中遠國際控股有限公司*

COSCO International Holdings Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

# 2014 ANNUAL RESULTS

**RESULTS AND OPERATION HIGHLIGHTS:**

- Profit attributable to equity holders increased by 49% to HK$358,970,000. The increase was mainly due to: (1) increase in the operating profits of ship trading agency, coatings and marine equipment and spare parts businesses, resulted from higher demand for relevant shipping services driven by a remarkable growth in the volume of new build vessel orders and scrapped old vessels upon the accelerated adjustment of fleet structure by shipowners; (2) increase in interest income generated from the Group's cash; and (3) increase in profit contribution from the Group's joint venture, Jotun COSCO.

- Revenue decreased by 18% to HK$7,588,213,000.

- Gross profit increased by 16% to HK$804,492,000.

- Basic earnings per share was 23.70 HK cents, increased by 48%. The Board has recommended a final dividend of 10 HK cents per share. Together with the interim dividend of 3 HK cents per share, total dividends per share for the year are 13 HK cents, representing a dividend payout ratio of 55%.

- The Group had net cash of HK$6,107,736,000 as at 31st December 2014 available for the expansion of existing businesses and supporting future strategic development.

- Looking ahead, the Group will continue to proactively seize the opportunities to explore new businesses areas related to shipping services as well as actively 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 2014.

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December 2014*

| | Note | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|---|
| Revenue | 4 | **7,588,213** | 9,308,434 |
| Cost of sales | 6 | **(6,783,721)** | (8,614,169) |
| **Gross profit** | | **804,492** | 694,265 |
| Other income and gains | 5 | **39,988** | 53,941 |
| Selling, administrative and general expenses | 6 | **(577,505)** | (506,511) |
| Other expenses and losses | 6 | **(21,129)** | (22,626) |
| **Operating profit** | | **245,846** | 219,069 |
| Finance income | 7 | **142,977** | 94,155 |
| Finance costs | 7 | **(2,964)** | (4,156) |
| Finance income — net | 7 | **140,013** | 89,999 |
| Share of profits of joint ventures | | **65,218** | 9,549 |
| Share of profits of associates | | **17,016** | 13,028 |
| **Profit before income tax** | | **468,093** | 331,645 |
| Income tax expenses | 8 | **(73,331)** | (58,547) |
| **Profit for the year** | | **394,762** | 273,098 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **358,970** | 241,610 |
| Non-controlling interests | | **35,792** | 31,488 |
| | | **394,762** | 273,098 |
| **Earnings per share attributable to equity holders of the Company during the year** | | | |
| — basic, HK cents | 9(a) | **23.70** | 15.96 |
| — diluted, HK cents | 9(b) | **23.33** | 15.81 |
| **Dividends** | 10 | **198,606** | 83,257 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31st December 2014*

| | Note | **2014** *HK$'000* | 2013 *HK$'000* |
|---|---|---|---|
| **Profit for the year** | | **394,762** | 273,098 |
| **Other comprehensive income/(losses)** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Currency translation differences | | **(7,225)** | 36,066 |
| Share of currency translation differences of a joint venture arising during the year | | **9,848** | 5,581 |
| Reclassification adjustment for a gain included in profit or loss | *4* | **(14,345)** | — |
| | | **(4,497)** | 5,581 |
| Share of currency translation differences of an associate | | **(44)** | 216 |
| Share of cash flow hedges of an associate, net of tax | | **(26,012)** | (80) |
| Fair value gains/(losses) on available-for-sale financial assets, net | | **15,492** | (12,652) |
| **Other comprehensive (losses)/income for the year** | | **(22,286)** | 29,131 |
| **Total comprehensive income for the year** | | **372,476** | 302,229 |
| **Total comprehensive income attributable to:** | | | |
| Equity holders of the Company | | **337,586** | 261,935 |
| Non-controlling interests | | **34,890** | 40,294 |
| | | **372,476** | 302,229 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st December 2014*

| | Note | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | **105,478** | 103,127 |
| Property, plant and equipment | | **262,181** | 145,892 |
| Prepaid premium for land leases | | **35,100** | 36,315 |
| Investment properties | | **44,847** | 41,924 |
| Investments in joint ventures | | **493,107** | 432,465 |
| Investments in associates | | **82,520** | 91,969 |
| Available-for-sale financial assets | | **70,524** | 49,048 |
| Deferred income tax assets | | **69,445** | 65,520 |
| Non-current deposits | | **25,348** | 38,153 |
| | | **1,188,550** | 1,004,413 |
| **Current assets** | | | |
| Completed properties held for sale | | **192** | 192 |
| Inventories | | **369,198** | 446,800 |
| Trade and other receivables | *11* | **1,960,207** | 1,672,431 |
| Available-for-sale financial assets | | **28,970** | 34,954 |
| Financial assets at fair value through profit or loss | | **1,086** | 1,109 |
| Current income tax recoverable | | **8,682** | 401 |
| Restricted bank deposits | | **14,120** | 62,782 |
| Current deposits and cash and cash equivalents | | **6,094,329** | 6,226,881 |
| | | **8,476,784** | 8,445,550 |
| **Total assets** | | **9,665,334** | 9,449,963 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **153,181** | 151,378 |
| Reserves | | **7,432,675** | 7,270,808 |
| Proposed dividend | | **153,181** | 52,982 |
| | | **7,739,037** | 7,475,168 |
| **Non-controlling interests** | | **369,451** | 313,925 |
| **Total equity** | | **8,108,488** | 7,789,093 |
| **LIABILITIES** | | | |
| **Non-current liability** | | | |
| Deferred income tax liabilities | | **39,027** | 32,497 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **1,470,613** | 1,546,465 |
| Current income tax liabilities | | **21,145** | 22,122 |
| Short-term borrowings | | **26,061** | 59,786 |
| | | **1,517,819** | 1,628,373 |
| **Total liabilities** | | **1,556,846** | 1,660,870 |
| **Total equity and liabilities** | | **9,665,334** | 9,449,963 |
| **Net current assets** | | **6,958,965** | 6,817,177 |
| **Total assets less current liabilities** | | **8,147,515** | 7,821,590 |

## 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 中國遠洋運輸(集團)總公司 (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.

