COSCO International

COSCO International Holdings Limited
Stock Code : 00517

Annual Report 2013

STRIVE FOR DEVELOPMENT
RIDE HIGH ON THE TREND

CORE BUSINESS COVERAGE

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

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

CONTENTS

DEFINITIONS AND GLOSSARY

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

"Director(s)"	the director(s) of the Company;
"Double Rich"	Double Rich Limited, an associate of the Company;
"Group"	the Company and its subsidiaries;
"Hanyuan"	Hanyuan Technical Service Center GmbH;
"HK COSCO Insurance Brokers"	COSCO (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Jotun COSCO"	Jotun COSCO Marine Coatings (HK) Limited, a joint venture of the Company;
"Jotun COSCO (Qingdao)"	Jotun COSCO Marine Coatings (Qingdao) Co., Ltd., a wholly-owned subsidiary of Jotun COSCO;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"offshore units builders' risk insurance"	the insurance for construction works of non-traditional vessels such as offshore oil rig platforms, offshore pipe laying vessels, offshore FDPSO vessels and offshore wind farm installation vessels;
"PRC"	the People's Republic of China;
"Shanghai Yuantong"	遠通海務貿易(上海)有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*), a wholly-owned subsidiary of the Company;
"Share(s)"	the share(s) of HK$0.10 each in the capital of the Company;
"Shareholders"	the holders of the Share(s) of the Company;
"Shin Chung Lin"	新中鈴株式會社 (Shin Chung Lin Corporation*), a wholly-owned subsidiary of the Company;
"Sinfeng"	Sinfeng Marine Services Pte. Ltd., a wholly-owned subsidiary of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder(s)"	the meaning ascribed to it in the Listing Rules;
"SZ COSCO Insurance Brokers"	深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*), a non-wholly owned subsidiary of the Company;
"Xing Yuan"	Xing Yuan (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company ; and
"Yuantong"	Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company.

* for identification purpose only

COMPANY INFORMATION

DIRECTORS

Executive Directors

Mr. Sun Jiakang *(Chairman)*
Mr. Zhang Liang *(Vice Chairman)*
Mr. He Jiale
Mr. Xu Zhengjun *(Managing Director)*

Non-executive Directors

Mr. Wang Wei
Mr. Wu Shuxiong

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Chiu Shui Suet

QUALIFIED ACCOUNTANT

Mr. Lo Siu Leung, Tony

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Zhang Liang *(committee chairman)*
Mr. He Jiale
Mr. Xu Zhengjun

RISK MANAGEMENT COMMITTEE

Mr. Zhang Liang *(committee chairman)*
Mr. Wu Shuxiong
Mr. He Jiale
Mr. Xu Zhengjun

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

INVESTOR RELATIONS

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

FINANCIAL CALENDAR

2013 Annual General Meeting	: 31st May 2013
Announcement of 2013 Interim Results	: 20th August 2013
Announcement of 2013 Annual Results	: 20th March 2014
2014 Annual General Meeting	: 30th May 2014

DIVIDEND

2013 Interim Dividend	: 2 HK cents per share
Proposed 2013 Final Dividend	: 3.5 HK cents per share
Total Dividends for 2013	: 5.5 HK cents per share

CORPORATE PROFILE

COSCO International is a company listed on the Main Board of the Stock Exchange (stock code 00517) and a constituent of Hang Seng Corporate Sustainability Benchmark Index.

The Company is a subsidiary of COSCO Hong Kong, which is a wholly-owned subsidiary of COSCO. COSCO Group is a diversified and multinational conglomerate focusing mainly on shipping, logistics and shipbuilding and ship repairing businesses with a leading position in the world. COSCO Group is engaged in the provision of quality services in shipping, logistics and shipbuilding and ship repairing, as well as other ship related businesses to all customers around the world. The Group is principally engaged in the provision of shipping services. Other business operation is general trading.

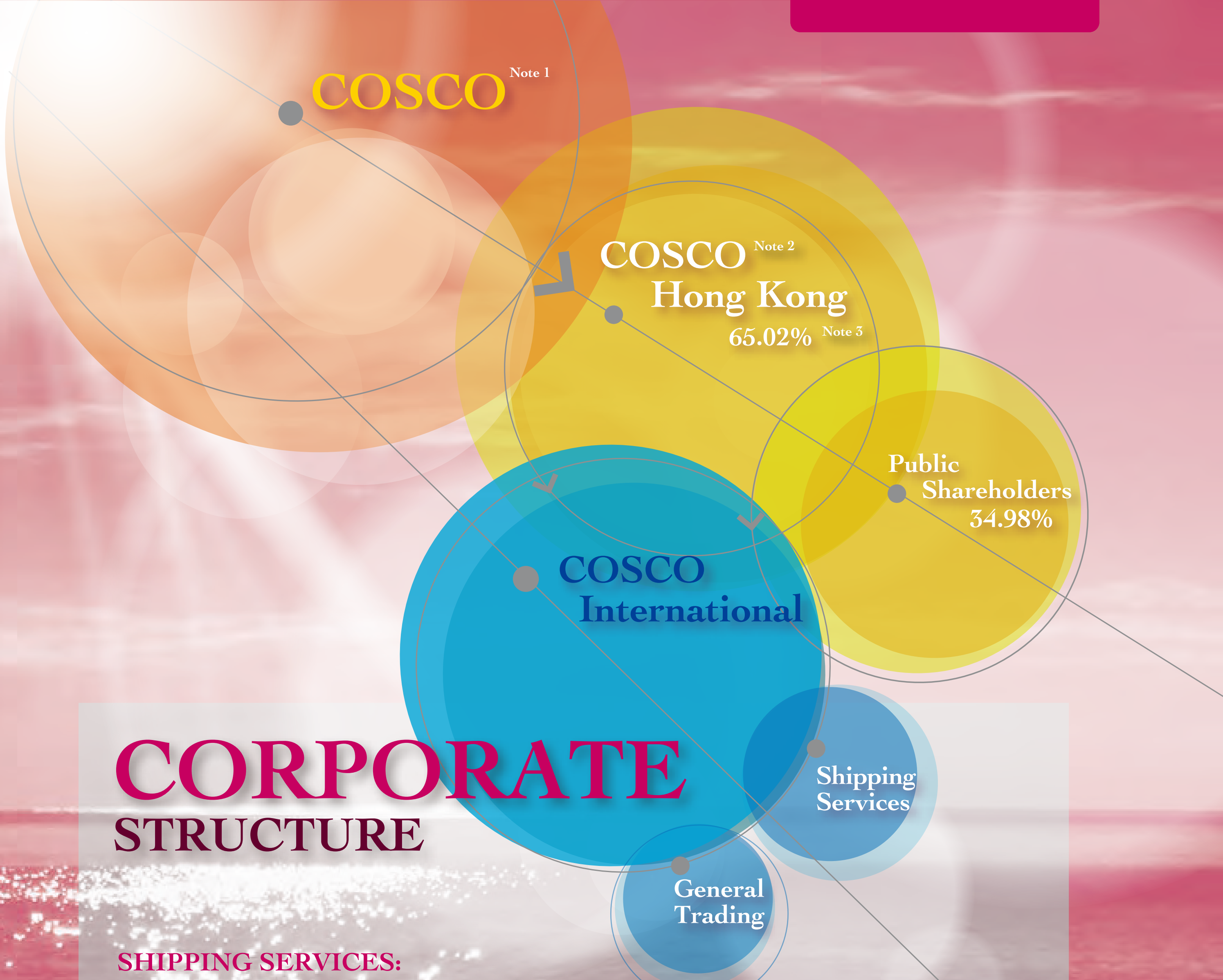
COSCO International has positioned shipping services as its core business. The Group has laid a platform of shipping services comprising ship trading agency, marine insurance brokerage, supply of marine equipment and spare parts, production and sale of coatings as well as trading and supply of marine fuel and related products, offering diversified and specialised shipping related services and products to customers such as shipping companies, shipyards, container manufacturers, etc. Its businesses network cover China Mainland, Hong Kong, Singapore, Japan and Germany, etc.

Vision

COSCO International's vision is to provide one-stop professional services for fleets in China and worldwide, through the establishment of a comprehensive, safe, reliable and efficient shipping services supply platform so as to establish itself as a global leading one-stop shipping services provider.

Mission

By virtue of the support of COSCO Group and leveraging on its substantial resources, and by securing trustworthy and harmonious relationships with customers, business partners and employees, COSCO International's mission is to pursue sustainable growth so as to maximise its returns to the shareholders and the community.



CORPORATE STRUCTURE

SHIPPING SERVICES:

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

GENERAL TRADING:

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

Note 1
COSCO is the ultimate holding company of COSCO International. COSCO Group operates a fleet of about 695 modern commercial vessels with a total carrying capacity of about 50,636,000 dead weight tonnages.

Note 2
COSCO International is a subsidiary of COSCO Hong Kong. COSCO Hong Kong is an important overseas regional headquarters of COSCO Group.

Note 3
To the best of the knowledge and belief of the Directors, COSCO Hong Kong through its wholly-owned subsidiary held 65.02% issued share capital of the Company as at 31st December 2013.

* for identification purpose only

Maximise our

STRENGTH FOR SUSTAINABLE GROWTH

INHERITANCE

The Group has been focusing on its strategic development positioning in "shipping services", with "establishing itself as a global leading one-stop shipping services provider" as its development vision. It provides customers with quality products and services through its increasing presence all over the world. The Group continues to enhance its profitability and maintains its capability for sustainable development, thus contributing to our shareholders and society.

FINANCIAL HIGHLIGHTS

	2013 HK$'000	2012 HK$'000	Change
ANNUAL RESULTS HIGHLIGHTS			
For the year ended 31st December			
Revenue	**9,308,434**	10,005,705	–7%
Gross profit	**694,265**	685,985	+1%
Operating profit	**219,069**	298,763	–27%
Profit before income tax	**331,645**	473,833	–30%
Profit attributable to equity holders	**241,610**	363,006	–33%
Basic earnings per share (HK cents)	**15.96**	23.98	–33%
Dividends per share (HK cents)	**5.50**	8.00	–31%
Dividend payout ratio (%)	**34**	33	+1pt

	2013 HK$'000	2012 HK$'000	Change
BALANCE SHEET HIGHLIGHTS			
As at 31st December			
Total assets	**9,449,963**	9,617,388	–2%
Total liabilities	**1,660,870**	2,037,244	–18%
Net assets attributable to shareholders	**7,475,168**	7,334,121	+2%
Net cash	**6,268,030**	5,820,907	+8%
Net assets per share (HK$)	**4.94**	4.85	+2%
Net cash per share (HK$)	**4.14**	3.85	+8%
Return on total assets (%)	**2.53**	3.80	–1.27pts
Return on shareholders' equity (%)	**3.26**	5.03	–1.77pts

	2013	2012
KEY FINANCIAL RATIOS		
For the year ended 31st December		
Gross profit margin	**7.5%**	6.9%
Interest coverage	**83.0 times**	123.4 times
Current ratio	**5.2 times**	4.3 times
Liquidity ratio	**4.9 times**	4.1 times
Total liabilities/total assets	**17.6%**	21.2%
Total borrowings/total assets	**0.6%**	0.5%

	2013 HK$'000	2012 HK$'000	Change
SEGMENT REVENUE*			
For the year ended 31st December			
Shipping Services			
Coatings	**1,323,348**	1,274,861	+4%
Marine equipment and spare parts	**888,522**	923,102	–4%
Ship trading agency	**103,243**	109,340	–6%
Insurance brokerage	**89,453**	85,142	+5%
Marine fuel and other products	**5,655,961**	6,228,123	–9%
	8,060,527	8,620,568	–6%
General Trading	**1,247,907**	1,385,137	–10%
Total	**9,308,434**	10,005,705	–7%

* *external customers only*

	2013 HK$'000	2012 HK$'000	Change
SEGMENT PROFIT BEFORE INCOME TAX			
For the year ended 31st December			
Shipping Services			
Coatings	**108,776**	158,744	–31%
Marine equipment and spare parts	**30,405**	50,950	–40%
Ship trading agency	**72,624**	76,526	–5%
Insurance brokerage	**64,310**	61,861	+4%
Marine fuel and other products	**17,493**	54,624	–68%
	293,608	402,705	–27%
General Trading	**5,761**	15,724	–63%
Corporate and others	**32,276**	55,404	–42%
Total	**331,645**	473,833	–30%

HIGHLIGHTS OF THE YEAR 2013

21st MARCH

A press conference and an analyst meeting for 2012 annual results were held in Hong Kong.

19th MAY

COSCO Kansai Companies won the bid for the coatings supply contract for the main bridge project of Hong Kong-Zhuhai-Macao Bridge, with the contract amount of RMB111,800,000. COSCO Kansai Companies became the major coatings production supplier for this bridge.

30th MAY

Jotun COSCO held an opening ceremony for its new factory in Qingdao. This indicated the official commencement of operation of the production base of Jotun COSCO in Qingdao.

31st MAY

2013 Annual General Meeting of the Company was held in Hong Kong.

10th JUNE

Yuantong signed a share purchase agreement with COSCO Europe in relation to the acquisition of the entire issued share capital of Hanyuan.
The consideration of the acquisition amounted to EUR1,180,000. Upon completion of the acquisition, Hanyuan became COSCO International's first wholly-owned subsidiary engaged in supplying of marine equipment and spare parts in Europe.

20th AUGUST

A press conference and an analyst meeting for 2013 interim results were held in Hong Kong.

23rd SEPTEMBER

Mr. Sun Jiakang, executive vice president of COSCO, was appointed as Executive Director and Chairman of the Board, and Mr. Ye Weilong resigned as Executive Director and Chairman of the Board due to other job arrangement.

9th SEPTEMBER

COSCO International was selected as a constituent member of the Hang Seng Corporate Sustainability Benchmark Index for the second consecutive year.

23rd SEPTEMBER

COSCO purchased, through its wholly-owned subsidiary, an aggregate of 600,000 ordinary shares of COSCO International at an average price of HK$2.953 per share. After the increase in its shareholding, COSCO holds 984,314,286 ordinary shares of the Company, representing approximately 65.02% of the Company's issued share capital.

19th DECEMBER

COSCO Kansai Paint (Shanghai) held a piling and groundbreaking ceremony for its new plant located in Shanghai Jinshan Industrial Park. The construction of the new plant will lay the foundation for the long term development of COSCO Kansai Companies.

23rd DECEMBER

A special general meeting was held in Hong Kong. All resolutions including the renewal of continuing connected transactions between COSCO International and COSCO Group and the re-election of Mr. Sun Jiakang as a director of the Company were passed.

AWARDS AND RECOGNITIONS

1 Awarded Gold Award and Titanium Award in the Asset Corporate Awards 2012 and 2013 by the Asset magazine respectively.

2 Honored with "Best CSR" and "Best Investor Relations Company" in the 3rd Asian Excellence Recognition Award by Corporate Governance Asia magazine.

3 Awarded the "Asia's Icon on Corporate Governance" in the 9th Corporate Governance Asia Recognition Award by Corporate Governance Asia magazine.

4 Awarded the "Best Investment Value Award for Listed Companies" in the 2013 BIVA Award.

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

6 Annual Report 2012 won the Honors Award in the category of "Traditional Annual Report: Shipping Services" in the 27th International ARC Awards.

7 Annual Report 2012 won the Honors Award in the category of "Annual Reports – Overall Presentation: Shipping Services" in the 24th Annual International GALAXY Awards Competition.

8 The Company Secretary of COSCO International, was awarded the "Asian Company Secretary of the Year 2013" in the 1st Asian Company Secretary of the Year Recognition Awards 2013 by Corporate Governance Asia magazine.

9 Awarded "Hong Kong Corporate Citizenship Logo (Enterprise Category)" in the 3rd Hong Kong Corporate Citizenship Award Scheme, co-organised by Hong Kong Productivity Council and the Committee on the Promotion of Civic Education.

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

CHAIRMAN'S STATEMENT

Mr. SUN Jiakang
Chairman

In 2013, the recovery of global economy remained bumpy. The growth of major developed economies began to pick up, while the growth of emerging and developing economies slowed down. Although the issue of excess shipping capacity was slightly improved, the operating environment of shipping enterprises and shipyards had not significantly improved due to the ever-rising operating costs resulting from the prolonged depression of global shipping market. Shipping services industry still faced severe market condition and the management of COSCO International led all the employees to proactively cope with the situation by expanding the market and enhancing profitability. A comprehensive marketing service programme was rolled out and control on risks and costs were implemented. While endeavouring to enhance profitability, the Group actively conducted studies on expansion into new businesses in the shipping services sector and explored potential acquisition targets, thus preparing the Group for achieving a leap in the development of shipping services.

OVERALL RESULTS AND BUSINESS DEVELOPMENT

Profit attributable to equity holders of the Company amounted to HK$241,610,000, representing a decrease of 33% from 2012. Basic earnings per share was 15.96 HK cents. During the year, the Group's total revenue was HK$9,308,434,000. The Board proposed a final dividend of 3.5 HK cents per share for 2013. Together with the interim dividend of 2 HK cents per share, total dividends for 2013 were 5.5 HK cents per share, representing a dividend payout ratio of 34%.

For business expansion, the Group has kept focusing on its strategic development positioning in "shipping services", with establishing itself as "a global leading one-stop shipping services provider" as its development vision. It provides customers with quality products and services through its increasing presence all over the world. The Group continues to enhance its profitability and maintains its capability for sustainable development, thus making greater contribution to our shareholders and society. During the year, the Group proactively explored acquisition targets in the shipping services sector. The Group further implemented the restructuring of its overseas spare parts supply business and improved the global spare parts service network by acquiring the 100% equity interest of 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.

CORPORATE GOVERNANCE AND RISK CONTROL

The Group believes that effective corporate governance is essential for the sustainable and steady development of the Company. Therefore, the Group has endeavoured to enhance its corporate governance standard and the overall value of the Company, which are conducive to safeguarding the interests of shareholders and stakeholders. In order to maintain a high standard of corporate governance, the Group has strictly adhered to the relevant laws and regulations and continuously optimised its corporate governance policy. The Group has made efforts to enhance information disclosure, increase the transparency of the Company, protect shareholders' right to information and balance the interests of various stakeholders. During the year, COSCO International adopted the "Board Diversity Policy" to promote the diversity of Board members, which enhanced both the efficiency of the Board and the standard of corporate governance.

The Group recognises that effective corporate risk management is crucial to good corporate governance. It continuously reviews its systems and processes to identify any weaknesses. It strives to analyse and evaluate various risks and timely implement measures to prevent or reduce potential risks. It promotes integrity in the working environment to facilitate the building of corporate integrity, and heightens the management's awareness of risk control to forestall a crisis from becoming an issue, thus ensuring the steady development of the Company's production and operation.

SOCIAL RESPONSIBILITIES AND SUSTAINABLE DEVELOPMENT

COSCO International deeply believes that, in order to maintain long-term and sustainable development, a corporate culture which advocates social responsibility must be established to safeguard and balance the interests among stakeholders including shareholders, business partners, employees, customers and suppliers. Over the past year, the Group actively strengthened its work on corporate safety management, caring for the staff, environmental conservation and caring for the community proactively. It maintained safe production, boosted the staff team building, promoted energy saving and environmental conservation, and established volunteer teams to carry out social services. COSCO International has achieved business scale and good results to a certain extent in the above aspects through its continuous efforts, gaining recognition and support from investors, professional institutions and the public. On 9th September 2013, COSCO International was selected as a constituent of Hang Seng Corporate Sustainability Benchmark Index by Hang Seng Indexes Company Limited for two straight years, which showed the recognition of COSCO International's strong sustainability by the capital market. In future, COSCO International will not only proactively strive for better operating performance, but also continue to pay high attention to the sustainable development of the enterprise, environment and society, thereby making more contribution to all stakeholders including shareholders.

