中遠國際控股有限公司*

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2013 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Revenue decreased by 7% to HK$9,308,434,000.
- Gross profit increased by 1% to HK$694,265,000.
- Affected by the prolonged weak shipping market, the business environment of the Group's core shipping services grew tougher and the results of various shipping services segment experienced decline. Profit attributable to equity holders declined by 33% to HK$241,610,000. If the reversal of the relevant impairment provision as a result of the collection of trade receivable from a customer of marine fuel and other products segment was excluded from the 2012 annual results, profit attributable to equity holders decreased by 28%.
- Net cash generated from operating activities increased by 42% to HK$360,661,000 mainly due to successful collection of trade receivables. The Group had net cash of HK$6,268,030,000 as at 31st December 2013 to support future development plan.
- Basic earnings per share was 15.96 HK cents. The Board has recommended a final dividend of 3.5 HK cents per share. Together with the interim dividend of 2 HK cents per share, total dividends of 5.5 HK cents per share for the year represented a dividend payout ratio of 34%.
- Looking ahead, the Group will continue to proactively seize the opportunities to push forward the establishment of global sales and services network and the acquisition of shipping service-related projects inside and outside COSCO Group, and at the same time positively explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its established strategic development plan.

The board of directors (the "Board" or the "Director(s)") of COSCO International Holdings Limited (the "Company" or "COSCO International") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2013.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	4	**9,308,434**	10,005,705
Cost of sales	6	**(8,614,169)**	(9,319,720)
Gross profit		**694,265**	685,985
Other income and gains	5	**53,941**	63,199
Selling, administrative and general expenses	6	**(506,511)**	(448,053)
Other expenses and losses	6	**(22,626)**	(2,368)
Operating profit		**219,069**	298,763
Finance income	7	**94,155**	127,896
Finance costs	7	**(4,156)**	(3,948)
Finance income — net	7	**89,999**	123,948
Share of profits of joint ventures		**9,549**	37,996
Share of profits of associates		**13,028**	13,126
Profit before income tax		**331,645**	473,833
Income tax expenses	8	**(58,547)**	(70,926)
Profit for the year		**273,098**	402,907
Profit attributable to:			
Equity holders of the Company		**241,610**	363,006
Non-controlling interests		**31,488**	39,901
		273,098	402,907
Earnings per share attributable to equity holders of the Company during the year			
— basic, HK cents	9(a)	**15.96**	23.98
— diluted, HK cents	9(b)	**15.81**	23.73
Dividends	10	**83,257**	121,091

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2013

	2013	2012
	HK$'000	*HK$'000*
Profit for the year	**273,098**	402,907
Other comprehensive income/(losses)		
Items that may be reclassified subsequently to profit or loss:		
Adjustment on the adoption of HKAS 12 (Amendment)	**—**	1,436
Currency translation differences	**36,066**	1,404
Share of currency translation differences of a joint venture and an associate	**5,797**	3,346
Share of cash flow hedges of an associate, net of tax	**(80)**	(28)
Fair value (losses)/gains on available-for-sale financial assets	**(12,652)**	9,808
Cash flow hedges, net of tax	**—**	(78)
Other comprehensive income for the year	**29,131**	15,888
Total comprehensive income for the year	**302,229**	418,795
Total comprehensive income attributable to:		
Equity holders of the Company	**261,935**	378,552
Non-controlling interests	**40,294**	40,243
	302,229	418,795

CONSOLIDATED BALANCE SHEET

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**103,127**	97,071
Property, plant and equipment		**145,892**	156,718
Prepaid premium for land leases		**36,315**	7,064
Investment properties		**41,924**	38,447
Investments in joint ventures		**432,465**	416,886
Investments in associates		**91,969**	79,015
Available-for-sale financial assets		**49,048**	59,373
Deferred income tax assets		**65,520**	62,044
Non-current deposits		**38,153**	61,654
		1,004,413	978,272
Current assets			
Completed properties held for sale		**192**	186
Inventories		**446,800**	487,264
Trade and other receivables	*11*	**1,672,431**	2,288,638
Available-for-sale financial assets		**34,954**	37,281
Financial assets at fair value through profit or loss		**1,109**	700
Current income tax recoverable		**401**	19,589
Restricted bank deposits		**62,782**	41,570
Current deposits and cash and cash equivalents		**6,226,881**	5,763,888
		8,445,550	8,639,116
Total assets		**9,449,963**	9,617,388
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**151,378**	151,363
Reserves		**7,270,808**	7,091,940
Proposed dividend		**52,982**	90,818
		7,475,168	7,334,121
Non-controlling interests		**313,925**	246,023
Total equity		**7,789,093**	7,580,144
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**32,497**	26,689
Current liabilities			
Trade and other payables	*12*	**1,546,465**	1,946,155
Current income tax liabilities		**22,122**	18,195
Short-term borrowings		**59,786**	46,205
		1,628,373	2,010,555
Total liabilities		**1,660,870**	2,037,244
Total equity and liabilities		**9,449,963**	9,617,388
Net current assets		**6,817,177**	6,628,561
Total assets less current liabilities		**7,821,590**	7,606,833

NOTES

1 GENERAL INFORMATION

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

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

The ultimate holding company of the Company is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the People's Republic of China (the "PRC").

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

3 CHANGES IN ACCOUNTING POLICIES

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

In 2013, the Group has adopted the following new standards and amendments to published standards issued by the HKICPA, which are relevant to its operations:

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Presentation of Financial Statements	1st July 2012
HKAS 19 (2011)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1st January 2013
Amendment to HKFRS 7	Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurement	1st January 2013
Amendment to HKFRSs 10, 11 and 12	Transition Guidance	1st January 2013
HKFRSs (Amendment)	Annual Improvements 2011	1st January 2013

Amendment to HKAS 1 "Presentation of Financial Statements" requires entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Group has modified its presentation of other comprehensive income in the financial statements accordingly.

Amendment to HKFRS 7 "Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities" requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. As the Group does not engage into the above arrangement and therefore such change has no material impact on the consolidated financial statements.

HKFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Management has assessed the implementation of HKFRS 10 and concludes there are no changes in the result of assessment on the Group's control over its subsidiaries, joint ventures and associates.

HKFRS 11 "Joint Arrangements" focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer allowed. Management has assessed that the adoption did not result in any significant changes to the Group's accounting policies and had no material financial impact on the consolidated financial statements.

HKFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group has modified its presentation on the interests in other entities on the consolidated financial statements in accordance to HKFRS12.

HKFRS 13 "Fair Value Measurement" aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The adoption of the other new standards and amendments 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 standard, amendments to published standards and interpretation that are not yet effective

The following new standard, amendments to existing standards and interpretation 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 2013 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendment to HKAS 19 (2011)	Employee Benefits	1st July 2014
Amendment to HKAS 32	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1st January 2014
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets	1st January 2014
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1st January 2014
HKFRS 9	Financial Instruments — Hedge Accounting and Amendments	not yet announced#
HKFRSs 10, 12 and HKAS 27 (2011) amendments	Investment Entities	1st January 2014
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2010–2012 Cycle	1st July 2014
HKFRSs (Amendment)	Annual Improvements to HKFRSs 2011–2013 Cycle	1st July 2014

No mandatory effective date is announced but is available for early adoption.