The consolidated financial statements have been prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

### 3 CHANGES IN ACCOUNTING POLICIES

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

In 2014, the Group has adopted the following amendments to published standards and new interpretation issued by the HKICPA, which are relevant to its operations:

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendment to HKAS 32 | 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 |
| HK(IFRIC) Interpretation 21 | Levies | 1st January 2014 |

Amendment to HKAS 32 "Financial Instruments: Presentation" clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the consolidated financial statements.

Amendment to HKAS 36 "Impairment of Assets" removed certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39 "Financial Instruments: Recognition and Measurement" considers legislative changes to "over-the-counter" derivatives and the establishment of central counterparties. Under HKAS 39, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the consolidated financial statements as a result.

HK(IFRIC) 21 "Levies" sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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

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

The following new standards and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 2014 and have not been early adopted by the Group.

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation | 1st January 2016 |
| HKFRS 9 (2014) | Financial Instruments | 1st January 2018 |
| Amendment to HKFRS 9 | Hedge Accounting and Amendments | 1st January 2018 |
| Amendment to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations | 1st January 2016 |
| HKFRS 15 | Revenue from Contracts with Customers | 1st January 2017 |
| HKFRSs (Amendment) | Annual Improvements to HKFRSs 2010–2012 Cycle | 1st July 2014 |
| HKFRSs (Amendment) | Annual Improvements to HKFRSs 2011–2013 Cycle | 1st July 2014 |
| HKFRSs (Amendment) | Annual Improvements to HKFRSs 2012–2014 Cycle | 1st January 2016 |

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

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3rd March

2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

## 4 REVENUE AND SEGMENT INFORMATION

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Sale of coatings | **1,391,004** | 1,323,348 |
| Sale of marine equipment and spare parts | **1,050,186** | 888,522 |
| Commission income from ship trading agency | **128,710** | 103,243 |
| Commission income from insurance brokerage | **91,000** | 89,453 |
| Sale of marine fuel and other products | **3,978,870** | 5,655,961 |
| Sale of asphalt and other products | **948,443** | 1,247,907 |
| | **7,588,213** | 9,308,434 |

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. 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.

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

| | Year ended and as at 31st December 2014 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shipping services | | | | | | | | | |
| | **Coatings** | **Marine equipment and spare parts** | **Ship trading agency** | **Insurance brokerage** | **Marine fuel and other products** | **Total** | **General trading** | **All other segments** | **Inter-segment elimination** | **Total** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Profit and loss items:** | | | | | | | | | | |
| Segment revenue | 1,391,004 | 1,050,377 | 128,710 | 91,356 | 4,191,541 | 6,852,988 | 948,568 | — | (213,343) | 7,588,213 |
| Inter-segment revenue | — | (191) | — | (356) | (212,671) | (213,218) | (125) | — | 213,343 | — |
| Revenue from external customers | 1,391,004 | 1,050,186 | 128,710 | 91,000 | 3,978,870 | 6,639,770 | 948,443 | — | — | 7,588,213 |
| Segment operating profit | 104,858 | 42,029 | 80,683 | 62,851 | 8,997 | 299,418 | 7,653 | 2,344 | — | 309,415 |
| Finance income | 9,374 | 1,367 | 7,876 | 1,530 | 214 | 20,361 | 2,247 | — | — | 22,608 |
| Finance costs | (306) | (1,862) | (24) | (175) | (5,534) | (7,901) | (7,647) | — | — | (15,548) |
| Share of profits of joint ventures | 64,738* | 132 | 348 | — | — | 65,218 | — | — | — | 65,218 |
| Share of profits of associates | — | — | 2 | — | 16,272 | 16,274 | 742 | — | — | 17,016 |
| Segment profit before income tax | 178,664 | 41,666 | 88,885 | 64,206 | 19,949 | 393,370 | 2,995 | 2,344 | — | 398,709 |
| Income tax expenses | (27,301) | (8,763) | (19,271) | (11,206) | (300) | (66,841) | (1,723) | — | — | (68,564) |
| Segment profit after income tax | 151,363 | 32,903 | 69,614 | 53,000 | 19,649 | 326,529 | 1,272 | 2,344 | — | 330,145 |
| **Balance sheet items:** | | | | | | | | | | |
| Total segment assets | 2,123,809 | 895,978 | 335,724 | 173,154 | 591,254 | 4,119,919 | 926,391 | 98,821 | (240,858) | 4,904,273 |
| Total segment assets include: | | | | | | | | | | |
| — Joint ventures | 477,244 | 12,626 | 3,237 | — | — | 493,107 | — | — | — | 493,107 |
| — Associates | — | — | 2,091 | — | 73,387 | 75,478 | 7,042 | — | — | 82,520 |
| Total segment liabilities | 677,751 | 525,575 | 54,518 | 64,245 | 402,532 | 1,724,621 | 701,863 | — | (240,858) | 2,185,626 |
| **Other items:** | | | | | | | | | | |
| Depreciation and amortisation, net of amount capitalised | 22,302 | 1,703 | 367 | 73 | — | 24,445 | 1,202 | — | — | 25,647 |
| Provision for impairment of inventories, net of reversal | 1,978 | — | — | — | — | 1,978 | — | — | — | 1,978 |
| Reversal of provision for impairment of trade receivables, net of provision | 22,180 | 1,080 | — | — | — | 23,260 | — | — | — | 23,260 |
| Provision for impairment of other receivables | — | 36 | — | — | — | 36 | 18,943 | — | — | 18,979 |
| Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets) | 136,542 | 6,805 | 199 | 128 | — | 143,674 | 2,017 | — | — | 145,691 |

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

| | Year ended and as at 31st December 2013 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shipping services | | | | | | | | | |
| | Coatings | Marine equipment and spare parts | Ship trading agency | Insurance brokerage | Marine fuel and other products | Total | General trading | All other segments | Inter-segment elimination | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Profit and loss items:** | | | | | | | | | | |
| Segment revenue | 1,323,348 | 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 receivables, net of reversal | 4,246 | 688 | — | — | — | 4,934 | — | — | — | 4,934 |
| Provision for impairment of other receivables | — | 40 | — | — | — | 40 | 17,498 | — | — | 17,538 |
| 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 |