HONOURS AND RECOGNITIONS

COSCO International has gained high recognition and affirmation from investors and professionals of its proactive efforts in, among other things, enhancing corporate governance standard, improving investor relations and facilitating the fulfillment of social responsibility for many years. During the year, COSCO International was honoured with the "Best CSR" and "Best Investor Relations Company" in the third Asian Excellence Recognition Awards, and the "Asia's Icon on Corporate Governance" in the ninth Corporate Governance Asia Recognition Award. Both awards were organised by Corporate Governance Asia, an authoritative international magazine. COSCO International was also awarded the Titanium Award in the Asset Corporate Awards 2013 organised by The Asset magazine. With its solid business operating model and good growth potential, COSCO International received the "Best Investment Value Award for Listed Companies" granted by the judging panel of 2013 Best Investment Value Award for Listed Companies. In respect of annual report production, COSCO International's annual report 2012 won Honours Awards in the 27th International ARC Awards in the category of "Traditional Annual Report: Shipping Services" and in the 24th Annual International GALAXY Awards in the category of "Annual Report — Overall Presentation: Shipping Services". In addition, in recognition of the Company's contribution and commitment to caring for the staff, the environment and the society over the years, COSCO International was awarded the "5 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service and the "Third Hong Kong Corporate Citizenship Logo (Enterprise Category)" by Hong Kong Productivity Council and the Committee on the Promotion of Civic Education.

OUTLOOK AND PROSPECTS

In 2014, the global economy will continue to recover at a slow pace. It is believed that the overall economic conditions will be better as compared to 2013. The operating environment of the shipping market remains complicated and ever-changing, and the imbalance between demand and supply of shipping capacity has not been fully redressed. Therefore, it will take more time for the industry to fully recover. It is expected that the supportive policy introduced by the PRC government at the end of 2013 will have positive effect on the healthy recovery of the shipping and shipbuilding industries. Facing the fierce market competition, the Group will focus on its strategic positioning of continuously endeavouring to establish itself as a global leading one-stop shipping services provider. In addition, the Group will strengthen and optimise its shipping services business, and improve the business network in order to enhance its overall competitive strength and pursue the sustainable development of the Company. The Group will seek development opportunities and strive to make great strides in its development. With the support of COSCO and COSCO Hong Kong, the Group will actively study and consolidate business opportunities and resources within and outside COSCO Group to strive to increase its profitability, and make every effort to develop itself as a global leading one-stop shipping services provider, thus bringing higher returns to shareholders.

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

SUN Jiakang
Chairman

Hong Kong, 20th March 2014

VICE CHAIRMAN'S STATEMENT

Mr. ZHANG Liang
Vice Chairman

In 2013, the Group was strongly committed to implementing its specific work focusing on "production operation, marketing services, transformation and upgrade, and corporate management" based on the guiding principles of "Inheritance, Innovation and Development". It has proactively planned its corporate development while striving to ensure smooth production and operation, thus achieving work accomplishments as expected even under severe market conditions.

PRODUCTION OPERATION

During the year, the global economy continued to be volatile and the shipping market remained sluggish. The excess shipping capacity was still to be absorbed and the pace of market recovery was slow. Shipping and shipping-related enterprises were significantly affected by the decline in market demand and the rise in costs. Hence, revenues from the Group's various core shipping services business sectors, such as ship trading agency services, supply of marine equipment and spare parts, and trading and supply of marine fuel and related products, decreased to varying degrees. Facing the severe business environment, the Group put great efforts in production, cost control and receivable collection, and achieved satisfactory results. During the year, the Company secured higher deposit rate on its strong liquid cash through strengthening its cash management and proactive negotiation with various bankers. Thus, its return on cash was 1.54% during the year, represented 129 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of 2013. In addition, all the operating units proactively controlled their operating costs and reduced unnecessary expenditure. Meanwhile, in respect of receivable collection, the Group reinforced its receivables management while exercising strict risk control. As at the end of 2013, the balance of outstanding receivables decreased by 33% as compared to the end of 2012 under the efforts of various parties which made a contribution to safeguard the Group's interests.

MARKETING SERVICES

The Group proactively conducted its marketing services. The Group strived to develop new products, explore new markets and acquire new customers, thereby promoting the sustainable development of the Company with higher revenue and profit. During the year, the Group adjusted its strategy and service mode on marketing services in response to the changes in market and competition, and achieved satisfactory results. COSCO Insurance Brokers stepped up efforts to develop offshore units builders' risk insurance and made a breakthrough in such project. COSCO Yuantong Operation Headquarters, leveraging its strength in scale expansion arising from centralised procurement, successfully gained greater discounts from spare part manufacturers. COSCO Kansai Companies maintained their leading position in the container coating market in China, and successfully won the bid for the largest portion of coatings project of Hong Kong–Zhuhai–Macao Bridge project and started to supply goods. Sinfeng supplied fuels to Chinese naval vessels, which provided a new profit driver for its future business. CITC successfully explored new business in new markets such as Hunan and Guangxi, and obtained purchase orders, while at the same time maintaining its market share in traditional markets.

TRANSFORMATION AND UPGRADE

The Group enhanced its core competitiveness through business transformation, optimisation and integration, as well as strengthening and improving its existing businesses and expanding its room for further development. During the year, COSCO Insurance Brokers proactively cooperated with members of COSCO Group. They arranged the motor vehicle insurance for COSCO Group and strived to achieve two business transformations: namely expansion from marine insurance business to non-marine insurance, and expansion from business within COSCO Group to business outside COSCO Group. COSCO Yuantong Operation Headquarters established business cooperation relationship with renowned enterprise groups by capturing the opportunities arising from product line modification and upgrade. In June 2013, it further implemented the integration of the overseas spare parts business by completion of the acquisition of the entire equity interest in Hanyuan in Germany.

CORPORATE MANAGEMENT

Facing the unfavourable operating environment, COSCO International continued to enhance management and improve the systems of the Company. It focused on the operating risk prevention, and endeavoured to strengthen internal audit, which put an emphasis on both supervision and management. COSCO International also strived to enhance its corporate governance standard and transparency. Externally, COSCO International enhanced its relationship with the media, improved the construction of its website, and enhance its communications with shareholders, investors and analysts. During the year, COSCO International completed several improvements on cost control, receivable collection, safety management and internal control system etc. It also formulated systems on procurement and supplier management, and supplemented and enhanced the rules and regulations on contract management, appraisal system and training system. Moreover, COSCO International enhanced its control over operation management. It conducted regular site visit and research, and kept abreast of the production and comprehensive management condition through various research and inspection. In addition, COSCO International focused on its management work on occupational health, safety and environmental protection. It enhanced awareness of employees through diversified education and training programmes, as well as examinations and competitions. It also strengthened employees' capabilities to cope with emergencies by organising joint activities and simulation drills with government departments. In order to ensure smooth implementation of corporate safety management work, COSCO International strengthened its hidden hazards rectification and completed the standardisation of safety management. On promoting green shipping, the coating manufacturing joint ventures of the Group proactively promoted the high performance antifouling coatings and Hull Performance Solutions. They successfully conducted testing on high solid epoxy coatings and water-based container coatings with satisfactory results.

FUTURE DEVELOPMENT

The competition and restructuring of the shipping industry is expected to be fiercer and exacerbated in 2014. For the Group, the operating environment of shipping enterprises and shipyards will remain sluggish, which will adversely affect the revenue from shipping services segment. However, there are always opportunities with challenges. The Group will continue its corporate transformation and upgrade and focus on its marketing services in line with the development trend in the shipping industry. It will strive to maintain its profitability, and continue to strengthen its core competitiveness. Meanwhile, it will also actively conduct studies on asset acquisitions within and outside COSCO Group, constantly improve its shipping services network around the world and expand related operations along the industry value chain of shipping services. It will provide customers with one-stop services and ultimately develop itself as a worldwide shipping services provider. Benefiting from the support of COSCO Group, the Group will proactively implement the consolidation and development of its global shipping services platform. Under the full support of COSCO and COSCO Hong Kong, the Group will seize the opportunities to explore development in shipping services, thus enhancing the momentum of the Company for sustainable development and continuously creating returns for shareholders.

ZHANG Liang
Vice Chairman

Hong Kong, 20th March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

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.

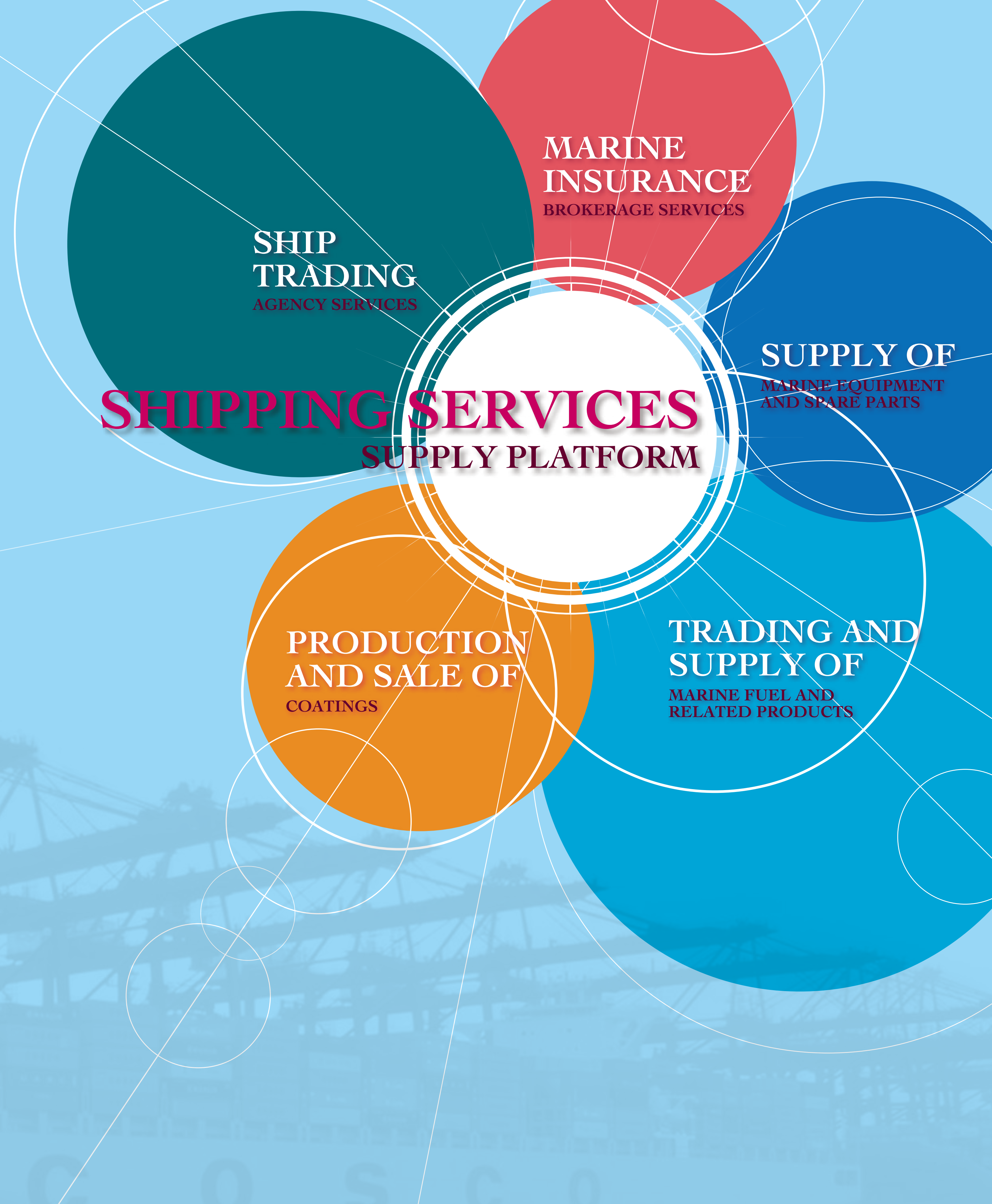
FINANCIAL REVIEW

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 revenues and gross profits 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.


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

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

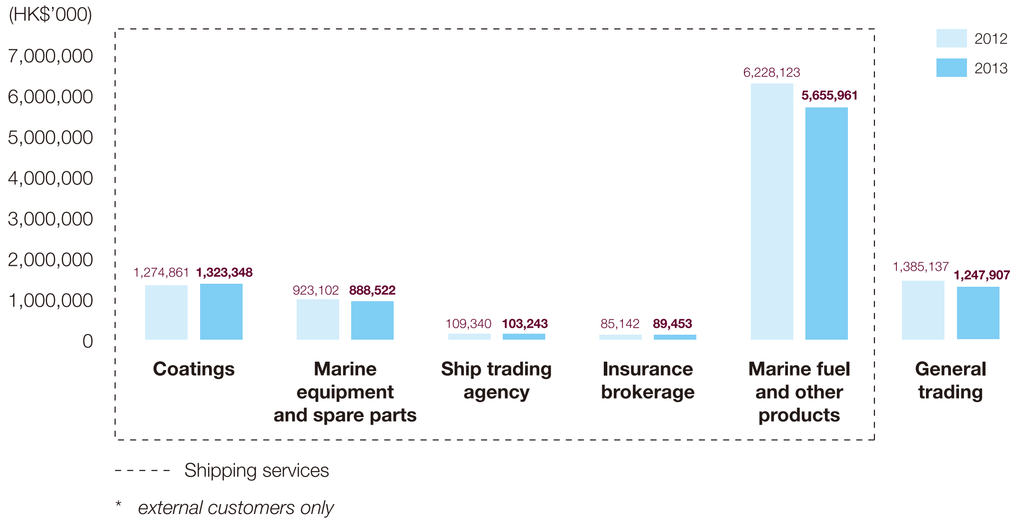
The Group's income tax expenses for the year decreased to HK$58,547,000 (2012: HK$70,926,000). The ratio of income tax expenses to profit before income tax increased (excluding the share of results of joint ventures and associates), from 17% in 2012 to 19%. This was mainly attributable to the increase in proportion of the Group's profit derived from the 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).

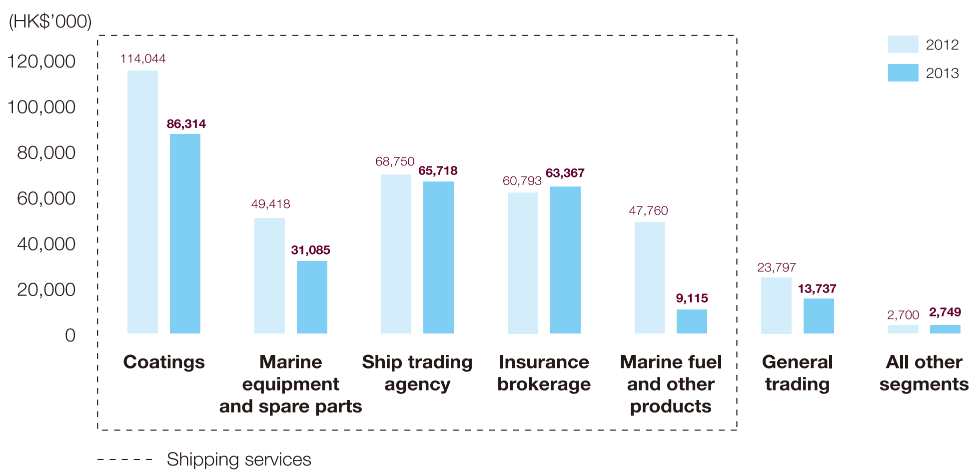
FINANCIAL RESULTS

SEGMENT REVENUE*



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.

SEGMENT OPERATING PROFIT



Segment operating profits from various core shipping services businesses dropped due to the declines in both revenue and gross profit, as well as the inclusion of a one-off reversal of provision of selling expenses of HK$65,000,000 and reversal of impairment provision of trade receivable of US$3,823,000 (equivalent to approximately HK$29,654,000) in the operating profit of 2012. Segment operating profit from shipping services businesses decreased by 25% to HK$255,599,000(2012: HK$340,765,000).

FINANCIAL RESULTS (CONTINUED)

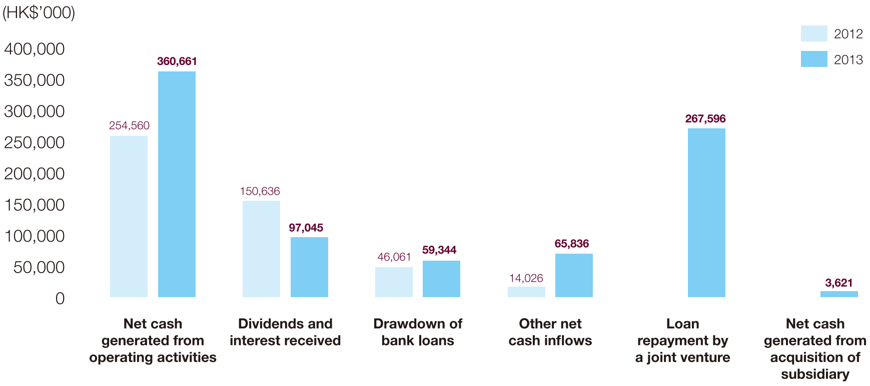
For the year ended 31st December	2013 HK$'000	2012 HK$'000	Change HK$'000	%	Remark
Shipping services	**255,599**	340,765	(85,166)	–25	In 2013, affected by factors such as the prolonged weak shipping market, postponement of new build vessel delivery, retrenchment policies of ship owners and shipping companies and intensified competition, revenue and gross profit of various core shipping services business segments of the Group dropped as compared to 2012.
General trading	**13,737**	23,797	(10,060)	–42	For the sake of risk control, commodity trading (including, among other things, steel and chemicals) was decreased during the year.
All other segments	**2,749**	2,700	49	+2	Represented mainly dividend from investments and fair value gains on financial assets.
Corporate expenses, net of income	**(52,929)**	(68,418)	15,489	–23	Attributed mainly to the increase of exchange gain arising on the cash holding of corporate headquarters as compared to 2012.
Elimination of segment income from corporate headquarters	**(87)**	(81)	(6)	+7	
Operating profit	**219,069**	298,763	(79,694)	–27	
Finance income-net	**89,999**	123,948	(33,949)	–27	Decrease in finance income was attributable to lower cash deposit rates as compared to 2012. 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	**9,549**	37,996	(28,447)	–75	The profit contribution from Jotun COSCO declined by 72% when compared to 2012 primarily as a result of reduced 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 receivables of marine coating customers which has resulted in the decline of Group's share of profit of HK$37,958,000, net of tax.
Share of profits of associates	**13,028**	13,126	(98)	–1	Represented mainly share of profit of Double Rich.
Profit before income tax	**331,645**	473,833	(142,188)	–30	
Income tax expenses	**(58,547)**	(70,926)	12,379	–17	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 the PRC and other overseas countries as well as decrease in non-taxable income during the year.
Profit for the year	**273,098**	402,907	(129,809)	–32	

FINANCIAL RESULTS (CONTINUED)