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

4 REVENUE AND SEGMENT INFORMATION

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

	2013	2012
	HK$'000	*HK$'000*
Sale of coatings	**1,323,348**	1,274,861
Sale of marine equipment and spare parts	**888,522**	923,102
Commission income from ship trading agency	**103,243**	109,340
Commission income from insurance brokerage	**89,453**	85,142
Sale of marine fuel and other products	**5,655,961**	6,228,123
Sale of asphalt and other products	**1,247,907**	1,385,137
	9,308,434	10,005,705

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

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

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

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

	Year ended and as at 31st December 2013									
	Shipping services									
	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*	General trading *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Profit and loss items:										
Segment revenue	**1,323,348**	**889,332**	**103,243**	**89,745**	**5,838,514**	**8,244,182**	**1,248,062**	**—**	**(183,810)**	**9,308,434**
Inter-segment revenue	**—**	**(810)**	**—**	**(292)**	**(182,553)**	**(183,655)**	**(155)**	**—**	**183,810**	**—**
Revenue from external customers	**1,323,348**	**888,522**	**103,243**	**89,453**	**5,655,961**	**8,060,527**	**1,247,907**	**—**	**—**	**9,308,434**
Segment operating profit	**86,314**	**31,085**	**65,718**	**63,367**	**9,115**	**255,599**	**13,737**	**2,749**	**—**	**272,085**
Finance income	**12,560**	**2,412**	**6,656**	**1,099**	**150**	**22,877**	**1,331**	**—**	**—**	**24,208**
Finance costs	**(698)**	**(1,721)**	**(24)**	**(156)**	**(5,475)**	**(8,074)**	**(8,678)**	**—**	**—**	**(16,752)**
Share of profits/(losses) of joint ventures	**10,600**	**(1,371)**	**320**	**—**	**—**	**9,549**	**—**	**—**	**—**	**9,549**
Share of (losses)/profits of associates	**—**	**—**	**(46)**	**—**	**13,703**	**13,657**	**(629)**	**—**	**—**	**13,028**
Segment profit before income tax	**108,776**	**30,405**	**72,624**	**64,310**	**17,493**	**293,608**	**5,761**	**2,749**	**—**	**302,118**
Income tax expenses	**(21,870)**	**(6,386)**	**(12,600)**	**(11,305)**	**(185)**	**(52,346)**	**(1,670)**	**—**	**—**	**(54,016)**
Segment profit after income tax	**86,906**	**24,019**	**60,024**	**53,005**	**17,308**	**241,262**	**4,091**	**2,749**	**—**	**248,102**
Balance sheet items:										
Total segment assets	**1,981,203**	**755,354**	**384,132**	**186,932**	**581,939**	**3,889,560**	**1,004,723**	**83,352**	**(169,409)**	**4,808,226**
Total segment assets include:										
— Joint ventures	**417,003**	**12,565**	**2,897**	**—**	**—**	**432,465**	**—**	**—**	**—**	**432,465**
— Associates	**—**	**—**	**2,097**	**—**	**83,159**	**85,256**	**6,713**	**—**	**—**	**91,969**
Total segment liabilities	**738,537**	**413,632**	**116,917**	**80,333**	**386,839**	**1,736,258**	**780,701**	**—**	**(169,409)**	**2,347,550**
Other items:										
Depreciation and amortisation, net of amount capitalised	**20,719**	**1,288**	**648**	**95**	**—**	**22,750**	**2,565**	**—**	**—**	**25,315**
Reversal of provision for impairment of inventories, net of provision	**6,064**	**—**	**—**	**—**	**—**	**6,064**	**—**	**—**	**—**	**6,064**
Provision for impairment of trade and other receivables, net of reversal	**4,246**	**728**	**—**	**—**	**—**	**4,974**	**17,498**	**—**	**—**	**22,472**
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	**37,722**	**8,489**	**81**	**76**	**—**	**46,368**	**536**	**—**	**—**	**46,904**

	Year ended and as at 31st December 2012									
	Shipping services									
	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*	General trading *HK$'000*	All other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Profit and loss items:										
Segment revenue	1,274,861	924,386	109,351	85,426	6,280,320	8,674,344	1,391,996	—	(60,635)	10,005,705
Inter-segment revenue	—	(1,284)	(11)	(284)	(52,197)	(53,776)	(6,859)	—	60,635	—
Revenue from external customers	1,274,861	923,102	109,340	85,142	6,228,123	8,620,568	1,385,137	—	—	10,005,705
Segment operating profit	114,044	49,418	68,750	60,793	47,760	340,765	23,797	2,700	—	367,262
Finance income	7,263	3,337	7,495	1,189	120	19,404	2,441	—	(2,051)	19,794
Finance costs	(866)	(1,182)	(55)	(121)	(7,052)	(9,276)	(9,824)	—	2,051	(17,049)
Share of profits/(losses) of joint ventures	38,303	(623)	316	—	—	37,996	—	—	—	37,996
Share of profits/(losses) of associates	—	—	20	—	13,796	13,816	(690)	—	—	13,126
Segment profit before income tax	158,744	50,950	76,526	61,861	54,624	402,705	15,724	2,700	—	421,129
Income tax expenses	(20,880)	(6,327)	(20,415)	(10,773)	(1,784)	(60,179)	(5,037)	—	—	(65,216)
Segment profit after income tax	137,864	44,623	56,111	51,088	52,840	342,526	10,687	2,700	—	355,913
Balance sheet items:										
Total segment assets	1,793,196	649,562	349,012	187,350	839,522	3,818,642	1,191,953	95,595	(134,461)	4,971,729
Total segment assets include:										
— Joint ventures	400,822	13,570	2,494	—	—	416,886	—	—	—	416,886
— Associates	—	—	2,078	—	69,303	71,381	7,634	—	—	79,015
Total segment liabilities	747,839	329,492	108,481	84,462	661,929	1,932,203	978,774	—	(134,461)	2,776,516
Other items:										
Depreciation and amortisation, net of amount capitalised	16,447	1,428	776	86	—	18,737	1,818	—	—	20,555
Provision for impairment of inventories, net of reversal	2,215	—	—	—	—	2,215	—	—	—	2,215
Reversal of provision for impairment of trade and other receivables, net of provision	2,465	2,628	—	—	29,654	34,747	4,181	—	—	38,928
Reversal of provision for selling expenses (note 6)	65,000	—	—	—	—	65,000	—	—	—	65,000
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	5,093	363	22	21	—	5,499	7,465	—	—	12,964

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

	2013	2012
	HK$'000	*HK$'000*
Profit before income tax for reportable segments	**299,369**	418,429
Profit before income tax for all other segments	**2,749**	2,700
Profit before income tax for all segments	**302,118**	421,129
Elimination of segment income from corporate headquarters	**(87)**	(81)
Elimination of segment finance costs to corporate headquarters	**12,611**	13,113
Corporate finance income	**69,947**	108,102
Corporate finance costs	**(15)**	(12)
Corporate expenses, net of income	**(52,929)**	(68,418)
Profit before income tax for the Group	**331,645**	473,833
Income tax expenses for all segments	**(54,016)**	(65,216)
Corporate income tax expenses	**(4,531)**	(5,710)
Profit after income tax for the Group	**273,098**	402,907

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

	2013	2012
	HK$'000	*HK$'000*
Total assets for reportable segments	**4,894,283**	5,010,595
Total assets for all other segments	**83,352**	95,595
Elimination of inter-segment receivables	**(169,409)**	(134,461)
	4,808,226	4,971,729
Corporate assets (mainly deposits and cash and cash equivalents)	**5,362,088**	5,415,905
Elimination of corporate headquarters' receivables from segments	**(720,351)**	(770,246)
Total assets for the Group	**9,449,963**	9,617,388

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

	2013	2012
	HK$'000	*HK$'000*
Total liabilities for reportable segments	**2,516,959**	2,910,977
Elimination of inter-segment payables	**(169,409)**	(134,461)
	2,347,550	2,776,516
Corporate liabilities	**33,671**	30,974
Elimination of segment payables to corporate headquarters	**(720,351)**	(770,246)
Total liabilities for the Group	**1,660,870**	2,037,244

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$711,972,000 (2012: HK$748,239,000) and HK$8,596,462,000 (2012: HK$9,257,466,000) 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$615,452,000 (2012: HK$576,831,000) and HK$274,393,000 (2012: HK$280,024,000) respectively.

