
	3.666	13,280,000	–	–	(13,280,000)	–	–	(2),(3)
Other participants	1.21	550,000	–	(550,000)	–	–	–	(1),(3)
	3.666	23,390,000	–	–	(23,390,000)	–	–	(2),(3)

Notes:

(1) These share options were granted on 10th May 2005 pursuant to the Share Option Scheme and are exercisable at HK$1.21 per share at any time between 6th June 2005 and 5th June 2015.

(2) These share options were granted on 9th March 2007 pursuant to the Share Option Scheme and are exercisable at HK$3.666 per share from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely:

(i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007;
(ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards;
(iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and
(iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

(3) These share options represent personal interest held by the relevant participant as beneficial owner.

(4) Save as disclosed above, no share options were granted, exercised, lapsed or cancelled under the Share Option Scheme during the year.

(5) During the year, the weighted average closing price of the share of the Company immediately before the dates on which the share options were exercised was HK$5.51.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2015, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

1. Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Nature of interest	Total number of ordinary shares of associated corporation held	Approximate percentage of total issued share capital of associated corporation
Mr. Wu Shuxiong	COSCO Pacific Limited ("COSCO Pacific")	Beneficial owner	Personal	6,000	0.0002%
Mr. Xu Zhengjun^	COSCO Pacific	Interest of spouse	Family	16,000	0.0005%

^ Mr. Xu Zhengjun resigned as Executive Director and Managing Director on 18th March 2016.

2. Long positions in the underlying shares of equity derivatives of associated corporation

Share appreciation rights

Name of Director	Name of associated corporation	Exercise price (HK$)	Outstanding as at 1st January 2015	Units granted during the year	Units exercised during the year	Units lapsed during the year	Outstanding as at 31st December 2015	Approximate percentage of total issued share capital H share of associated corporation	Notes
Mr. Sun Jiakang*	China COSCO Holdings	3.195	375,000	–	–	375,000	–	–	(1),(4)
	Company Limited	3.588	500,000	–	–	–	500,000	0.019%	(2),(4)
	("China COSCO")	9.540	480,000	–	–	–	480,000	0.019%	(3),(4)
Mr. Zhang Liang	China COSCO	9.540	580,000	–	–	–	580,000	0.022%	(3),(4)
Mr. Wu Shuxiong	China COSCO	3.195	375,000	–	–	375,000	–	–	(1),(4)
		3.588	500,000	–	–	–	500,000	0.019%	(2),(4)
		9.540	480,000	–	–	–	480,000	0.019%	(3),(4)
Mr. Xu Zhengjun@	China COSCO	3.195	225,000	–	–	225,000	–	–	(1),(4)
		3.588	280,000	–	–	–	280,000	0.011%	(2),(4)
		9.540	260,000	–	–	–	260,000	0.010%	(3),(4)
Mr. Feng Jinhua#	China COSCO	3.588	90,000#	–	–	–	90,000	0.003%	(2),(4)
		9.540	85,000#	–	–	–	85,000	0.003%	(3),(4)
Mr. Wang Wei	China COSCO	3.195	75,000	–	–	75,000	–	–	(1),(4)
		3.588	65,000	–	–	–	65,000	0.003%	(2),(4)
		9.540	60,000	–	–	–	60,000	0.002%	(3),(4)
Ex-Director									
Mr. He Jiale^	China COSCO	3.195	375,000	–	–	375,000	–	–	(1),(4)
		3.588	500,000	–	–	–	N/A	N/A	(2),(4)
		9.540	480,000	–	–	–	N/A	N/A	(3),(4)

* Mr. Sun Jiakang resigned as Executive Director and Chairman on 18th March 2016.

@ Mr. Xu Zhengjun resigned as Executive Director and Managing Director on 18th March 2016.

\# Mr. Feng Jinhua was appointed as Executive Director on 17th December 2015. At the time of his appointment, he already held such share appreciation rights.

^ Mr. He Jiale resigned as Executive Director on 17th December 2015. As at 17th December 2015, he had 500,000 and 480,000 share appreciation rights of China COSCO at exercise price of HK$3.588 per unit and HK9.540 per unit respectively.

Notes:

(1) These share appreciation rights ("Share Appreciation Rights") were granted by China COSCO in units with each unit representing one H share of China COSCO on 16th December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no share will be issued. These Share Appreciation Rights can be exercised at HK$3.195 per unit according to its terms between 16th December 2007 and 15th December 2015.

(2) These Share Appreciation Rights were granted in units with each unit representing one H share of China COSCO on 5th October 2006 pursuant to the Plan. Under the Plan, no share will be issued. These Share Appreciation Rights can be exercised at HK$3.588 per unit according to its terms between 5th October 2008 and 4th October 2016.

DIRECTORS' REPORT

(3) These Share Appreciation Rights were granted in units with each unit representing one H share of China COSCO on 4th June 2007 pursuant to the Plan. Under the Plan, no share will be issued. These Share Appreciation Rights can be exercised at HK$9.540 per unit according to its terms between 4th June 2009 and 3rd June 2017.

(4) These Share Appreciation Rights represent personal interest held by the relevant participants as beneficial owner. The beneficial owners of these Share Appreciation Rights are entitled to the premium of the price of the issued shares of China COSCO over the exercise price of the Share Appreciation Rights.

Save as disclosed above and in the section headed "Share Options", none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange as at 31st December 2015.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2015, the following persons and entities, other than Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Nature of interest	Total number of ordinary shares of the Company held (Long positions)	Approximate percentage of total issued share capital of the Company
COSCO	Interest of controlled corporation	Corporate interest	984,944,286	64.25%
COSCO Hong Kong	Interest of controlled corporation	Corporate interest	984,944,286	64.25%
True Smart International Limited ("True Smart")	Beneficial Owner	Beneficial interest	984,944,286	64.25%

Note: True Smart has beneficial interest in 984,944,286 shares of the Company. Since True Smart is a wholly-owned subsidiary of COSCO Hong Kong which is in turn a wholly-owned subsidiary of COSCO, the interests of True Smart are deemed to be the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong are deemed to be the interests of COSCO under the SFO.

Save as disclosed above, as at 31st December 2015, the Company has not been notified by any person or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

As at the date of the Report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the 2016 AGM.

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 2015.

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.

During the year, in accordance with the amendments to the Listing Rules relating to the risk management and internal control which, inter alia, require the board to oversee the same on an ongoing basis, the terms of reference of audit committee and risk management committee were revised to reflect the changes in order to ensure an effective system of risk management be maintained to safeguard the Company's assets and the Shareholders' interests.

The Board believed that the Company has complied with the code provisions of Corporate Governance Code set out in Appendix 14 to the Listing Rules during the year ended 31st December 2015.

DIRECTORS' REPORT

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 2015. 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. 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 2015, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

All references above to other sections, reports or notes to the financial statements in this annual report form part of the Report.

On behalf of the Board

LIU Xianghao
Managing Director

Hong Kong, 22nd March 2016

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF COSCO INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COSCO International Holdings Limited (the "Company") and its subsidiaries set out on pages 119 to 201, which comprise the consolidated statement of financial position as at 31st December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd March 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2015

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	**103,185**	105,478
Property, plant and equipment	7	**392,516**	262,181
Prepaid premium for land leases	8	**32,876**	35,100
Investment properties	9	**49,416**	44,847
Investments in joint ventures	10	**525,343**	493,107
Investments in associates	11	**107,615**	82,520
Available-for-sale financial assets	13	**58,754**	70,524
Deferred income tax assets	14(a)	**49,245**	69,445
Non-current deposits	20	**35,805**	25,348
		1,354,755	1,188,550
Current assets			
Completed properties held for sale	15	**—**	192
Inventories	16	**347,241**	369,198
Trade and other receivables	17	**1,509,995**	1,960,207
Available-for-sale financial assets	13	**25,455**	28,970
Financial assets at fair value through profit or loss	19	**909**	1,086
Current income tax recoverable		**4,035**	8,682
Restricted bank deposits	20	**597**	14,120
Current deposits and cash and cash equivalents	20	**6,224,328**	6,094,329
		8,112,560	8,476,784
Total assets		**9,467,315**	9,665,334
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	21	**153,296**	153,181
Reserves	22	**7,575,859**	7,585,856
		7,729,155	7,739,037
Non-controlling interests		**370,469**	369,451
Total equity		**8,099,624**	8,108,488
LIABILITIES			
Non-current liability			
Deferred income tax liabilities	14(b)	**44,655**	39,027
Current liabilities			
Trade and other payables	23	**1,278,279**	1,470,613
Current income tax liabilities		**8,695**	21,145
Short-term borrowings	24	**36,062**	26,061
		1,323,036	1,517,819
Total liabilities		**1,367,691**	1,556,846
Total equity and liabilities		**9,467,315**	9,665,334

Feng Jinhua
Director

Liu Xianghao
Director

The notes on pages 125 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2015

	Note	2015 HK$'000	2014 HK$'000
Revenue	5	**5,999,646**	7,588,213
Cost of sales	26	**(5,308,924)**	(6,783,721)
Gross profit		**690,722**	804,492
Other income and gains	25	**85,933**	39,988
Selling, administrative and general expenses	26	**(537,489)**	(577,505)
Other expenses and losses	26	**(44,458)**	(21,129)
Operating profit		**194,708**	245,846
Finance income	29	**115,163**	142,977
Finance costs	29	**(3,795)**	(2,964)
Finance income — net	29	**111,368**	140,013
Share of profits of joint ventures	10	**110,171**	65,218
Share of profits of associates	11	**11,577**	17,016
Profit before income tax		**427,824**	468,093
Income tax expenses	30	**(65,760)**	(73,331)
Profit for the year		**362,064**	394,762
Profit attributable to:			
Equity holders of the Company		**335,763**	358,970
Non-controlling interests		**26,301**	35,792
		362,064	394,762
Earnings per share attributable to equity holders of the Company during the year			
— basic, HK cents	31(a)	**21.91**	23.70
— diluted, HK cents	31(b)	**21.81**	23.33

The notes on pages 125 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2015

	Note	2015 HK$'000	2014 HK$'000
Profit for the year		**362,064**	394,762
Other comprehensive income/(losses)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(93,643)**	(7,225)
Share of currency translation differences of a joint venture		**(14,878)**	9,848
Reclassification adjustment for a gain included in profit or loss	5	**–**	(14,345)
		(14,878)	(4,497)
Share of currency translation differences of an associate		**(1,353)**	(44)
Share of cash flow hedges of an associate, net of tax		**16,087**	(26,012)
Fair value (losses)/gains on available-for-sale financial assets, net		**(15,285)**	15,492
Other comprehensive losses for the year		**(109,072)**	(22,286)
Total comprehensive income for the year		**252,992**	372,476
Total comprehensive income attributable to:			
Equity holders of the Company		**249,329**	337,586
Non-controlling interests		**3,663**	34,890
		252,992	372,476

The notes on pages 125 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2015

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1st January 2015		153,181	1,198,923	6,386,933	7,739,037	369,451	8,108,488
Profit for the year		–	–	335,763	335,763	26,301	362,064
Other comprehensive income/(losses)							
Currency differences on translation of:							
– subsidiaries	22	–	(69,353)	–	(69,353)	–	(69,353)
– joint ventures	22	–	(1,047)	–	(1,047)	–	(1,047)
– associates	22	–	(605)	–	(605)	–	(605)
– non-controlling interests		–	–	–	–	(22,638)	(22,638)
Share of currency translation differences of:							
– a joint venture	22	–	(14,878)	–	(14,878)	–	(14,878)
– an associate	22	–	(1,353)	–	(1,353)	–	(1,353)
Share of cash flow hedges of an associate, net of tax	22	–	16,087	–	16,087	–	16,087
Fair value losses on available-for-sale financial assets, net	22	–	(15,285)	–	(15,285)	–	(15,285)
Total comprehensive (losses)/income for the year ended 31st December 2015		–	(86,434)	335,763	249,329	3,663	252,992
Transactions with owners							
Proceeds from shares issued upon exercise of share options	21(d), 22	115	1,276	–	1,391	–	1,391
Transfer between reserves	22	–	(38,763)	38,763	–	–	–
Dividends paid	22	–	–	(260,602)	(260,602)	(2,645)	(263,247)
Total transactions with owners		115	(37,487)	(221,839)	(259,211)	(2,645)	(261,856)
Balance at 31st December 2015		153,296	1,075,002	6,500,857	7,729,155	370,469	8,099,624