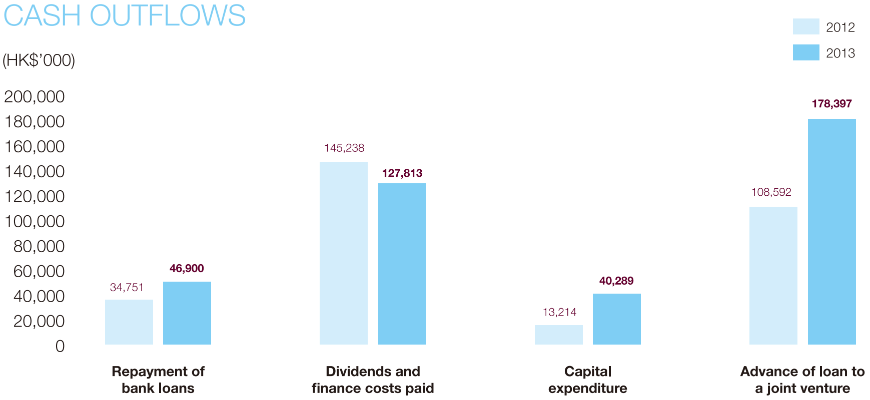
As at 31st December	2013 HK$'000	2012 HK$'000	Change HK$'000	%	Remark
Intangible assets	**103,127**	97,071	6,056	+6	
Property, plant and equipment, prepaid premium for land leases and investment properties	**224,131**	202,229	21,902	+11	
Joint ventures	**432,465**	416,886	15,579	+4	
Associates	**91,969**	79,015	12,954	+16	
Other non-current assets	**114,568**	121,417	(6,849)	–6	
Completed properties held for sale and inventories	**446,992**	487,450	(40,458)	–8	
Trade receivables — net	**960,354**	1,429,145	(468,791)	–33	The decrease was largely attributed to the Group's reinforcement of receivable management which reduced the outstanding balance of trade receivable by 33% as compared to 2012.
Other receivables	**712,077**	859,493	(147,416)	–17	
Cash (including non-current deposits, restricted bank deposits and current deposits and cash and cash equivalents)	**6,327,816**	5,867,112	460,704	+8	①②
Other current assets	**36,464**	57,570	(21,106)	–37	Attributed mainly to the decrease of current income tax receivables.
Total assets	**9,449,963**	9,617,388	(167,425)	–2	
Deferred income tax liabilities	**32,497**	26,689	5,808	+22	
Trade and other payables	**1,546,465**	1,946,155	(399,690)	–21	
Current income tax liabilities	**22,122**	18,195	3,927	+22	
Short-term borrowings	**59,786**	46,205	13,581	+29	
Non-controlling interests	**313,925**	246,023	67,902	+28	
Total liabilities and non-controlling interests	**1,974,795**	2,283,267	(308,472)	–14	
Net assets attributable to equity holders	**7,475,168**	7,334,121	141,047	+2	

① MAJOR SOURCES AND USE OF CASH

CASH INFLOWS



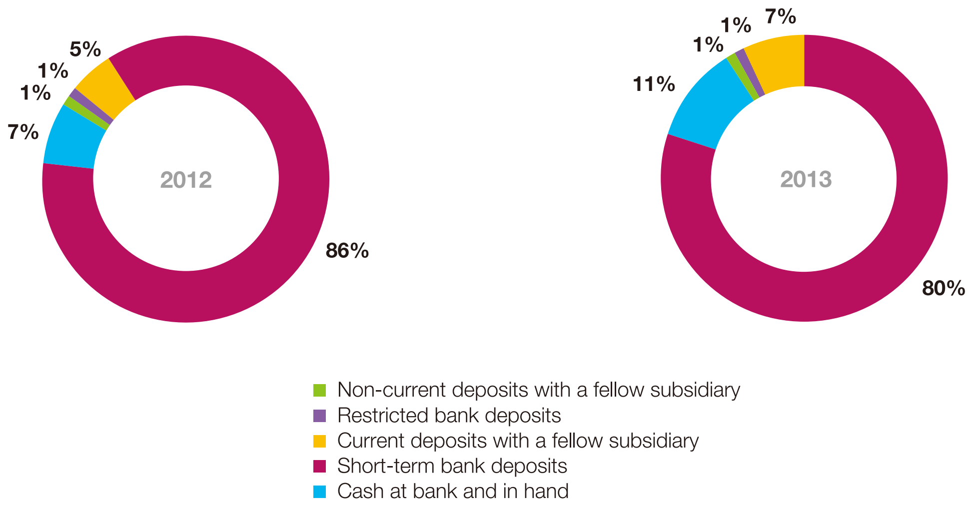
CASH OUTFLOWS



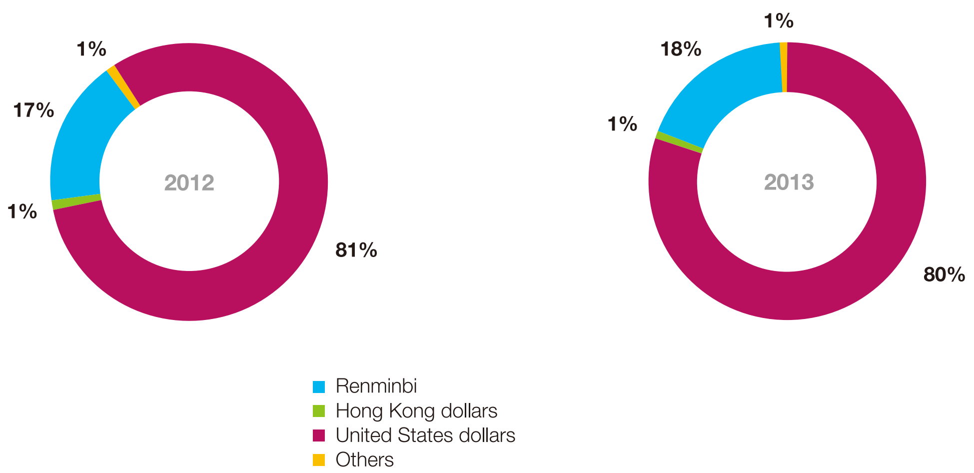
Cash (including non-current deposits, restricted bank deposits and current deposits and cash and cash equivalents) increased by HK$460,704,000 in aggregate during the year. Sources of cash principally included net cash generated from operating activities of HK$360,661,000, dividends and interest received of HK$97,045,000, drawdown of bank loans of HK$59,344,000, loan repayment by a joint venture of HK$267,596,000, net cash generated from acquisition of subsidiary of HK$3,621,000 and other net cash inflows of HK$65,836,000. Use of cash principally included repayment of bank loans of HK$46,900,000, payment of dividends and finance costs totalling HK$127,813,000, purchase of intangible assets, property, plant and equipment and leasehold land of HK$40,289,000 and advance of loan to a joint venture of HK$178,397,000.

② ANALYSIS OF CASH

CLASSIFIED BY NATURE



CLASSIFIED BY CURRENCY



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 distinctive 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 ("LIBOR") 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 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.

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.

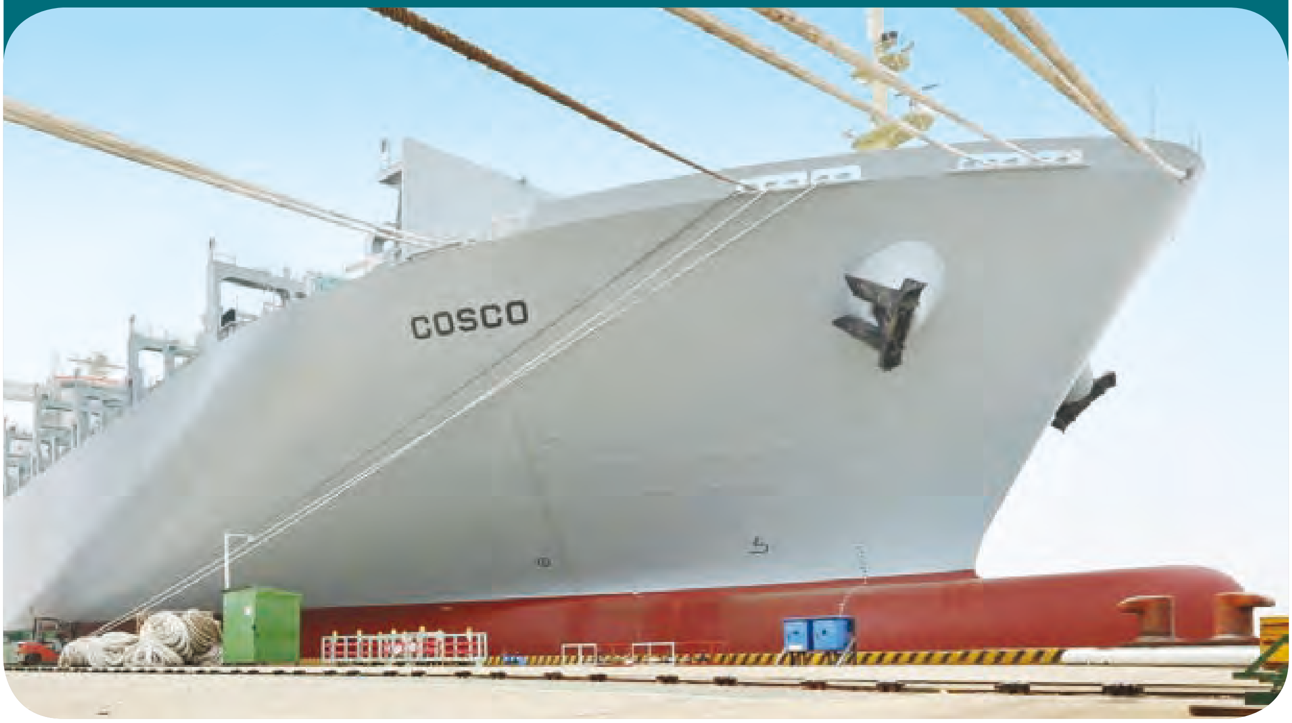
Facing the complex and severe market situation, COSCO International spared no effort in developing its existing businesses, and sought for further extension and expansion of business segments. During the year, capitalising on the opportunity arising from the implementation of centralised procurement 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 market outside COSCO Group. 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.

SHIP TRADING AGENCY SERVICES



1.1 Ship Trading Agency Services

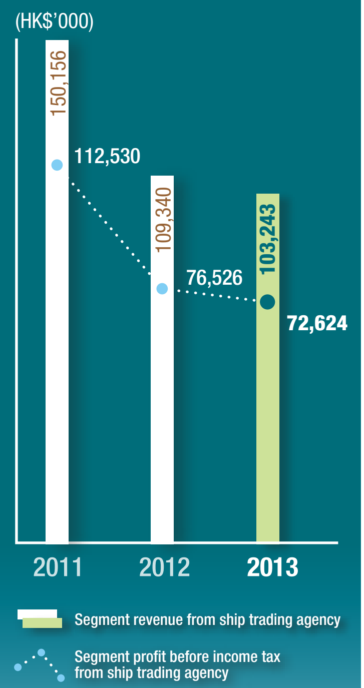
COSCO Ship Trading is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for the fleet of COSCO Group, and is the sole platform for the ship trading of COSCO Group. COSCO Ship Trading also provides similar services for shipowners and shipping enterprises outside COSCO Group. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid by shipbuilders according to the work 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 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.



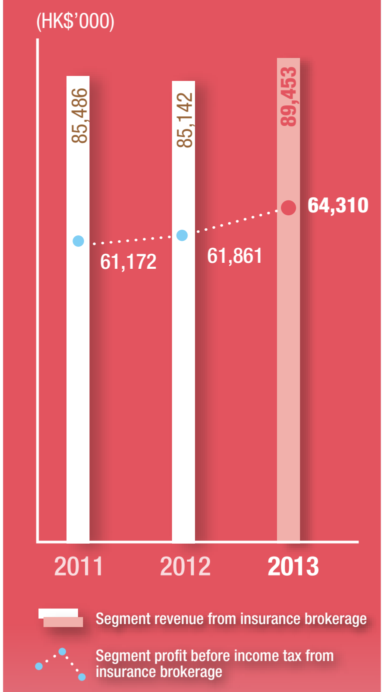
MARINE INSURANCE BROKERAGE SERVICES

1.2 Marine Insurance Brokerage Services

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.



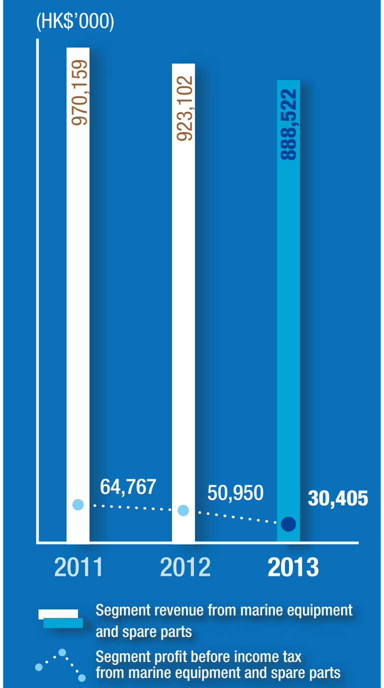
SUPPLY OF MARINE EQUIPMENT AND SPARE PARTS

1.3 Supply of Marine Equipment and Spare Parts

COSCO Yuantong Operation Headquarters are principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite 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 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 still declined 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.



PRODUCTION AND SALE OF COATINGS

1.4 Production and Sale of Coatings

The coating business of the Company primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Companies are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. 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.

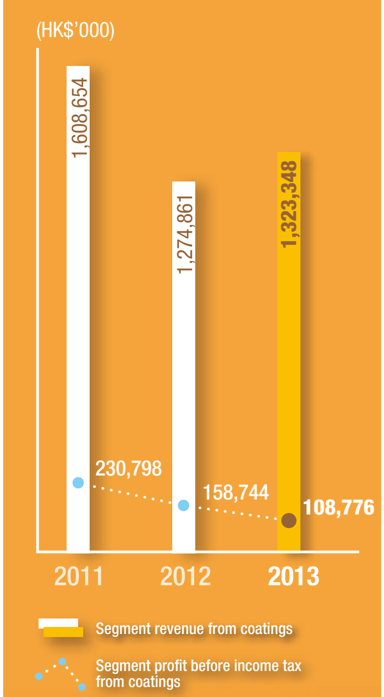
For container coatings, COSCO Kansai Companies seized opportunities and successfully explored new customers while further consolidating the core customers. They carried out strategic marketing tailored to the needs of different markets and customers and provided differential services so as to maintain 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 (Qingdao) was substantially completed and was prepared for operation, while the piling and groundbreaking ceremony for the plant of 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.

TRADING AND SUPPLY OF MARINE FUEL AND RELATED PRODUCTS

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.

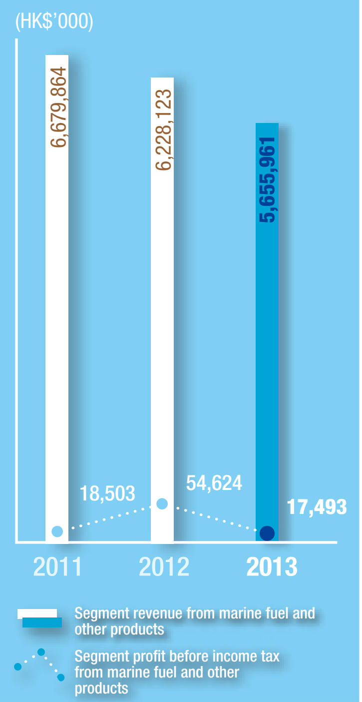
1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng is primarily engaged in the provision of marine fuel supply, trading and brokerage services of marine fuel and related products for customers. 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

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.

Focus on our CORE VALUES AND ENHANCE OUR CORPORATE GOVERNANCE PRACTICES

INNOVATION

The Board believes that effective corporate risk management is crucial to good corporate governance. It continuously reviews its systems and processes to identify any weaknesses. It strives to analyse and evaluate various risks and timely implements measures to prevent and reduce potential risks. It promotes integrity in the working environment to facilitate the building of corporate integrity, and heightens the management's awareness of risk control to forestall a crisis from becoming an issue, thus ensuring the steady development of the Company's production and operation.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Mr. Sun Jiakang
Chairman

aged 54, has been Executive Director and Chairman of the Board of the Company since September 2013. He is also executive vice president, secretary to the board of directors, chief legal consultant and spokesperson of 中國遠洋運輸(集團)總公司(China Ocean Shipping (Group) Company), executive director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC), chairman of the board of directors of China Marine Bunker (PetroChina) Co., Ltd., COSCO Europe GmbH, China Ocean Shipping Company Americas, Inc., COSCO Africa (Pty) Ltd. and COSCO Oceania Pty Limited. Mr. Sun had been the manager of the Container Transport Divisions III and II of COSCO Container Lines Headquarters, the general manager of the Transportation Division and assistant to the president of 中國遠洋運輸(集團)總公司(China Ocean Shipping (Group) Company), the vice president of COSCO (Hong Kong) Group Limited, the vice chairman, managing director, executive director and non-executive director of COSCO Pacific Limited (listed in Hong Kong), the managing director of COSCO Container Lines Co., Ltd. and the deputy general manager of China COSCO Holdings Company Limited. Mr. Sun has over 30 years of experience in the shipping industry, extensive experience in the corporate operation management and has demonstrated his excellent management skills. Mr. Sun obtained a doctor of Philosophy (PhD) degree in Management from Preston University in the United States and a master's degree in Transportation Planning and Management from Dalian Maritime University. He is a senior engineer.

Mr. Zhang Liang
Vice Chairman

aged 60, has been Executive Director and Vice Chairman of the Board of the Company since February 2012 and is chairman of Strategic Development Committee and Risk Management Committee of the Company. Mr. Zhang is director of two subsidiaries of the Company. He is also non-executive director and vice chairman of China International Marine Containers (Group) Co., Ltd. (listed in Hong Kong and the PRC) and director, executive vice chairman and president of COSCO (Hong Kong) Group Limited. Mr. Zhang was the department head of Personnel Department, assistant to the general manager, deputy general manager (and safety control manager) and general manager of Tianjin Ocean Shipping Company, the deputy general manager, general manager and chairman of COSCO Bulk Carrier Co., Ltd., the chief legal consultant and vice president of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the general manager of China COSCO Holdings Company Limited and the chairman of Qingdao Ocean Shipping Co., Ltd., COSCO Logistics Co., Ltd., Shenzhen Ocean Shipping Co., Ltd., the chairman of the board of directors of COSCO (H.K.) Shipping Co., Limited and the executive director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC) up to his resignation in February 2012. Mr. Zhang was a marine captain. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operation and management. Mr. Zhang graduated from Dalian Maritime University, majoring in navigation and obtained a Master's degree in Transportation Planning and Management from Shanghai Maritime College as well as a Doctoral degree in Corporate Management from Nankai University, and is a senior engineer.

Mr. Wang Wei

aged 42, has been Non-executive Director of the Company since April 2012. He is also non-executive director of COSCO Pacific Limited (listed in Hong Kong), director of COSCO Shipping Co., Ltd. (listed in the PRC), director of COSCO (Hong Kong) Group Limited, general manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited, Supervisor of the State-owned Enterprise Supervisory Committee appointed by the State-owned Assets Supervision and Administration Commission of the State Council to 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). Mr. Wang joined COSCO Group since 1995 and had been the deputy manager of Executives Management Department of Organisation Division/Human Resources Division, the manager of Executives Management Department of Organisation Division/Human Resources Division and the deputy general manager of Organisation Division/Human Resources Division of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the deputy general manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited. Mr. Wang graduated from Renmin University of China, majoring in human resources management.