Revenue of HK$2,639,385,000 (2012: HK$1,195,894,000) is derived from a single external customer of the marine fuel and other products segment.

5 OTHER INCOME AND GAINS

	2013	2012
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**329**	30
Rental income	**1,502**	1,262
Fair value gains on investment properties	**3,469**	2,712
Reversal of provision for impairment of inventories, net of provision	**6,064**	—
Reversal of provision for impairment of trade receivables, net of provision	**—**	34,796
Reversal of provision for impairment of other receivables, net of provision	**—**	4,132
Dividend income from listed and unlisted investments	**2,340**	2,377
Fair value gains on financial assets at fair value through profit or loss	**409**	323
Net exchange gains	**28,107**	4,810
Others	**11,721**	12,757
	53,941	63,199

6 EXPENSES BY NATURE

	2013	2012
	HK$'000	*HK$'000*
Cost of sales		
Cost of inventories sold	**8,614,169**	9,319,720
Selling, administrative and general expenses		
Selling expenses, net#	**163,047**	107,536
Depreciation and amortisation of property, plant and equipment	**6,636**	7,309
Amortisation of intangible assets	**1,456**	1,573
Amortisation of prepaid premium for land leases	**947**	418
Operating lease rental expenses	**28,457**	28,741
Administrative staff costs	**163,759**	157,946
Auditors' remuneration	**5,491**	4,597
Employee severance expenses	**—**	12,275
Others	**136,718**	127,658
	506,511	448,053
Other expenses and losses		
Direct operating expenses for generating rental income	**154**	153
Provision for impairment of inventories, net of reversal	**—**	2,215
Provision for impairment of trade receivables, net of reversal	**4,934**	—
Provision for impairment of other receivables	**17,538**	—
	22,626	2,368

In 2012, selling expenses included a reversal of provision of HK$65,000,000 made in prior years as it was no longer probable that an outflow of resources will happen as a result of sales discount arrangement made with certain customers.

7 FINANCE INCOME — NET

	2013	2012
	HK$'000	*HK$'000*
Interest income from:		
— a fellow subsidiary	**8,057**	7,697
— a joint venture	**722**	3,015
— bank deposits	**85,376**	117,184
Total finance income	**94,155**	127,896
Interest expenses on bank loans wholly repayable within five years	**(1,610)**	(693)
Other finance charges	**(2,546)**	(3,255)
Total finance costs	**(4,156)**	(3,948)
Finance income — net	**89,999**	123,948

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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% (2012: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2012: ranging from 12.5% to 15% for certain subsidiaries) 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% (2012:17% to 43%) during the year.

	2013	2012
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**21,558**	20,755
— the PRC enterprise income tax	**31,716**	24,532
— other overseas taxation	**3,027**	4,884
— over-provision for Hong Kong profits tax in prior years	**(15)**	(1,196)
— (over)/under-provision for the PRC taxation in prior years	**(373)**	726
— over-provision for other overseas taxation in prior years	**(4)**	—
Deferred tax adjustment on the adoption of HKAS 12 (Amendment)	**—**	5,054
Deferred income tax charge — net	**2,638**	16,171
Income tax expenses	**58,547**	70,926

9 EARNINGS PER SHARE

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

	2013	2012
Profit attributable to equity holders of the Company	**HK$241,610,000**	HK$363,006,000
Weighted average number of ordinary shares in issue	**1,513,735,900**	1,513,627,429
Basic earnings per share	**15.96 HK cents**	23.98 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.

	2013	2012
Profit attributable to equity holders of the Company	**HK$241,610,000**	HK$363,006,000
Weighted average number of ordinary shares in issue	**1,513,735,900**	1,513,627,429
Adjustment for assumed issuance of shares on exercise of share options	**14,918,597**	16,215,193
Weighted average number of ordinary shares for diluted earnings per share	**1,528,654,497**	1,529,842,622
Diluted earnings per share	**15.81 HK cents**	23.73 HK cents

10 DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Interim dividend paid of HK$0.02 (2012: HK$0.02) per ordinary share	**30,275**	30,273
Final dividend proposed of HK$0.035 (2012: HK$0.06) per ordinary share	**52,982**	90,818
	83,257	121,091

At the board meeting held on 20th March 2014, the Directors proposed a final dividend of HK$0.035 per ordinary share for the year ended 31st December 2013. This proposed dividend has not been recognised as a liability in the financial statements for the year ended 31st December 2013, but will be recognised in shareholders' equity in the year ending 31st December 2014.

11 TRADE AND OTHER RECEIVABLES

As at 31st December 2013, trade and other receivables include trade receivables amounting to HK$960,354,000 (2012: HK$1,429,145,000).

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

	2013	2012
	HK$'000	*HK$'000*
Current–90 days	**712,965**	1,088,735
91–180 days	**148,194**	181,381
Over 180 days	**99,195**	159,029
	960,354	1,429,145

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

12 TRADE AND OTHER PAYABLES

As at 31st December 2013, trade and other payables include trade payables amounting to HK$485,910,000 (2012: HK$894,156,000).

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

	2013	2012
	HK$'000	*HK$'000*
Current–90 days	**427,033**	854,052
91–180 days	**52,438**	29,111
Over 180 days	**6,439**	10,993
	485,910	894,156

13 BUSINESS COMBINATION

On 18th June 2013, the Group acquired the entire issued share capital of Hanyuan Technical Service Center GmbH ("Hanyuan") at a cash consideration of EUR1,180,000 from COSCO Europe GmbH, a fellow subsidiary. Hanyuan is a company incorporated in Germany and is primarily engaged in the provision of technical support and assistance for ships, including trading of marine equipment and spare parts; maintenance, installation, testing and after sales services of marine equipment and spare parts; and technical and commercial consultancy and related services for ship maintenance. Goodwill is attributable to the expected future profitability of the acquired business. None of the goodwill recognised is expected to be deductible for tax purposes.

Consideration paid for, and goodwill arising from, the acquisition are as follows:

	HK$'000
Purchase consideration paid in cash	11,859
Fair values of identifiable net assets acquired — shown as below	(5,578)
Goodwill	6,281

Recognised amounts of identifiable assets acquired and liabilities assumed are as follows:

	Fair values *HK$'000*
Plant and equipment	399
Trade receivables	30,566
Deposits, prepayments and other receivables	870
Cash and cash equivalents	15,480
Trade payables	(867)
Advances from customers and other payables	(13,391)
Accrued liabilities	(799)
Current income tax liabilities	(2,936)
Dividend payable	(22,889)
Deferred income tax liabilities	(855)
Total identifiable net assets	5,578

	HK$'000
Net inflow of cash and cash equivalents on acquisition:	
Purchase consideration in cash	11,859
Cash and cash equivalents in subsidiary acquired	(15,480)
Net cash generated from acquisition of subsidiary	(3,621)

Notes:

(i) **Revenue and profit contribution**

The revenue and profit contributed by the acquiree since the date of acquisition were HK$49,298,000 and HK$1,704,000. If the acquisition had occurred on 1st January 2013, the Group's revenue and profit attributable to equity holders of the Company would have been HK$9,338,605,000 and HK$242,955,000 respectively.