The notes on pages 125 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2015

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
Balance at 1st January 2014		151,378	1,213,263	6,110,527	7,475,168	313,925	7,789,093
Profit for the year		–	–	358,970	358,970	35,792	394,762
Other comprehensive income/(losses)							
Currency differences on translation of:							
– subsidiaries	22	–	(6,253)	–	(6,253)	–	(6,253)
– joint ventures	22	–	(52)	–	(52)	–	(52)
– associates	22	–	(18)	–	(18)	–	(18)
– non-controlling interests		–	–	–	–	(902)	(902)
Share of currency translation differences of:							
– a joint venture	22	–	(4,497)	–	(4,497)	–	(4,497)
– an associate	22	–	(44)	–	(44)	–	(44)
Share of cash flow hedges of an associate, net of tax	22	–	(26,012)	–	(26,012)	–	(26,012)
Fair value gains on available-for-sale financial assets, net	22	–	15,492	–	15,492	–	15,492
Total comprehensive (losses)/income for the year ended 31st December 2014		–	(21,384)	358,970	337,586	34,890	372,476
Transactions with owners							
Proceeds from shares issued upon exercise of share options	21(d), 22	1,803	22,890	–	24,693	–	24,693
Transfer between reserves	22	–	(15,846)	15,846	–	–	–
Acquisition of non-controlling interests		–	–	–	–	1,519	1,519
Capital contribution by non-controlling interests		–	–	–	–	21,749	21,749
Dividends paid	22	–	–	(98,410)	(98,410)	(2,632)	(101,042)
Total transactions with owners		1,803	7,044	(82,564)	(73,717)	20,636	(53,081)
Balance at 31st December 2014		153,181	1,198,923	6,386,933	7,739,037	369,451	8,108,488

The notes on pages 125 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2015

	Note	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	33	**469,416**	(74,872)
Income tax paid		**(48,063)**	(80,102)
Net cash generated from/(used in) operating activities		**421,353**	(154,974)
Cash flows from investing activities			
Increase in cash deposits with maturity over three months		**(209,735)**	(389,709)
Decrease in restricted bank deposits		**13,240**	48,272
Interest received		**113,536**	142,977
Loan repayment by a joint venture		**—**	54,292
Dividends received from investments		**2,604**	2,367
Dividends received from a joint venture		**62,010**	27
Dividends received from an associate		**611**	391
Net proceeds from sale of property, plant and equipment		**3,411**	583
Purchases of intangible assets		**(1,092)**	(2,468)
Purchases of property, plant and equipment		**(173,332)**	(142,357)
Purchase of leasehold land		**(899)**	—
Net cash used in acquisition of subsidiary		**—**	(81)
Net cash used in investing activities		**(189,646)**	(285,706)
Cash flows from financing activities			
Drawdown of bank loans		**56,973**	26,063
Repayment of bank loans		**(45,430)**	(59,595)
Proceeds from shares issued upon exercise of share options	21(d)	**1,391**	24,693
Capital contribution by non-controlling interests		**—**	21,749
Finance costs paid		**(3,795)**	(2,964)
Dividends paid to the Company's equity holders		**(260,602)**	(98,410)
Dividends paid to non-controlling interests		**(2,645)**	(2,632)
Net cash used in financing activities		**(254,108)**	(91,096)
Net decrease in cash and cash equivalents		**(22,401)**	(531,776)
Cash and cash equivalents at the beginning of the year		**1,164,713**	1,698,679
Exchange losses on cash and cash equivalents		**(27,160)**	(2,190)
Cash and cash equivalents at the end of the year	20(f)	**1,115,152**	1,164,713

The notes on pages 125 to 201 form an integral part of these audited consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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. 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").

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

These consolidated financial statements have been approved for issue by the board of directors on 22nd March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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 and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

In 2015, 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 2010–2012 Cycle	1st July 2014
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2011–2013 Cycle	1st July 2014

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 2015 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
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
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 9 (2014)	Financial Instruments	1st January 2018
HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2012–2014 Cycle	1st January 2016

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iii) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

The excess of the consideration transferred and the fair value of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired and liabilities assumed is recorded as goodwill. If the total of consideration transferred non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary amounts reported by subsidiaries have been adjusted to conform with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(c) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations that each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined that they are joint ventures. Investments in joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, investment in joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in joint ventures equals or exceeds its interest in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Joint arrangements (Continued)

Unrealised gains on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in joint ventures are stated at cost less provision for impairment losses, if any. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

Gains or losses on dilution of equity interest in joint ventures are recognised in the consolidated income statement.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method of accounting, investment in associate is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

The Group's share of associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in associates equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates/joint ventures is included in investments in associates/joint ventures and is tested for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which goodwill arose and identified according to operating segment. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from three to five years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (Continued)

(ii) Computer software (Continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software costs recognised as assets are amortised over their estimated useful lives.

(f) Properties

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property is measured initially at cost, including related transaction cost and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the consolidated income statement.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Group depreciates the property and recognises any impairment losses that have occurred up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation of property, plant and equipment.

Any resulting decrease in the carrying amount of the property is recognised in the consolidated income statement. However, to the extent that an amount is included in property revaluation reserve for that property, the decrease is charged against that revaluation reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Properties (Continued)

(i) Investment properties (Continued)

Any resulting increase in the carrying amount is recognised in the consolidated income statement to the extent that the increase reverses a previous impairment loss for that property. The amount recognised in the consolidated income statement does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised. Any remaining part of the increase is credited directly to equity in property revaluation reserve. On subsequent disposal of the investment property, the revaluation reserve is transferred to retained earnings without going through the consolidated income statement.

(ii) Completed properties held for sale

Completed properties held for sale are included as current assets and stated at the lower of cost and net realisable value. Cost comprises prepayments for leasehold land and land use rights, development expenditure and borrowing costs capitalised during the course of development. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less estimated selling expenses.

(iii) Prepaid premium for land leases

Prepaid premium for land leases are up-front payments to acquire long-term interests in leasehold land which is not classified as finance leases. The premiums are stated at cost and are amortised on a straight line basis over the lease period to the consolidated income statement.

(g) Property, plant and equipment

Properties comprise factory buildings, freehold land and buildings, and leasehold land classified as finance leases. Property, plant and equipment is stated at historical cost less accumulated depreciation, amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets are calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Leasehold land classified as finance lease	Remaining lease terms
Buildings	30 years or remaining lease terms (whichever is shorter)
Machinery	5–10 years
Equipment and motor vehicles	3–5 years
Leasehold improvement	3–5 years
Furniture and fixtures	3–5 years

No amortisation is provided for freehold land.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

All direct and indirect costs relating to the construction of property, plant and equipment, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as costs of the asset. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciation in accordance with the policy stated above.

(h) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, joint venture or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost of finished goods and work in progress comprises direct materials, direct labour and an appropriate proportion of all production overhead expenditure. It excludes borrowing costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. Cost of inventories includes the transfer from equity of any gains/losses on qualifying cash flow hedges purchases of inventories.

(j) Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purposes for which the investments are acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months, otherwise they are classified as non-current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and are not intended for trading. They are included in current assets, except for those with maturity greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted bank deposits" and "deposits and cash and cash equivalents" in the consolidated statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other income and gains/other expenses and losses" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

(k) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of financial assets (Continued)

(ii) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to (i) above. In the case of equity investments classified as available- for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

(l) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date derivative contracts are entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items.

The fair values of the derivative instruments used for hedging purposes are disclosed in note 18. Movement on the hedging reserve in shareholders' equity are shown in note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Derivative financial instruments and hedging activities (Continued)

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of cash flow swaps hedging variable price purchases is recognised in the consolidated income statement within "cost of sales". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of inventory. The deferred amounts are ultimately recognised in cost of inventory sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(m) Operating leases

Leases in which a significant portion of the risks and rewards of ownership of assets is retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the consolidated income statement on a straight-line basis over the lease term.

(n) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and a fellow subsidiary and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with maturity less than three months from the date of placement.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(s) Current and deferred income tax

The tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and deferred income tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on deductible temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and presentation currency. The directors consider that presentation of the consolidated financial statements in Hong Kong dollars will facilitate analysis of the financial information of the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualified cash flow hedges.

Foreign exchange gains and losses are presented in the consolidated income statement within "other income and gains/other expenses and losses".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iii) Group companies

On consolidation, the results and financial position of all of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity before 1st January 2005 are treated as assets and liabilities of the investor which acquired that foreign entity and expressed in the investor's functional currency. They are reported using the exchange rate at the date of acquisition. For goodwill and fair value adjustments arising on the acquisition of a foreign entity after 1st January 2005, they are treated as assets and liabilities of the foreign entity and translated at closing rate at the reporting date of the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(v) Employee benefits

(i) Pensions and retirement benefits

Following the adoption of the Mandatory Provident Fund Scheme ("MPF Scheme") in December 2000, all staff of the Group employed in Hong Kong joined the MPF Scheme. Under this scheme, employees and the Group are required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries, subject to a cap of HK$1,500. The Group's contributions to this scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

The Group also contributes to employee pension schemes established by municipal government in respect of certain subsidiaries in the PRC. The municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(ii) Share-based compensation

The Group operates a number of equity-settled, share based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(ii) *Share-based compensation (Continued)*

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(iii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(w) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is stated net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group’s activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and income recognition (Continued)

(i) Sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products

Income from sale of coatings, marine equipment and spare parts, marine fuel, asphalt and other products is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time the goods are delivered to customers according to the sales agreements and titles have passed.

(ii) Commission income

(1) Agency commission income

Commission income from agency services is recognised when the terms of the agency contracts are fulfilled upon provision of services.

(2) Insurance brokerage commission income

Insurance brokerage commission income is recognised when insurance premium becomes due.

(iii) Rental income

Rental income from investment properties is recognised on a straight-line basis over the terms of the respective leases.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors when appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. During the year, the Group had not entered into derivative financial instruments to hedge the risk exposures.

Risk management is carried out by the management under policies approved by the board of directors. The management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board of directors provides written policies covering specific areas, such as foreign currency risk and interest rate risk.

(i) Market risk

(1) Foreign currency risk

The Group operates in Hong Kong, the PRC and overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States ("US") dollars. Foreign exchange risk arises mainly from future commercial transactions, recognised assets and liabilities denominated in US dollars for operations in Hong Kong and the PRC.

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31st December 2015 and 2014, the Group had not entered into significant forward foreign exchange contracts to mitigate the currency exposure.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) *Market risk (Continued)*

(1) *Foreign currency risk (Continued)*

Foreign currency risk arising from operations whose functional currency is Hong Kong dollars

At 31st December 2015, if Hong Kong dollars had weakened/strengthened by 1% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$42,846,000 (2014: HK$39,670,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables.

Foreign currency risk arising from operations whose functional currency is Renminbi

At 31st December 2015, if Renminbi had weakened/strengthened by 5% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$6,552,000 (2014: HK$10,235,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables and short-term borrowings.

(2) *Interest rate risk*

Other than loan to a joint venture and deposits and cash and cash equivalents (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings (the "Interest Bearing Liabilities"). Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) will result in a net increase/decrease in the Group's post-tax profit by HK$29,988,000 (2014: HK$29,130,000).

(3) *Price risk*

The Group's fuel oil trading business is conducted on an indent basis where the purchase and selling prices of majority of the transactions are fixed in advance and thus the Group's exposure to fuel oil price risk is not significant. Management manages its exposure by entering into derivative contracts to hedge against the price fluctuation when the need arises. As at 31st December 2015 and 2014, there were no outstanding derivative financial instruments entered into by the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk (Continued)

The Group is exposed to equity securities price risk because certain of the Group's investments are classified as available-for-sale financial assets and financial assets at fair value through profit or loss, which are required to be stated at their fair values (see fair value estimation below). To manage the price risk arising from equity securities, the Group diversifies its portfolio in accordance with the limits set by the Group.