Mr. Wu Shuxiong

aged 59, has been Non-executive Director of the Company since April 2012 and is member of Risk Management Committee of the Company. He is also non-executive director of China International Marine Containers (Group) Co., Ltd. (listed in Hong Kong and the PRC) and director and executive vice president of COSCO (Hong Kong) Group Limited. Mr. Wu had been the marine chief engineer, the section manager of safety and technology of Ship Management Department, the deputy manager of Ship Management Department of Shanghai Ocean Shipping Company, the general manager of Shanghai Far East Container Manufacturing Co. Ltd., the deputy general manager of Shanghai Ocean Shipping Company, the deputy general manager and director of COSCO Container Lines Co., Ltd. and the supervisor of China COSCO Holdings Company Limited. Mr. Wu has over 30 years of experience in the shipping industry and has extensive experience in corporate operational management and ship management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management and is a senior engineer.

Mr. He Jiale

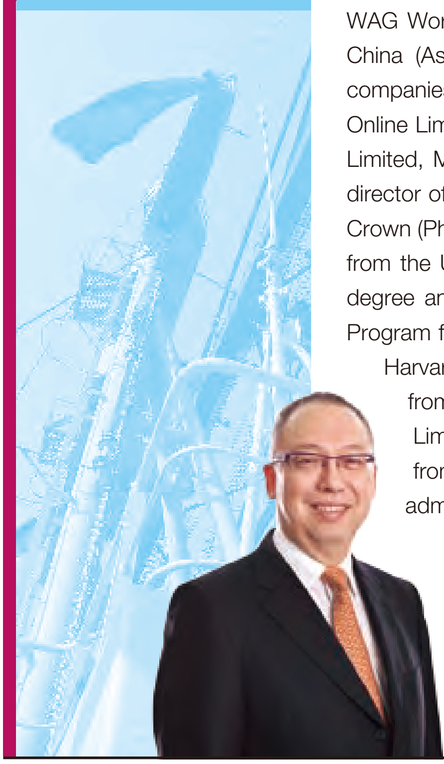
aged 59, has been Executive Director of the Company since April 2012 and is member of Strategic Development Committee and Risk Management Committee of the Company. Mr. He is director and financial controller of COSCO (Hong Kong) Group Limited. Mr. He was the executive director of the Company during 2003 to 2006, the executive director of COSCO Pacific Limited (listed in Hong Kong) until his resignation in March 2013, and had been the deputy director of Finance Division of Shanghai Ocean Shipping Company, the deputy general manager of Finance Department of COSCO Container Lines Headquarters, the deputy general manager of Finance and Capital Department of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the chief accountant of COSCO Container Lines Co., Ltd., the chief financial officer of China COSCO Holdings Company Limited and the non-executive director of Chong Hing Bank Limited (listed in Hong Kong) until his resignation in February 2014. Mr. He has over 30 years of experience in the shipping industry and has extensive experience in corporate finance and financial management. Mr. He graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Zhengjun
Managing Director

aged 58, has been Executive Director and Managing Director of the Company since July 2012, and is chairman of Corporate Governance Committee, member of Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee of the Company. Mr. Xu leads overall management and operation, strategic development, corporate governance, legal and financial management of the Company. Mr. Xu is director of subsidiaries of the Company, director, vice president and chief legal consultant of COSCO (Hong Kong) Group Limited and director of True Smart International Limited. He had been the section chief and the head of department of Shanghai Ocean Shipping Company, the general manager of crew company and land property company, which were the subsidiaries of COSCO Container Lines Co., Ltd., the assistant to general manager of COSCO Container Lines Co., Ltd., the general manager of Shanghai Ocean Shipping Company, a member of the leading team of COSCO Container Lines Co., Ltd. in charge of audit and supervision affairs, the managing director of COSCO (H.K.) Industry & Trade Holdings Limited and the director and vice chairman of Shenzhen Guangju Energy Co., Ltd. (listed in the PRC) until his resignation in March 2013. Mr. Xu has extensive experience in corporate management and onshore industries. Mr. Xu obtained postgraduate degree in Maritime Transportation Management from Shanghai Maritime University and is a senior political officer.

Mr. Tsui Yiu Wa, Alec



aged 64, has been Independent Non-executive Director of the Company since February 2004 and is chairman of Nomination Committee, member of Audit Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Tsui is also chairman of WAG Worldsec Corporate Finance Limited and director of Industrial and Commercial Bank of China (Asia) Limited. He is also independent non-executive director of a number of listed companies in Hong Kong, namely, China Power International Development Limited, Pacific Online Limited, China Oilfield Services Limited (also listed in the PRC), Summit Ascent Holdings Limited, Melco Crown Entertainment Limited (also listed on NASDAQ) as well as independent director of certain companies listed overseas including ATA Inc. (listed on NASDAQ) and Melco Crown (Philippines) Resorts Corporation (listed in the Republic of Philippines). Mr. Tsui graduated from the University of Tennessee, the United States and was awarded a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering and had completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University, the United States. He was the chairman of Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000 and the adviser and council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. He previously served as the independent non-executive director of the following listed companies in Hong Kong, namely, China BlueChemical Ltd. until his retirement in June 2012 and China Chengtong Development Group Limited until his resignation in November 2013.

Mr. Jiang, Simon X.

aged 60, has been Independent Non-executive Director of the Company since April 2007 and is chairman of Remuneration Committee, member of Audit Committee, Nomination Committee and Corporate Governance Committee of the Company. He is also chairman of Cyber City International Limited, independent non-executive director of Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (listed in Hong Kong) and China Petroleum & Chemical Corporation (listed in Hong Kong and the PRC). Mr. Jiang is also a director of China Foundation for Disabled Persons, a trustee of Cambridge China Development Trust and a senior associate at the Judge Business School of Cambridge University of England. He is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the United Nations Investments Committee. Mr. Jiang received his Bachelor's degree from Beijing Foreign Studies University, Master's degree from Australian National University and Doctorate's degree in Economics from Cambridge University of England. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, a director of Zi Corporation, the advisory board member of Capital International Inc. of United States and Rothschild Investment Bank of England. He has experience in fund management.

Mr. Alexander Reid Hamilton

aged 72, has been Independent Non-executive Director of the Company since June 2011 and is chairman of Audit Committee, member of Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Company. Mr. Hamilton is also independent non-executive director of a number of listed companies, namely, CITIC Pacific Limited (listed in Hong Kong), Esprit Holdings Limited (listed in Hong Kong), Shangri-La Asia Limited (listed in Hong Kong) and JPMorgan China Region Fund, Inc. (formerly known as JF China Region Fund, Inc.) (a USA registered closed end fund quoted on the New York Stock Exchange). He previously served as an independent non-executive director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC) until his retirement in May 2011. Mr. Hamilton is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Institute of Certified Public Accountants and Institute of Directors. He was a partner of Price Waterhouse for 16 years and has more than 20 years of audit and accounting experience.

The Directors' interests in shares and underlying shares of the Company and its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance (the"SFO") as at 31st December 2013 are disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" of the Directors' Report.

Mr. Xu Zhengjun is director of True Smart International Limited ("True Smart") and director, vice president and chief legal consultant of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"). Mr. Zhang Liang is director, executive vice chairman and president of COSCO Hong Kong, Mr. Wu Shuxiong is director and executive vice president of COSCO Hong Kong, Mr. Wang Wei is director of COSCO Hong Kong and Mr. He Jiale is director and financial controller of COSCO Hong Kong. Mr. Sun Jiakang is executive vice president, secretary to the board of directors, chief legal consultant and spokesperson of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company) ("COSCO"). True Smart has, COSCO Hong Kong and COSCO are deemed to have an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO respectively, the details of which are disclosed in the section headed "SUBSTANTIAL SHAREHOLDERS" of the Directors' Report.

Save as disclosed in the Directors' respective biographical details under "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" and other part in this annual report, the Directors (a) have not held any directorships in other publicly listed companies, whether in Hong Kong or overseas, during the past three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company as at 31st March 2014.

Each of the Directors referred to under "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" has entered into a letter of appointment with the Company, details of which are disclosed under section headed "DIRECTORS' SERVICE CONTRACTS" of the Directors' Report.

The Directors referred to under "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" (except (i) Non-executive Directors and (ii) Mr. Sun Jiakang and Mr. He Jiale being Executive Directors) received the Directors' emoluments for the year 2013 which will be determined with reference to the prevailing market conditions, director's experience, qualifications and responsibilities involved in the Company. The details of the emoluments of the Directors for the year ended 31st December 2013 on a named basis are disclosed in note 29(a) to the financial statements.

SENIOR MANAGEMENT

Mr. Lin Wenjin

aged 55, has been Deputy General Manager of the Company since March 2006. He is also director of subsidiaries of the Company. Mr. Lin is in charge of investor relations, administrative and personnel management, business of marine equipment and spare parts of the Company. Mr. Lin has a Bachelor's degree in Engineering from Shanghai Maritime University of the PRC and the marine chief engineer certificate, senior engineer qualification awarded by the Ministry of Communications of the PRC. He had worked in 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company) and had been the assistant manager of Technical Department, the chief of New Building Section in Japan, the manager of Development Department of Ocean Tramping Company, Limited, the deputy general manager of Development Division and Strategic Planning Division, the managing director of Executive Division of COSCO (Hong Kong) Group Limited and the executive director of the Company. He had participated in the acquisitions and financing activities of listed companies. Mr. Lin has extensive experience in shipping management, new shipbuilding, corporate management and planning and capital market operations.

Mr. Tong Changbing

aged 49, has been Deputy General Manager of the Company since July 2011. He is also director of a subsidiary of the Company. Mr. Tong is in charge of strategic development, capital operation and project investment of the Company. Mr. Tong holds a Doctor of Philosophy degree in Industrial Economics from Beijing Jiaotong University and a Master's degree in Automatic Control Engineering from Harbin College of Shipbuilding Engineering. Mr. Tong previously served as deputy manager of General Department of Asset Operation Center, director of Domestic Listed Company Administrative Department of Capital Operation Division, and manager of Board Affairs Department of Strategic Development Division of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), as well as deputy general manager of COSCO (H.K.) Industry & Trade Holdings Limited. Mr. Tong is familiar with the capital operation of listed company and he has extensive experience in the operation of initial public offering, strategic development, mergers and acquisitions, investment management, corporate governance and risk management.

Mr. Wang Jianping

aged 59, has been Deputy General Manager of the Company since August 2012. He is also director of subsidiaries of the Company. Mr. Wang is in charge of corporate management and coating business of the Company. Mr. Wang graduated in International Shipping from Shanghai Maritime University (formerly known as Shanghai Maritime College) and was awarded the senior economist qualification by the Ministry of Communications of the PRC. He had been the general manager of China Ocean Shipping Agency Ltd., Zhanjiang, the deputy general manager of China Ocean Shipping Agency head office, the deputy general manager of COSCO Guangzhou International Freight Co. Ltd., logistics director and deputy general manager of COSCO Logistics (Guangzhou) Co., Ltd. (China Ocean Shipping Agency Ltd., Guangzhou), the general manager of COSCO Logistics (Xiamen) Co., Ltd. (China Ocean Shipping Agency Ltd., Fujian) and COSCO Logistics (Qingdao) Co., Ltd. (China Ocean Shipping Agency Ltd., Qingdao) and also served as the chairman of several joint ventures and associate companies. Mr. Wang is familiar to the basic-level operation and shipping services, and has extensive experience in modern logistics, shipping agency, freight forwarding and corporate management.

Mr. Lo Siu Leung, Tony

aged 50, has been Financial Controller of the Company since September 2005. Mr. Lo is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master's degree of Business Administration from The Hong Kong University of Science and Technology. Mr. Lo had previously worked for an international accounting firm, The Stock Exchange of Hong Kong Limited and several listed companies. He has extensive experience and expertise in corporate finance, corporate governance and financial planning.

Ms. Chiu Shui Suet

aged 47, has been Company Secretary of the Company since October 2005. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton and completed her Postgraduate Certificate in Laws at the City University of Hong Kong. Ms. Chiu was admitted as a solicitor in Hong Kong. Besides, she is also a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Prior to joining the Company, Ms. Chiu had worked for accounting firms, legal firm and listed companies. She has extensive experience and solid knowledge in dealing with the company secretarial and legal matters of listed company.

Mr. Xu Baoqi

aged 54, joined the Company in May 2012. He is Assistant to Managing Director of the Company and director of subsidiaries of the Company. Mr. Xu graduated from Dalian Maritime University and obtained his Master's degree of Business Administration from the Chinese University of Hong Kong. Mr. Xu joined COSCO Group in 1980 and served as a ship radio operator of COSCO Group, deputy manager of Communications and Navigation Department, deputy director of General Office, deputy manager of Research & Development Department of Technology Centre and manager of Labour and Onshore Safety Management Office of Safety and Technology Supervision Department of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). Mr. Xu was a member of Communications and Navigation Committee of the China Institute of Navigation. He has senior engineer qualification in marine technology/safety management. Mr. Xu has worked in ship technology management and corporate safety management, and he has extensive experience in corporate management.

Mr. Xia Yang

aged 40, joined the Company in June 2009. He is currently the Assistant to Managing Director and the General Manager of Administration and Human Resources Department of the Company. Mr. Xia obtained a Bachelor of Management Engineering degree from Beijing Institute of Technology and a Postgraduate Certificate of Investments from University of International Business and Economic. Mr. Xia joined COSCO Group in 1997, and had worked in the Executive Division, Trade Union, and Strategic Development Division of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). Mr. Xia is familiar with the operation of listed companies, and has rich experience in corporate management, human resources management and administration.

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standard of accountability and protect the Shareholders' interest in general. The Board has adopted a Corporate Governance Statement of Policy (available on the Company's website www.coscointl.com) which gives guidance on how corporate governance principles are applied to the Company.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") (available on the Company's website) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. In order to ensure Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee comprising the Chairman, the Vice Chairman, the Managing Director and a Director was set up to deal with such transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year of 2013, all Directors confirmed that they had complied with the required standards as set out in the Model Code and the Securities Code during the year.

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

The Company had applied the principles and complied with the code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules throughout 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 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.

In addition to complying with applicable statutory requirements, the Company aims to continually review and enhance its corporate governance practices in light of local and international best practices.

THE BOARD OF DIRECTORS

Board Composition

The Board currently comprises nine Directors, namely, 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, whose biographical details are set out in "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report and also available on the Company's website. There is no financial, business, family or other material/relevant relationships between Board members and in particular, between the Chairman and the Managing Director.

Annual written confirmation from each of Independent Non-executive Directors confirming his independence in accordance with Rule 3.13 of the Listing Rules was received by the Company. The Company has assessed their independence and considers that all the Independent Non-executive Directors are independent based on the independence criteria in accordance with the requirement of the Listing Rules set out in the confirmation letter, the non-involvement of Independent Non-executive Directors in the daily operation and management of the Group and the absence of any relationship which would interfere with the exercise of their independent judgment.

Separation of Chairman and Managing Director

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

During the year, a meeting between the ex-Chairman, Mr. Ye Weilong, and the Non-executive Directors (including Independent Non-executive Directors) without presence of the Executive Directors was held in March 2013 and a meeting between the newly appointed Chairman, Mr. Sun Jiakang, and the Non-executive Directors (including Independent Non-executive Directors) without presence of the Executive Directors was held in November 2013. The Board regarded such meetings as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed.

Responsibilities of Directors

The Board is accountable to Shareholders, in a responsible and effective manner leading the Group. Executive Directors are mainly responsible for the daily operation and management of the Company. Non-executive Directors (including Independent Non-executive Directors) are well aware of their functions and have been actively performing their functions including but not limited to bringing an independent judgment at the Board meeting, taking the lead where potential conflicts of interests arise and scrutinising the Company's performance. Independent Non-executive Directors serve as member of Board Committee(s), details of which are set out in the sub-section of "Board Committees" under the section headed "DELEGATION BY THE BOARD" of this report. Non-executive Directors have from time to time contributed to the Board their constructive and valuable advice in the development of the Company's strategy, in particular the internal controls of the Company. There were satisfactory attendance and active participation at the Board meetings, the Board Committee meetings and the general meetings by the Directors. Details of the Directors' attendance at the general meetings, Board meetings and Board Committee meetings during the year are set out in the table under the sub-section of "Attendance" below.

In order to discharge the duties, all Directors are entitled to seek independent professional advice, if necessary, at the Company's expense and Directors' and Officers' Liabilities Insurance cover in respect of legal actions against the Directors and officers arising out of corporate activities was arranged and subject to annual review.

Appointment and Re-election of Directors

The Company adopted the Director Appointment Policy (available on the Company's website) which provides framework and standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee is responsible for identifying and nominating suitable candidates for the Board's consideration. Pursuant to the bye-laws of the Company, any Director appointed to fill vacancy shall hold office until the next following general meeting or annual general meeting of the Company and shall then be eligible for re-election at that meeting, and every Director is subject to retirement by rotation at least once every three years and shall be eligible for re-election at such annual general meeting of the Company. During the year, the appointment of Mr. Sun Jiakang as Executive Director and Chairman was recommended by Nomination Committee and approved by the Board and Mr. Sun Jiakang was re-elected at the special general meeting of the Company held on 23rd December 2013. In addition, Nomination Committee recommended the proposal of Directors' re-election in 2014. All the current Directors (including Non-executive Directors) were appointed for a specific term and letters of appointment setting out the key terms and conditions of appointment were entered into between the Company and the Directors. Details of the terms of appointment of the Non-executive Directors are as follows:

(a) Each of Mr. Wang Wei and Mr. Wu Shuxiong, being the Non-executive Directors, entered into a letter of appointment with the Company on 10th April 2012 for a term commencing from 10th April 2012 to the conclusion of the 2014 annual general meeting of the Company; and

(b) Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton, being the Independent Non-executive Directors, entered into a letter of appointment with the Company on 19th June 2012 for a term commencing from 31st May 2012 to the conclusion of the 2014 annual general meeting of the Company.

Induction and Continuous Professional Development

Every newly appointed director would receive a comprehensive, formal and tailored induction upon appointment. The newly appointed Director, Mr. Sun Jiakang received a comprehensive information package containing an introduction to the operations and businesses of the Group, a guide on Directors' duties, outlines on disclosure of interest in securities, policies on dealings in the Company's securities, guidelines on disclosure of inside information and disclosure obligations of a listed company under the Listing Rules, etc..

All the current Directors, namely, Messrs. Sun Jiakang, Zhang Liang, Wang Wei, Wu Shuxiong, He Jiale, Xu Zhengjun, Tsui Yiu Wa, Alec, Jiang, Simon X. and Alexander Reid Hamilton and the ex-Director, Mr. Ye Weilong, have participated in the continuous professional development by way of attending workshops and/or internal seminars and/or reading materials.