(ii) **Acquired receivables**

The fair value of trade and other receivables is HK$31,436,000. The gross contractual amount for trade receivables is HK$30,566,000 all of which is expected to be collectible.

(iii) Acquisition-related costs of HK$369,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31st December 2013.

OVERALL ANALYSIS OF RESULTS

In 2013, affected by factors such as the prolonged weak shipping market, postponement of new build vessel delivery, retrenchment policies of ship owners and shipping companies and intensified competition, the business environment of the Group's core shipping services grew tougher. Coupled with the lower cash deposit rates for the year as compared to 2012, profit attributable to equity holders of the Company for the year was HK$241,610,000 (2012: HK$363,006,000), representing a decrease of 33% as compared to 2012. Basic earnings per share was 15.96 HK cents (2012: 23.98 HK cents), representing a decrease of 33% as compared to 2012.

If the reversal of the relevant impairment provision as a result of the collection of trade receivable from a customer of marine fuel and other products segment of US$3,823,000 (equivalent to approximately HK$29,654,000) was excluded from the 2012 annual results, profit attributable to equity holders of the Company decreased by 28% as compared to 2012.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK$9,308,434,000 in 2013 (2012: HK$10,005,705,000), representing a decrease of 7% when compared to 2012. During the year, among the core shipping services segments, segment revenues of marine fuel and other products, marine equipment and spare parts and ship trading agency declined by 9%, 4% and 6% respectively as compared to 2012. Accordingly, revenue from the core shipping services businesses fell by 6% to HK$8,060,527,000 (2012: HK$8,620,568,000) and accounted for 87% (2012: 86%) of the Group's revenue. Revenue of general trading segment decreased by 10% to HK$1,247,907,000 (2012: HK$1,385,137,000) and accounted for 13% (2012: 14%) of the Group's revenue.

Gross Profit and Gross Profit Margin

Despite the decline in sales volumes, the Group's gross profit for the year increased by 1% to HK$694,265,000 (2012: HK$685,985,000) while overall average gross profit margin rose from 6.9% to 7.5%. During the year, in spite of the decline in both revenue and gross profit of various core shipping services, overall gross profit margin improved as a result of the increase in gross profit margin of coatings, stable growth of insurance brokerage revenue and the focus of supply of asphalt with higher profit margin under the general trading segment.

Other Income and Gains

The Group recorded other income and gains of HK$53,941,000 (2012: HK$63,199,000). Other income and gains primarily included net exchange gains of HK$28,107,000 (2012: HK$4,810,000), reversal of provision for impairment of inventories (net of provision) of HK$6,064,000 and fair value gains on investment properties of HK$3,469,000 (2012: HK$2,712,000). Other income and gains of 2012 primarily included reversal of provision for impairment of trade and other receivables (net of provision) of HK$38,928,000.

Other Expenses and Losses

The Group recorded other expenses and losses of HK$22,626,000 (2012: HK$2,368,000). Other expenses and losses primarily included provision for impairment of trade and other receivables (net of reversal) of HK$22,472,000. Other expenses and losses of 2012 mainly included provision for impairment of inventories (net of reversal) of HK$2,215,000.

Selling, Administrative and General Expenses

The Group's selling, administrative and general expenses was HK$506,511,000 (2012: HK$448,053,000), increased by 13% as compared to 2012. 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 was HK$163,047,000 (2012: HK$107,536,000) as there was a one-off reversal of provision of selling expenses of HK$65,000,000 in 2012. Administrative and general expenses rose slightly by 1% to HK$343,464,000 (2012: HK$340,517,000).

Operating Profit

Due to the factors stated above, the Group's operating profit decreased by 27% to HK$219,069,000 (2012: HK$298,763,000).

Finance Income — Net

The Group's finance income of HK$94,155,000 (2012: HK$127,896,000) represented primarily interest income on bank deposits. The decrease in finance income was mainly attributable to lower cash deposit rates as compared to 2012. The Group's finance costs mainly represented interest expenses on bank loans of HK$1,610,000 (2012: HK$693,000) and other finance charges of HK$2,546,000 (2012: HK$3,255,000). The increase in finance costs was primarily due to the increase in average balance of bank borrowings and banking services used in the general trading businesses.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures decreased by 75% to HK$9,549,000 (2012: HK$37,996,000). This item primarily represented the share of profit of Jotun COSCO of HK$10,600,000 (2012: HK$38,303,000) which was included in the coatings segment. The profit contribution from Jotun COSCO declined by 72% when compared to 2012 primarily as a result of decrease in sales volume and revenue of marine coatings following the prolonged downturn of the shipbuilding industry, relatively fixed operating costs leading to the decline in operating profit, and the specific provision for impairment of trade receivable from marine coating customers which has resulted in a decrease in the Group's share of Jotun COSCO's profit of HK$37,958,000, net of tax.

Share of Profits of Associates

The Group's share of profits of associates decreased slightly by 1% to HK$13,028,000 (2012: HK$13,126,000). This item primarily comprised the share of profit of Double Rich of HK$13,703,000 (2012: HK$13,796,000) 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$58,547,000 (2012: HK$70,926,000). The ratio of income tax expenses to profit before income tax increased (excluding the share of results of joint ventures and associates), from 17% in 2012 to 19%. This was mainly attributable to the increase in proportion of the Group's profit derived from PRC and other overseas countries as well as decrease in non-taxable income during the year.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company for the year decreased by 33% to HK$241,610,000 (2012: HK$363,006,000).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent yet 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 for merger and acquisition opportunities that fit in well with the Group's strategic direction.

The Group's main sources of liquidity comprised cash and bank balances and unutilised committed bank facilities. The liquidity is primarily to fund general working capital requirements, dividends and future capital expenditure. At 31st December 2013, deposits and cash and cash equivalents held by the Group accounted for 74% (2012: 67%) of the Group's total current assets.

As at 31st December 2013, the Group's total assets decreased by 2% to HK$9,449,963,000 (2012: HK$9,617,388,000). Total liabilities decreased by 18% to HK$1,660,870,000 (2012: HK$2,037,244,000). During the year, as the shipping market underwent adjustment and the operating environment of some shipping enterprises and shipyards continued to deteriorate, potential credit risks faced by all business units of the Group kept increasing. As one of the key financial initiatives for the year, all business units of the Group vigorously refined their customer credit control and further reinforced their trade receivables management on the existing foundation. A significant result was achieved as the Group's trade receivables balance dropped by 33% as compared to 2012. As a result of the above successful working capital management measures, the Group's net cash generated from operating activities increased by 42% to HK$360,661,000 (2012: HK$254,560,000) during the year.

Net asset value attributable to shareholders was HK$7,475,168,000 (2012: HK$7,334,121,000). Net asset value per share was HK$4.94 (2012: HK$4.85), increased by 2% from the end of 2012.

As at 31st December 2013, the Group's total bank borrowings increased to HK$59,786,000 (2012: HK$46,205,000), mainly due to the working capital requirement of general trading business. For the maturity profile, please refer to the table below. The Group's total cash in hand and committed yet unutilised standby facilities increased by 8% to HK$6,327,816,000 (2012: HK$5,867,112,000) and increased by 10% to HK$1,767,730,000 (2012: HK$1,613,628,000) respectively. The gearing ratio, which represented total borrowings over total assets, was 0.6% (2012: 0.5%).