The Group's equity investments in equity of other entities are mainly publicly traded. The table below summarises the impact of increases/decreases of the market price of the Group's equity investments by 5%:

	Impact on post-tax profit		Impact on investment revaluation reserve	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
5% change in market price	**45**	54	**4,122**	4,887

(ii) Credit risk

Credit risk mainly arises from trade and other receivables, balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with acceptable credit rating, as rated by external credit agencies, and over 89% of the Group's bank balances as at 31st December 2015 were placed with state-owned and listed banks. Management considers these balances are subject to low credit risk. New customers are assessed and rated based on the credit quality of the customers, taking into account their financial position, past experience and other factors before standard payment and delivery terms and conditions are offered. The utilisation of credit limits granted to existing customers is regularly monitored and individual risk limits are revised accordingly.

(iii) Liquidity risk

The Group adopts prudent liquidity risk management which includes maintaining sufficient bank balances and cash, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000
Group	
At 31st December 2015	
Trade and other payables	**1,278,279**
Short-term borrowings	**36,594**
At 31st December 2014	
Trade and other payables	1,444,151
Short-term borrowings	26,210

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's total borrowings divided by total assets. The Group's strategy, which was unchanged from 2014, is to maintain a low gearing ratio. The gearing ratios at 31st December 2015 and 2014 were as follows:

	2015 HK$'000	2014 HK$'000
Total borrowings	**36,062**	26,061
Total assets	**9,467,315**	9,665,334
Gearing ratio	**0.4%**	0.3%

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value at 31st December 2015.

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Assets				
Available-for-sale financial assets				
— equity securities	**82,450**	**—**	**1,759**	**84,209**
Financial assets at fair value through profit or loss				
— trading securities	**909**	**—**	**—**	**909**
Total assets	**83,359**	**—**	**1,759**	**85,118**

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31st December 2014.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
— equity securities	97,735	—	1,759	99,494
Financial assets at fair value through profit or loss				
— trading securities	1,086	—	—	1,086
Total assets	98,821	—	1,759	100,580

There were no transfers among Levels 1, 2 and 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily equity investments classified as available-for-sale financial assets or trading securities.

(d) Valuation techniques used to derive Level 2 fair values

Level 2 comprises other observable inputs which are not included within Level 1 of the fair value hierarchy or market-corroborated inputs based on or supported by observable market data.

There were no level 2 financial assets in 2015 and 2014.

(e) Fair value measurements using significant unobservable inputs (Level 3)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Management has taken reference to the net asset value of the investment to determine its fair value as at the reporting date.

(f) Valuation process

The Group's finance department manages the valuations of financial assets and financial liabilities required for financial reporting purposes, including Level 3 fair values and presents the results of valuations to the management for review and approval on half-yearly basis. Changes in Levels 2 and 3 fair values are analysed when appropriate and reported with reasons for the fair value movements to the management.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates, assumptions and judgements in applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Allowances for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer.

(b) Allowances for inventory

The management of the Group reviews the ageing analysis at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes allowance for obsolete items.

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December 2015, the carrying amount of goodwill was HK$99,285,000. Details of the recoverable amount calculation are disclosed in note 6.

(d) Fair value estimates on acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of property, plant and equipment, leasehold land and land use rights and intangible assets are determined with reference to market prices. Any changes in the assumptions used and estimates made in determining the fair values, and management's ability to measure reliably the contingent liabilities of the acquired entity will impact the carrying amount of these assets and liabilities.

(e) Estimate of fair value of investment properties

In making its judgement, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Estimate of fair value of investment properties (Continued)

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The fair value of investment properties as at 31st December 2015 is based on valuations determined by independent professional qualified valuer. Details of the judgement and assumptions have been disclosed in note 9.

(f) Determination of fair value of share-based compensation

The Group uses the Binomial Lattice Valuation Model to determine the fair value of share options granted in the previous years. Under this model, the value of the share options is subject to a number of assumptions such as risk-free interest rate, expected life of the options and expected volatility based on annualised volatility of the closing price of the share. Therefore the value may be subjective and would change should any of the assumptions change.

(g) Estimate of cost provisions

Cost provisions are recognised when the Group has a present legal or constructive obligation as a result of past events for which the amounts have been reliably estimated. With the degree of uncertainty surrounding the amount of the settlement, judgement is required in assessing the ultimate settlement of these provisions. Cost provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

(h) Income taxes

The Group is subject to income taxes in Hong Kong, the PRC, Singapore, Japan, Germany and United States. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(i) Investment in Double Rich Limited (“Double Rich”)

Management has assessed the level of influence that the Group has on Double Rich and determined that it has significant influence even though the shareholding is below 20% because of the board representation. Consequently, this investment has been classified as an associate.

(j) Joint arrangements

The Group holds between 25% and 50% of the voting rights of its joint arrangements. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(j) Joint arrangements (Continued)

The Group's joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these arrangements are classified as joint ventures.

5 REVENUE AND SEGMENT INFORMATION

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

	2015 HK$'000	2014 HK$'000
Sale of coatings	**1,109,466**	1,391,004
Sale of marine equipment and spare parts	**1,096,698**	1,050,186
Commission income from ship trading agency	**84,983**	128,710
Commission income from insurance brokerage	**91,889**	91,000
Sale of marine fuel and other products	**2,779,986**	3,978,870
Sale of asphalt and other products	**836,624**	948,443
	5,999,646	7,588,213

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
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.

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31st December 2015									
	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
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

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

Year ended and as at 31st December 2014

	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
Profit and loss items:										
Segment revenue	1,391,004	1,050,377	128,710	91,356	4,191,541	6,852,988	948,568	–	(213,343)	7,588,213
Inter-segment revenue	–	(191)	–	(356)	(212,671)	(213,218)	(125)	–	213,343	–
Revenue from external customers	1,391,004	1,050,186	128,710	91,000	3,978,870	6,639,770	948,443	–	–	7,588,213
Segment operating profit	104,858	42,029	80,683	62,851	8,997	299,418	7,653	2,344	–	309,415
Finance income	9,374	1,367	7,876	1,530	214	20,361	2,247	–	–	22,608
Finance costs	(306)	(1,862)	(24)	(175)	(5,534)	(7,901)	(7,647)	–	–	(15,548)
Share of profits of joint ventures	64,738*	132	348	–	–	65,218	–	–	–	65,218
Share of profits of associates	–	–	2	–	16,272	16,274	742	–	–	17,016
Segment profit before income tax	178,664	41,666	88,885	64,206	19,949	393,370	2,995	2,344	–	398,709
Income tax expenses	(27,301)	(8,763)	(19,271)	(11,206)	(300)	(66,841)	(1,723)	–	–	(68,564)
Segment profit after income tax	151,363	32,903	69,614	53,000	19,649	326,529	1,272	2,344	–	330,145
Balance sheet items:										
Total segment assets	2,123,809	895,978	335,724	173,154	591,254	4,119,919	926,391	98,821	(240,858)	4,904,273
Total segment assets include:										
– Joint ventures	477,244	12,626	3,237	–	–	493,107	–	–	–	493,107
– Associates	–	–	2,091	–	73,387	75,478	7,042	–	–	82,520
Total segment liabilities	677,751	525,575	54,518	64,245	402,532	1,724,621	701,863	–	(240,858)	2,185,626
Other items:										
Depreciation and amortisation, net of amount capitalised	22,302	1,703	367	73	–	24,445	1,202	–	–	25,647
Net provision for impairment of inventories	1,978	–	–	–	–	1,978	–	–	–	1,978
Net reversal of provision for impairment of trade receivables	(22,180)	(1,080)	–	–	–	(23,260)	–	–	–	(23,260)
Provision for impairment of other receivables	–	36	–	–	–	36	18,943	–	–	18,979
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	136,542	6,805	199	128	–	143,674	2,017	–	–	145,691

* This amount includes share of exchange gain realised by Jotun COSCO upon liquidation of its subsidiary of HK$14,345,000, which was reclassified from exchange reserve.

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2015 HK$'000	2014 HK$'000
Profit before income tax for reportable segments	**395,543**	396,365
Profit before income tax for all other segments	**2,427**	2,344
Profit before income tax for all segments	**397,970**	398,709
Elimination of segment income from corporate headquarters	**(111)**	(95)
Elimination of segment finance costs to corporate headquarters	**6,608**	12,601
Corporate finance income	**98,070**	120,369
Corporate finance costs	**(17)**	(17)
Corporate expenses, net of income	**(74,696)**	(63,474)
Profit before income tax for the Group	**427,824**	468,093
Income tax expenses for all segments	**(62,963)**	(68,564)
Corporate income tax expenses	**(2,797)**	(4,767)
Profit after income tax for the Group	**362,064**	394,762

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

	2015 HK$'000	2014 HK$'000
Total assets for reportable segments	**4,812,358**	5,046,310
Total assets for all other segments	**83,358**	98,821
Elimination of inter-segment receivables	**(349,875)**	(240,858)
	4,545,841	4,904,273
Corporate assets (mainly deposits and cash and cash equivalents)	**5,223,410**	5,427,745
Elimination of corporate headquarters' receivables from segments	**(301,936)**	(666,684)
Total assets for the Group	**9,467,315**	9,665,334

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2015 HK$'000	2014 HK$'000
Total liabilities for reportable segments	**1,972,332**	2,426,484
Elimination of inter-segment payables	**(349,875)**	(240,858)
	1,622,457	2,185,626
Corporate liabilities	**47,170**	37,904
Elimination of segment payables to corporate headquarters	**(301,936)**	(666,684)
Total liabilities for the Group	**1,367,691**	1,556,846

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK$815,756,000 (2014: HK$795,040,000) and HK$5,183,890,000 (2014: HK$6,793,173,000) respectively.

The total of non-current assets, other than available-for-sale financial assets and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$752,162,000 (2014: HK$672,509,000) and HK$494,594,000 (2014: HK$376,072,000) respectively.

Revenue of HK$2,333,298,000 (2014: HK$1,694,125,000) is derived from a single external customer of the marine fuel and other products segment.

6 INTANGIBLE ASSETS

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
Cost:			
At 1st January 2015	**106,633**	**11,025**	**117,658**
Additions	**—**	**1,092**	**1,092**
Currency translation differences	**(1,364)**	**(354)**	**(1,718)**
At 31st December 2015	**105,269**	**11,763**	**117,032**
Accumulated amortisation and impairment:			
At 1st January 2015	**5,984**	**6,196**	**12,180**
Currency translation differences	**—**	**(263)**	**(263)**
Amortisation (note 26)	**—**	**1,930**	**1,930**
At 31st December 2015	**5,984**	**7,863**	**13,847**
Net book amount	**99,285**	**3,900**	**103,185**

	Goodwill HK$'000	Computer software HK$'000	Total HK$'000
Cost:			
At 1st January 2014	105,400	8,615	114,015
Additions	—	2,468	2,468
Acquisition of a subsidiary	2,084	—	2,084
Currency translation differences	(851)	(17)	(868)
Disposal	—	(41)	(41)
At 31st December 2014	106,633	11,025	117,658
Accumulated amortisation and impairment:			
At 1st January 2014	5,984	4,904	10,888
Currency translation differences	—	(7)	(7)
Amortisation (note 26)	—	1,340	1,340
Disposal	—	(41)	(41)
At 31st December 2014	5,984	6,196	12,180
Net book amount	100,649	4,829	105,478

6 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units under shipping services business segment as follows:

	2015 HK$'000	2014 HK$'000
Agency service in respect of shipbuilding, ship trading and bareboat charter business ("Ship trade business")	**47,912**	48,674
Provision of insurance brokerage services ("Insurance business")	**35,046**	35,046
Trading of marine equipment and spare parts ("Supply business")	**16,327**	16,929
	99,285	100,649

The recoverable amounts of the above business units are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations in 2015 are as follows:

	Ship trade business	Insurance business	Supply business
Annual growth rate	**3%**	**3%**	**3%**
Discount rate	**10%**	**10%**	**10%**

The key assumptions used for value-in-use calculations in 2014 are as follows:

	Ship trade business	Insurance business	Supply business
Annual growth rate	3%	3%	3%
Discount rate	11%	11%	11%

These assumptions have been used for the analysis of each cash generating unit within the operating segment.