Board Proceedings

The Board met regularly and held four regular meetings in 2013. Notice of meeting was given to the Directors at least 14 days prior to each regular Board meeting. The Directors were invited to include any matters which they thought appropriate in the agenda. Agenda and board papers with adequate information were sent to all Directors at least 3 days before the meeting in order to ensure that they had sufficient time to review the board papers and prepare for the meeting. At each regular Board meeting, the Directors were properly briefed on the Company's current situation and issues arising at the Board meetings. Executive Director(s) and/or Board Committee chairman and/or the senior management reported to the Board on various aspects, including the business performance, financial performance, corporate governance, risk management and internal control, etc.. Queries raised by the Directors were responded promptly by the senior management. Directors were encouraged to make an active contribution to the Board's affairs and express their views and concerns. Sufficient time was allowed for the Directors to discuss matters about which they were concerned. For Director who was unable to attend the regular Board meeting, he was properly briefed the matters to be discussed in advance and his view expressed prior to the meeting was reported to the Board.

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

Attendance

During the year, the attendance records of the individual Directors at the general meetings, Board meetings and Board Committee meetings of the Company are set out in the following table:

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

Note: On 23rd September 2013, Mr. Sun Jiakang was appointed as Executive Director and Chairman and Mr. Ye Weilong resigned as Executive Director and Chairman.

DELEGATION BY THE BOARD

Management Functions

The segregation of duties and responsibilities between the Board and the management is clearly defined in the internal guidelines of the Company.

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

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the senior management of the Company which include evaluating businesses and operation performance, ensuring effective implementation of the Board's decisions, ensuring adequate fundings and monitoring performance of the management of the Group. The Managing Director and the senior management of relevant subsidiaries and departments of the Company met together on regular basis to review and discuss on operational and financial matters in order to enhance and strengthen internal communications and cooperation within the Group. The delegated functions and work tasks were periodically reviewed.

Board Committees

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

Audit Committee

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; and
- acting as the key representative body of the Company responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.

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

The Audit Committee currently comprises all Independent Non-executive Directors, namely, Mr. Alexander Reid Hamilton (chairman) who is a certified public accountant, Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X.. Except Mr. Alexander Reid Hamilton who was a partner of Price Waterhouse for 16 years until June 1986, none of the members of Audit Committee are former/current partners of the Company's existing auditing firm.

During the year, three meetings with the external auditor and the senior management of the Company were held. The major works performed by Audit Committee in 2013 included:

- reviewing and making recommendations for the Board's approval on the draft annual report 2012, the audited consolidated financial statements for the year ended 31st December 2012, the draft interim report 2013 and the unaudited condensed consolidated financial statements for the six months ended 30th June 2013;

- reviewing the effectiveness of the internal control and risk management system;
- reviewing the continuing connected transactions of the Group for the year ended 31st December 2012 and the period ended 30th June 2013;
- reviewing cash flow forecast and consolidated profit forecast for 2013;
- making recommendations to the Board, subject to the Shareholders' approval at the annual general meeting, the re-appointment of PricewaterhouseCoopers as the external auditor of the Company;
- reviewing the internal audit planning for the year 2014 and external audit planning for the year ending 31st December 2013; and
- reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Remuneration Committee

The main duties of Remuneration Committee include:

- making recommendations to the Board on the policy for the remuneration of the Company;
- ensuring the remuneration offered is appropriate for the duties and in line with market practice;
- determining the remuneration packages of individual Executive Directors and senior management with delegated responsibility by the Board; and
- making recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee currently comprises three Independent Non-executive Directors, namely, Mr. Jiang, Simon X. (chairman), Mr. Tsui Yiu Wa, Alec and Mr. Alexander Reid Hamilton; and an Executive Director, namely, Mr. Xu Zhengjun.

During the year, three meetings were held and the major works performed by Remuneration Committee included reviewing and making recommendations to the Board on the Directors' fees of Independent Non-executive Directors for the year of 2013, approving the letter of appointment of Mr. Sun Jiakang, the newly appointed Executive Director and Chairman and reviewing the remuneration report of the Group including determining the salary package for Executive Directors and senior management.

Emoluments paid to each Director and the senior management by band for the year are disclosed in note 29 to the financial statements of this annual report.

Nomination Committee

The main duties of Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- monitoring the appointment and succession planning of the Directors;
- assessing the independence of Independent Non-executive Directors;
- monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Non-executive Directors; and
- monitoring and reviewing the implementation of the Board Diversity Policy.

The Nomination Committee currently comprises three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec (chairman), Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton; and an Executive Director, namely, Mr. Xu Zhengjun.

During the year, two meetings were held and the major works performed by Nomination Committee included recommending the nomination of Mr. Sun Jiakang as Executive Director and Chairman, conducting a review of the Board diversity, assessing the independence of Independent Non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election in 2014.

In considering the nomination of Mr. Sun Jiakang as Executive Director and Chairman, Nomination Committee assessed the candidate against a range of criteria, such as skills, experience, background and the ability to contribute to overall effectiveness of the Board and then made recommendation to the Board for approval.

The Board adopted the Board Diversity Policy in August 2013 setting out the approach to achieve diversity on the Board. The Company believes that a diversity of perspectives can be achieved through consideration of a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. Board appointments will be made on merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

Corporate Governance Committee

The Corporate Governance Committee is mainly responsible for developing and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and/or senior management; reviewing and monitoring the compliance of Staff Code of Conduct (the "Staff Code"); and reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the annual report.

The Corporate Governance Committee currently comprises an Executive Director, namely, Mr. Xu Zhengjun (chairman) and three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton.

During the year, two meetings were held and the major works performed by Corporate Governance Committee included reviewing the continuous professional development of Directors, the Company's compliance status of the CG Code for the year ended 31st December 2012 and the disclosure in the corporate governance report of the annual report and reviewing the Company's compliance status of the CG Code for the six months ended 30th June 2013.

Strategic Development Committee

The Strategic Development Committee is mainly responsible for reviewing the annual strategic development plan of the Company and monitoring the implementation of strategies; reviewing the major investment projects and financing proposals; reviewing the major capital deployment and project on operation of assets; reviewing the strategic direction of the Company's business and operational management; and reviewing and evaluating the project evaluation systems.

The Strategic Development Committee currently comprises three Executive Directors, namely, Mr. Zhang Liang (chairman), Mr. He Jiale and Mr. Xu Zhengjun.

During the year, three meetings were held and the major works performed by Strategic Development Committee included discussing the strategic development plan for 2013 submitted by Strategic Investment Department, recommending the execution of a memorandum between COSCO Europe and Yuantong in relation to the sale and purchase of the entire issued share capital of Hanyuan by Yuantong from COSCO Europe and recommending the execution of a share purchase agreement between COSCO Europe and Yuantong in relation to the sale and purchase of the entire issued share capital of Hanyuan by Yuantong from COSCO Europe.

Risk Management Committee

The Risk Management Committee is mainly responsible for formulating and reviewing the risk management procedure and internal control system and monitoring the implementation of risk control.

The Risk Management Committee currently comprises three Executive Directors, namely, Mr. Zhang Liang (chairman), Mr. He Jiale and Mr. Xu Zhengjun; and a Non-executive Director, namely, Mr. Wu Shuxiong.

During the year, a meeting of risk management committee was held to discuss the risk management report for 2013 submitted by Internal Audit Department. The report was about the analysis on credit risk management, procurement risk management and hedging risk management and the risk management plan for 2014.

Company Secretary

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

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

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

Connected Transactions

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

Auditor's Remuneration

During the year, the remuneration paid or payable to the Company's external auditor, PricewaterhouseCoopers in respect of audit and non-audit services provided to the Group were approximately HK$3,382,000 and HK$1,093,000 respectively. These amounts excluded remuneration paid or payable to other external auditors of subsidiaries which were included in Auditors' remuneration disclosed in note 27 to the financial statements.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Responsibility

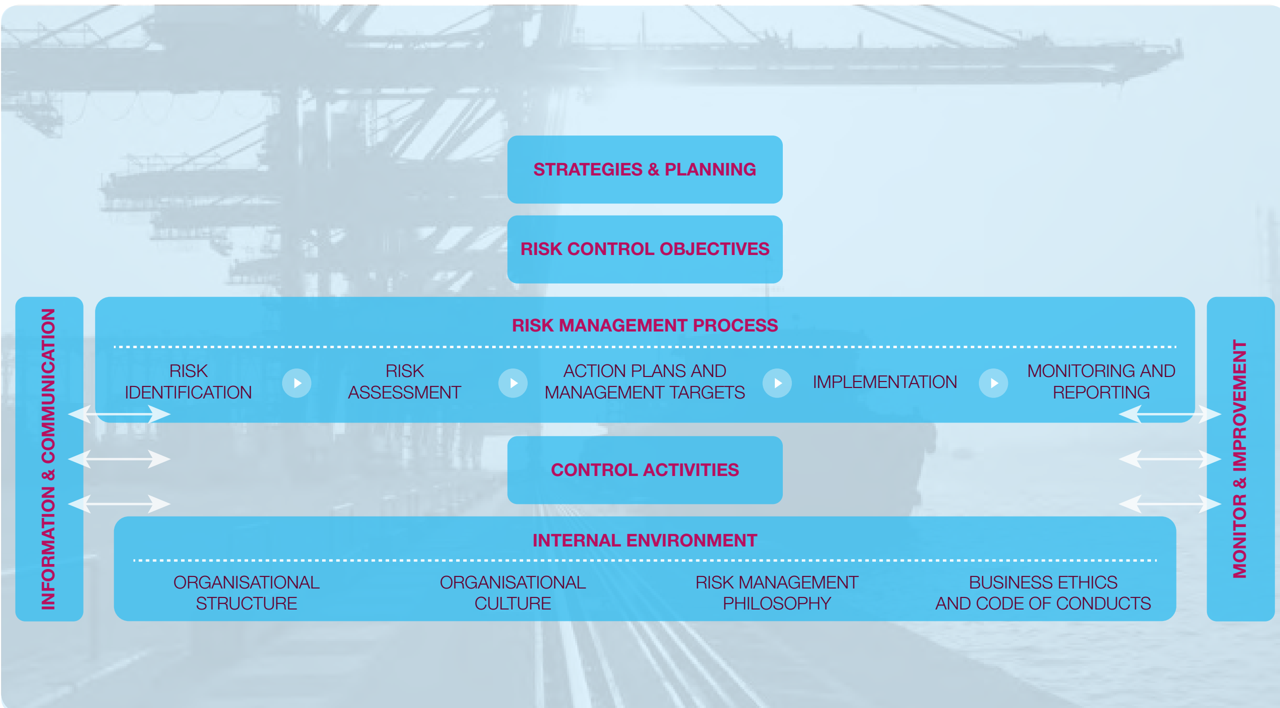
The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing its effectiveness to safeguard the Company's assets and the Shareholders' interests.

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

Framework and Approach

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

Risk Management Framework of the Group



Internal Environment

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

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

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

Control Activities

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

- the design of an organisational structure with defined lines of responsibility and delegation of authority;
- the setup and adherence of authorisation and approval limits of the Company and each business unit;
- the systems and procedures to identify and mitigate risks on an ongoing basis;

In previous years, the major business units had further strengthened its internal controls and promoted internal efficiency by the use of enterprise resource planning (ERP) systems or other relevant information technology, which integrated internal and external management information across an entire business unit — embracing finance or accounting, manufacturing, sales and purchase, etc. During the year, other business units also has started to develop relevant ERP to facilitate its own business change and development.

Risk Management Process

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

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

Major operational risk factors and measures

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

Each of the subsidiaries of the Group implemented a various of measures to minimise and control the trade receivable risk, including (i) establishing trade receivable management committee to strengthen the rules and regulations on trade receivable and monitor the trade receivable activities; (ii) mitigating the risk of bad debts by optimising the customer base with good credit rating and tightening business dealings with customers with potential credit risk; (iii) monitoring the trade receivable activities through the implementation of business information system; and (iv) setting up independent credit review function to strengthen the evaluation of customer credit status. In addition, while Internal Audit Department focuses on the internal control and risk management processes on trade receivable activities, Finance Department will analyse monthly the trade receivable balance of each subsidiary and identify if there is any recoverability issue.

In spite of the above measures, trade receivable risk cannot be eliminated completely, especially in this period of time when the market situation is complex and severe. Relevant subsidiaries therefore commenced the feasibility study on transferring the trade receivable risk through factoring as well.

Procurement risk is mainly reflected in the process of supplier selection, the Group's procurement risk is mainly reflected in the purchase operations of COSCO Kansai Companies, CITC and COSCO Yuantong Operation Headquarters, especially in COSCO Kansai Companies where a number of types of raw materials are involved with significant amounts.

In order to regulate the procurement operations, COSCO Kansai Companies established various rules and procedures, clearly defined the purchase methods for different types of raw materials. COSCO Kansai Companies has so far completed the procurement of major raw materials, including zinc powder, epoxy, wooden tray, and the selection of transportation companies through tendering. The implementation of tendering not only improved the process of supplier selection but also lowered the overall procurement costs. COSCO Kansai Companies will further expand its scope of procurement through tendering in order to prevent any potential procurement risk.

Hedging risk is mainly reflected in the fuel oil trading business of Sinfeng and the price volatility of copper material of Jotun COSCO. The fuel oil trading business of Sinfeng is conducted on an indent basis where Sinfeng takes no position. While the selling prices are fixed with customers, the purchase prices of some of the transactions quoted by suppliers are floating rates instead. To minimise the fuel oil price risk, Sinfeng has to enter into derivative contracts to hedge against the price fluctuation through COSCO Petroleum Pte. Ltd., a connected party of the Company ("COSCO Petroleum"). Sinfeng followed strictly the requirements of COSCO in dealings of the fuel oil hedging transactions. All hedging transactions are required to follow the internal approval procedures which include the approval of the in-charge of sales department, risk manager and the general manager. All approved applications will then be processed by COSCO Petroleum, the exclusive authorised dealer in handling hedging transactions within COSCO Group. COSCO Petroleum will enter into the fuel oil derivatives transactions at the instruction of and for and on behalf of Sinfeng under the monitor of a risk manager as appointed by COSCO to ensure all the derivatives transactions are for hedging purposes. During the year, all fuel oil derivative contracts initiated by Sinfeng were hedging in nature and within the cap approved by COSCO. Copper is a major component of the cost of sales for Jotun COSCO. To hedge the fluctuation of the copper cost and to fix the profit of the orders, Jotun COSCO commenced the hedging business since the approval of its board in 2010. Jotun COSCO has already established proper working procedures and internal control mechanisms in carrying out the operations of copper derivatives and all the requirements of the board are found complied with.

Internal Audit and Control Effectiveness

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

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

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

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

The Audit Committee reviews the internal audit work conducted by the Internal Audit Department which includes the review of effectiveness of the Group's internal control systems covering all material controls, including financial, operational and compliance controls and risk management functions every year. The chairman of Audit Committee reports to the Board on its key findings at least two times a year. No significant areas of concern which might affect the Shareholders were identified.

SHAREHOLDERS RELATIONS

Communication with Shareholders

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

The Board believes that the general meetings provide an opportunity for communication between the Shareholders and the Board members. During the year, an annual general meeting of the Company was held on 31st May 2013 (the "2013 AGM") and the special general meeting of the Company was held on 23rd December 2013 to approve the continuing connected transactions by the independent shareholders (the "2013 SGM") (collectively the "2013 General Meetings"). The Chairman of the Board and the chairmen of relevant committees attended the 2013 AGM. The representative from PricewaterhouseCoopers, the external auditor of the Company attended the 2013 AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, whenever necessary. All members of the independent board committee attended the 2013 SGM and were available to answer question, whenever necessary. Shareholders were given at least 20 clear business days' notice of the 2013 AGM and 10 clear business days' notice of the 2013 SGM. Q&A session had been provided to the Shareholders to raise their concern at the 2013 General Meetings. The chairman of the 2013 General Meetings explained the detailed procedures for conducting a poll at such meetings. At the 2013 General Meetings, separate resolution for each substantially separate issue was proposed in order to avoid bundling resolutions. The poll voting results of the 2013 General Meetings were published on the websites of the Stock Exchange and the Company respectively on the same day after the 2013 AGM and the 2013 SGM.

Shareholders' Rights

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

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

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

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

Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders may also direct questions or requests for information through the Company's website or by contacting the representatives of Investor Relations Department.

Procedures for Shareholders to make proposals at general meeting

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

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

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

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

Information Disclosure

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

There was no change to the memorandum of association and bye-laws of the Company during the year ended 31st December 2013.

By order of the Board

CHIU Shui Suet
Company Secretary

Hong Kong, 20th March 2014

Explore new markets, for more

DEVELOPMENT
OPPORTUNITIES

DEVELOPMENT

The Group will continue its corporate transformation and upgrade and focus on its marketing services in line with the development trend in the shipping industry. It will strive to maintain its profitability, and continue to strengthen its core competitiveness. Meanwhile, it will also actively conduct studies on asset acquisitions within and outside COSCO Group, constantly improve its shipping services network around the world and expand related operations along the industry value chain of shipping services.

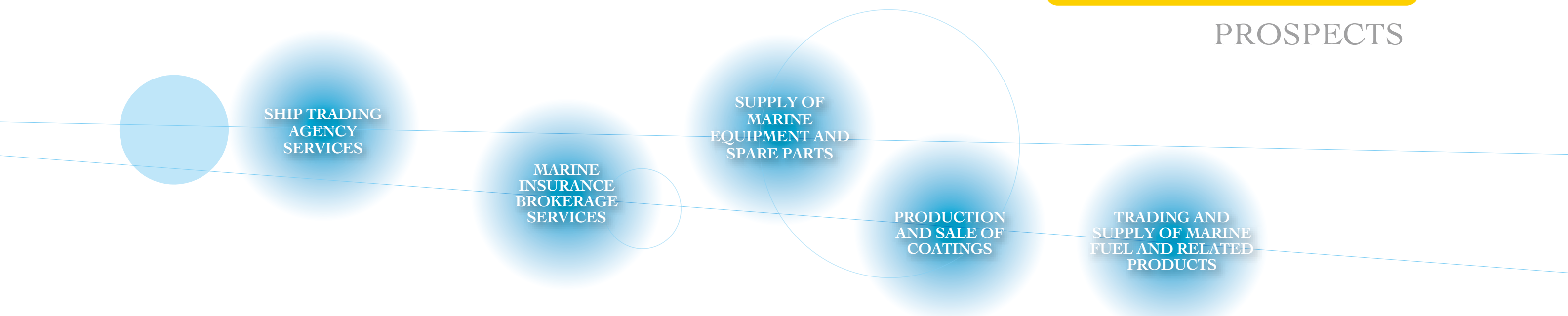
PROSPECTS

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 services 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 services provider by means of further promoting the transformation and upgrading of shipping services 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 their intermediate services from marine insurance 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 status 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 Listing Rules if and when the share purchase agreement is entered into.