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before income tax for reportable segments | **396,365** | 299,369 |
| Profit before income tax for all other segments | **2,344** | 2,749 |
| Profit before income tax for all segments | **398,709** | 302,118 |
| Elimination of segment income from corporate headquarters | **(95)** | (87) |
| Elimination of segment finance costs to corporate headquarters | **12,601** | 12,611 |
| Corporate finance income | **120,369** | 69,947 |
| Corporate finance costs | **(17)** | (15) |
| Corporate expenses, net of income | **(63,474)** | (52,929) |
| Profit before income tax for the Group | **468,093** | 331,645 |
| Income tax expenses for all segments | **(68,564)** | (54,016) |
| Corporate income tax expenses | **(4,767)** | (4,531) |
| Profit after income tax for the Group | **394,762** | 273,098 |

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total assets for reportable segments | **5,046,310** | 4,894,283 |
| Total assets for all other segments | **98,821** | 83,352 |
| Elimination of inter-segment receivables | **(240,858)** | (169,409) |
| | **4,904,273** | 4,808,226 |
| Corporate assets (mainly deposits and cash and cash equivalents) | **5,427,745** | 5,362,088 |
| Elimination of corporate headquarters' receivables from segments | **(666,684)** | (720,351) |
| Total assets for the Group | **9,665,334** | 9,449,963 |

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

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Total liabilities for reportable segments | **2,426,484** | 2,516,959 |
| Elimination of inter-segment payables | **(240,858)** | (169,409) |
| | **2,185,626** | 2,347,550 |
| Corporate liabilities | **37,904** | 33,671 |
| Elimination of segment payables to corporate headquarters | **(666,684)** | (720,351) |
| Total liabilities for the Group | **1,556,846** | 1,660,870 |

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$795,040,000 (2013: HK$711,972,000) and HK$6,793,173,000 (2013: HK$8,596,462,000) 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$672,509,000 (2013: HK$615,452,000) and HK$376,072,000 (2013: HK$274,393,000) respectively.

Revenue of HK$1,694,125,000 (2013: HK$2,639,385,000) is derived from a single external customer of the marine fuel and other products segment.

## 5 OTHER INCOME AND GAINS

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Gain on disposal of property, plant and equipment | **409** | 329 |
| Rental income | **1,502** | 1,502 |
| Fair value gains on investment properties | **2,919** | 3,469 |
| Reversal of provision for impairment of inventories, net of provision | **—** | 6,064 |
| Reversal of provision for impairment of trade receivables, net of provision | **23,260** | — |
| Dividend income from listed and unlisted investments | **2,367** | 2,340 |
| Fair value gains on financial assets at fair value through profit or loss | **—** | 409 |
| Net exchange gains | **2,199** | 28,107 |
| Others | **7,332** | 11,721 |
| | **39,988** | 53,941 |

## 6 EXPENSES BY NATURE

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Cost of sales** | | |
| Cost of inventories sold | **6,783,721** | 8,614,169 |
| **Selling, administrative and general expenses** | | |
| Selling expenses | **217,460** | 163,047 |
| Depreciation and amortisation of property, plant and equipment | **5,580** | 6,636 |
| Amortisation of intangible assets | **1,340** | 1,456 |
| Amortisation of prepaid premium for land leases | **1,086** | 947 |
| Operating lease rental expenses | **28,953** | 28,457 |
| Administrative staff costs | **180,010** | 163,759 |
| Auditors' remuneration | **5,569** | 5,491 |
| Others | **137,507** | 136,718 |
| | **577,505** | 506,511 |
| **Other expenses and losses** | | |
| Direct operating expenses for generating rental income | **149** | 154 |
| Provision for impairment of inventories, net of reversal | **1,978** | — |
| Provision for impairment of trade receivables, net of reversal | **—** | 4,934 |
| Provision for impairment of other receivables | **18,979** | 17,538 |
| Fair value losses on financial assets at fair value through profit or loss | **23** | — |
| | **21,129** | 22,626 |

## 7 FINANCE INCOME — NET

| | 2014 | 2013 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Interest income from: | | |
| — a fellow subsidiary | **13,896** | 8,057 |
| — a joint venture | **234** | 722 |
| — bank deposits | **128,847** | 85,376 |
| Total finance income | **142,977** | 94,155 |
| Interest expenses on bank loans wholly repayable within five years | **(703)** | (1,610) |
| Other finance charges | **(2,261)** | (2,546) |
| Total finance costs | **(2,964)** | (4,156) |
| Finance income — net | **140,013** | 89,999 |

## 8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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% (2013: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2013: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 43% (2013:17% to 43%) during the year.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current income tax | | |
| — Hong Kong profits tax | **18,649** | 21,558 |
| — the PRC enterprise income tax | **47,355** | 31,716 |
| — other overseas taxation | **4,608** | 3,027 |
| — over-provision for Hong Kong profits tax in prior years | **(21)** | (15) |
| — under/(over)-provision for the PRC taxation in prior years | **173** | (373) |
| — over-provision for other overseas taxation in prior years | **(254)** | (4) |
| Deferred income tax charge — net | **2,821** | 2,638 |
| Income tax expenses | **73,331** | 58,547 |

## 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.

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to equity holders of the Company | **HK$358,970,000** | HK$241,610,000 |
| Weighted average number of ordinary shares in issue | **1,514,624,908** | 1,513,735,900 |
| Basic earnings per share | **23.70 HK cents** | 15.96 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.

| | **2014** | 2013 |
|---|---|---|
| Profit attributable to equity holders of the Company | **HK$358,970,000** | HK$241,610,000 |
| Weighted average number of ordinary shares in issue | **1,514,624,908** | 1,513,735,900 |
| Adjustment for assumed issuance of shares on exercise of share options | **24,230,231** | 14,918,597 |
| Weighted average number of ordinary shares for diluted earnings per share | **1,538,855,139** | 1,528,654,497 |
| Diluted earnings per share | **23.33 HK cents** | 15.81 HK cents |

## 10 DIVIDENDS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend paid of HK$0.03 (2013: HK$0.02) per ordinary share | **45,425** | 30,275 |
| Final dividend proposed of HK$0.10 (2013: HK$0.035) per ordinary share | **153,181** | 52,982 |
| | **198,606** | 83,257 |

At the board meeting held on 19th March 2015, the Directors proposed a final dividend of HK$0.10 per ordinary share for the year ended 31st December 2014. This proposed dividend has not been recognised as a liability in the financial statements for the year ended 31st December 2014, but will be recognised in shareholders' equity in the year ending 31st December 2015.