Management determined the annual growth rate for each business unit covering over the five-year forecast period to be a key assumption. The annual growth rate is based on past performance and management's expectation for market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

7 PROPERTY, PLANT AND EQUIPMENT

	Properties HK$'000	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
At 1st January 2014						
Cost	170,122	93,260	16,754	41,801	3,140	325,077
Accumulated depreciation	(65,634)	(63,815)	(16,482)	(33,254)	—	(179,185)
Net book amount	104,488	29,445	272	8,547	3,140	145,892
Year ended 31st December 2014						
Opening net book amount	104,488	29,445	272	8,547	3,140	145,892
Additions	630	5,424	2,031	3,566	130,706	142,357
Currency translation differences	(1,594)	(167)	(12)	(37)	456	(1,354)
Depreciation (note 26(a))	(11,203)	(7,893)	(57)	(5,387)	—	(24,540)
Disposals	—	(118)	—	(56)	—	(174)
Closing net book amount	92,321	26,691	2,234	6,633	134,302	262,181
At 31st December 2014						
Cost	168,946	91,710	18,760	38,117	134,302	451,835
Accumulated depreciation	(76,625)	(65,019)	(16,526)	(31,484)	—	(189,654)
Net book amount	92,321	26,691	2,234	6,633	134,302	262,181
Year ended 31st December 2015						
Opening net book amount	**92,321**	**26,691**	**2,234**	**6,633**	**134,302**	**262,181**
Additions	**22,694**	**5,041**	**1,268**	**2,564**	**141,765**	**173,332**
Transfer between categories	**212,027**	**56,487**	**—**	**5,092**	**(273,606)**	**—**
Currency translation differences	**(14,411)**	**(3,510)**	**(48)**	**(482)**	**(2,461)**	**(20,912)**
Depreciation (note 26(a))	**(6,092)**	**(7,935)**	**(461)**	**(4,057)**	**—**	**(18,545)**
Disposals	**(37)**	**(3,390)**	**—**	**(113)**	**—**	**(3,540)**
Closing net book amount	**306,502**	**73,384**	**2,993**	**9,637**	**—**	**392,516**
At 31st December 2015						
Cost	**341,779**	**123,416**	**18,317**	**39,675**	**—**	**523,187**
Accumulated depreciation	**(35,277)**	**(50,032)**	**(15,324)**	**(30,038)**	**—**	**(130,671)**
Net book amount	**306,502**	**73,384**	**2,993**	**9,637**	**—**	**392,516**

NOTES TO THE FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's interests in properties at their net book value are analysed as follows:

	2015 HK$'000	2014 HK$'000
Freehold properties held outside Hong Kong	24,751	26,620
Leasehold properties held in Hong Kong		
— on leases of over 50 years	3,616	3,651
— on leases of between 10 and 50 years	1,390	1,527
Leasehold properties held outside Hong Kong		
— on leases of between 10 and 50 years	269,554	52,720
— on leases of less than 10 years	7,191	7,803
	306,502	92,321

8 PREPAID PREMIUM FOR LAND LEASES

	2015 HK$'000	2014 HK$'000
At 1st January	35,100	36,315
Addition	899	—
Currency translation differences	(2,038)	(129)
Amortisation (note 26)	(1,085)	(1,086)
At 31st December	32,876	35,100

The Group's interests in prepaid premium for land leases at their net book value are analysed as follows:

	2015 HK$'000	2014 HK$'000
Held outside Hong Kong		
— on leases of between 10 and 50 years	32,876	34,735
— on leases of less than 10 years	—	365
	32,876	35,100

9 INVESTMENT PROPERTIES

	Completed commercial properties Hong Kong HK$'000	Completed residential properties PRC HK$'000	Total HK$'000
Opening balance as at 1st January 2015	**22,300**	**22,547**	**44,847**
Currency translation differences	**—**	**(16)**	**(16)**
Fair value gains (note 25)	**—**	**4,585**	**4,585**
Closing balance as at 31st December 2015	**22,300**	**27,116**	**49,416**
Opening balance as at 1st January 2014	20,800	21,124	41,924
Currency translation differences	—	4	4
Fair value gains (note 25)	1,500	1,419	2,919
Closing balance as at 31st December 2014	22,300	22,547	44,847

The Group's interests in investment properties are analysed as follows:

	2015 HK$'000	2014 HK$'000
Held in Hong Kong		
— on leases of over 50 years	**22,300**	22,300
Held outside Hong Kong		
— on leases of between 10 and 50 years	**27,116**	22,547
	49,416	44,847

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Cushman & Wakefield, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31st December 2015 and 2014. For all investment properties, their current use equates to the highest and best use.

9 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

The Group's finance department includes a team that reviews the valuations performed annually by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee. Discussions of valuation processes and results are held between the management and audit committee at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant unobservable inputs (Level 3)

Fair values of completed commercial and residential properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

10 INVESTMENTS IN JOINT VENTURES

	2015 **HK$'000**	2014 HK$'000
At 1st January	**493,107**	432,465
Currency translation differences (note 22)	**(1,047)**	(52)
Share of profits	**110,171**	65,218
Share of other comprehensive losses (note 22)	**(14,878)**	(4,497)
Dividends received	**(62,010)**	(27)
At 31st December	**525,343**	493,107

Particulars of the joint ventures of the Group as at 31st December 2015 are set out in note 40 to the financial statements.

10 INVESTMENTS IN JOINT VENTURES (Continued)

Summarised financial information for a material joint venture of the Group

Set out below are the summarised financial information for Jotun COSCO, a material joint venture.

Summarised statement of financial position

	2015 HK$'000	2014 HK$'000
Non-current assets	**512,407**	552,803
Current assets		
Cash and cash equivalents	**238,373**	122,557
Other current assets	**1,546,291**	1,303,134
Total current assets	**1,784,664**	1,425,691
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	**221,677**	38,028
Other current liabilities	**1,069,221**	998,681
Total current liabilities	**1,290,898**	1,036,709
Non-current liability		
Deferred income tax liabilities	**4,991**	1,491
Net assets	**1,001,182**	940,294

Summarised statement of comprehensive income

	2015 HK$'000	2014 HK$'000
Revenue	**2,798,565**	2,281,359
Depreciation and amortisation	**34,899**	12,026
Interest income	**2,055**	1,674
Interest expense	**13,062**	2,920
Profit before income tax	**258,003**	164,880
Income tax charge	**(43,337)**	(35,404)
Profit for the year	**214,666**	129,476
Other comprehensive losses	**(29,758)**	(8,994)
Total comprehensive income	**184,908**	120,482

The information disclosed above reflects the amounts presented in the financial statements of the joint venture prepared under HKFRSs.

10 INVESTMENTS IN JOINT VENTURES (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in Jotun COSCO.

	2015 HK$'000	2014 HK$'000
Opening net assets at 1st January	**940,294**	819,812
Profit for the year	**214,666**	129,476
Dividends received	**(124,020)**	—
Other comprehensive losses		
Currency translation differences	**(29,758)**	(8,994)
Closing net assets at 31st December	**1,001,182**	940,294
Interest in joint venture (50%)	**500,591**	470,147
Goodwill	**7,097**	7,097
Carrying amount	**507,688**	477,244

11 INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
At 1st January	**82,520**	91,969
Currency translation differences (note 22)	**(605)**	(18)
Share of profits	**11,577**	17,016
Share of other comprehensive income/(losses) (note 22)	**14,734**	(26,056)
Dividends received	**(611)**	(391)
At 31st December	**107,615**	82,520

No summarised financial information for associates has been set out, as there were no individually material associates in 2015 and 2014.

Particulars of the associates of the Group as at 31st December 2015 are set out in note 40 to the financial statements.

12 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies applied to financial instruments are shown below by line item:

	Loans and receivables HK$'000	Assets at fair value through profit or loss HK$'000	Available-for-sale HK$'000	Total HK$'000
Group				
Assets as per consolidated statement of financial position				
At 31st December 2015				
Available-for-sale financial assets (note 13)	**—**	**—**	**84,209**	**84,209**
Trade and other receivables excluding prepayments (note 17)	**1,500,333**	**—**	**—**	**1,500,333**
Financial assets at fair value through profit or loss (note 19)	**—**	**909**	**—**	**909**
Restricted bank deposits, deposits and cash and cash equivalents (note 20)	**6,260,730**	**—**	**—**	**6,260,730**
Total	**7,761,063**	**909**	**84,209**	**7,846,181**
At 31st December 2014				
Available-for-sale financial assets (note 13)	—	—	99,494	99,494
Trade and other receivables excluding prepayments (note 17)	1,950,492	—	—	1,950,492
Financial assets at fair value through profit or loss (note 19)	—	1,086	—	1,086
Restricted bank deposits, deposits and cash and cash equivalents (note 20)	6,133,797	—	—	6,133,797
Total	8,084,289	1,086	99,494	8,184,869

NOTES TO THE FINANCIAL STATEMENTS

12 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31st December 2015	
Trade and other payables excluding non-financial liabilities	**1,278,279**
Short-term borrowings (note 24)	**36,062**
Total	**1,314,341**
At 31st December 2014	
Trade and other payables excluding non-financial liabilities	1,444,151
Short-term borrowings (note 24)	26,061
Total	1,470,212

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 **HK$'000**	2014 HK$'000
At 1st January	**99,494**	84,002
Fair value (losses)/gains recognised in other comprehensive income, net (note 22)	**(15,285)**	15,492
At 31st December	**84,209**	99,494
Less: current portion	**25,455**	28,970
Non-current portion	**58,754**	70,524

There were no impairment provisions on available-for-sale financial assets as at 31st December 2015 and 2014.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets include the following:

	2015 HK$'000	2014 HK$'000
Unlisted securities	**1,759**	1,759
Listed equity securities in Hong Kong	**82,450**	97,735
	84,209	99,494

Available-for-sale financial assets are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Renminbi	**1,759**	1,759
Hong Kong dollars	**82,450**	97,735
	84,209	99,494

14 DEFERRED INCOME TAX

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

The movement on the net deferred income tax assets during the year is as follows:

	2015 HK$'000	2014 HK$'000
At 1st January	**30,418**	33,023
Currency translation differences	**(755)**	74
Transferred to current income tax liabilities	**141**	142
Charged to the consolidated income statement, net (note 30)	**(25,214)**	(2,821)
At 31st December	**4,590**	30,418

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2015, the Group has unrecognised tax losses of HK$61,291,000 (2014: HK$63,584,000) to carry forward against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS

14 DEFERRED INCOME TAX (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The balances after offsetting where appropriate are as follows:

	2015 HK$'000	2014 HK$'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**39,934**	55,641
— to be recovered within 12 months	**9,311**	13,804
	49,245	69,445
Deferred income tax liabilities:		
— to be settled after more than 12 months	**(44,655)**	(39,027)
— to be settled within 12 months	**—**	—
	(44,655)	(39,027)
	4,590	30,418

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

(a) Deferred income tax assets

	Accrued liabilities HK$'000	**Impairment losses** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1st January 2014	41,776	20,659	3,085	65,520
Currency translation differences	(140)	(66)	(4)	(210)
Credited to the consolidated income statement	1,102	1,330	1,703	4,135
At 31st December 2014	42,738	21,923	4,784	69,445
At 1st January 2015	**42,738**	**21,923**	**4,784**	**69,445**
Currency translation differences	**(1,999)**	**(1,084)**	**(278)**	**(3,361)**
(Charged)/credited to the consolidated income statement	**(12,100)**	**(4,781)**	**42**	**(16,839)**
At 31st December 2015	**28,639**	**16,058**	**4,548**	**49,245**

14 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2014	(453)	(8,095)	(23,949)	(32,497)
Currency translation differences	1	26	257	284
Transfer to current income tax liabilities	—	—	142	142
Charged to the consolidated income statement	(517)	(695)	(5,744)	(6,956)
At 31st December 2014	(969)	(8,764)	(29,294)	(39,027)
At 1st January 2015	**(969)**	**(8,764)**	**(29,294)**	**(39,027)**
Currency translation differences	**2**	**661**	**1,943**	**2,606**
Transfer to current income tax liabilities	**—**	**—**	**141**	**141**
Charged to the consolidated income statement	**—**	**(3,668)**	**(4,707)**	**(8,375)**
At 31st December 2015	**(967)**	**(11,771)**	**(31,917)**	**(44,655)**

As at 31st December 2015, deferred income tax liabilities of HK$31,917,000 (2014: HK$29,294,000) have been recorded for the withholding tax that would be payable on profits of certain subsidiaries, joint ventures and associate to be repatriated and distributed by way of dividends.