Debt Analysis

	31st December 2013		31st December 2012	
	HK$'000	***%***	*HK$'000*	*%*
Classified by maturity:				
— repayable within one year	**59,786**	**100**	46,205	100
Classified by type of loan:				
— secured	**28,615**	**48**	—	—
— unsecured	**31,171**	**52**	46,205	100
	59,786	**100**	46,205	100
Classified by currency:				
— Renminbi	**28,615**	**48**	46,205	100
— United States dollars	**31,171**	**52**	—	—
	59,786	**100**	46,205	100

Both the bank borrowings and the gearing ratio remained low since the end of 2012. Due to the provision of funds from the corporate headquarters to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. Furthermore, the Group was also successful in exploring channels of investing liquid funds and secured higher yields through placement of deposits with major financial institutions in China Mainland and Hong Kong.

As at 31st December 2013, trade receivables of HK$34,933,000 were collateralised to secure short-term borrowings. In addition, the Group had restricted bank deposits of HK$62,782,000 (2012: HK$41,570,000) as security for bank credit facilities and other purposes.

In view of 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. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government.

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. During the year, the Group's asphalt trading business experienced fast expansion which required high level of working capital. In view of the gap between borrowing and deposits rates and to utilise our financial resources, the Group provided financial support to major business units to reduce the level of external borrowings.

As at 31st December 2013, borrowings of the Group carried interest at rates calculated with reference to the London Interbank Offered Rate and 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 balance of security, return and liquidity to ensure sufficient funds are available and an appropriate level of liquidity is maintained to meet all obligations during different stages of the shipping cycle.

The Group maintained a healthy cash position. As at 31st December 2013, the Group had net cash of HK$6,268,030,000 (2012: HK$5,820,907,000). To enhance the Group's revenue and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mix 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 and China Mainland. During the year, the Group strengthened funds management, actively negotiated with bankers to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved 1.54% return on the Group's cash during the year, represented 129 basis points above 3-month US Dollar LIBOR as at the end of 2013.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2013, sales to the largest customer and aggregate sales to the five largest customers accounted for 28% and 56% respectively (2012: 12% and 40% respectively) of total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 31% and 61% respectively (2012: 13% and 43% respectively) of the total cost of sales of the Group.

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

During the year ended 31st December 2013, two of the five largest customers of the Group were fellow subsidiaries of the Company.

During the year ended 31st December 2013, two of the five largest suppliers of the Group were fellow subsidiaries of the Company and one of the five largest suppliers of the Group was an associate of the Company.

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

EMPLOYEES

As at 31st December 2013, excluding joint ventures and associates, the Group had 804 (2012: 782) employees, of which 112 (2012: 112) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$269,548,000 (2012: HK$248,695,000). 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 2nd December 2004, the directors of the Company (excluding independent non-executive directors) and certain employees of the Group were granted share options to subscribe for a total of 32,650,000 shares of the Company at a price of HK$1.37 per share. These share options are exercisable at any time from 29th December 2004 to 28th December 2014. 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 are 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 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.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 3.5 HK cents (2012: 6 HK cents) per share for the year ended 31st December 2013 which will be payable on or before 25th June 2014 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") on 11th June 2014 subject to the shareholders' approval in the annual general meeting of the Company to be held on 30th May 2014 (the "AGM"). The proposed final dividend, together with the interim dividend of 2 HK cents per share, gives a total dividend of 5.5 HK cents (2012: 8 HK cents) per share for the whole year of 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the AGM, the Register of Members will be closed from 28th May 2014 to 30th May 2014, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited (the "Branch Share Registrar") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31st March 2014) for registration not later than 4:30 p.m. on 27th May 2014.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from 9th June 2014 to 11th June 2014, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31st December 2013, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31st March 2014) for registration not later than 4:30 p.m. on 6th June 2014.

BUSINESS REVIEW

In 2013, the recovery of global economy remained bumpy. The United States maintained its moderate economic growth, and the eurozone economy came out of recession, while the emerging economies, including China, showed slowdown in economic growth. Affected by the complicated world economic environment, the global shipping market remained depressed and fluctuated with a tendency moving from low to high for the year in general. The excessive shipping capacity was gradually absorbed and the shipbuilding industry rebounded from the trough. However, the operating environment of shipping enterprises and shipyards had not significantly improved. As a result, shipping enterprises continued to postpone the delivery of new build vessels and tighten cost control over ship repair and maintenance. Meanwhile, the volume of new build vessels delivery sharply declined and the competition in the coating market was intensifying. These factors brought greater negative impact on COSCO International, whose major customers included shipowners, shipyards and container manufacturers.

Facing the complex and severe market situation, COSCO International spared no effort in developing its existing businesses, and sought for further extension and expansion of business segments. During the year, capitalising on the opportunity arising from the implementation of centralised procurement by COSCO Group of marine spare parts and marine insurance, the Group improved its business network and maintained its existing customer base by focusing on its marketing services and enhancing service consciousness, and positively explored the outside markets. In addition, the Group proactively studied and moved forward the relevant projects in order to enhance the shipping services business in accordance with its established development strategy. Meanwhile, the Group continued to propel the development and integration of the overseas spare parts business, and further improved the global spare parts service network by acquiring Hanyuan in Germany in June 2013, enhancing the Group's capability in the procurement and supply of marine equipment and spare parts in European region.

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, revenue from the Group's shipping services was HK$8,060,527,000 (2012: HK$8,620,568,000), representing a decrease of 6% as compared to 2012. Except the businesses of insurance brokerage and coatings, the revenues of other shipping services sectors of the Group decreased in various degrees as shipping enterprises continued to postpone the delivery of new build vessels and exercised strict cost control. Segment revenues of ship trading agency, marine equipment and spare parts and marine fuel and other products recorded decreases of 6%, 4% and 9% as compared to 2012 respectively. Profit before income tax from shipping services was HK$293,608,000 (2012: HK$402,705,000), representing a decrease of 27% as compared to 2012. Apart from the reversal of provision for impairment of trade receivables of marine fuel and other products of US$3,823,000 (equivalent to approximately HK$29,654,000) in 2012, which was a one-off event, the decrease in profit before income tax was also attributable to the reversal of provision for selling expenses of HK$65,000,000 in 2012, as well as the significant decline in the share of profit from Jotun COSCO due to the specific provision for impairment of trade receivable. Under the combined effects of the above factors, profit before income tax of the Group went down.

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited, a wholly-owned subsidiary of the Company ("COSCO Ship Trading"), is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for the fleet of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*) ("COSCO") and its subsidiaries and associates (collectively "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 instalment payments 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 vessels to the buyers.

During the year, the shipping market fluctuated at a low level. There were delays in delivery of new build vessels ordered through COSCO Ship Trading, resulting in the volume of new build vessels delivered below expectations, aggregating 1,505,000 dead weight tonnages (2012: 1,850,000 dead weight tonnages). For the second-hand vessels, due to the implementation of subsidy policy in the PRC to scrap old vessels and build new ones, shipowners accelerated restructuring of their fleet, which resulted in a substantial increase in the trading volume of scrap vessels. Completed transactions for the sale and purchase of 67 (2012: 28) second-hand vessels through COSCO Ship Trading were recorded, aggregating 3,208,000 dead weight tonnages (2012: 1,068,000 dead weight tonnages).

In addition, 18 (2012: 4) new build vessels aggregating 2,392,000 dead weight tonnages (2012: 1,232,000 dead weight tonnages) were ordered through COSCO Ship Trading during the year. As at 31st December 2013, the amount of new build vessels ordered through COSCO Ship Trading and pending delivery reached 6,030,000 dead weight tonnages, which were scheduled for delivery in the coming two to three years.