## 11 TRADE AND OTHER RECEIVABLES

As at 31st December 2014, trade and other receivables include trade receivables amounting to HK$942,612,000 (2013: HK$960,354,000).

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:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current–90 days | **762,909** | 712,965 |
| 91–180 days | **123,753** | 148,194 |
| Over 180 days | **55,950** | 99,195 |
| | **942,612** | 960,354 |

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 2014, trade and other payables include trade payables amounting to HK$446,804,000 (2013: HK$485,910,000).

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current–90 days | **405,554** | 427,033 |
| 91–180 days | **21,992** | 52,438 |
| Over 180 days | **19,258** | 6,439 |
| | **446,804** | 485,910 |

## OVERALL ANALYSIS OF RESULTS

In 2014, owing to the accelerated adjustment of fleet structure by the shipowners which drove the demand for relevant shipping services, the overall profit of the Group has therefore substantially rebounded as compared to 2013. During the year, profit attributable to equity holders of the Company was HK$358,970,000 (2013: HK$241,610,000), representing an increase of 49% as compared to 2013. Basic earnings per share was 23.70 HK cents (2013: 15.96 HK cents), representing an increase of 48% as compared to 2013.

## FINANCIAL REVIEW

### Revenue

The Group recorded revenue of HK$7,588,213,000 in 2014 (2013: HK$9,308,434,000), representing a decrease of 18% when compared to 2013. During the year, except for marine fuel and other products, all core shipping services segment revenues recorded growth of varying degrees. Segment revenues of ship trading agency, marine equipment and spare parts, coatings and insurance brokerage increased by 25%, 18%, 5% and 2% respectively as compared to 2013. Revenue from the core shipping services businesses fell by 18% to HK$6,639,770,000 (2013: HK$8,060,527,000) and accounted for 88% (2013: 87%) of the Group's revenue. Revenue of general trading segment decreased by 24% to HK$948,443,000 (2013: HK$1,247,907,000) and accounted for 12% (2013: 13%) of the Group's revenue.

### Gross Profit and Gross Profit Margin

The Group's gross profit for the year increased by 16% to HK$804,492,000 (2013: HK$694,265,000) while overall average gross profit margin rose from 7.5% to 10.6%. The increase in overall average gross profit margin was mainly attributable to the improvement of gross profit margins of container coatings and asphalt products as well as the increase in ship trading agency commission income.

### Other Income and Gains

The Group recorded other income and gains of HK$39,988,000 (2013: HK$53,941,000). Other income and gains primarily included reversal of provision for impairment of trade receivables (net of provision) of HK$23,260,000, fair value gains on investment properties of HK$2,919,000 (2013: HK$3,469,000) and net exchange gains of HK$2,199,000 (2013: HK$28,107,000). Other income and gains of 2013 also included reversal of provision for impairment of inventories (net of provision) of HK$6,064,000.

### Other Expenses and Losses

The Group recorded other expenses and losses of HK$21,129,000 (2013: HK$22,626,000). Other expenses and losses primarily included provision for impairment of other receivables of general trading segment of HK$18,943,000 (2013: HK$17,498,000).

**Selling, Administrative and General Expenses**

The Group's selling, administrative and general expenses was HK$577,505,000 (2013: HK$506,511,000), increased by 14% as compared to 2013. 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$217,460,000 (2013: HK$163,047,000) and the increase was primarily due to the increase of headcount and adjustments of salary levels of sales personnel and additional selling expenses. Administrative and general expenses rose by 5% to HK$360,045,000 (2013: HK$343,464,000).

**Operating Profit**

Due to the factors stated above, the Group's operating profit increased by 12% to HK$245,846,000 (2013: HK$219,069,000).

**Finance Income — Net**

The Group's finance income of HK$142,977,000 (2013: HK$94,155,000) represented primarily interest income on bank deposits. The increase in finance income was mainly attributable to higher cash deposit rates as compared to 2013 after the Group's active negotiations with various banks and financial institutions. The Group's finance costs mainly represented interest expenses on bank loans of HK$703,000 (2013: HK$1,610,000) and other finance charges of HK$2,261,000 (2013: HK$2,546,000). The decrease in finance costs was primarily due to the decline in average balance of bank borrowings used in the general trading businesses.

**Share of Profits of Joint Ventures**

The Group's share of profits of joint ventures increased by 583% to HK$65,218,000 (2013: HK$9,549,000). This item primarily represented the share of profit of Jotun COSCO of HK$64,738,000 (2013: HK$10,600,000) which was included in the coatings segment. The profit contribution from Jotun COSCO rose by 511% when compared to 2013 primarily as a result of the improvement of operating results, the share of exchange gain realised by Jotun COSCO upon liquidation of its subsidiary of HK$14,345,000 and the one-off specific provision for impairment made in the 2013 results in respect of trade receivable from marine coating customers, causing a decline of HK$37,958,000, net of tax in the Group's share of profit of Jotun COSCO.

**Share of Profits of Associates**

The Group's share of profits of associates increased by 31% to HK$17,016,000 (2013: HK$13,028,000). This item primarily comprised the share of profit of Double Rich of HK$16,272,000 (2013: HK$13,703,000) which was included in the marine fuel and other products segment.

### Income Tax Expenses

The Group's income tax expenses for the year increased to HK$73,331,000 (2013: HK$58,547,000). The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, remained at 19% approximately.

### Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company for the year increased by 49% to HK$358,970,000 (2013: HK$241,610,000).

## 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, bank balances and committed but not yet utilised banking facilities. The liquidity is primarily to fund general working capital requirements, dividend payments and future capital expenditure. As at 31st December 2014, deposits and cash and cash equivalents held by the Group accounted for 72% (2013: 74%) of the Group's total current assets.

As at 31st December 2014, the Group's total assets increased by 2.3% to HK$9,665,334,000 (2013: HK$9,449,963,000). Total liabilities decreased by 6.3% to HK$1,556,846,000 (2013: HK$1,660,870,000). During the year, as the shipping market underwent adjustment and the operating environment of some shipping enterprises and shipyards remained difficult, the Group maintained cautious attitude against potential credit risks. As one of the key financial management initiatives for the year, all business units of the Group vigorously refined their customer credit control and further reinforced their receivable management on the existing foundation. A distinctive result in respect of receivable collection was achieved as the Group's trade receivables balance dropped by 2% as compared to 2013.