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

INVESTOR RELATIONS

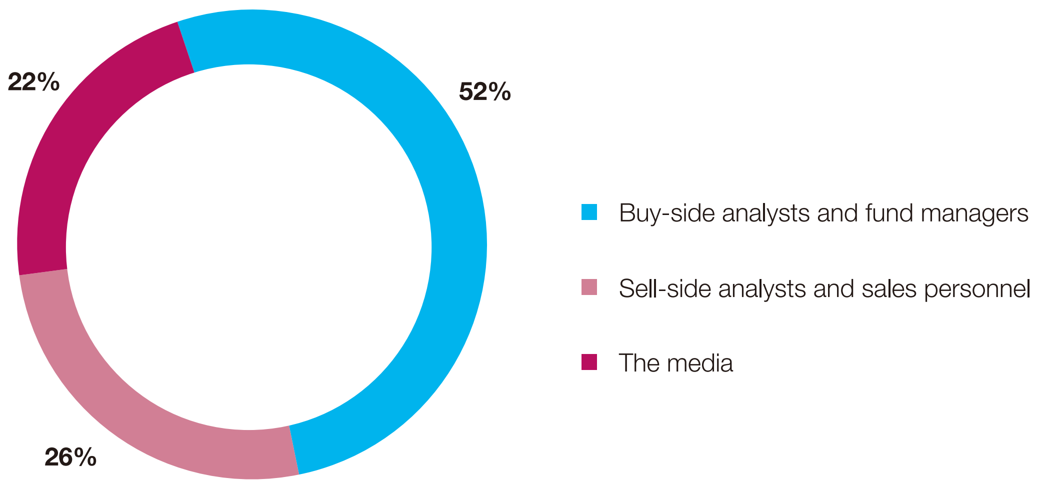
COSCO International's investor relations management strategy is to maintain good communications with shareholders and potential investors through timely, complete, accurate and truthful disclosure of the Company's valuable information. Our strategy aims to ensure investors understand the operating results and recognise the development prospects of the Company, as well as to reflect the recommendations and advices from shareholders and investors to the Board and the management of the Company. We endeavour to protect the legitimate interests of shareholders and investors, and strengthen and enhance shareholders and investors' confidence in the Company. Therefore, it can continuously boost the Company's intrinsic value and ultimately maximise shareholders' value.

The management of COSCO International believe that a good investor relations management is an important element to implement excellent corporate governance. The investor relations officers of the Company are responsible for setting up a bridge between the Company and shareholders and investors for sharing discloseable information. Through this bridge, on one hand, the Company provides up-to-date, accurate and complete corporate information, including the latest operating information, the development strategy of the Company and the industry prospects, for shareholders, investors and analysts to enhance their understanding of the Company and the industry in which it operates, so as to enable them to assess effectively and form proper forecast for the investment value of the Company. On the other hand, through close and effective communications with shareholders and investors, the Company gathers and summarizes their concerns, as well as their advices and recommendations to the Company, especially those from the existing shareholders who have been long time holders of the Company's shares. Their feedback is reported to the management regularly, which provides valuable references for the management in decision making, thereby further enhancing corporate governance in order to lay a solid foundation for growing value of the Company.

PERSEVERANCE IN TWO-WAY COMMUNICATIONS UNDER THE UNFAVORABLE ENVIRONMENT

In 2013, the shipping industry remained depressed and investors were still worried about the prospects of the shipping-related industries. Meanwhile, the Company has still been proactively indentifying potential acquisition targets, so its stock did not draw great attention from investors in the short run. Nevertheless, COSCO International insisted on implementing good investor relations management and continued to maintain a close relationship with its shareholders and investors. The Company maintained two-way communications with shareholders, potential investors and sell-side analysts by holding results announcement press conferences, analyst meetings, post-result roadshows, annual general meetings, and holding or participating in investors' conferences or industry forums organised by securities firms, one-on-one meetings, conference calls, and replying email inquiries, so as to enable shareholders and investors to understand the latest developments and future direction of the Company, thus enabling the investment community to maintain a correct understanding and objective assessment of the prospects of the Company. In 2013, through multi-channels and sincere and proactive communications means, COSCO International met institutional investors, sell-side analysts and sales personnel from securities firms and the media for 108 attendances, 53 attendances and 46 attendances, respectively, amounting to a total of 207 attendances (2012: 212 attendances).

BREAKDOWN OF INVESTOR RELATIONS OFFICERS' MEETINGS WITH INSTITUTIONAL INVESTORS, SELL-SIDE ANALYSTS AND THE MEDIA IN 2013 (BY PERCENTAGE)



ENHANCING THE DISCLOSURE OF WEBSITE WITH CONTINUOUS INNOVATIONS

The Company believes that good corporate governance is based on a sound and effective management system. For years, COSCO International has consistently implemented the Regulations for Investor Relations Management, the Information Management Policy and the Website Management Policy, and has taken initiatives to maintain effective communications with shareholders and investors in an honest, equal and proactive manner through fair, just and open channels. Among them, keeping the Company's website updated with the latest and accurate information plays an important part in COSCO International's investor relations practices, as it is the most direct and timely channel to disseminate corporate information to the stakeholders of the Company. In 2013, COSCO International continued to keep up with times and further enhanced the disclosure of its website. In addition to enriching the site layout and content and modifying the web language to improve the readability of the website, the Company also added a smart mobile website to enable investors to browse the updated corporate information through smart electronic devices anytime and anywhere. Apart from that, COSCO International continued to enhance its update on and maintenance of the information at its corporate website to make sure the accurate and timely information release, which enabled investors to understand the latest business development and financial position of the Company in a more convenient and comprehensive way. According to Google Analytics' analysis of the usage of the Company's website, there were a total of 11,985 visits (2012: 14,665 visits) on COSCO International's website from 128 countries or regions in 2013.

INCREASE OF CORPORATE VALUE

IMPROVEMENT OF CORPORATE GOVERNANCE

ENHANCEMENT OF TRANSPARENCY

VARIOUS ACTIVITIES TO DEVELOP INVESTOR RELATIONS

- Conducting press conferences and analyst meetings to announce the Company's interim and annual results and answer questions raised by the media and analysts. Webcast of the press conferences has also been posted on the Company's website within 6 hours afterwards to allow access by shareholders and investors anytime.

- Inviting shareholders' participation in important decision-making process of the Company through polling at general meetings, and arranging direct communications for shareholders with the directors and the management of the Company to respond to shareholders' inquiries.

- Arranging one-on-one meetings and/or conference calls with analysts and fund managers to introduce the business model, latest operating information and future development strategy of the Company.

- Participating in corporate presentation conferences and roadshows in different regions organised by securities firms to present the development strategy and latest operating information of the Company and the industry prospects to investors from various regions around the world.

- Communicating with the investment community to learn about investors' opinions and advices on the Company's future development, in order to facilitate better decision-making about capital operations of the Company in the future.

- Posting the financial statistics for recent years, latest investor relations activities and the latest discloseable information of the Company in the investor relations section on the website of the Company, as well as updating and maintaining the website in a timely manner.

- Dispatching the latest news of the Company to the media, the analysts and the institutional investors through emails on a timely basis and also simultaneously posting such information on the website of the Company to enhance its transparency.

- Arranging financial media gatherings or media interviews with the management of the Company from time to time to enhance media relations and increase media coverage on the Company, hence helping investors and the public better understand the development vision and business activities of the Company as well as its latest news.

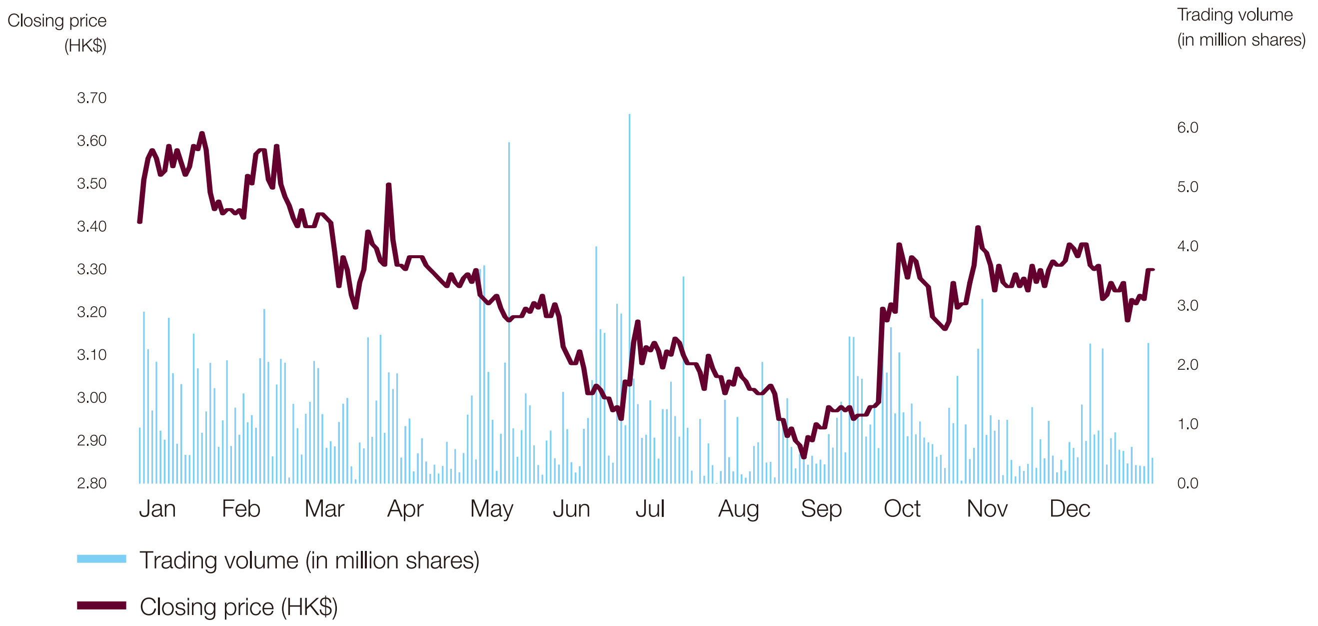
LIST OF INVESTOR RELATIONS AND MEDIA RELATIONS ACTIVITIES IN 2013

Month	Event
MAR	• Organised a press conference and an analyst meeting to announce 2012 annual results of COSCO International
	• Attended the 2012 annual results roadshow organised by DBS Vickers in Hong Kong
APR	• Attended the Asia Investor Conference organised by DBS Vickers in Hong Kong
MAY	• Attended the Logistics Ecosystem Forum organised by J.P. Morgan in Hong Kong
JUN	• Attended the 9th Annual China Summit organised by J.P. Morgan in Beijing, China
AUG	• Organised a press conference and an analyst meeting to announce 2013 interim results of COSCO International
	• Attended the 2013 interim results roadshow organised by DBS Vickers in Hong Kong
NOV	• Attended the China Investor Conference 2013 organised by Citigroup in Macau, China

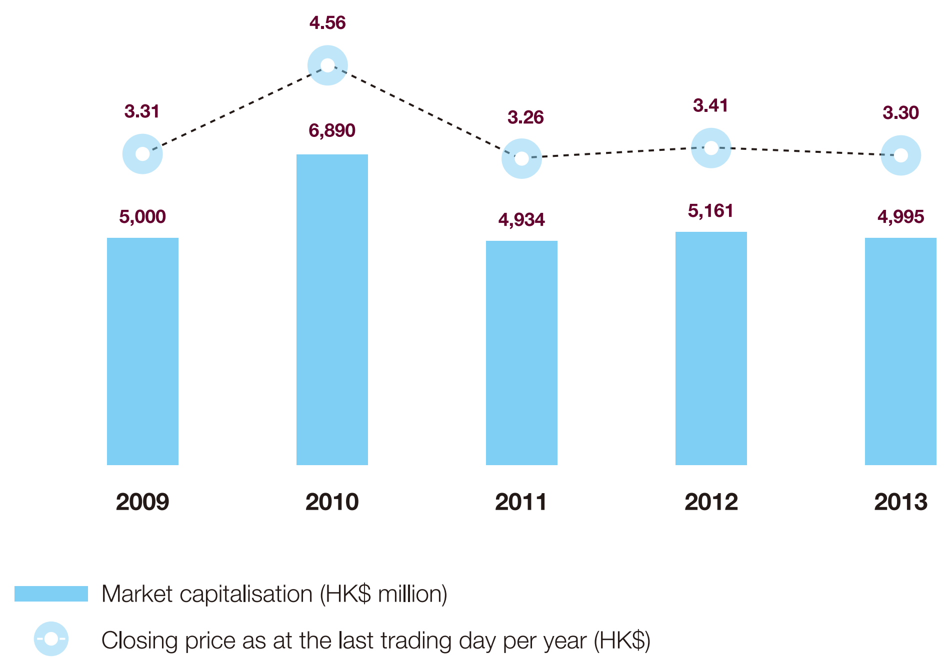
PERFORMANCE OF SHARE PRICE AND TRADING IN 2013

On the last trading day of 2013, the closing share price of COSCO International was HK$3.30 (2012: HK$3.41). The shares in issue of COSCO International were 1,513,781,429 shares (2012: 1,513,627,429 shares). The market capitalisation of the Company was HK$4,995,479,000 (2012: HK$5,161,470,000). During the year, the highest share price was HK$3.67 and the lowest share price was HK$2.86. The daily average trading volume and daily average trading turnover were 1,088,369 shares (2012: 819,455 shares) and HK$3,543,000 (2012: HK$2,659,000).

CHANGES IN SHARE PRICE AND TRADING VOLUME IN 2013



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



EARNINGS PER SHARE AND DIVIDENDS PER SHARE

The basic earnings per share of the Group for 2013 was 15.96 HK cents. In order to share the operating results with shareholders and as a return for the support of shareholders, the Board of COSCO International has recommended a final dividend of 3.5 HK cents per share in accordance with the dividend policy of the Company, i.e. the dividend for the year is not less than 25% of the net profit. Together with the interim dividend of 2 HK cents per share, total dividends of 5.5 HK cents (2012: 8 HK cents) per share represented a dividend payout ratio of 34% (2012: 33%).

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

	2009	2010	2011	2012	**2013**
Basic earnings per share (HK cents)	56.25	83.97	25.80	23.98	**15.96**
Dividends per share (HK cents)	9.40	40.00	9.00	8.00	**5.50**
— Interim and final dividends per share (HK cents)	9.40	5.00	9.00	8.00	**5.50**
— Special dividend per share (HK cents)	—	35.00	—	—	**—**
Dividend payout ratio (%)	17	48	35	33	**34**

INVESTOR RELATIONS PROSPECTS

COSCO International is at the critical stage of its development. Looking forward, the Company will seize the opportunities arisen in the industry, strive for acquisitions while continuing to carry out good investor relations management in line with the Company's development. The Company will continue to follow with the principles of information disclosure compliance, adequate information disclosure, equal opportunities for investors, honesty and integrity, high efficiency with low cost as well as interactive communication, and make sufficient and timely communication with its investors about the latest development of the industry and the Company. Meanwhile, the Company will actively collect opinions and seriously take advices from each stakeholder on the development of the Company.

The Company will continue to maintain a high level of investor relations management in the new operating environment, through specific measures including:

1. Continuing to communicate and exchange views with its shareholders as well as potential investors from all over the world in an honest and respectful manner to help them fully understand the development strategies of the Company, in order to attract more long-term institutional investors to hold the Company's shares, thus optimising the shareholding structure.

2. Maintaining close relations with securities firms, and actively participating in roadshows and investor conferences organised by securities firms in line with the development of the Company, in order to increase the Company's transparency and attract more sell-side analysts to cover the Company, thus raising the investors' interest in the Company.

3. Obtaining investors' opinions and recommendations on the Company by reinforcing the communications with the investment community, so as to provide references for making decisions on corporate development strategy and day-to-day operation.

4. Continuing to maintain sound relationship with financial media and strictly implementing the Investor Relations Management Policy and the Information Management Policy.

5. Arranging site visits for the investors or the media to the business locations in line with the Company's business development at proper times, so as to increase stakeholders' knowledge about each business segment of the Company and boost their confidence in its prospects for future growth.

6. In compliance with the disclosure requirements of the Listing Rules, actively studying the feasibility of disclosing more information on the operation of the Company, which enables the public to receive timely and accurate information of the Company through adequate information disclosures, so as to enhance their understanding of the Company.

7. Further making use of the corporate website as a key medium to release the latest news of the Company to the public, and releasing more timely and accurate information on the website so as to facilitate investors' search and access of information of the Company effectively.

A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended and as at 31st December	2009	2010	2011	2012	**2013**
Total number of shares issued (million)	1,511	1,511	1,514	1,514	**1,514**
Closing price[Note] (HK$)	3.31	4.56	3.26	3.41	**3.30**
Market capitalisation[Note] (HK$ million)	5,000	6,890	4,934	5,161	**4,995**
Basic earnings per share (HK cents)	56.25	83.97	25.80	23.98	**15.96**
Price/earnings ratio[Note] (times)	5.88	5.40	12.64	14.22	**20.68**
Dividends per share (HK cents)	9.40	40.0	9.00	8.00	**5.50**
Dividend payout ratio (by net profit) (%)	17%	48%*	35%	33%	**34%**
Net assets value per share (HK$)	4.25	4.83	4.69	4.85	**4.94**
Return on total assets (%)	11.4%	15.0%	4.1%	3.8%	**2.5%**
Return on shareholders' equity (%)	14.1%	18.5%	5.4%	5.0%	**3.3%**
Net cash-to-shareholders' equity ratio (%)	19.7%	85.8%	80%	81%	**85%**
Current ratio (times)	2.43	4.66	3.92	4.30	**5.19**
Quick ratio (times)	2.04	4.41	3.62	4.05	**4.91**
Interest coverage (times)	78.7	89.0	33.3	123.4	**83.0**

Note: As at the last trading day per year

* In 2010, COSCO International paid a one-off special dividend of 35 HK cents per share out of the profits in relation to disposal of a substantial non-core asset.

CORPORATE SOCIAL RESPONSIBILITY

COSCO International has been adhering to the philosophy of social responsibility of COSCO Group and has abided by the scientific view of people-orientation, comprehensive, coordinative and sustainable development. Following the established four principles of corporate social responsibility (CSR) of the Group, COSCO International takes its responsibilities with respect to safety, environmental protection, employees and the community as important consideration factors in its operation and decision-making, and regards them as day-to-day CSR practices. It aims at safeguarding and balancing the interests among its stakeholders including the shareholders, business partners, employees, customers and suppliers, as well as striving for harmonious, long-term and sustainable development of the enterprise with the society, the environment and the economy.

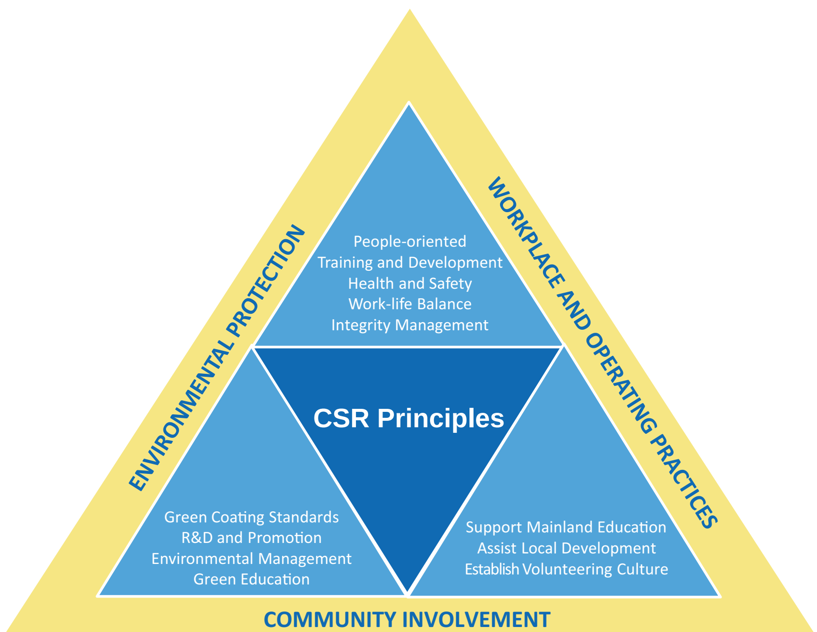
In 2013, by the concerted efforts of its management and all employees, COSCO International was selected as a constituent of Hang Seng Corporate Sustainability Benchmark Index for the second consecutive year and was awarded the "5 Years Plus Caring Company Logo" by the Hong Kong Council of Social Service. COSCO International was also honoured with the "Best CSR" in the Asian Excellence Recognition Awards 2013 by Corporate Governance Asia magazine, which fully reflected that the Company's continued improvement in corporate social responsibility has been highly acclaimed in the capital market.