NOTES TO THE FINANCIAL STATEMENTS

15 COMPLETED PROPERTIES HELD FOR SALE

	2015 HK$'000	2014 HK$'000
Land cost	–	56
Development cost	–	136
	–	192

The carrying value of completed properties held for sale is analysed as follows:

	2015 HK$'000	2014 HK$'000
Held outside Hong Kong		
— on leases of over 50 years	–	192

16 INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	**41,257**	61,763
Work in progress	**2,978**	2,939
Finished goods	**303,006**	304,496
	347,241	369,198

The cost of inventories recognised as expense and included in cost of sales amounted to HK$5,308,924,000 (2014: HK$6,783,721,000) (note 26).

During the year, the Group recognised inventories impairment provision of HK$15,559,000 (2014: HK$14,161,000) and reversed inventories impairment provision of HK$16,572,000 (2014: HK$12,183,000).

As at 31st December 2015, inventories of HK$53,497,000 (2014: HK$42,960,000) were carried at net realisable value.

17 TRADE AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables		
— fellow subsidiaries (note (g))	**104,853**	99,687
— related companies of COSCO (note (g))	**41,496**	129,168
— joint ventures (note (g))	**7,002**	378
— non-controlling interests (note (g))	**603**	613
— third parties	**659,259**	757,045
	813,213	986,891
Less: provision for impairment (note (c))	**43,847**	44,279
Trade receivables — net	**769,366**	942,612
Bills receivables		
— related companies of COSCO (note (g))	**66,023**	8,464
— non-controlling interests (note (g))	**—**	136
— third parties	**115,196**	170,157
Prepayments	**9,662**	9,715
Deposits and other receivables		
— fellow subsidiaries (note (g))	**22,250**	27,101
— related companies of COSCO (note (g))	**967**	1,104
— joint ventures (note (g))	**2**	372
— an associate (note (g))	**—**	19
— third parties	**526,354**	800,349
Amounts due from fellow subsidiaries (note (g))	**175**	178
	1,509,995	1,960,207

Notes:

(a) As at 31st December, the ageing analysis of trade receivables based on invoice date and after provision is as follows:

	2015 HK$'000	2014 HK$'000
Current–90 days	**483,415**	762,909
91–180 days	**161,643**	123,753
Over 180 days	**124,308**	55,950
	769,366	942,612

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

NOTES TO THE FINANCIAL STATEMENTS

17 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) As at 31st December 2015, trade receivables of HK$77,359,000 (2014: HK$80,191,000) were subject to impairment. Taking into account the financial difficulties of the debtors, default and delinquency in payments, business relationship and transaction volumes with the debtors, it was assessed that only a portion of these receivables is expected to be recoverable. The amount of the provision for these receivables was HK$43,847,000 as at 31st December 2015 (2014: HK$44,279,000). The ageing analysis of these receivables is as follows:

	2015 HK$'000	2014 HK$'000
Current–90 days	**7,833**	1,180
91–180 days	**1,065**	11,704
Over 180 days	**68,461**	67,307
	77,359	80,191

(c) Movements on the provision for impairment of trade receivables are as follows:

	2015 HK$'000	2014 HK$'000
At 1st January	**44,279**	67,926
Currency translation differences	**(2,387)**	(387)
Provision for impairment	**17,305**	15,490
Amount written off	**(234)**	—
Reversal of unused provision	**(15,116)**	(38,750)
At 31st December	**43,847**	44,279

(d) Trade receivables that are less than three months past due are not considered impaired. As at 31st December 2015, trade receivables of HK$159,020,000 (2014: HK$180,134,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis on past due days of these receivables is as follows:

	2015 HK$'000	2014 HK$'000
Up to 90 days	**76,833**	128,323
91–180 days	**50,612**	26,825
Over 180 days	**31,575**	24,986
	159,020	180,134

17 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(e) As at 31st December 2015, other receivables of HK$17,387,000 (2014: HK$73,881,000) were impaired and the amount of impairment provision for these receivables was HK$17,387,000 (2014: HK$37,570,000). Except for these receivables and trade receivables mentioned above, the other classes within trade and other receivables do not contain impaired assets.

(f) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Renminbi	**935,055**	1,252,647
Hong Kong dollars	**54,834**	30,000
United States dollars	**332,757**	363,782
Others	**187,349**	313,778
	1,509,995	1,960,207

(g) Balances with fellow subsidiaries, related companies of COSCO, joint ventures, associate and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills receivables, which are repayable according to the respective credit terms.

(h) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. As at 31st December 2015, the Group does not hold any collateral as security (2014: other receivable of HK$34,609,000 was secured by the guarantee of a fellow subsidiary).

18 DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to the risk of fuel oil price fluctuation which arises when sales contracts of fixed prices for sale of fuel oil and purchase contracts of floating prices for purchase of fuel oil are entered. As at 31st December 2015 and 31st December 2014, no derivative financial instruments were entered into by the Group to hedge against the risk of fuel oil price fluctuation.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK$'000	2014 HK$'000
Listed equity securities in Hong Kong	**909**	1,086

NOTES TO THE FINANCIAL STATEMENTS

20 RESTRICTED BANK DEPOSITS, DEPOSITS AND CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Non-current deposits with a fellow subsidiary (note (a))	**35,805**	25,348
Restricted bank deposits (note (b))	**597**	14,120
Current deposits with a fellow subsidiary (note (a))	**679,777**	818,261
Short-term bank deposits	**5,176,850**	4,907,185
Cash at bank and on hand	**367,701**	368,883
Current deposits and cash and cash equivalents	**6,224,328**	6,094,329
Total deposits and cash and cash equivalents	**6,260,730**	6,133,797

Notes:

(a) Deposits with a fellow subsidiary, which is a financial institution in the PRC, bear interest at prevailing market rates.

(b) Restricted bank deposits represent deposits pledged for banking facilities and other purposes.

(c) The carrying amounts of total deposits and cash and cash equivalents approximate their fair values and are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Renminbi	**661,343**	959,652
Hong Kong dollars	**158,626**	106,545
United States dollars	**5,365,982**	4,977,132
Others	**74,779**	90,468
	6,260,730	6,133,797

(d) The Group's cash and cash equivalents denominated in Renminbi are mainly deposited with banks and a fellow subsidiary in the PRC. The conversion of these Renminbi denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(e) The maximum exposure to credit risk at the reporting date is the carrying amount of the balances mentioned above.

20 RESTRICTED BANK DEPOSITS, DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

Notes: (Continued)

(f) The Group's cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	2015 HK$'000	2014 HK$'000
Total deposits and cash and cash equivalents	**6,260,730**	6,133,797
Less: restricted bank deposits	**(597)**	(14,120)
cash deposits with maturity more than three months from date of placement	**(5,144,981)**	(4,954,964)
Cash and cash equivalents	**1,115,152**	1,164,713

21 SHARE CAPITAL

	2015		2014	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Shares of HK$0.10 each	**3,000,000,000**	**300,000**	3,000,000,000	300,000
Issued and fully paid:				
At 1st January	**1,531,805,429**	**153,181**	1,513,781,429	151,378
Shares issued upon exercise of share options (note (d))	**1,150,000**	**115**	18,024,000	1,803
At 31st December	**1,532,955,429**	**153,296**	1,531,805,429	153,181

Share options

On 17th May 2002, a share option scheme was approved at the annual general meeting of the Company under which the directors of the Company may, at their discretion, invite, but not limited to, the directors and employees of the Group, and employees of COSCO, its subsidiaries and associates (other than the Group) (collectively "COSCO Group") to subscribe for shares of the Company.

21 SHARE CAPITAL (Continued)

Share options (Continued)

Particulars and movements of the share options granted by the Company are as follows:

			Number of share options							Vested %	
Category	Note	Exercise price HK$	Outstanding as at 1st January 2015	Granted during the year	Changed category during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st December 2015	as at 31st December 2015	as at 31st December 2014
Directors	(a)	1.37	–	–	–	–	–	–	–	–	100
Continuous contract employees	(a)	1.37	–	–	–	–	–	–	–	–	100
	(b)	1.21	600,000	–	–	(600,000)	–	–	–	–	100
	(c)	3.666	13,280,000	–	–	–	–	(13,280,000)	–	–	100
Others	(a)	1.37	–	–	–	–	–	–	–	–	100
	(b)	1.21	550,000	–	–	(550,000)	–	–	–	–	100
	(c)	3.666	23,390,000	–	–	–	–	(23,390,000)	–	–	100
			37,820,000	–	–	(1,150,000)	–	(36,670,000)	–		

Notes:

(a) On 2nd December 2004, the directors and employees of the Group were granted 32,650,000 share options at an exercise price of HK$1.37 per share. In addition, 23,250,000 share options were granted to employees of COSCO Group. These share options were all vested upon the date of grant and are exercisable at any time from 29th December 2004 to 28th December 2014. 18,024,000 share options were exercised in 2014 and the remaining options were lapsed as at 29th December 2014.

(b) On 10th May 2005, the employees of the Group were granted 2,400,000 share options at an exercise price of HK$1.21 per share. These share options were all vested upon the date of grant and are exercisable at any time from 6th June 2005 to 5th June 2015. During the year, the remaining 1,150,000 (2014: Nil) were exercised.

(c) On 9th March 2007, the Company granted share options to subscribe for 43,850,000 shares of the Company at an exercise price of HK$3.666 per share. These share options are exercisable at any time from 9th March 2009 to 8th March 2015. No share options were exercised in 2015 and 2014. During the year, all remaining (2014: 580,000) share options were cancelled or lapsed.

The Company adopted the Binomial Lattice Valuation Model to determine the fair value of the above share options granted in 2007. The weighted average fair value of each share option at the grant date was HK$1.33. The significant inputs into the model are as follows:

Weighted average price	HK$3.62
Exercise price	HK$3.666
Expected volatility	37% p.a.
Expected option life	8 years
Risk-free rate	4% p.a. for the first 3 years 4.25% p.a. for the next 5 years
Expected dividend yield	2.2% p.a.

21 SHARE CAPITAL (Continued)

Share options (Continued)

Notes: (Continued)

(c) Expected volatility measured at the standard deviation of the continuously compounded rates of return was determined based on the historical volatility of the Company's share price over the previous one year.

There was no employee share option benefit expense recognised in 2015 and 2014 as a result of the above equity-settled share based transactions on the basis of the fair value of share options granted.

(d) During the year, 1,150,000 (2014: 18,024,000) share options were exercised and a summary of share options exercised analysed by exercise month, is set out below:

	Number of share options exercised	
	2015	2014
Exercise month		
April	**–**	80,000
May	**950,000**	—
June	**200,000**	—
July	**–**	140,000
August	**–**	150,000
September	**–**	50,000
October	**–**	220,000
November	**–**	616,000
December	**–**	16,768,000
	1,150,000	18,024,000

Exercise of share options yielded proceeds as follows:

	2015 HK$'000	2014 HK$'000
Ordinary share capital — at par	**115**	1,803
Share premium	**1,276**	22,890
Proceeds	**1,391**	24,693

The weighted average closing price of the Company's shares on the dates when the share options were exercised was HK$5.54 (2014: HK$3.05).