Net asset value attributable to shareholders was HK$7,739,037,000 (2013: HK$7,475,168,000). Net asset value per share was HK$5.05 (2013: HK$4.94), increased by 2% from the end of 2013.

As at 31st December 2014, the Group's total bank borrowings dropped to HK$26,061,000 (2013: HK$59,786,000), which was mainly for the purpose of meeting 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 but not yet utilised standby banking facilities decreased by 3% to HK$6,133,797,000 (2013: HK$6,327,816,000) and increased by 15% to HK$2,039,361,000 (2013: HK$1,767,730,000) respectively. The gearing ratio, which represented total borrowings over total assets, was 0.3% (2013: 0.6%).

**Debt Analysis**

| | 31st December 2014 | | 31st December 2013 | |
|---|---|---|---|---|
| | *HK$'000* | *%* | *HK$'000* | *%* |
| Classified by maturity: | | | | |
| — repayable within one year | **26,061** | **100** | 59,786 | 100 |
| Classified by type of loan: | | | | |
| — secured | **—** | **—** | 28,615 | 48 |
| — unsecured | **26,061** | **100** | 31,171 | 52 |
| | **26,061** | **100** | 59,786 | 100 |
| Classified by currency: | | | | |
| — Renminbi | **—** | **—** | 28,615 | 48 |
| — United States dollars | **26,061** | **100** | 31,171 | 52 |
| | **26,061** | **100** | 59,786 | 100 |

Both the bank borrowings and the gearing ratio remained low since the end of 2013. 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 securing higher yields for liquid funds through explored channels of placement of deposits with major financial institutions in China Mainland and Hong Kong.

The Group had restricted bank deposits of HK$14,120,000 (2013: HK$62,782,000) 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. The Group maintained the policy of providing financial support to major business units to reduce the level of external borrowings.

As at 31st December 2014, borrowings of the Group carried interest at rates calculated with reference to the London Interbank Offered Rate ("LIBOR"). The Group will consider using forward foreign exchange contracts to hedge its foreign currency exposure should the need arise.

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

The Group maintained a healthy cash position. As at 31st December 2014, the Group had net cash of HK$6,107,736,000 (2013: HK$6,268,030,000). 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 a 2.29% return on the Group's cash during the year, represented 204 basis points above 3-month US Dollar LIBOR as at the end of 2014.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2014, sales to the largest customer and aggregate sales to the five largest customers accounted for 22% and 49% respectively (2013: 28% and 56% respectively) of the total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 32% and 57% respectively (2013: 31% and 61% respectively) of the total cost of sales of the Group.

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

During the year ended 31st December 2014, one of the five largest customers of the Group was a fellow subsidiary of the Company.

During the year ended 31st December 2014, one of the five largest suppliers of the Group was a fellow subsidiary of the Company.

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

## EMPLOYEES

As at 31st December 2014, excluding joint ventures and associates, the Group had 835 (2013: 804) employees, of which 100 (2013: 112) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$302,911,000 (2013: HK$269,548,000). 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 were 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

As a return for the support of Shareholders, COSCO International temporarily increases its annual dividend payout ratio from previously not less than 25% of net profit to not less than 50% of net profit prior to obtaining practical progress in major investment project in the future. In case, after the Company publishes major transaction announcement in relation to investment project, the annual dividend payout ratio will maintain at the level of not less than 25% of net profit subject to the results, availability of distributable reserves and cashflow position of the Company at that time.

The Board has recommended the payment of a final dividend of 10 HK cents (2013: 3.5 HK cents) per share for the year ended 31st December 2014 which will be payable on or before 25th June 2015 to the shareholders whose names appear on the register of members of the Company (the "Register of Members") on 10th June 2015 subject to the shareholders' approval in the annual general meeting of the Company to be held on 29th May 2015 (the "AGM"). The proposed final dividend together with the interim dividend of 3 HK cents per share, total dividends per share for the year 2014 are 13 HK cents (2013: 5.5 HK cents).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the AGM, the Register of Members will be closed from 27th May 2015 to 29th May 2015, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited (the "Branch Share Registrar") at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 26th May 2015.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from 8th June 2015 to 10th June 2015, 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 2014, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5th June 2015.

## BUSINESS REVIEW

In 2014, the global economy showed a gradual stronger recovery signal despite limited momentum and uneven distribution. Affected by various uncertainties such as intensifying geopolitical conflicts, weaker demand for commodities and lower-than-expected world trade growth, the global shipping market remained weak. Due to the overhang of shipping capacity, the operating condition of shipping and shipbuilding-related enterprises has not improved much. Shipowners continued to adopt stringent cost control measures. Nevertheless, benefiting from the introduction of a series of supporting policies for the development of shipping and shipbuilding industries by the PRC government, the shipowners accelerated adjustment of fleet structure. As a result, new build vessel orders and the number of scrapped old vessels increased significantly during the year that boosted the demand for the Group's various shipping services businesses including ship trading agency business. During the year, the Group spared no effort in developing its existing business operation and strived to maintain its existing customer base by focusing on its marketing services, undertaking transformation and upgrading, and enhancing service consciousness, and actively explored the markets and achieved favorable results. In addition, the Group proactively studied and moved forward relevant projects in order to further enhance the shipping services business in accordance with its established development strategy.

## 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$6,639,770,000 (2013: HK$8,060,527,000), representing a decrease of 18% as compared to 2013, which was mainly attributable to the significant decline in segment revenues of trading and supply of marine fuel and related products as compared to 2013. Profit before income tax from shipping services was HK$393,370,000 (2013: HK$293,608,000), representing an increase of 34% as compared to 2013. It was mainly attributable to marked increase in profits before income tax from coatings, ship trading agency and marine equipment and spare parts segments as compared to 2013.

### 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 fleets of COSCO and its subsidiaries (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 work progresses specified in the relevant contracts. For the trading of second-hand vessels, commissions are paid to COSCO Ship Trading according to the contracts after the vendors have delivered the vessels to the buyers.