During the year, revenue from ship trading agency segment decreased by 6% to HK$103,243,000 (2012: HK$109,340,000) as compared to 2012. Segment profit before income tax was HK$72,624,000 (2012: HK$76,526,000), representing a decrease of 5% as compared to 2012. The decrease in segment profit before income tax was mainly due to the decline in the related commissions as a result of postponement of new build vessel delivery by shipowners during the year.

1.2 Marine Insurance Brokerage Services

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

During the year, COSCO Insurance Brokers, leveraging completion of renewal of the hull and machinery insurance of COSCO Group's fleets, consolidated and expanded the ship repairer's liability and ship builder's risks insurance businesses within COSCO Group. For existing businesses, in order to further develop their businesses outside COSCO Group, COSCO Insurance Brokers shifted their business expansion focus to new shipping related companies of other sizeable state-owned enterprises and expanded their marketing service coverage. As for new businesses expansion, COSCO Insurance Brokers stepped up efforts to develop offshore units builders' risk insurance and made a breakthrough by successfully bidding for insurance of drilling platform and drilling rig projects. Progress was also made in non-marine insurance business. They entered into cooperation agreements with business partners to develop motor vehicle insurance. In terms of marketing service, a team of consulting experts specialising in claim settlement services was formed with a legal firm specialising in maritime law engaged to provide customers with value-added and featured services. COSCO Insurance Brokers achieved stable commission income from marine insurance brokerage services through consolidating existing customer base and exploring new customers and new businesses.

During the year, revenue from insurance brokerage segment was HK$89,453,000 (2012: HK$85,142,000), up by 5% as compared to 2012. Segment profit before income tax was HK$64,310,000 (2012: HK$61,861,000), representing an increase of 4% as compared to 2012.

1.3 Supply of Marine Equipment and Spare Parts

Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company, and its subsidiaries (including 新中鈴株式會社 (Shin Chung Lin Corporation*), Xing Yuan (Singapore) Pte. Ltd., Hanyuan, 遠通海務貿易(上海)有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*) and 中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*)) (collectively "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 station and land users, marine materials supply and voyage repair. Its existing business network covers Hong Kong, Shanghai, Beijing, Japan, Singapore and Germany.

During the year, the demand for equipment and spare parts declined as shipping enterprises continued to exercise cost control and reduce expenses amid the depression of the shipping industry. Although there was a slight rise in the procurement of equipment and spare parts by shipping enterprises since the third quarter of 2013, the overall demand for the year was still lowered as compared to 2012. Besides, as COSCO Yuantong Operation Headquarters fully implemented the centralised procurement of spare parts of COSCO Group, the profit margin of marine equipment and spare parts would be lower than before in the short run. However, as the business volume within COSCO Group grew, it successfully obtained more favourable terms from marine spare part manufacturers and at the same time enhanced the level of technical service assurance offered by suppliers to shipping enterprises. This would be beneficial to the development of the business outside COSCO Group. As for spare parts service network expansion, the acquisition of Hanyuan in Germany was completed in June 2013 which enhanced the Group's capability in the procurement and supply of marine equipment and spare parts in European region. As for exploring new customers, each company within COSCO Yuantong Operation Headquarters set up its own market development team respectively to explore business outside COSCO Group proactively. They successfully gained a group of established major customers. In addition, COSCO Yuantong Operation Headquarters kept on improving the quality of its marketing services and upgrading service level and awareness, and offered one-on-one professional service in order to enhance customer satisfaction. It also visited major customers regularly to further enhance its strategic cooperation with the major customers.

During the year, revenue from marine equipment and spare parts segment was HK$888,522,000 (2012: HK$923,102,000), down by 4% as compared to 2012. Segment profit before income tax was HK$30,405,000 (2012: HK$50,950,000), representing a decrease of 40% as compared to 2012. The decrease was mainly attributable to the decrease in gross profit margin as a result of the implementation of centralised procurement of spare parts by COSCO Group, and the reversal of provision for impairment of trade receivables of HK$2,628,000 in 2012.

1.4 Production and Sale of Coatings

The coating business of the Company primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd., all being non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies"), are principally engaged in the production and 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, COSCO Kansai Companies seized opportunities and successfully explored new customers while further consolidating the core 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, affected by the delay in delivery of new build vessels, Jotun COSCO, a joint venture of the Company, recorded a significant decrease of business volume during the year as compared to 2012. However, Jotun COSCO put a greater effort into marketing and customer care, and therefore maintained its leading position in China's marine coating market. In addition, in order to meet the future development needs of the coating business unit and maintain a sound market position in China Mainland, the Group pushed forward the construction of new plants of two joint ventures. During the year, the construction of a new coating plant in Qingdao by Jotun COSCO's wholly-owned subsidiary, Jotun COSCO Marine Coatings (Qingdao) Co., Ltd. ("Jotun COSCO (Qingdao)") was substantially completed and was prepared for operation, while the piling and groundbreaking ceremony for the plant of 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) ("COSCO Kansai Paint (Shanghai)") in Shanghai was held at the end of 2013 and the plant would be officially under construction in March 2014 and was expected to commence production in 2015.

During the year, revenue from coatings segment was HK$1,323,348,000 (2012: HK$1,274,861,000), up by 4% as compared to 2012. Segment profit before income tax was HK$108,776,000 (2012: HK$158,744,000), representing a decrease of 31% as compared to 2012. The decrease was mainly attributable to the reversal of provision for selling expenses of HK$65,000,000 in 2012 as a result of one-off arrangement with certain customers in relation to sales discounts, as well as the significant decrease in the share of profit from Jotun COSCO as a result of the specific provision for impairment of trade receivables.

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 three 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, with annual production capacity of 100,000 tonnes.

During the year, COSCO Kansai Companies maintained their leading position in China's container coating market by seizing the trend of the market demand rally of container coatings, establishing and improving key customer management model and gaining support from more key customers through strengthened communication and exchange with container manufacturing enterprises and container owners as well as actively exploring new container owners, which increased the awareness of enterprise brands and allowed COSCO Kansai Companies to obtain orders, and also expanded the coverage of container coating business. During the year, the sales volume of container coatings amounted to 49,540 tonnes, representing an increase of 6% as compared with 46,656 tonnes in 2012.

COSCO Kansai Companies continued to vigorously develop the business of industrial heavy-duty anti-corrosion coatings to enhance their core competitiveness and proactively formulated their market and sales strategies for various business segments after conducting various project researches on different industries. During the year, COSCO Kansai Companies successfully entered into a contract of Hong Kong-Zhuhai-Macao Bridge project and started to supply goods, thus significantly promoting their business brand image and laying a solid foundation for subsequent major bridge projects. Meanwhile, COSCO Kansai Companies actively expanded its business into other industries and gained initial success in developing light steel construction coating market and wind turbine blade coating market. Besides, COSCO Kansai Companies recruited additional sales staff and engaged dealer agents, so as to increase their market influence and share. COSCO Kansai Companies endeavoured to obtain other business from their customers and expand their business scope to achieve better sales volume, while maintaining their existing customer base and enhancing their market share. COSCO Kansai Companies also strengthened their after sale services and technical supports and enhanced their service awareness, so as to raise customer satisfaction and meet various market demands by developing new products in a timely manner. During the year, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 12,121 tonnes (2012: 11,670 tonnes), representing an increase of 4% as compared to 2012.