NOTES TO THE FINANCIAL STATEMENTS

22 RESERVES

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2015	**165,072**	**45,748**	**91,934**	**676,218**	**162,497**	**7,799**	**74,322**	**(24,667)**	**6,386,933**	**7,585,856**
Transfer to statutory reserves (note (b))	–	–	6,310	–	–	–	–	–	(6,310)	–
Transfer to retained profits upon the lapse and cancellation of share options	–	(45,073)	–	–	–	–	–	–	45,073	–
Currency differences on translation of :										
– subsidiaries	–	–	–	–	(69,353)	–	–	–	–	(69,353)
– joint ventures (note 10)	–	–	–	–	(1,047)	–	–	–	–	(1,047)
– associates (note 11)	–	–	–	–	(605)	–	–	–	–	(605)
Share of currency translation differences of a joint venture (note 10)	–	–	–	–	(14,878)	–	–	–	–	(14,878)
Share of currency translation differences of an associate (note 11)	–	–	–	–	(1,353)	–	–	–	–	(1,353)
Share of cash flow hedges of an associate, net of tax (note 11)	–	–	–	–	–	–	–	16,087	–	16,087
Issue of shares upon exercise of share options	1,951	(675)	–	–	–	–	–	–	–	1,276
Fair value losses on available-for-sale financial assets, net (note 13)	–	–	–	–	–	–	(15,285)	–	–	(15,285)
Profit for the year (note (a))	–	–	–	–	–	–	–	–	335,763	335,763
Dividends paid	–	–	–	–	–	–	–	–	(260,602)	(260,602)
Balance at 31st December 2015	**167,023**	**–**	**98,244**	**676,218**	**75,261**	**7,799**	**59,037**	**(8,580)**	**6,500,857**	**7,575,859**
Representing:										
Reserves	167,023	–	98,244	676,218	75,261	7,799	59,037	(8,580)	6,362,891	7,437,893
2015 proposed final dividend	–	–	–	–	–	–	–	–	137,966	137,966
	167,023	–	98,244	676,218	75,261	7,799	59,037	(8,580)	6,500,857	7,575,859
Balance at 1st January 2014	142,182	46,520	107,008	676,218	173,361	7,799	58,830	1,345	6,110,527	7,323,790
Transfer to statutory reserves (note (b))	–	–	4,280	–	–	–	–	–	(4,280)	–
Transfer to retained profits upon the lapse and cancellation of share options	–	(772)	–	–	–	–	–	–	772	–
Reserve realised upon liquidation of a joint venture	–	–	(19,354)	–	–	–	–	–	19,354	–
Currency differences on translation of :										
– subsidiaries	–	–	–	–	(6,253)	–	–	–	–	(6,253)
– joint ventures (note 10)	–	–	–	–	(52)	–	–	–	–	(52)
– associates (note 11)	–	–	–	–	(18)	–	–	–	–	(18)
Share of currency translation differences of a joint venture (note 10)	–	–	–	–	(4,497)	–	–	–	–	(4,497)
Share of currency translation differences of an associate (note 11)	–	–	–	–	(44)	–	–	–	–	(44)
Share of cash flow hedges of an associate, net of tax (note 11)	–	–	–	–	–	–	–	(26,012)	–	(26,012)
Issue of shares upon exercise of share options	22,890	–	–	–	–	–	–	–	–	22,890
Fair value gains on available-for-sale financial assets, net (note 13)	–	–	–	–	–	–	15,492	–	–	15,492
Profit for the year (note (a))	–	–	–	–	–	–	–	–	358,970	358,970
Dividends paid	–	–	–	–	–	–	–	–	(98,410)	(98,410)
Balance at 31st December 2014	165,072	45,748	91,934	676,218	162,497	7,799	74,322	(24,667)	6,386,933	7,585,856
Representing:										
Reserves	165,072	45,748	91,934	676,218	162,497	7,799	74,322	(24,667)	6,233,752	7,432,675
2014 proposed final dividend	–	–	–	–	–	–	–	–	153,181	153,181
	165,072	45,748	91,934	676,218	162,497	7,799	74,322	(24,667)	6,386,933	7,585,856

22 RESERVES (Continued)

Notes:

(a) Profit for the year of HK$335,763,000 (2014: HK$358,970,000) includes net profits of HK$110,171,000 (2014: HK$65,218,000) attributable to joint ventures and HK$11,577,000 (2014: HK$17,016,000) attributable to associates.

(b) Statutory reserves represent the PRC statutory reserves of certain subsidiaries, joint ventures and associates.

(c) In 2004, part of the amount standing to the credit of the share premium account of the Company was offset against the entire accumulated losses as at 31st December 2003 of HK$1,680,335,000 and the remaining credit of the share premium account of HK$676,218,000 was transferred to contributed surplus.

23 TRADE AND OTHER PAYABLES

	2015 HK$'000	2014 HK$'000
Trade payables		
— fellow subsidiaries (note (b))	**11,455**	24,502
— related companies of COSCO (note (b))	**55**	21
— joint ventures (note (b))	**1,975**	1,118
— associates (note (b))	**—**	850
— non-controlling interests (note (b))	**1,099**	1,070
— third parties	**277,160**	419,243
	291,744	446,804
Bills payables		
— third parties	**38,296**	148,195
Advances from customers and other payables		
— fellow subsidiaries (note (b))	**195,300**	241,498
— related companies of COSCO (note (b))	**35,219**	53,234
— joint ventures (note (b))	**72**	96
— a holding company (note (b))	**813**	145
— non-controlling interests (note (b))	**1,625**	2,951
— third parties	**642,123**	492,913
Accrued liabilities	**32,979**	44,871
Amounts due to fellow subsidiaries (note (b))	**7,808**	5,900
Dividend payable to non-controlling interests	**32,300**	34,006
	1,278,279	1,470,613

NOTES TO THE FINANCIAL STATEMENTS

23 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) As at 31st December, the ageing analysis of trade payables based on invoice date is as follows:

	2015 HK$'000	2014 HK$'000
Current–90 days	**253,298**	405,554
91–180 days	**32,842**	21,992
Over 180 days	**5,604**	19,258
	291,744	446,804

(b) Balances with fellow subsidiaries, related companies of COSCO, joint ventures, associates,a holding company and non-controlling interests are unsecured, interest-free and have no fixed terms of repayment except for the trade related balances and bills payables, which are repayable accordingly to the respective credit terms.

(c) The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Renminbi	**551,146**	748,551
Hong Kong dollars	**303,002**	129,795
United States dollars	**293,073**	407,714
Others	**131,058**	184,553
	1,278,279	1,470,613

24 SHORT-TERM BORROWINGS

	2015 HK$'000	2014 HK$'000
Unsecured bank loans, repayable within one year	**36,062**	26,061

24 SHORT-TERM BORROWINGS (Continued)

Notes:

(a) The carrying amounts of short-term borrowings approximate their fair values and are denominated in the following currencies:

	2015 HK$'000	2014 HK$'000
Renminbi	**36,062**	—
United States dollars	**—**	26,061
	36,062	26,061

(b) The effective interest rates of short-term borrowings during the year ended 31st December 2015 and 2014 are as follows:

	2015	2014
Renminbi	**3.94%**	3.72%
United States dollars	**3.11%**	2.73%

(c) Short-term borrowings are subject to the exposure of interest rate changes at contractual repricing dates.

25 OTHER INCOME AND GAINS

	2015 HK$'000	2014 HK$'000
Gains on disposal of property, plant and equipment	**—**	409
Rental income	**1,790**	1,502
Fair value gains on investment properties (note 9)	**4,585**	2,919
Reversal of provision for impairment of inventories, net of provision	**1,013**	—
Reversal of provision for impairment of trade receivables, net of provision	**—**	23,260
Reversal of provision for impairment of other receivables, net of provision	**18,574**	—
Dividend income from listed and unlisted investments	**2,604**	2,367
Net exchange gains	**—**	2,199
Government subsidy income#	**50,471**	—
Others	**6,896**	7,332
	85,933	39,988

Government subsidy income of HK$50,471,000 (2014: Nil) was recognised during the year 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 COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd. in relocating the existing production plant and settling the impacted staff.

NOTES TO THE FINANCIAL STATEMENTS

26 EXPENSES BY NATURE

	2015 HK$'000	2014 HK$'000
Cost of sales		
Cost of inventories sold (note 16)	**5,308,924**	6,783,721
Selling, administrative and general expenses		
Selling expenses	**189,650**	217,460
Depreciation of property, plant and equipment (note 26(a))	**2,797**	5,580
Amortisation of intangible assets (note 6)	**1,930**	1,340
Amortisation of prepaid premium for land leases (note 8)	**1,085**	1,086
Operating lease rental expenses (note 26(b))	**28,729**	28,953
Administrative staff costs	**181,949**	180,010
Auditors' remuneration	**5,752**	5,569
Others	**125,597**	137,507
	537,489	577,505
Other expenses and losses		
Net losses on disposal of property, plant and equipment	**129**	—
Direct operating expenses for generating rental income	**145**	149
Provision for impairment of inventories, net of reversal	**—**	1,978
Provision for impairment of trade receivables, net of reversal	**2,189**	—
Provision for impairment of other receivables	**—**	18,979
Fair value losses on financial assets at fair value through profit or loss	**177**	23
Net exchange losses	**41,818**	—
	44,458	21,129

(a) Depreciation of property, plant and equipment

	2015 HK$'000	2014 HK$'000
Charge for the year (note 7)	**18,545**	24,540
Charged to cost of sales	**(11,938)**	(16,145)
Charged to selling expenses	**(1,441)**	(1,790)
Capitalised in inventories	**(2,369)**	(1,025)
	2,797	5,580

26 EXPENSES BY NATURE (Continued)

(b) Operating lease rental expenses

	2015 HK$'000	2014 HK$'000
Land and buildings	**28,729**	28,953

27 EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses, which were included in cost of sales, selling, administrative and general expenses, are as follows:

	2015 HK$'000	2014 HK$'000
Wages, salaries and other short-term benefits, including directors' emoluments (note 28(a))	**280,951**	279,922
Retirement benefits costs — defined contribution scheme (note)	**22,446**	22,783
Termination benefits	**685**	206
	304,082	302,911
Included in:		
Cost of sales	**34,185**	33,900
Selling, administrative and general expenses	**269,897**	269,011
	304,082	302,911

Note:

There were no forfeited contributions (2014: Nil) utilised during the year and no forfeited contributions were available at the year-end to reduce future contributions (2014: Nil). There were no contributions (2014: Nil) payable to the fund at the year-end.

NOTES TO THE FINANCIAL STATEMENTS

27 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emoluments are reflected in the note 28(a). The emoluments of the remaining three (2014: three) individuals during the year are as follows:

	2015 HK$'000	2014 HK$'000
Basic salaries, allowances and benefits-in-kind	3,971	3,218
Discretionary bonuses	754	862
Retirement benefits costs — defined contribution scheme	54	50
	4,779	4,130

The emoluments of the individuals fell within the following bands:

	Number of individuals	
Emolument band	2015	2014
HK$1,000,001 — HK$1,500,000	2	3
HK$1,500,001 — HK$2,000,000	1	—

(b) Emoluments of senior management

Other than the emoluments of directors disclosed in note 28(a), the emoluments of senior management fell within the following bands:

	Number of individuals	
Emolument band	2015	2014
Below HK$1,000,000	2	2
HK$1,000,001 — HK$1,500,000	3	4

28 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2015 are as follows:

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Mr. Zhang Liang	—	5,900	5,900
Mr. Xu Zhengjun	—	3,468	3,468
Mr. Tsui Yiu Wa, Alec	270	—	270
Mr. Jiang, Simon X.	270	—	270
Mr. Alexander Reid Hamilton	270	—	270
	810	9,368	10,178

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2014 are as follows:

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Mr. Zhang Liang	—	5,000	5,000
Mr. Xu Zhengjun	—	2,400	2,400
Mr. Tsui Yiu Wa, Alec	260	—	260
Mr. Jiang, Simon X.	260	—	260
Mr. Alexander Reid Hamilton	260	—	260
	780	7,400	8,180

As at 31st December 2015, directors of the Company had no outstanding share options (2014: Nil) to subscribe for shares of the Company (refer to note 21 for details).