During the year, COSCO Group accelerated adjustment of the fleet structure by scrapping the old vessels and ordering new build vessels. As a result, there was a surge in the trading of second-hand vessels, especially scrapped vessels and a significant increase in new build vessel orders through COSCO Ship Trading. Furthermore, due to increase in delivery of large-sized vessels during the year, the delivery of new build vessels ordered through COSCO Ship Trading aggregating 1,860,000 dead weight tonnages (2013: 1,505,000 dead weight tonnages). For second-hand vessels, completed transactions for the sale and purchase of 82 (2013: 67) second-hand vessels through COSCO Ship Trading were recorded, aggregating 3,980,000 dead weight tonnages (2013: 3,208,000 dead weight tonnages).

In addition, a total of 58 (2013: 18) new build vessels ordered through COSCO Ship Trading were recorded during the year, aggregating 5,150,000 dead weight tonnages (2013: 2,392,000 dead weight tonnages). As at 31st December 2014, the amount of new build vessels ordered through COSCO Ship Trading and pending delivery reached 9,320,000 dead weight tonnages, which were scheduled for delivery in the coming two to three years.

During the year, revenue from ship trading agency segment increased by 25% to HK$128,710,000 (2013: HK$103,243,000) as compared to 2013. Segment profit before income tax was HK$88,885,000 (2013: HK$72,624,000), representing an increase of 22% as compared to 2013. The increase in segment profit before income tax was mainly due to the significant increase in new build vessel commission, second-hand vessel commission and other commission income during the year as compared to 2013.

### 1.2 *Marine Insurance Brokerage Services*

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

During the year, leveraging on the overall renewal of the hull and machinery insurance and war risks insurance of COSCO Group's fleets, COSCO Insurance Brokers continued to consolidate and expand the businesses of the ship repairer's liability insurance and ship builder's risk insurance within COSCO Group, while at the same time actively pursued the motor vehicle insurance and terminals comprehensive insurance businesses within COSCO Group. In addition, COSCO Insurance Brokers actively developed non-marine insurance businesses including motor vehicle insurance, offshore units builders' risk insurance and port insurance, achieving satisfactory results. In the aspect of marketing service, in order to provide more efficient and convenient claim settlement services and to promote the corporate brand image, COSCO Insurance Brokers has been developing its website and a claim settlement system, which enable potential customers to contact with and understand COSCO Insurance Brokers and will help further enhance the claim settlement services. COSCO Insurance Brokers achieved stable commission income growth from marine insurance brokerage services through consolidating its existing customer base and exploring new customers and new businesses from more shipping companies of large state-owned enterprises.

During the year, revenue from insurance brokerage segment was HK$91,000,000 (2013: HK$89,453,000), up by 2% as compared to 2013. Segment profit before income tax was HK$64,206,000 (2013: HK$64,310,000), representing a slight decrease of 0.2% as compared to 2013.

### 1.3 *Supply of Marine Equipment and Spare Parts*

COSCO Yuantong Operation Headquarters, which are composed of Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company ("Yuantong"), and its subsidiaries (including 新中鈴株式會社 (Shin Chung Lin Corporation*), Xing Yuan (Singapore) Pte. Ltd., Hanyuan Technical Service Center GmbH ("Hanyuan"), 遠通海務貿易(上海)有限公司

(Yuantong Marine Trade (Shanghai) Co., Ltd.*), 中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*) and Yuan Hua Technical & Supply Corporation ("Yuan Hua")), 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 communications 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, Germany and the United States.

During the year, facing the fierce market competition, COSCO Yuantong Operation Headquarters continued to deepen its marketing services by actively visiting customers and vigorously developing marine equipment, spare parts and new build vessel equipment businesses, which achieved remarkable results in the expansion of non-COSCO Group customers and successfully developed certain quality major customers. As for the expansion of spare parts service network, the acquisition of 51% equity interests of Yuan Hua in the United States was completed in August 2014, which further optimised the global spare parts service network and strengthened the marine equipment and spare parts businesses of the Group. By integrating the procurement operations of COSCO Yuantong Operation Headquarters, the procurement scale was enlarged and the bargaining power over suppliers on prices was enhanced, resulting in further strengthened overall competitiveness. In addition, COSCO Yuantong Operation Headquarters launched innovative services, such as adding repairing service for marine equipment and provision of overall repair and maintenance solutions in response to market changes and customers' needs. These services saved costs for customers and enhanced customer satisfaction and loyalty and at the same time fostered benefits with further enhanced corporate brand value.

During the year, revenue from marine equipment and spare parts segment was HK$1,050,186,000 (2013: HK$888,522,000), up by 18% as compared to 2013. Segment profit before income tax was HK$41,666,000 (2013: HK$30,405,000), representing an increase of 37% as compared to 2013. This was mainly attributable to the increase in investment in marine equipment and spare parts replacement and maintenance resulting from loosening of cost control measures by shipowners and shipping companies and the increased demand for new build vessel equipment as well as the inclusion of full year contribution from Hanyuan, which was acquired in 2013, and contribution from Yuan Hua, which was acquired in August 2014 to the results for the year.

### 1.4 *Production and Sale of Coatings*

The coating business of the Company primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. ("COSCO Kansai (Zhuhai)"), 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 from the rebounded demand for new build containers during the year 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, 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 units, maintain a sound market position in China Mainland and make proper follow-up arrangement after ceased production of plant in Baoshan, Shanghai under COSCO Kansai (Shanghai) in January 2015, the Group spared no effort to push forward the construction of new plants of two joint ventures. The Group properly assigned the plants under COSCO Kansai (Tianjin) and COSCO Kansai (Zhuhai) to take up the production of plant in Baoshan, Shanghai, and 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 Jinshan, Shanghai has been officially under construction during the first half of 2014. Currently, the construction of major civil work of the plant was basically completed while exterior decoration and installation of electric appliances and equipments commenced. The new plant was expected to commence production in June 2015. The construction of a coating plant in Qingdao by Jotun COSCO's wholly-owned subsidiary, Jotun COSCO Marine Coatings (Qingdao) Co., Ltd. ("Jotun COSCO (Qingdao)"), was basically completed and production in stages has commenced.

During the year, revenue from coatings segment was HK$1,391,004,000 (2013: HK$1,323,348,000), up by 5% as compared to 2013. Segment profit before income tax was HK$178,664,000 (2013: HK$108,776,000), representing an increase of 64% as compared to 2013. This was mainly attributable to the increase in the average gross profit margin of coating products of COSCO Kansai Companies driven by the decrease in raw material prices, the reversal of provision for impairment of trade receivables (net of provision) of HK$22,180,000 by COSCO Kansai Companies upon its successful collection of outstanding receivables during the year, as well as the significant increase in the Group's share of profit from Jotun COSCO.