WORKPLACE AND OPERATING PRACTICES

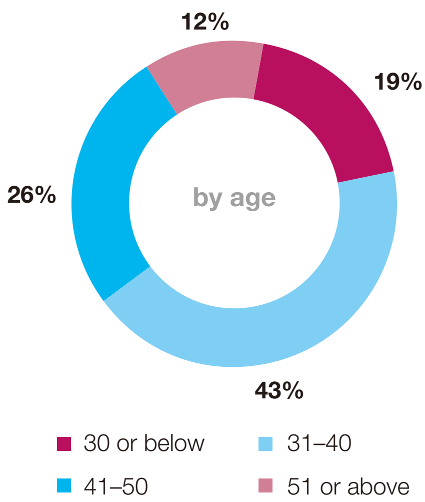
People-oriented

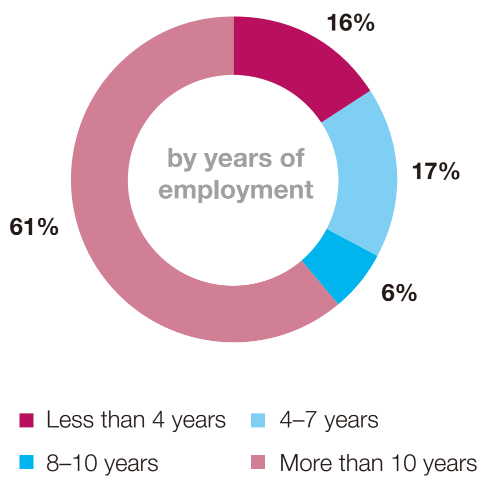
COSCO International always believes that quality talents are important assets of an enterprise and, at the same time, the cornerstone for sustaining corporate development. Each year, through enhancing the mechanism on management of compensation packages, performance appraisals as well as incentives and restraints, the Group has been able to attract and retain quality talents; and by providing various advancement opportunities, the Group has succeeded in stimulating working motivation and creativity in its senior management and employees. These help steer the Company towards new heights and achieve more important milestones. As at 31st December 2013, the Group, excluding joint ventures and associates, had a total of 804 employees (2012: 782), of which 112 (2012: 112) were based in Hong Kong, 658 (2012: 638) in Mainland China and 34 (2012: 32) in overseas companies.

Staff turnover was 8.26% (2012: 6.42%) for 2013.



EMPLOYEES' PARTICULARS IN 2013





The Company's management believes that if a company plans to strenghten its competitiveness and enlarge its scale, it has to recruit professionals with different expertise. As such, COSCO International provides a comprehensive and competitive remuneration and benefits package, which is complemented with sound training programs to nurture the talents, thereby highlighting the "employee-oriented" management philosophy of the Group. COSCO International follows the principle of "performance-based remuneration" by encouraging the employees to contribute their efforts to the Company and rewarding them with bonus based on their duties and contribution.

Training and Development

Establishing Learning-oriented Enterprise

The management of COSCO International places strong emphasis on the career development of individual employees. Employees are encouraged to keep abreast of the changing world and pursue continuing education, so as to cope with the rapidly changing society and meet the evolving corporate development needs. The Group makes a review on its human resources training system each year, which sets up annual training objectives and plans, designs various types of training programs and encourages and subsidises its employees to participate in individual continuing education programs which are related to their job duties, with a view to strengthening the professional career training of its staff teams, promoting professional expertise of management teams and stimulating the potential abilities of employees. In 2013, training courses organised by the Company and recommended to employees included relevant business and skills training, taxation, negotiation techniques, financial auditing, laws and regulations, occupational safety and information security, etc. A total attendance of 1,129 (2012: 1,138) participated in various training programmes for the year and the training hours per employee was 9.18 hours (2012: 9.73 hours).

The Company also organised several working seminars and meetings on business development such as cash flow management and risk control in receivables, thus increasing the opportunities for the senior management and professionals from different regions to exchange and explore issues through active discussion of and expressing their views, thereby achieving a better result for exchange and learning from each other during training. In future, the Company will continue to enhance the quality of the management staff and provide more advancement opportunities through systematic training management to motivate each employee to grow together with COSCO International.

Advocating Two-way Communications

The Company values mutual communication between the management and employees. Therefore, they regularly convey messages on corporate development strategies and work objectives through various channels, such as regular meetings and diversified types of employee gatherings. In addition, the Company set up an internal information management system, which acts as a platform for the management and all the employees to share information on operation and management as well as corporate culture, etc., and has become an effective tool for information sharing and real-time opinion exchange. The Company's management endeavored to understand the employees' needs and collect their opinions on the Company through, among other things, non-scheduled views exchange meetings and surveys, as well as corporate activities. By reflecting on these opinions, the Company may improve its operations and accelerate the overall development progress of the Company.

Occupational Health and Safety

As an enterprise controlling several companies engaging in the production of inflammable and explosive coating chemical products in Mainland China, COSCO International believes that ensuring stable and safe production is the most important social responsibility to its shareholders, employees and the community where it operates. Therefore, the Group has always regarded ensuring safe and stable production as the primary task in corporate management. The Safety Management Committee of the Company, with the mission of "Safety first, and precaution is crucial with integrated management", performs unified guidance, inspection, assessment, supervision, education and promotion of safe production of its subsidiaries in accordance with the Safety Act of the PRC, relevant laws and regulations of local governments, industry standards and the relevant safety management regulations of the HKSAR government. The safety management work of each subsidiary was comprehensively regulated and managed, and the employees of all levels gain heightened awareness in occupational safety and health through the establishment of a normalised and standardised management system as well as the construction of a corporate culture of Health, Safety and Environment (HSE).

Continuously Promoting Safety Management Standardisation

The coating manufacturing joint ventures of COSCO International had obtained Quality Management System Certification (ISO9001), Occupational Health and Safety Assessment Series Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) formulated by the International Organisation for Standardisation (ISO) and they were certified, thus effectively guaranteeing the establishment of a healthy, safe and stable working environment. Jotun COSCO had to assure that a smooth handover from the old plant in Guangzhou to the new one in Qingdao was carried out under the premise of safety and stability, while hazardous chemicals in the plants were properly disposed in accordance with laws and regulations. Meanwhile, the new plant construction in Shanghai by COSCO Kansai Companies was also performed in strict compliance with safety and environment impact assessment standards to assure that the new plant construction was proceeded effectively and in an orderly way. The Group also kept on developing the Safety Self Assessment System which required each subsidiary to conduct comprehensive self assessment with respect to the safety

management system and identify drawbacks so as to further improve and update safety management of each unit including quality management, manufacturing environment and production procedures.

COSCO International firmly adhered to "Absolute safety with three zeros" as the general objective of the safety management. "Absolute safety" referred to an overall production environment be ensured safe and "Three zeros" referred to zero number of reports in accident, injury and pollution be ensured. In 2013, adhering to its working principle of "Deploy objectively, implement steadily and proceed practically", each subsidiary of COSCO International approved the working objectives set at the beginning of the year and each responsible unit ensured that various safety management approaches were effectively implemented as planned through measures based on job division. By implementing a three-pronged approach i.e. supervision and inspection, emergency drills as well as training and education, the Group constantly strengthened its occupational safety and health foundation and prevented various incidents in relation to production safety. In 2013, the coating manufacturing subsidiaries of the Group did not record any significant incident in relation to production safety so that safe and stable production was ensured.

During the year, the Group carried out full-range hidden hazards rectification in various forms on multi-levels by means of "Three inspections", i.e. "Self inspection, wide inspection and supervisory inspection". To take precautions at an early stage, the Group carried out safety inspections of each operating unit regularly and irregularly so as to track the hidden hazards and make rectifications accordingly. In particular, COSCO Kansai Companies, the coating and chemicals companies, launched three activities, namely "Safety Self-assessment Campaign", "I Am Safety Supervisor Campaign" and "Dangerous Experience and Hidden Hazard Report Campaign". They aimed to encourage the frontline staff to report various hidden hazards and dangerous situations identified and experienced during the course of production, and to give their advice and suggestion on safety management on a timely basis so as to make the staff more sensitive and alert to hazardous situations. In 2013, the Safety Management Committee of the Group conducted a total of 22 (2012: 28) on-site safety inspections in the five coating manufacturing plants which are under construction, in operation or under suspension, and conducted immediate rectifications to the detected hidden hazards. The rectification ratio of hidden hazards tracked in the four coating manufacturing enterprises amounted to 100% during the year.

The Group placed great emphasis on employees' capabilities to cope with emergencies. Therefore, the Group not only increased the number of unannounced emergency drills, but also raised the number of examination and renewal of the contingency equipment. Hence, the employees' skills and capabilities in managing the contingency equipment and following the related procedures during emergency were enhanced. During the year, the coatings manufacturing plant of COSCO Kansai Companies in Zhuhai co-organised a large-scale comprehensive drill on hazardous chemical leakage with the relevant departments of Gaolan Port Economic Zone of Zhuhai. All the government emergency departments in Gaolan Port participated in the simulation drill through which the operability of contingency plans and the effectiveness of the corporate-government joint action mechanism were tested. In 2013, the Group held a total of 19 (2012: 20) large-scale comprehensive and special emergency drills with 1,143 attendances (2012: 1,144 attendances).

In terms of promotion and education, the Group places strong emphasis on strengthening the awareness of employees towards occupational safety and health. The Group set different training goals for safety education according to different safety management tasks and organising a variety of training activities. There were a series of safety training and promotion activities focusing on "Safe production month", which included, among

other things, knowledge contest, case study on safety issues, external expert lectures, thematic seminars and annual safety test, etc. Employees' knowledge and awareness on safety, occupational health and environmental protection were effectively enhanced by diversified promotional and educational activities held by each department. A corporate culture emphasising on occupational health and safety awareness had been further established.

Promoting Healthy and Balanced Life

The management of the Company understands that each employee spends at least one-third of his/her day at work every day. Therefore, the management is concerned about the physical and mental health of the employees, as well as whether the employees can strike a work-life balance. Therefore, the Group arranged free annual body check for its employees and regularly reviewed its medical insurance policy to ensure certain protection for its staff. Besides, not only does the Group provide leave option in place for which its employees should have had according to the labour legislations in different regions, but also its subsidiaries have gradually added other leave options including paid wedding leave and funeral leave, paternity leave and paid leave, etc., which further enhance the quality of employees' family lives. During the year, the Group organised diversified activities, including annual dinner, staff sport day and various cultural and recreational activities, as well as exchange and eco-tours, or set up hobby groups to enrich the employees' leisure life. These activities not only fortified employees' sense of belongings and corporate cohesion, but also enabled the participation of both employees and their family members and helped them strike a balance between their work and family lives.

Valuing Integrity Management, Enhancing Incorruptibility Education

COSCO International considers the principles of honesty, integrity and fairness as the key elements of sustainable development of an enterprise. COSCO International formulated the Staff Code of Conduct ("the Code") in 2007, which serves as a clear and complete guideline to monitor the code of conduct of the employees of the Company and its subsidiaries during daily operations. Every year, the Group reviews the implementation status of the Code within the Group through a self-inspection process, in order to ensure that the contents of the Code had been applied throughout the actual operations and management practices, so as to balance and safeguard the interests between the Group and the stakeholders and build up a long term partnership.

Besides, the Company organised seminars on risk management in listed companies from time to time, in order to enhance risk management awareness of staff at each level of management and eliminate loopholes related to dishonestly in their positions, with the aim of further enhancing the professional conduct and integrity management of its management team, and promoting a management culture with high values of business ethics and incorruptibility. In 2013, COSCO International arranged professional ethics and integrity training programmes for its operating subsidiaries in Mainland China, to strengthen and raise the awareness of incorruptibility among its employees at different level when facing the conflict of interests during daily work, which promoted the establishment of sound corporate culture of integrity and sustainable healthy development.

ENVIRONMENTAL PROTECTION

In the face of global warming crisis, marine organisations and environmental protection departments worldwide have been urging for green shipping. As a shipping services provider mainly serving vessels, COSCO International actively responds to COSCO Group's call for green shipping. Leveraging on its own professional skills and edges, COSCO International provides professional and up-to-date environmental protection knowledge and recommendations for shipowners, shipyards and ship operators. In addition, through research and development and promotion of green coating products. COSCO International not only assists shipping enterprises in energy saving and emission reduction which reduces environmental pollution, it also helps shipowners improve operating efficiency and implement the concept of green shipping effectively. Hence, both enterprises and environment are able to achieve sustainable development.

Promoting Implementation of Green Coating Standards

Green coating is an important component in the development of green shipping. The coating manufacturing enterprises under COSCO International actively promoted the development of green coating in an effort to protect the global climate. The performance standard for protective coatings for cargo oil tanks (PSPC COT) issued by the International Maritime Organisation officially came into effect from 1st January 2013. As a leading marine coating manufacturing enterprise, Jotun COSCO, the Group's joint venture, successfully completed the testing on the coating series which complied with relevant new performance standards for coatings. Besides, with its professional experiences and techniques in developing and using green coatings over the years, Jotun COSCO actively participated in formulation of international standards issued by the International Maritime Organisation, including the "Anti-fouling and Anti-rusting System for Vessel Body" and "Performance Testing on Vessel Body and Propeller". By doing so, Jotun COSCO has made its efforts to maintain the effective and sustainable development of shipping enterprises.

Research and Development of and Promoting Green Coating Products

In respect of the promotion of green coating, two coating and chemical manufacturing enterprises under the Group have made great efforts in the research and development and promotion of green coatings for years. In 2013, Jotun COSCO further enhanced the promotion of Hull Performance Solution and the high performance anti-fouling coating, Sea Quantum X200. As the product uses raw materials without solvents but with low volatile organic compounds, it can lessen the roughness of the vessel body, hence saving energy and accelerating the speed. Theoretically, it can save up to 13.2% fuel consumption, which greatly reduces the fuel cost of shipowners and reduce emission of greenhouse gases. During the year, the Sea Quantum series anti-fouling coatings were successfully applied in repaired vessels of 10,000 TEU and new build vessels of 13,300 TEU, which significantly reduced fuel consumption. Currently, over 10 new vessels owned by several shipowners in China have employed the Hull Performance Solution.

COSCO Kansai Companies, the Group's joint ventures which engage in manufacture of container coatings and industrial heavy-duty anti-corrosion coatings, actively shifted its focus

from price competition in a homogeneous product to gaining leadership by differentiated technologies, enhanced their technical research and development works, increased their technology reserves, as well as improved their innovative capability and their ability for applying new technology. Among their products, the fluorocarbon coatings for wind turbine tower with a 20-year ultra-long anti-corrosion period and the high performance anti-frozen coatings for wind turbine blade developed by COSCO Kansai Companies have become leading products for coating upgrade in marine wind turbine and specific coating areas. During the year, the manufacturing plant of COSCO Kansai Companies in Tianjin was authorised as the pilot patent enterprise of Tianjin and its product research and development projects obtained several patents. In addition, it confirmed the support and promotion plan for water-based coatings with major container owners. Hence, the coating testing on water-based container coatings and high solids container coatings was successfully implemented with satisfactory results.

With high quality products, strong technical skills and extensive project operating experience, COSCO Kansai Companies had been highly recognised by their peers. COSCO Kansai Companies have been awarded "Top 10 Anti-Corrosion Coating Brand in China" for four consecutive years. In May 2013, COSCO Kansai Companies successfully won the tender in respect of the largest coatings project for the Hong Kong-Zhuhai-Macao Bridge, making COSCO Kansai Companies become the major anti-corrosion coatings provider for the largest sea crossing bridge worldwide. These reflected the companies are in a leading position in wind power, nuclear power and large-scale steel bridge areas.

Actively Implementing Environmental Management

The Group is committed to promoting green operation and actively implementing energy saving, reduction and recycling. The coating manufacturing enterprises of the Group have strictly implemented the various systems and management measures stated in the Environmental Management System Certification stipulated by the International Organisation for Standardisation (ISO), and researched on the new technologies and skills for the promotion of energy saving and emission reduction, in order to minimise the environmental damage caused during the production process. During the year, the environmental management measures implemented by different entities primarily included the following:

Coating manufacturing enterprises

Energy saving

- Launching the Total Productive Maintenance (hereinafter refer to as "TPM") campaign for all staff, organising regular TPM training for operating staff in workshops, enhancing staff's awareness on regulated operation of equipment, reducing equipment failure and impairment, improving operation efficiency and ensuring safety equipment operation.

- Utilising more energy efficient equipment, such as replacing gear pump with magnetic pump for loading and transportation of solvents in order to reduce the leaking problem commonly found in gear pump machines, and replacing gas material mixing machine with electric material mixing machine in order to enhance safe operation and save electricity consumption effectively.

- Coating enterprises conducted safety technology upgrade on production equipment, and strengthened security protection devices or enhanced the leakproof level of equipment, such as S42 sand mill and cover for movable tank. These ensured the safe operation of equipment in workshops, and reduced equipment detrition and lower energy consumption.

- Strengthening energy management by installing water submeter in water tanks in workshops and cooling tower, office tower, water valve in cold and warm water tank for shower, warehouse and car washing area, and enhancing energy management and reducing consumption in daily management.

- Replacing old lighting with high energy efficient LED lights. This not only increased the brightness but also reduced electricity consumption and saved energy.

Pollutant emission reduction

- Employing professional environmental protection consultant to conduct renovation on environmentally friendly equipment in workshops, including replacement of activated charcoal flashboards and dust bags, and thorough cleaning on dust tanks and activated charcoal filter tanks. It also repainted the environmentally friendly equipment in order to reduce air pollutants and volatile gases.

- Upgrading the joint thinner ventilation installations in workshops so as to reduce the volatisation and loss of solvent, and improve the operating environment.

Sewage reduction

- Cleaning the environmentally friendly sewage treatment sedimentation tank on a regular basis, inspecting the condition of water pump and aeration tank and making corresponding records, and enhancing the management on sewage treatment in order to meet the sewage discharge requirements of environmental protection department.

- Reuse of water in solvent irrigation zone, which can save up to 2,520 tonnes water used per year.

Non-manufacturing enterprises

- Launching the environment-friendly campaign of "Saving a drop of water, a kilowatt of power and a piece of paper" by encouraging the staff to reduce office consumables such as printing papers; to save energy by turning off the computers or electrical appliances and equipment when not in use, using energy efficient bulbs, and adjusting the air conditioning temperature to 25 degrees Celsius at office, so as to build up conservation awareness among all staff and save energy.

- Promoting recycling. The Company cooperated with Christian Action to organise the "Green Collection Day" programme to encourage the employees to donate recycled items such as electrical appliances, toys and clothes for the people in need, to reduce waste. In 2013, a total of 132 kilograms of clothes, toys and housewares and 6 pieces of appliance were donated. Some donated items were sent to those new arrival families in Hong Kong, ethnic minorities, and the orphans and disabled children in Qinghai province, China, while some were sold for charity to finance various charitable services of Christian Action.