28 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

29 FINANCE INCOME — NET

	2015 HK$'000	2014 HK$'000
Interest income from:		
— a fellow subsidiary	**15,274**	13,896
— a joint venture	**—**	234
— bank deposits	**99,889**	128,847
Total finance income	**115,163**	142,977
Interest expenses on bank loans	**(1,500)**	(703)
Other finance charges	**(2,295)**	(2,261)
Total finance costs	**(3,795)**	(2,964)
Finance income — net	**111,368**	140,013

30 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2014: 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% (2014:17% to 43%) during the year.

30 INCOME TAX EXPENSES (Continued)

	2015 HK$'000	2014 HK$'000
Current income tax		
— Hong Kong profits tax	**15,282**	18,649
— the PRC enterprise income tax	**19,966**	47,355
— other overseas taxation	**4,120**	4,608
— over-provision for Hong Kong profits tax in prior years	**(21)**	(21)
— under-provision for the PRC taxation in prior years	**1,070**	173
— under/(over)-provision for other overseas taxation in prior years	**129**	(254)
Deferred income tax charge — net (note 14)	**25,214**	2,821
Income tax expenses	**65,760**	73,331

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates and the difference is set out below:

	2015 HK$'000	2014 HK$'000
Profit before income tax (excluding share of profits of joint ventures and associates)	**306,076**	385,859
Calculated at a tax rate of 16.5% (2014: 16.5%)	**50,503**	63,667
Effect of different tax rates in the PRC and other overseas countries	**13,990**	12,618
Income not subject to income tax	**(22,001)**	(24,331)
Expenses not deductible for tax purposes	**15,269**	13,409
Tax losses not recognised	**—**	1,639
Utilisation of previously unrecognised tax losses	**(765)**	(25)
Under/(over)-provision in prior years	**1,178**	(102)
Withholding tax on profits of subsidiaries, joint ventures and associate	**4,707**	5,744
Other temporary differences	**715**	253
Withholding tax on interest income	**798**	1,607
Land appreciation tax on PRC investment properties	**3,055**	546
Special tax credit	**(1,689)**	(1,694)
Income tax expenses	**65,760**	73,331

NOTES TO THE FINANCIAL STATEMENTS

31 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.

	2015	2014
Profit attributable to equity holders of the Company	**HK$335,763,000**	HK$358,970,000
Weighted average number of ordinary shares in issue	**1,532,495,292**	1,514,624,908
Basic earnings per share	**21.91 HK cents**	23.70 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.

	2015	2014
Profit attributable to equity holders of the Company	**HK$335,763,000**	HK$358,970,000
Weighted average number of ordinary shares in issue	**1,532,495,292**	1,514,624,908
Adjustment for assumed issuance of shares on exercise of share options	**7,090,877**	24,230,231
Weighted average number of ordinary shares for diluted earnings per share	**1,539,586,169**	1,538,855,139
Diluted earnings per share	**21.81 HK cents**	23.33 HK cents

32 DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim dividend paid of HK$0.07 (2014: HK$0.03) per ordinary share	**107,307**	45,425
Final dividend proposed of HK$0.09 (2014: HK$0.10) per ordinary share	**137,966**	153,181
	245,273	198,606

At the board meeting held on 22nd March 2016, the directors of the Company proposed a final dividend of HK$0.09 per ordinary share for the year ended 31st December 2015. This proposed dividend has not been recognised as a liability in the financial statements for the year ended 31st December 2015, but will be recognised in shareholders' equity in the year ending 31st December 2016.

33 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash generated from/(used in) operations

	2015 HK$'000	2014 HK$'000
Operating profit	**194,708**	245,846
Amortisation of intangible assets	**1,930**	1,340
Depreciation of property, plant and equipment, net of amount capitalised	**16,176**	23,515
Net losses/(gains) on disposal of property, plant and equipment	**129**	(409)
Amortisation of prepaid premium for land leases	**1,085**	1,086
Fair value gains on investment properties	**(4,585)**	(2,919)
Fair value losses on financial assets at fair value through profit or loss	**177**	23
(Reversal of provision)/provision for impairment of inventories, net	**(1,013)**	1,978
Provision/(reversal of provision) for impairment of trade receivables, net	**2,189**	(23,260)
(Reversal of provision)/provision for impairment of other receivables, net	**(18,574)**	18,979
Dividend income	**(2,604)**	(2,367)
Operating profit before working capital changes	**189,618**	263,812
Decrease in inventories	**3,994**	74,608
Decrease in completed properties held for sale	**187**	—
Decrease/(increase) in trade receivables and other receivables	**402,151**	(340,946)
Decrease/(increase) in amounts due from fellow subsidiaries	**3**	(21)
Decrease in trade payables and other payables	**(126,739)**	(47,812)
Increase in amounts due to fellow subsidiaries	**1,909**	4,486
Decrease in dividend payable to non-controlling interests	**(1,707)**	(28,999)
Cash generated from/(used in) operations	**469,416**	(74,872)

34 FINANCIAL GUARANTEE CONTRACTS

As at 31st December 2015, 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	2015 HK$'000	2014 HK$'000
General banking facilities of:			
— a joint venture	2016	**38,750**	38,776
— an associate	2016	**205,377**	205,511
Counter guarantee	2016	**22,475**	22,490
		266,602	266,777

As at 31st December 2015, 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.

35 COMMITMENTS

(a) The Group had capital commitments for capital expenditure as follows:

	2015 HK$'000	2014 HK$'000
Contracted but not provided	**3,312**	61,604

(b) The Group's share of capital commitments of a joint venture in respect of fixed assets investment is as follows:

	2015 HK$'000	2014 HK$'000
Contracted but not provided	**11,132**	23,821

35 COMMITMENTS (Continued)

(c) The aggregate future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**29,845**	24,780
In the second to fifth years inclusive	**18,892**	27,879
Over five years	**1,093**	—
	49,830	52,659

The Group's operating leases were for terms ranging from one to five years.

(d) The aggregate future minimum rental receivables under non-cancellable operating leases are as follows:

	2015 HK$'000	2014 HK$'000
Within one year	**524**	1,198
In the second to fifth years inclusive	**—**	167
	524	1,365

The Group's operating leases were for terms ranging from one to two years.

36 BUSINESS COMBINATIONS

On 6th August 2014, the Group acquired 51% equity interests in Yuan Hua Technical & Supply Corporation ("Yuan Hua") at a cash consideration of US$472,800 from China Ocean Shipping Company Americas, Inc., a fellow subsidiary. Yuan Hua is incorporated and registered in the State of Delaware, United States. Its principal businesses include material supply for arriving vessels at the port, spare parts supply and delivery, and support for repair service and technical support.

37 MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"), a company incorporated in Hong Kong, which owns 64.25% of the Company's shares as at 31st December 2015. The remaining 35.75% of the Company's shares is widely held. The parent of COSCO Hong Kong is COSCO.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO, its subsidiaries (other than the Group) and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the years 2015 and 2014, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the year:

(a) Sale of goods and provision of services to fellow subsidiaries, related companies of COSCO and other related parties

	Note	2015 HK$'000	2014 HK$'000
Sale of coatings to:	(i)		
— fellow subsidiaries		**18,451**	13,199
— related companies of COSCO		**372,143**	463,616
— non-controlling interests		**3,335**	2,642
Sale of marine equipment and spare parts to:	(ii)		
— fellow subsidiaries		**848,128**	838,019
— related companies of COSCO		**3,713**	3,643
— joint ventures		**3,783**	2,096
Commission income in relation to the provision of ship trading agency services to:	(iii)		
— fellow subsidiaries		**68,992**	114,169
— related companies of COSCO		**—**	369
— a joint venture		**17,743**	17,330
Commission income in relation to the provision of insurance brokerage services to:	(iv)		
— fellow subsidiaries		**50,374**	53,391
— related companies of COSCO		**1,419**	1,097
— holding companies		**164**	125
— a joint venture		**45**	12
Sale of marine fuel to:	(v)		
— fellow subsidiaries		**65,108**	1,807,216
— related companies of COSCO		**—**	12
Sale of ship supplies and other products to:	(vi)		
— fellow subsidiaries		**3,310**	5,197
— related companies of COSCO		**144**	311
Interest income from a fellow subsidiary (note 20(a))	(vii)	**15,274**	13,896
Interest income from a joint venture		**—**	234

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, related companies of COSCO and other related parties (Continued)

Notes:

(i) Sale of coatings to fellow subsidiaries, related companies of COSCO and non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of marine equipment and spare parts to fellow subsidiaries, related companies of COSCO and joint ventures was conducted on terms as set out in the agreements governing these transactions.

(iii) Certain subsidiaries of the Company acted as agent of COSCO and its subsidiaries relating to (a) sale and purchase of new and second hand vessels, (b) bareboat charter businesses, and (c) sale and purchase of marine equipment for new shipbuilding projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above. The commissions were charged based on terms as set out in the agreements governing these transactions.

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, related companies of COSCO, holding companies and a joint venture was calculated on terms as set out in the agreements governing these transactions.

(v) Sale of marine fuel to fellow subsidiaries and related companies of COSCO was conducted on terms as set out in the agreements governing these transactions.

(vi) Sale of ship supplies and other products to fellow subsidiaries and related companies of COSCO was conducted on terms as set out in the agreements governing these transactions.

(vii) Interest income was received from cash deposits placed with a fellow subsidiary and was calculated at prevailing market rates.

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, related companies of COSCO and other related parties

	Note	2015 HK$'000	2014 HK$'000
Rental expenses paid to fellow subsidiaries	(i)	**25,134**	26,105
Commission expenses in relation to the sale of coatings paid to:	(ii)		
— fellow subsidiaries		**1,318**	4,460
— related companies of COSCO		**1,012**	137
— non-controlling interests		**8**	775
Commission expenses in relation to the provision of ship trading agency services paid to:	(iii)		
— fellow subsidiaries		**—**	202
— a joint venture		**1,533**	8,083
— an associate		**85**	1,075
Commission expenses in relation to the sale of marine equipment paid to a related company of COSCO	(iv)	**2,269**	1,525
Purchase of marine equipment from a related company of COSCO	(iv)	**35,578**	26,247
Purchase of raw materials from non-controlling interests	(v)	**3,418**	2,112
Transportation costs paid to fellow subsidiaries	(vi)	**51,194**	22,849
Purchase of marine fuel from:	(vii)		
— fellow subsidiaries		**58,692**	1,172,538
— related companies of COSCO		**—**	17,609
— an associate		**35,072**	850
Technology usage fee paid to non-controlling interests	(viii)	**4,052**	5,429
Management service fees paid to a holding company and fellow subsidiaries	(ix)	**15,295**	14,778

Notes:

(i) During the year, the Group leased certain office premises in Hong Kong from the wholly-owned subsidiaries of COSCO Hong Kong at an average monthly rent of HK$1,553,000 (2014: HK$1,608,000). The Group also leased other properties in the PRC and other overseas countries from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) Commission expenses paid to fellow subsidiaries, a joint venture and an associate were based on terms as set out in the agreements governing these transactions.

(iv) A related company of COSCO was appointed as agent to provide agency services in relation to the sale of marine equipment in the PRC and to purchase marine equipment from suppliers. Commission paid was based on a certain percentage of sales procured by the related company of COSCO.

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, related companies of COSCO and other related parties (Continued)

Notes: (Continued)

(v) Purchase of raw materials from non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(vi) Transportation costs paid to fellow subsidiaries was based on terms as set out in the agreements governing these transactions.

(vii) Purchase of marine fuel from fellow subsidiaries, related companies of COSCO and an associate was conducted on terms as set out in the agreements governing these transactions.

(viii) Technology usage fee paid to non-controlling interests was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(ix) Management service fees were paid to COSCO Hong Kong and fellow subsidiaries in relation to their provision of administrative services, manpower resources, technical support and other ancillary support to the Group and sharing of office premises by the Group and were conducted on terms as set out in the agreements governing these transactions.

(c) On 29th June 2009, the Group executed corporate guarantee of US$5,000,000 (equivalent to approximately HK$38,750,000) in favour of a bank as security for general banking facilities of US$5,000,000 (equivalent to approximately HK$38,750,000) granted by the bank to Jotun COSCO. This guarantee was subsequently amended on 22nd March 2013 and remained effective as at 31st December 2015.