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 succeeded in gaining orders from new customers by conducting effective communication and exchange of ideas with container manufacturing enterprises and container owners, and strengthening the promotion of corporate brands and actively exploring cooperation with container owners. It also offered quality services to major container manufacturers and container owners through on-site technical services enhancement, which gained the support and trust from key customers, allowing it to obtain key orders as well as consolidate its leading position in China's container coating market. In addition, COSCO Kansai Companies enhanced the management of key customers to ensure no loss of key customers and strived to increase market share, proactively developed new markets and new customers, stepped up marketing efforts towards small container manufacturers and widened channels and room for value-added marketing services. It also improved the segmentation in container coatings market and established a service system focusing on marketing for special container business to optimise the service systems of pre-sales, sales and after-sales and achieved a breakthrough in special container business. During the year, the sales volume of container coatings amounted to 49,516 tonnes, approximating to 49,540 tonnes of 2013.

In addition, COSCO Kansai Companies continued to vigorously develop the business of industrial heavy-duty anti-corrosion coatings, actively formulated sales and marketing strategies for each business segment, deployed sales networks, optimised human resources allocation as well as established a regional management mode for the purpose of professional management. It also designated a project team to develop coating businesses like wind power, construction machinery and light steel anti-corrosion respectively and achieved new growth point as well as further developed major projects. During the year, COSCO Kansai Companies continuously supplied goods to the Hong Kong-Zhuhai-Macao Bridge project, the sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer amounted to 15,061 tonnes (2013: 12,121 tonnes), representing an increase of 24% as compared to 2013.

During the year, COSCO Kansai (Tianjin) was permitted by Tianjin Municipal Government to prepare for the establishment of "Key Laboratory of Special Industrial Anti-corrosion Coatings" ("特種工業防腐塗料重點實驗室") with the approval of the expert group under the Science and Technology Commission (科委專家組) of Tianjin. 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 fifth straight year.

1.4.2 *Marine Coating*

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

During the year, Jotun COSCO actively explored its new build vessels business, and the sales volume of marine coatings for new build vessels amounted to 47,890,000 litres, representing an increase of 6% as compared to 2013. Facing the fierce market competition, Jotun COSCO, on the one hand, seized market opportunities and spared no effort in conducting sales and marketing activities and maintaining customer relationship and business link with domestic major shipyards and shipowners so as to raise the number of orders and selectively seek better coatings orders and projects, in particular more coating projects on repairing vessels whilst strictly controlling risks. Sales volume of coatings for repair and maintenance was 16,042,000 litres, up by 24% as compared to 2013. It, on the other hand, stepped up efforts in promoting products with energy saving and emission reducing features in order to adapt to the market needs. Jotun COSCO maintained its leading position in China's marine coating market. During the year, sales volume of Jotun COSCO's marine coatings amounted to 63,932,000 litres (equivalent to approximately 86,308 tonnes) (2013: 58,339,000 litres (equivalent to approximately 78,758 tonnes), up by 10% compared to 2013. During the year, the Group's share of profit from Jotun COSCO was HK$64,738,000 (2013: HK$10,600,000), up markedly by 511% as compared to 2013. It was mainly attributable to the significant improvement in the gross profit margin of Jotun COSCO due to the decrease in raw material prices during the year as compared to 2013, the share of exchange gain of HK$14,345,000 realised by Jotun COSCO upon liquidation of its subsidiary and one-off provision for impairment of trade receivables of marine coating customers made, resulting in decrease in the share of the profit of Jotun COSCO of HK$37,958,000, net of tax by the Group in the 2013 results.

In addition, as at 31st December 2014, Jotun COSCO had coating contracts in hand for new build vessels amounting to 33,590,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two to three years, which guaranteed steady development of Jotun COSCO's future business.

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

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

During the year, Sinfeng adopted prudent business strategies in response to the sophisticated 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. During the year, while Sinfeng gradually withdrew from certain businesses of relatively high risks, the total sales volume of marine fuel products was

864,335 tonnes, down by 26% as compared with 1,162,465 tonnes in 2013. During the year, revenue from the marine fuel and other products segment was HK$3,978,870,000, down by 30% as compared with HK$5,655,961,000 in 2013.

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$16,272,000 (2013: HK$13,703,000), up by 19% as compared to 2013, which was mainly due to increase in finance income during the year.

Profit before income tax of marine fuel and other products segment was HK$19,949,000 (2013: HK$17,493,000), representing an increase of 14% as compared to 2013.

**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 for other business.

During the year, in the face of intensifying market competition, CITC continued to deepen the transformation and upgrading of asphalt business by focusing on the marketing for regional markets as its main theme. It vigorously explored new markets on the basis of consolidating the traditional market share in Guangxi, Yunnan, Guizhou, Sichuan and Hunan, etc. and successfully tapped into asphalt supply segment of highway construction in the Inner Mongolia. At the same time, CITC successfully changed its business model in response to market changes. Regarding the orders from asphalt business, apart from the traditional tendering and bidding business of asphalt, it also expanded into new business models such as urban infrastructure and retailing to enhance the profitability. During the year, the sales volume of asphalt of CITC amounted to 136,159 tonnes, representing an increase of 2% as compared with 133,732 tonnes in 2013.

During the year, revenue from general trading segment was HK$948,443,000 (2013: HK$1,247,907,000), down by 24% as compared to 2013 due to the cessation of commodity trading business (including, among other things, steel and chemicals) for the sake of risk control. Segment profit before income tax was HK$2,995,000 (2013: HK$5,761,000), down by 48% as compared to 2013. The decrease in segment profit before income tax was mainly attributable to exchange loss generated from intra group loan denominated in foreign currency due to the fluctuations of Renminbi exchange rate.

## PROSPECTS

In 2015, it is expected that the global economic growth will see a slight recovery but remain weak in general. In view of the uncertainties from continuous low prices of fuel oil and geopolitical risks, the trend and political standing of each of the major economies will differentiate. The economic outlook of the United States is relatively optimistic while the economic recovery in the Eurozone looks sluggish and the economic growth of emerging economies like China will slow down. As for shipping market, the growth of international trade will slightly increase. As overhang of shipping capacity still exists, it is more likely for the shipping market to remain at low level and the overall condition will slightly improve over 2014. Cost control by shipowners are expected to remain and business prospects of the shipping services industry will unavoidably be under pressure. However, opportunities will be amidst challenges.