During the year, COSCO Kansai (Tianjin) was successfully included in the patent pilot list of Tianjin Municipality after it passed the assessment and became a patent pilot enterprise in Tianjin. The implementation of this project effectively drove COSCO Kansai Companies to improve its management standard over patents and to intensify innovation on core technologies and products, endowing its products with the advantages of high-end, high-tech and high quality. In addition, COSCO Kansai Companies were awarded "The Top 10 Anti-Corrosion Coating Brands Awards of China" by 慧聰塗料網 (HC Coating Network) for the fourth straight year, fully evidencing their position in China's coating industry and the recognition and support of the brand among their peers and customers.

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.

Affected by the decline in the overall shipbuilding volume in China and the postponement of delivery of new build vessels by shipowners, the market demand for marine coatings declined. During the year, the sales volume of marine coatings of Jotun COSCO amounted to 58,339,000 litres (equivalent to approximately 78,758 tonnes) (2012: 84,981,000 litres (equivalent to approximately 114,724 tonnes)), representing a decrease of 31% as compared to 2012. Sales volume of new build vessel coatings amounted to 45,390,000 litres, down by 36% as compared to 2012. Sales volume of coatings for repair and maintenance was 12,949,000 litres, down by 10% as compared to 2012. Facing fierce market competition, Jotun COSCO on the one hand seized market opportunities and spared no effort in sales and marketing and customer care so as to raise the number of orders. In response to market needs, it, on the other hand, stepped up efforts to promote green products, and therefore maintained its leading position in China's marine coating market. During the year, the Group's share of profit from Jotun COSCO was HK$10,600,000 (2012: HK$38,303,000), down by 72% as compared to 2012. The decrease was mainly attributable to the decline in the sales volume and revenue of marine coatings, which caused the operating profit to decline as the operating costs remained constant relatively, and the specific provision for impairment of trade receivables.

In addition, as at 31st December 2013, Jotun COSCO had coating contracts in hand for new build vessels amounting to 20,220,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two to three years, which guaranteed a steady development of Jotun COSCO's future business.

1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company in Singapore ("Sinfeng"), is primarily engaged in the provision of marine fuel supply, trading and brokerage services of marine fuel and related products for customers which are mainly non-COSCO Group. Sinfeng has established long-term and good business cooperation relationship with top international fuel oil suppliers and traders. Currently, its business network primarily covers Singapore, Malaysia and other major oil ports all over the world.

During the year, Sinfeng objectively analysed the market and adopted prudent business strategies in response to the depressed shipping market. As for maintaining existing customer base, Sinfeng established stable and long-term business cooperation with reputable customers through the implementation of its key customer marketing strategy. As for exploring new customers, Sinfeng strictly controlled its operation risks by preferentially selecting shipping enterprises and trading companies with leading positions in the market. In addition, Sinfeng won credit for supplying fuels to Chinese naval vessels, which could become a new profit driver for its future business. The total sales volume of marine fuel products for the year was 1,162,465 tonnes, down by 3% as compared with 1,200,070 tonnes in 2012. During the year, revenue from the marine fuel and other products segment was HK$5,655,961,000, down by 9% as compared with HK$6,228,123,000 in 2012. The decrease was mainly attributable to the fall in the sales volume and selling price of the marine fuel as compared to 2012.

In addition, Double Rich, which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and the provision of bunker oil supply services in Hong Kong, and at the same time in 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$13,703,000 (2012: HK$13,796,000), down slightly by 1% as compared to 2012.

Profit before income tax of marine fuel and other products segment was HK$17,493,000 (2012: HK$54,624,000), representing a decrease of 68% as compared to 2012. The decrease was mainly attributable to the reversal of provision for impairment of trade receivables of US$3,823,000 (equivalent to approximately HK$29,654,000) in 2012, while no such item was recorded during the year. In addition, as a result of the adjustment of sales strategy during the year, Sinfeng reduced the relatively high-risk bunkering business for dry bulk vessels in order to control operation risk, which caused a decrease in the overall average gross profit margin of trading of marine fuel and related products.

2. General Trading

中遠國際貿易有限公司 (COSCO International Trading Company Limited*), a wholly-owned subsidiary of the Company ("CITC"), is principally engaged in the trading of asphalt, general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the China market and the market operations and has abundant experience in international trade. It has stable suppliers and market share, which will generate synergies with the Group's shipping services businesses, serving as an important platform for the Group to tap into the China market.

During the year, facing the vigorous competitive environment in the industry, CITC, leveraging its marketing services, established the asphalt marketing headquarters to commence all-rounded operation and services for asphalt products, and managed to open up emerging markets by strengthening the establishment of direct sales centres and distribution channels, expanding the sales area and improving marketing capacity and service quality, while at the same time maintaining its market share in the traditional markets. In addition, leveraging its existing business scale and good market reputation, CITC carried out the transformation of its asphalt business development with innovative business models and comprehensive warehousing ancillary facilities. During the year, the sales volume of asphalt of CITC amounted to 133,732 tonnes, representing an increase of 10% as compared with 121,454 tonnes in 2012.

Revenue from general trading segment was HK$1,247,907,000 (2012: HK$1,385,137,000), down by 10% as compared to 2012 due to the reduction of commodity trading (including, among other things, steel and chemicals) for the sake of risk control during the year. Segment profit before income tax decreased by 63% to HK$5,761,000 (2012: HK$15,724,000) as compared to 2012. The decrease in segment profit before income tax was mainly attributable to the provision for impairment of certain other receivable of HK$17,498,000.

PROSPECTS

In 2014, it is expected that the pace of the global economy growth will be positive. However, there are uncertainties and downside risks. In particular, the adjustment in fiscal and monetary policies of major economies as well as geopolitical risks will continue to affect the progress of global economic recovery. For the shipping market, the imbalance between demand and supply in the global shipping market is still expected to exist, but the level of imbalance will be slightly lowered. The new build vessels market is expected to extend its mild recovery. The supportive policy implemented by the PRC government at the end of 2013 will provide positive effect on the healthy recovery of the shipping and shipbuilding industry. Inspite of the above, it will take more time for the shipping industry to fully recover. It is difficult for the operating environment of shipping enterprises to have substantive improvement. Therefore, it is expected that shipowners will continue to pursue strict cost control. The business outlook of the shipping service industry is still not optimistic but there will be both challenges and opportunities ahead.

Looking ahead, COSCO International will face greater challenges. However, the Group will seize the opportunities arising from the market with the corporate vision to establish itself as a global leading one-stop shipping service provider by means of further promoting the transformation and upgrading of shipping service business segments and providing customers with one-stop services through its global network, by offering high quality services and products with core competitiveness. The Group will enhance the development of existing businesses and new businesses steadily and improve the profitability of its core business in accordance with its established strategic plans while strictly controlling various operational risks.