(d) On 20th October 2011, the Group executed corporate guarantee of US$2,900,000 (equivalent to approximately HK$22,475,000) in favour of Jotun A/S, the shareholder of Jotun COSCO, as counter guarantee in relation to general banking facilities granted to Jotun COSCO. This guarantee remained effective as at 31st December 2015.

(e) On 30th April 2012, the Group executed corporate guarantees of US$21,500,000 (equivalent to approximately HK$166,627,000) and US$5,000,000 (equivalent to approximately HK$38,750,000) respectively in favour of two banks as security for general banking facilities of US$108,000,000 (equivalent to approximately HK$837,008,000) and US$41,000,000 (equivalent to approximately HK$317,753,000) respectively granted by the banks to Double Rich. These guarantees remained effective as at 31st December 2015.

(f) On 2nd May 2012, the Group and Kansai Paint (China) Investment Co., Ltd., a wholly-owned subsidiary of the Group's non-controlling interest, Kansai Paint Co., Ltd. ("Japan Kansai") entered into an agreement whereby a new company known as COSCO Kansai Paint (Shanghai) Co., Ltd. will be established for the purpose of operating coating business in the PRC. The new company with a registered capital of US$25,600,000 (equivalent to approximately HK$198,415,000) will be owned as to 63.07% equity interest by the Group and 36.93% equity interest by Japan Kansai. During the year ended 31 December 2014, Japan Kansai contributed capital of HK$21,749,000 to the new company.

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**564**	708
Property, plant and equipment		**1,382**	656
Investments in subsidiaries		**289,618**	286,981
Investment in a joint venture		**143,688**	143,688
Amount due from a subsidiary		**–**	40,000
		435,252	472,033
Current assets			
Amounts due from subsidiaries		**1,041,057**	1,179,048
Other receivables		**22,590**	18,708
Current deposits and cash and cash equivalents		**4,896,873**	4,713,985
		5,960,520	5,911,741
Total assets		**6,395,772**	6,383,774
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**153,296**	153,181
Other reserves	Note (a)	**843,241**	887,038
Retained profits	Note (a)	**4,696,104**	4,809,114
Total equity		**5,692,641**	5,849,333
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**676,327**	516,022
Other payables		**26,804**	18,210
Current income tax liabilities		**–**	209
Total liabilities		**703,131**	534,441
Total equity and liabilities		**6,395,772**	6,383,774

The statement of financial position of the Company was approved by the Borad of Directors on 22nd March 2016 and was signed on its behalf.

Feng Jinhua	**Liu Xianghao**
Director	*Director*

NOTES TO THE FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a): Reserve movement of the Company

	Other reserves HK$'000	Retained profits HK$'000
At 1 January 2014	864,920	4,828,078
Issue of shares upon exercise of share options	22,890	—
Profit for the year	—	78,674
Dividends paid	—	(98,410)
Transfer from employee share-based compensation reserve to retained profits upon the lapse and cancellation of share options	(772)	772
At 31 December 2014	887,038	4,809,114
At 1 January 2015	**887,038**	**4,809,114**
Issue of shares upon exercise of share options	**1,276**	**—**
Profit for the year	**—**	**102,519**
Dividends paid	**—**	**(260,602)**
Transfer from employee share-based compensation reserve to retained profits upon the lapse and cancellation of share options	**(45,073)**	**45,073**
At 31 December 2015	**843,241**	**4,696,104**

39 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31st December 2015 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held	
				2015	2014
Capital Properties Limited#	Hong Kong, limited liability company	HK$2 ordinary share capital	Provision of nominee services	100%	100%
COSCO (Hong Kong) Insurance Brokers Limited	Hong Kong, limited liability company	HK$5,000,000 ordinary share capital	Provision of insurance brokerages and related services	100%	100%
COSCO International Land Limited	Hong Kong, limited liability company	HK$2 ordinary share capital	Investment holding	100%	100%
COSCO International Ship Trading and Supplying Services Limited	Hong Kong, limited liability company	HK$2 ordinary share capital	Investment holding	100%	100%
COSCO International Ship Trading Company Limited	Hong Kong, limited liability company	HK$500,000 ordinary share capital	Provision of agency services in ship trading business	100%	100%
New Legend Holdings Limited	Hong Kong, limited liability company	HK$1 ordinary share capital	Investment holding	100%	100%
Yuantong Marine Service Co. Limited	Hong Kong, limited liability company	HK$208,352,000 ordinary share capital	Trading of marine equipment and spare parts	100%	100%
COSCO (B.V.I.) Holdings Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
COSCO International Land (B.V.I.) Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Fragrant Sea Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Graceful Nice Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Hugo Marine Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Leadfull Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
New Renown Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Promise Keep Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Raycle Match Development Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Uppermost Corporation#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%
Winner Pacific Investment Ltd.#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

39 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2015	2014
COSCO (Beijing) Marine Electronic Equipment Limited	PRC, wholly foreign-owned enterprise	RMB680,000	Trading of marine equipment and spare parts	**100%**	100%
COSCO International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB130,633,044	Trading of asphalt, ship equipment and accessories	**100%**	100%
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$7,000,000	Production and sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$5,000,000	Production and sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$10,000,000	Production and sale of coatings	**64.71%**	64.71%
COSCO Kansai Paint (Shanghai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$25,600,000	Production and sale of coatings	**63.07%**	63.07%
COSCOSHIP Beijing Company Limited	PRC, wholly foreign-owned enterprise	US$1,300,000	Provision of agency services in ship trading business	**100%**	100%
Shenzhen COSCO Insurance Brokers Limited	PRC, Sino-foreign equity joint venture enterprise	RMB10,000,000	Provision of professional services of insurance brokerages	**55%**	55%
Yuantong Marine Trade (Shanghai) Co., Ltd.	PRC, wholly foreign-owned enterprise	US$500,000	Trading of marine equipment and spare parts	**100%**	100%
Sinfeng Marine Services Pte. Ltd.	Singapore, limited liability company	7,000,000 ordinary shares of US$1 each	Trading of marine fuel and other related products	**100%**	100%
Xing Yuan (Singapore) Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of S$1 each	Trading of marine equipment and spare parts	**100%**	100%
Shin Chung Lin Corporation	Japan, limited liability company	600 ordinary shares of JPY50,000 each	Trading of marine equipment and spare parts	**100%**	100%
Hanyuan Technical Service Center GmbH	Germany, limited liability company	EUR102,259	Trading of marine equipment and spare parts	**100%**	100%
Yuan Hua Technical & Supply Corporation	the United States, limited liability company	US$400,000	Material and spare parts supply and service support for vessels	**51%**	51%

shares held directly by the Company

40 JOINT VENTURES AND ASSOCIATES

Particulars of joint ventures and associates of the Group as at 31st December 2015 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2015	Attributable equity interest held 2014
(a) Joint ventures					
Jotun COSCO Marine Coatings (HK) Limited	Hong Kong/PRC, limited liability company	HK$2,400 ordinary share capital	Investment holding and sale of coatings	**50%**	50%
Cosbulk International Trading Co. Ltd. (Tianjin)	PRC, Sino-foreign equity joint venture enterprise	RMB1,500,000	Vessel and equipment trade consultant	**49%**	49%
COSCO Dalian Ocean Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB600,000	Provision of marine electronic engineering services	**40%**	40%
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$250,000	Trading of marine equipment and provision of repair and maintenance	**25%**	25%
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$200,000	Provision of marine electronic engineering services	**25%**	25%
(b) Associates					
COSCO Guangzhou Shipstores Supply Co., Ltd.	PRC, limited liability company	RMB30,442,100	Supply and storage of related materials of cargo transportation	**20%**	20%
Coscoship (Qingdao) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB3,000,000	Vessel engineering and technical support	**20%**	20%
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$663,000	Manufacture, sale and provision of after-sale service of container software and related products	**20%**	20%
Shanghai Ocean Diamond Co. Ltd.	PRC, limited liability company	RMB1,000,000	International and domestic trade	**50%**	50%
Double Rich Limited	Hong Kong, limited liability company	HK$88,000,000 ordinary share capital	Trading of oil products and investment holding	**18%**	18%

LIST OF MAJOR PROPERTIES

As at 31st December 2015

Description	Existing use	Approximate area	Lease term	% of interest attributable to the Group
Properties held for own use				
(1) No. 42, Diwu Main Street, Economic Technology Development Zone, Tianjin, the PRC	Industrial	Site area 28,572.32 sq.m.	From 1st January 2012 to 31st December 2017	63.07
(2) No.5589-5689 Hutai Road, Shanghai, the PRC	Industrial	Site area 44,159 sq.m.	From 22nd December 1995 to 21st December 2015	63.07
(3) Economic Zone, Gaolan Port, Zhuhai, the PRC	Industrial	Site area 67,881.68 sq.m.	From 18th April 2006 to 17th April 2056	64.71
(4) No. 2, Industry Park, Jinshan District, Shanghai, the PRC	Industrial	Site area 61,097.30 sq.m.	From 5th July 2013 to 4th July 2063	63.07
(5) 207 Henderson Road, #01-03/#03-03 Henderson Industrial Park, Singapore 159550	Commercial	Saleable area 782 sq.m.	Freehold	100
(6) No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, the PRC	Carparking	1 car parking space		100
(7) Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, the PRC	Residential	Gross floor area 228.29 sq.m.		100
Property held for investment				
(1) 19th Floor, Nan Dao Commercial Building, 359–361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7th February 1852	100

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**5,999,646**	7,588,213	9,308,434	10,005,705	10,656,121
Operating profit	**194,708**	245,846	219,069	298,763	370,979
Finance income — net	**111,368**	140,013	89,999	123,948	91,808
Share of profits of joint ventures	**110,171**	65,218	9,549	37,996	50,152
Share of profits of associates	**11,577**	17,016	13,028	13,126	25,755
Profit before income tax	**427,824**	468,093	331,645	473,833	538,694
Income tax expenses	**(65,760)**	(73,331)	(58,547)	(70,926)	(90,963)
Profit for the year	**362,064**	394,762	273,098	402,907	447,731
Profit attributable to:					
Equity holders of the Company	**335,763**	358,970	241,610	363,006	390,339
Non-controlling interests	**26,301**	35,792	31,488	39,901	57,392
	362,064	394,762	273,098	402,907	447,731

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31st December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Intangible assets	**103,185**	105,478	103,127	97,071	98,542
Property, plant and equipment	**392,516**	262,181	145,892	156,718	162,217
Prepaid premium for land leases	**32,876**	35,100	36,315	7,064	7,482
Investment properties	**49,416**	44,847	41,924	38,447	35,777
Investments in joint ventures	**525,343**	493,107	432,465	416,886	376,877
Investments in associates	**107,615**	82,520	91,969	79,015	85,053
Available-for-sale financial assets	**58,754**	70,524	49,048	59,373	66,187
Deferred income tax assets	**49,245**	69,445	65,520	62,044	72,640
Non-current deposits	**35,805**	25,348	38,153	61,654	—
	1,354,755	1,188,550	1,004,413	978,272	904,775
Current assets	**8,112,560**	8,476,784	8,445,550	8,639,116	8,583,760
Total assets	**9,467,315**	9,665,334	9,449,963	9,617,388	9,488,535
CAPITAL AND RESERVES					
Share capital	**153,296**	153,181	151,378	151,363	151,363
Reserves	**7,575,859**	7,585,856	7,323,790	7,182,758	6,940,432
Total shareholders' equity	**7,729,155**	7,739,037	7,475,168	7,334,121	7,091,795
Non-controlling interests	**370,469**	369,451	313,925	246,023	187,119
Total equity	**8,099,624**	8,108,488	7,789,093	7,580,144	7,278,914
LIABILITIES					
Non-current liability					
Deferred income tax liabilities	**44,655**	39,027	32,497	26,689	20,358
Current liabilities					
Short-term borrowings	**36,062**	26,061	59,786	46,205	34,801
Other current liabilities	**1,286,974**	1,491,758	1,568,587	1,964,350	2,154,462
	1,323,036	1,517,819	1,628,373	2,010,555	2,189,263
Total liabilities	**1,367,691**	1,556,846	1,660,870	2,037,244	2,209,621
Total equity and liabilities	**9,467,315**	9,665,334	9,449,963	9,617,388	9,488,535

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