In recent years, the PRC Government actively stepped up policy research on strategic planning of "One Belt and One Road" and "Yangtze River Economic Belt", construction of free-trade zones and release of a series of policies to support shipping industry. For each segment of shipping services businesses of the Group, it presented favorable and new market opportunities, laying a solid foundation for sustainable healthy development of shipping and related industries.

In 2015, COSCO International will continue to develop with the corporate vision to establish itself as a "global leading one-stop shipping services provider" by means of further promoting the transformation and upgrading of shipping services business segments and providing customers with one-stop services through optimisation of 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.

Facing fierce market competition, the Group will use its best endeavor to encounter and tackle the challenges. For the ship trading agency, 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. For trading of second-hand vessels and scrap vessels, it will put efforts on the sales of retired scrap vessels and carry out joint monitoring over vessel dismantling. Meanwhile, it will seize market opportunities and, in response to the change and demand of the market situation, explore other businesses, to lay a solid foundation for the transformation and upgrading of COSCO Ship Trading. For the marine insurance brokerage services, COSCO Insurance Brokers will focus on building an insurance procurement platform of COSCO Group. COSCO Insurance Brokers will innovate new services and products, and enhance its marketing services. The proportion of non-marine insurance business will be further increased by focusing on motor vehicle insurance, terminals comprehensive insurance, travel and ransom insurance and short term credit insurance within COSCO Group. In addition, COSCO Insurance Brokers will continue to promote businesses with non-COSCO customers, particularly the reinsurance business. To enhance its ability in sustainable development, it will proactively expand from offline insurance service to online insurance service and from corporate insurance business to individual insurance business. For supply of marine equipment and spare parts, COSCO Yuantong Operation Headquarters will further optimise network establishment, enhance the exchange of ideas and communication among network companies and enforce the regional and functional roles of each network company. It will fully utilise its existing network and enhance the management of suppliers. Through setting up a centralised management system of suppliers that optimises the operation process, reduces general procurement costs and boosts the overall effectiveness, core competitiveness will be gradually realised. In addition, COSCO Yuantong Operation Headquarters will continue to deepen its marketing services, upgrade and transform itself from merely product sales and support into a new marketing role of providing customers with comprehensive solutions. It will continue to develop business outside COSCO Group vigorously and meanwhile, focus on enhancing its capacity of supplying offshore units builders' equipment and new build vessel equipment.

For container coatings, it is expected the demand for new build containers will be stable in 2015. COSCO Kansai Companies will seize opportunities to maintain its close relationship with container manufacturing groups and container owners. Leveraging the brand effect, they aim to further enhance their market share and extend their footprint to the relevant business, proactively develop the market and explore new clients to capture more sales orders in terms of container coating types and quantity. Also, they will enhance service quality and promote the brand recognition among container owners and container manufacturers and further enhance the corporate image, so as to maintain their leading position in terms of the market share in the container coating market. For industrial heavy-duty anti-corrosion coatings, it is expected that the market trend will remain the same as 2014 or record a slight increase, but there is certain growth in the coating industry of petroleum and petrochemical facilities, port facilities and infrastructure facilities. COSCO Kansai Companies will actively formulate market strategies for each business segment, deploy sales networks, as well as innovate their marketing approach and mode. They will establish a regional management system focusing on expanding the markets of three major areas, namely the Southern, Central and Northern China and offering industry guidelines so as to develop quality distributors and expand sales channels while striving for the development of competitive projects such as bridges, nuclear power and steel engineering business. They will put more efforts into the development and follow-up works of key customers and projects in order to achieve a higher success rate in respect of projects. In addition, COSCO Kansai Paint (Shanghai) will also proactively push forward the plant construction project in Jinshan, Shanghai. The civil construction of the plant is basically completed and it is expected to commence its production in June 2015, which will strengthen the leading position of COSCO Kansai Companies in the container coating market in the PRC. For marine coatings, the demand for marine coatings in 2015 is expected to be slightly higher than that in 2014. Jotun COSCO will capture market opportunities, implement marketing and customer care so as to enhance customers' satisfaction in terms of product quality and on-site technical services guidance. It will also develop selected markets, seek better orders of marine coatings for new build vessels, and raise the market share among customers of vessel repairs. In addition, Jotun COSCO will continue to strive for product enhancement, facilitate energy saving and emission reduction of vessels while focusing on the promotion of HPS (Hull Performance Solution), the high performance anti-fouling coating, Sea Quantum X200 as well as the combination of vessel maintenance concept with coating products. The plant of Jotun COSCO (Qingdao) in Qingdao is expected to commence full production in May 2015 with 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 and risks faced by shipping enterprises, Sinfeng will continue to control risk and adopt prudent operating strategy, and solicit business from new customers prudently and cautiously while retaining its existing quality customers, so as to expand its business under the premise of strict risk control.

For general trading, in the face of intensifying competition in the highway tendering and bidding market in respect of asphalt business, CITC will focus its efforts on asphalt supply and market development and, with the aim of consolidating its market share in the highway market, vigorously expand and gradually broaden its market share in new business such as urban infrastructure and retailing. CITC will also extend its presence in the areas such as warehouses, logistics and deep processing in order to build an integrated industry chain with professional port and inland warehousing, professional logistics of shipping and vehicles transportation, research and development in asphalt technology and further processing.

For new business development, the Group will proactively seize opportunities to explore new business of shipping services and push forward the establishment of global sales and services network in accordance with its established strategic development plan, as well as actively explore the development of upstream and downstream businesses along the value chain of existing businesses, aiming to develop itself as a global leading one stop shipping services provider and create value for the Shareholders.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2014.

## CORPORATE GOVERNANCE

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

The Board believed that the Company has complied with the code provisions of Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules during the year ended 31st December 2014 except that Mr. Wu Shuxiong, the Non-executive Director, was unable to attend the annual general meeting of the Company held on 30th May 2014 due to other business engagement, a deviation from the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings of the company.

The audit committee 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 2014. 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 2014, 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, 19th March 2015

*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*