As the shipping market is characterised by slumping freights and soaring costs, it is expected that tightening cost control will continue to be adopted by shipping enterprises as a measure to weather the challenges. Meanwhile, the subsidy policy to scrap old vessels and build new ones in the PRC has accelerated the scrapping of old vessels by shipowners in China, resulting in a decrease in the number of operating vessels and a younger fleet age profile within COSCO Group. This will, to a certain degree, put pressure on the operation of the marine insurance brokerage services and supply of marine equipment and spare parts businesses of COSCO International in the short term. However, this policy will stimulate the new build vessel orders placed by shipowners in China. In particular, the increase in new build vessel orders placed by COSCO Group will pose a significant and positive impact on achieving stable income for the ship trading agency business of COSCO International in the future. Therefore, COSCO Ship Trading will actively cater for the needs of shipowners and facilitate the implementation of new build vessel projects. It will coordinate with shipyards and shipowners to ensure smooth delivery of new build vessels ordered through COSCO Ship Trading in order to strengthen its traditional new build vessel trading agency business. Meanwhile, it will also seize market opportunities and, in response to the change and demand of the market situation, develop other businesses, to lay a foundation for the sustainable development of the ship trading agency business in the future. For the marine insurance brokerage services, leveraging the implementation of centralised procurement of COSCO Group as for marine-related insurance, COSCO Insurance Brokers will increase their business scale and actively expand third party business by extending their business scope from insurance business to reinsurance business. They will further explore business with great potential so as to enhance the content of reinsurance business. In addition, to mitigate the direct effects of the shipping market and the shipping cycle, COSCO Insurance Brokers will, by making use of COSCO Group's resources, gradually expand from marine insurance business to non-marine insurance business, enhance their risk resisting ability, focus on the development of new business such as motor vehicle insurance, terminal liability insurance, property insurance and short term credit insurance and cultivate more new profit growth drivers through the diversification of insurance brokerage services. COSCO Insurance Brokers will proactively follow up and study the policies and regulations related to Qianhai Shenzhen – Hong Kong Modern Service Industry Cooperation Zone of Shenzhen and China (Shanghai) Pilot Free Trade Zone in preparation for their future development. They also actively investigate the possibility of cooperation with overseas insurance brokerage companies. For the supply of marine equipment and spare parts, COSCO Yuantong Operation Headquarters, on the basis of a continuously improving global spare parts service network, will further upgrade its internal management system, optimise network construction, enhance the exchange and communication and extend the regional advantages of each network company, thus generating synergistic effect. COSCO Yuantong Operation Headquarters will fully make use of its existing network edge, operate its business wisely, explore and expand the customer base of shipowners outside COSCO Group, improve the manufacturer and provider system, as well as focus on exploring manufacturers and providers for domestic-made marine spare parts. As overseas demand gradually decreases, COSCO Yuantong Operation Headquarters will further expand the market share of its business in China Mainland, and consider approaches and methods of selling domestic-made marine equipment and spare parts to overseas markets.

For container coatings, under the moderate growth of global economy and international trade, the growth pace of the global demand for container transportation will slow down. Hence, the market demand for new build containers will be affected directly. COSCO Kansai Companies will enhance the all-rounded and multi-level strategic cooperation with container manufacturing groups and container owners, strive to reduce their procurement costs, strengthen their technological research and development and internal management, optimise business processes, and, on the basis of seeking for profit maximisation, maintain their leading position in terms of the market share in the container coating market. For industrial heavy-duty anti-corrosion coatings, COSCO Kansai Companies concentrate on resources exploration for major industries and sectors such as electricity, petrochemical, ports, bridges, construction machinery, infrastructure facilities and integrated industry, and construct a sales network focusing on north China, central China and south China to optimise their regional management system. For the products, they accelerate product improvement and certification, and actively explore business in different industries. For the marketing, they expand their sales network by establishing marketing management department and adopting a marketing model combining direct marketing, distribution and agency which may bring the overall business growth of industrial heavy-duty anti-corrosion coatings. In addition, COSCO Kansai Paint (Shanghai) will also proactively push forward the construction of its new plant in Shanghai. The piling and groundbreaking ceremony of the new plant was held at the end of 2013, and it is expected to commence production in 2015. Its maximum total annual production capacity of 75,000 tonnes will strengthen the leading position of

COSCO Kansai Companies in the container coating market in China. For marine coatings, the overall environment of the shipbuilding industry is still sluggish and shipyards are still facing problems such as order withdrawal and postponement of new build vessel delivery as a result of the depressed shipping market and the price of new build vessels remaining at a lower level. The profit of marine coating providers will also be under pressure as the competition in the marine coating market is aggravated by the rise in various costs and the pressure on the profitability of shipyards, and becomes ever more cut-throat. On the other hand, the use of high performance anti-fouling and energy saving coatings will become a trend against a backdrop of green shipping, energy saving and emission reduction. Confronting with such challenging market situation, Jotun COSCO will react proactively to strive to introduce "New Products, Differential Services" and selectively develop its markets. It will develop energy saving and emission reduction products. It will also strive to win quality orders of new build vessel coatings and endeavour to generate greater operating benefit. Meanwhile, Jotun COSCO will enhance its marketing efforts in order to increase its market share in coatings for repair and maintenance. The construction of the new plant of Jotun COSCO (Qingdao) in Qingdao has been basically completed and it will endeavour to commence production in the near future. The plant will have a total annual production capacity of 50,000,000 litres which will highly secure the leading position of Jotun COSCO in the marine coating market in China.

For the trading and supply of marine fuel and related products, in response to the operating pressure faced by shipping enterprises, Sinfeng will continue to closely monitor the operating and credit condition of its customers, and solicit business from new customers prudently and cautiously while strengthening the existing customer base, so as to achieve higher profitability under the premise of strict risk control.

For the general trading, it is expected that the demand for asphalt in various regions will decline and the overall supply of asphalt will exceed its demand in 2014. CITC will strive to maintain its market share through measures such as establishing direct sales network and distribution network and full marketing mechanism, as well as enhancing market exploration, resources exploration and infrastructure construction. CITC will also pay close attention to the projects to be tendered in different regions and strive to win new projects.

For the new business development, the Group will continue to proactively seize the opportunities to push forward the establishment of global sales and services network and the acquisition of shipping service-related projects inside and outside COSCO Group, and at the same time positively explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its established strategic development plan.

The Company is in discussions with China Ocean Shipping Company Americas, Inc. ("COSCO Americas") for a possible acquisition of Yuan Hua Technical & Supply Corporation ("Yuan Hua") from COSCO Americas. Yuan Hua is a company incorporated in the United States and is primarily engaged in provision of ship supply, trading and delivery of marine equipment and spare parts and provision of technical support and assistance for ship repairing. It is expected that incorporation of Yuan Hua into the global business network of the Group will further enhance the capability of the Group in procurement and supply of marine equipment and spare parts in American region, increase its maintenance service capability for the vessels travelling in that region, and facilitate seeking other business opportunities in that region. The Company will comply with the relevant requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") if and when the share purchase agreement is entered into.

With the full support of COSCO and COSCO (Hong Kong) Group Limited, COSCO International will strive to explore the shipping service industry and actively create value for the Shareholders, aiming to develop itself as a global leading one-stop shipping service provider.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2013 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2013.

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 new amendments of the Listing Rules, the Board adopted the Board Diversity Policy with a view to achieving a sustainable and balanced development.

The Board believed that the Company has complied with the code provisions of Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules during the year ended 31st December 2013 except that Mr. Wu Shuxiong, the Non-executive Director, was unable to attend the special general meeting of the Company held on 23rd December 2013 due to other business engagement, a deviation of the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings of the company.

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of Audit Committee include reviewing the accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. 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 2013. The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

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

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31st December 2013, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

By Order of the Board
COSCO International Holdings Limited
Xu Zhengjun
Managing Director

Hong Kong, 20th March 2014

As at the date of this announcement, the Board comprises nine Directors with Mr. Sun Jiakang (Chairman), Mr. Zhang Liang (Vice Chairman), Mr. He Jiale and Mr. Xu Zhengjun (Managing Director) as Executive Directors; Mr. Wang Wei and Mr. Wu Shuxiong as Non-executive Directors and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as Independent non-executive Directors.

* *for identification purpose only*