Cultivating Environmental Protection Awareness

During the year, the Group held diversified training and education activities through cooperation with different environmental protection organisations to raise its employees' awareness of environmental conservation and enhance the application and knowledge of energy saving and emission reduction, energy efficiency, as well as the importance of ecological conservation, thereby further establishing a corporate culture of low-carbon office. They included:

- Enhancing the promotion on energy saving and emission reduction, arranging environmental protection training programmes for frontline production staff and strengthening staff's knowledge on energy saving and emission reduction and green awareness.

- Encouraging its employees to participate in a fund-raising activity, "the Community Chest Green Day", organised by the Community Chest of Hong Kong annually. The activity urged its staff to reduce their carbon footprints by using environmentally friendly public transportation more frequently.

- The Company became a corporate member of WWF-Hong Kong. It arranged visit to Mai Po Nature Reserve for staff, helping them understand the importance of protecting the precious natural resources.

- Organising organic farm visit with Produce Green Foundation. The staff and their family members were arranged to visit an organic farm and make organic food on their own, hence enhancing their knowledge about an organic lifestyle.

In 2013, the Group had no significant incident record of environmental pollution.

COMMUNITY INVOLVEMENT

COSCO International believes that when it spares no effort to enhance its profitability and expand in operational scale, it should also pay close attention to promoting the well-being of the community and the country where it operates. Thus, under the philosophy of "giving back to the community with what they get from the community", the Group does not only endeavour to fulfill its obligations as a corporate citizen and proactively give back to the society, but also motivates its employees to participate in various social charitable activities, so that it can contribute to the country and the community, and provide more assistance to the people in need.

Supporting Education in Mountainous Areas in Mainland China

COSCO International has always made donations to the students in mountainous areas to support them to continue their studies and change their lives with knowledge. Since 2008, COSCO International has sponsored the annual fund-raising activity of Sowers Action, a non-profit making charitable organisation, namely "Sowers Action Challenging 12 Hours Charity Marathon", and made direct donation which paid tuition fees for secondary students in rural area in China for three consecutive years. During the past six years, the Company donated approximately HK$962,800 in total, which supported approximately 500 students to continue their studies. This fully reflected the care of the Group for the education in mountainous areas in Mainland China.

Assisting Local Community Development

Every year, COSCO International encourages its staff to participate in the charity activities held by the Community Chest of Hong Kong, such as Dress Special Day and Green Day. With a view to prompting more staff to donate, the Company initiated a programme of "HK$1 from an employee, HK$1 from the Company". The funds raised have been used for promoting children welfare, medical care and community development services. In 2013, COSCO International organised its holding headquarters and subsidiaries in Hong Kong to participate in the fund-raising activity of "The Community Chest Green Day", which won strong support from various subsidiaries with 73 participants.

Establishing a Volunteering Culture

With a view to building up a volunteering culture which encourages the staff to care for the community they live in, COSCO International initiated the volunteer holiday policy in 2013. All Hong Kong staff who have participated in volunteer services organised or referred by the Company for over 8 hours will be entitled to a half-day paid leave. During the year, COSCO International organised volunteer activities with different social charitable organisations, including festival and winter volunteer visits to the elderly who live alone organised by the Neighbourhood Advice-Action Council, a non-profit social organisation, so as to deliver care to them. In addition, COSCO International participated in the volunteer campaign namely "Organic Farm Visit" jointly organised with the Produce Green Foundation and SKH Lady MacLehose Centre Tsing Yi Integrated Service Centre. COSCO International's volunteer team accompanied with low-income families to learn organic farming and experience low carbon lifestyle together. In conclusion, the number of volunteers participating in the activities amounted to 73 while 292 volunteer hours were recorded in 2013. A total of 79 senior citizens and families benefited from the above activities, reflecting a volunteering culture of caring for the community had been built up in COSCO International.

Going forward, the Company will continue to actively perform its corporate social responsibilities. While taking responsibility to its shareholders, the Company also fulfills its responsibilities to each stakeholder such as continuously promoting green lifestyle to mitigate global warming and partnering with social services organisations to urge the staff participate in more charitable activities, so as to contribute to the sustainable livelihood in future.

DIRECTORS' REPORT

The board of directors of the Company (the "Director(s)" or the "Board") presents this Directors' Report (the "Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2013 are set out in the consolidated income statement on page 113 of this annual report. 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. Subject to the approval of shareholders of the Company (the "Shareholders") in the annual general meeting of the Company to be held on 30th May 2014 (the "2014 AGM"), approximately HK$52,982,000 will be payable on or before 25th June 2014 to the Shareholders whose names appear on the register of members of the Company on 11th June 2014. The proposed final dividend together with the interim dividend of 2 HK cents per share gives a total dividend of 5.5 HK cents per share for the year.

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31st December 2013 calculated under Companies Act of Bermuda amounted to HK$5,504,296,000.

BORROWINGS

Borrowings repayable on demand or within one year are classified under current liabilities. Details of the borrowings are set out in note 25 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and of the Company during the year are set out in note 23 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 22 to the financial statements.

DONATIONS

Donations made by the Group during the year amounted to approximately HK$201,000 (2012: HK$189,000).

FIVE-YEAR FINANCIAL SUMMARY

A five-year financial summary of the Group is set out on pages 199 and 200.

DIRECTORS

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

Executive Directors

Mr. Sun Jiakang *(Chairman)*
(appointed on 23rd September 2013)
Mr. Zhang Liang *(Vice Chairman)*
Mr. He Jiale
Mr. Xu Zhengjun *(Managing Director)*
Mr. Ye Weilong
(resigned on 23rd September 2013)

Non-executive Directors

Mr. Wang Wei
Mr. Wu Shuxiong

Independent Non-executive Directors

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

In accordance with bye-law 99 of the Company's bye-laws, every Director shall be subject to retirement by rotation at least once every three years and a retiring Director shall be eligible for re-election at such annual general meeting of the Company. Pursuant to bye-law 99 of the Company's bye-laws, Messrs. Zhang Liang, Wang Wei, Wu Shuxiong, He Jiale and Jiang, Simon X. shall retire from office at the forthcoming annual general meeting of the Company and be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Sun Jiakang, being the Executive Director, has entered into a letter of appointment with the Company on 23rd September 2013 for a term commencing from 23rd September 2013, the date of his appointment to the conclusion of the 2015 annual general meeting of the Company. Mr. Zhang Liang, being the Executive Director, has entered into a letter of appointment with the Company on 24th February 2012 for a term commencing from 24th February 2012, the date of his appointment to the conclusion of the 2014 annual general meeting of the Company. Mr. He Jiale, being the Executive Director, has entered into a letter of appointment with the Company on 10th April 2012 for a term commencing from 10th April 2012, the date of his appointment to the conclusion of the 2014 annual general meeting of the Company. Mr. Xu Zhengjun, being the Executive Director, has entered into a letter of appointment with the Company on 12th July 2012 for a term commencing from 12th July 2012, the date of his appointment to the conclusion of the 2014 annual general meeting of the Company. Each of Mr. Wang Wei and Mr. Wu Shuxiong, being the Non-executive Director, has entered into a letter of appointment with the Company on 10th April 2012 for a term commencing from 10th April 2012, the date of his appointment to the conclusion of the 2014 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 19th June 2012 for a term commencing from 31st May 2012, the date of 2012 annual general meeting to the conclusion of the 2014 annual general meeting of the Company.

Mr. Ye Weilong, being the ex-Executive Director, has entered into a letter of appointment with the Company on 24th February 2012 for a term commencing from 24th February 2012, the date of his appointment to the conclusion of the 2014 annual general meeting of the Company.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

Mr. Ye Weilong resigned as Executive Director and Chairman on 23rd September 2013.

* for identification purpose only

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

CONNECTED TRANSACTIONS

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

A. Continuing Connected Transactions

1. (a) Supply Continuing Connected Transactions

A master supply agreement was entered into between the Company and COSCO (Hong Kong) Group Limited, an intermediate holding company of the Company ("COSCO Hong Kong") on 10th November 2010 in relation to (1) provision of marine and general insurance brokerage services by the Group to 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*), the ultimate holding company of the Company ("COSCO") and its subsidiaries and other associates (other than the Group), being connected persons of the Company (collectively "COSCO Group"); and (2) provision of shipping services and sale of shipping related and other materials and products by the Group to COSCO Group, including without limitation: (a) the provision of ship agency services including those for the sale and purchase of new and second-hand vessels, bareboat chartering businesses and the sale and purchase of marine equipment and other related services; (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) marine mobile or land base radio communication, satellite communication and navigation equipment on board or offshore as well as coast radio stations, and (iii) building materials and facilities, chemicals and information management systems; and (c) the sale of coatings (collectively the "Supply Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "Master Supply Agreement"). Pursuant to the Master Supply Agreement, COSCO Hong Kong agreed and would procure the Supply Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Supply Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Supply Caps").

(b) Purchase Continuing Connected Transactions

A master purchase agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the provision of shipping services and sale of shipping related materials and products by COSCO Group to the Group, including without limitation: (a) the provision of agency services, technical services and ancillary services, including the collection of market information, technical advisory, promotion and marketing, coordination with suppliers and customers, purchase of raw materials from suppliers, the provision of assistance in collecting sale proceeds and the procurement or provision of certain after-sale services; (b) the provision of shipping transportation services; and (c) the solicitation and referral of businesses by COSCO Group to the Group, including recommending products manufactured by the Group to the customers and manufacturers of COSCO Group (collectively the "Purchase Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "Master Purchase Agreement"). Pursuant to the Master Purchase Agreement, COSCO Hong Kong agreed and would procure the Purchase Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Purchase Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Purchase Caps").

* for identification purpose only

(c) Financial Services Continuing Connected Transactions

A financial services master agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the provision of a range of financial services, including the deposits services, settlement services and remittance services by 中遠財務有限責任公司 (COSCO Finance Co. Limited*), a non-wholly owned subsidiary of COSCO, being the connected person of the Company ("COSCO Finance"), to the Group (the "Financial Services Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "Financial Services Master Agreement"). Pursuant to the Financial Services Master Agreement, COSCO Hong Kong agreed and would procure the Financial Services Continuing Connected Transactions be conducted on normal commercial terms and at such fee no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Financial Services Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Financial Services Caps").

(d) Fuel Oil Continuing Connected Transactions

A fuel oil master agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the trading and supply of fuel oil and/or related products and services between the Group and COSCO Group, including without limitation: (a) purchase or sale of fuel oil and/or related products by the Group from or to COSCO Group; and (b) provision of services by COSCO Group to the Group to carry out arrangements at the instruction of and for and on behalf of the Group from time to time to enter into fuel oil and/or related products swap contracts and/or derivatives with independent third parties to facilitate the Group to hedge against the risk of fuel oil and/or related products price fluctuation under the fuel oil and/or related products transactions of its business of providing fuel oil and/or related products and services including marine bunker supplies, trading of fuel oil and related products and broker services (collectively the "Fuel Oil Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "Fuel Oil Master Agreement"). Pursuant to the Fuel Oil Master Agreement, COSCO Hong Kong agreed and would procure the Fuel Oil Continuing Connected Transactions be conducted on normal commercial terms and at such fee and consideration for the Fuel Oil Transactions no less favourable than those available to or from (as appropriate) independent third parties. The aggregate amount of the Fuel Oil Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Fuel Oil Caps").

(e) Management Services Continuing Connected Transactions

A management services master agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the provision of administrative services including information technology and fixed line network support, business management and manpower resources (including without limitation manpower resources with expertise and experience in the business carried on by the Group from time to time and management of human resources), technical support and other administrative and ancillary support (including without limitation sharing of office equipment, network and communication system, information technology, other technical support, system management, financial system and maintenance) by COSCO Group to the Group and sharing of office premises by the Group (the "Management Services Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "Management Services Master Agreement"). Pursuant to the Management Services Master Agreement, COSCO Hong Kong agreed and would procure the Management Services Continuing Connected Transactions be conducted on normal commercial terms. The aggregate amount of the Management Services Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Management Services Caps").

* for identification purpose only

(f) Tenancy Continuing Connected Transactions

A master tenancy agreement was entered into between the Company and COSCO Hong Kong on 10th November 2010 in relation to the leasing or sub-leasing of any of the properties owned by or leased to COSCO Group from time to time by COSCO Group to the Group (the "Tenancy Continuing Connected Transactions") for the three financial years ending 31st December 2013 (the "Master Tenancy Agreement"). Pursuant to the Master Tenancy Agreement, COSCO Hong Kong agreed and would procure the Tenancy Continuing Connected Transactions be conducted on normal commercial terms. The aggregate amount of the Tenancy Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with COSCO Group" (the "Tenancy Caps").

The Management Services Master Agreement, the Master Tenancy Agreement, the Management Services Caps and the Tenancy Caps were exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 10th November 2010. The Master Supply Agreement, the Master Purchase Agreement, the Financial Services Master Agreement, the Fuel Oil Master Agreement, the Supply Caps, the Purchase Caps, the Financial Services Caps and the Fuel Oil Caps were approved by the independent shareholders at the special general meeting of the Company held on 23rd December 2010.

Caps with COSCO Group

	Caps for the year ending 31st December 2011	Caps for the year ending 31st December 2012	**Caps for the year ending 31st December 2013**
Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	HK$1,200,000,000	HK$1,300,000,000	**HK$1,400,000,000**
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$177,000,000	HK$196,000,000	**HK$203,000,000**
Daily cash balance(s) of all cash deposits accounts of the Group maintained with COSCO Finance (together with interests accrued thereon) and all fees (including service fees) payable by the Group to COSCO Finance for transactions contemplated under the Financial Services Master Agreement	RMB380,000,000	RMB400,000,000	**RMB420,000,000**
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	US$600,000,000	US$700,000,000	**US$800,000,000**
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the Management Services Master Agreement	HK$28,000,000	HK$34,000,000	**HK$41,000,000**
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the Master Tenancy Agreement	HK$36,000,000	HK$40,000,000	**HK$40,000,000**

The Supply Continuing Connected Transactions, the Purchase Continuing Connected Transactions, the Financial Services Continuing Connected Transactions, the Fuel Oil Continuing Connected Transactions, the Management Services Continuing Connected Transactions and the Tenancy Continuing Connected Transactions for the financial year ended 31st December 2013 were as follows:

Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	HK$911,871,302
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$44,919,248
Daily cash balance(s) of all cash deposits accounts of the Group maintained with COSCO Finance (together with interests accrued thereon) and all fees (including service fees) payable by the Group to COSCO Finance for transactions contemplated under the Financial Services Master Agreement	Not exceeded RMB420,000,000
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	US$703,587,048
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the Management Services Master Agreement	HK$12,826,493
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the Master Tenancy Agreement	HK$25,605,920

As set out in notes 39(a)(i), 39(a)(ii), 39(a)(iii), 39(a)(iv), 39(a)(v), 39(a)(vi), 39(a)(vii), 39(b)(i), 39(b)(ii), 39(b)(iii), 39(b)(iv), 39(b)(vi), 39(b)(vii), 39(b)(ix) and 39(g) to the financial statements, certain related party transactions of the Group also constituted continuing connected transactions of the Group as disclosed above.

2. COSCO Kansai Continuing Connected Transactions

On 15th June 2010, each of 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)") (collectively "COSCO Kansai Companies", all being non-wholly owned subsidiaries of the Company) entered into a technology transfer agreement with Kansai Paint Co., Ltd. (關西塗料株式會社), a substantial shareholder of COSCO Kansai Companies, being a connected person of the Company ("Japan Kansai"), whereby Japan Kansai has agreed, inter alia, to provide necessary technology and know-how in relation to the production of container coatings, marine coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai), and to provide necessary technology and know-how in relation to the production of container coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Zhuhai) (collectively the "Technology Transfer Agreements") in return for fees to be paid by the respective COSCO Kansai Companies. The Technology Transfer Agreements will remain in effect until the expiry of the joint venture contract(s) for the relevant COSCO Kansai Companies. The following agreements were entered into on 28th December 2010 for the three financial years ending 31st December 2013 on normal commercial terms:

(a) agreements were entered into between each of COSCO Kansai Companies and Japan Kansai in relation to the purchase of raw materials and semi-finished products by COSCO Kansai Companies from Japan Kansai (the "COSCO Kansai Purchase Agreements");

* for identification purpose only

(b) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM Coatings Co., Ltd., in which Japan Kansai holds more than 50% of its equity interest and thus being an associate of Japan Kansai and a connected person of the Company ("NKM"), in relation to the purchase of raw materials by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) from NKM (the "NKM-COSCO Kansai Purchase Agreement");

(c) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM in relation to the introduction of businesses by NKM or its subsidiaries to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) (the "NKM Referral Services Agreement");

(d) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and NKM in relation to the sale of coatings and provision of related services by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to NKM (the "NKM-COSCO Kansai Supply Agreement"); and

(e) agreement was entered into between COSCO Kansai (Tianjin), COSCO Kansai (Shanghai) and 蘇州關西塗料有限公司 (Suzhou Kansai Paint Co., Ltd.*), in which Japan Kansai holds more than 50% of its equity interest and thus being an associate of Japan Kansai and a connected person of the Company ("Suzhou Kansai"), in relation to the sale of coatings and provision of related services by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) to Suzhou Kansai (the "Suzhou Kansai Supply Agreement").

The agreements set out in items (a), (b), (c), (d) and (e) above are collectively called the "COSCO Kansai Agreements" and transactions contemplated under the Technology Transfer Agreements and the COSCO Kansai Agreements are collectively called the "COSCO Kansai Continuing Connected Transactions".

The aggregate amount of the COSCO Kansai Continuing Connected Transactions for each of the financial year ending 31st December 2011, 2012 and 2013 would not exceed the relevant cap amounts set out in the table headed "Caps with Japan Kansai Group" (the "COSCO Kansai Caps"). The COSCO Kansai Agreements and the COSCO Kansai Caps were exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 28th December 2010.

* for identification purpose only

Caps with Japan Kansai Group

	Caps for the year ending 31st December 2011 RMB	Caps for the year ending 31st December 2012 RMB	**Caps for the year ending 31st December 2013 RMB**
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the COSCO Kansai Purchase Agreements and by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the NKM-COSCO Kansai Purchase Agreement	18,000,000	18,000,000	**18,000,000**
Aggregate amount payable by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the NKM Referral Services Agreement	5,000,000	5,000,000	**5,000,000**
Aggregate amount receivable by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the NKM-COSCO Kansai Supply Agreement and the Suzhou Kansai Supply Agreement	15,000,000	15,000,000	**15,000,000**
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the Technology Transfer Agreements	18,000,000	18,000,000	**18,000,000**

The COSCO Kansai Continuing Connected Transactions for the financial year ended 31st December 2013 were as follows:

	RMB
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the COSCO Kansai Purchase Agreements and by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the NKM-COSCO Kansai Purchase Agreement	nil
Aggregate amount payable by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the NKM Referral Services Agreement	445,431
Aggregate amount receivable by COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai) for transactions contemplated under the NKM-COSCO Kansai Supply Agreement and the Suzhou Kansai Supply Agreement	2,652,558
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the Technology Transfer Agreements	4,592,437

As set out in notes 39(a)(i), 39(b)(ii), 39(b)(v) and 39(b)(viii) to the financial statements, certain related party transactions of the Group also constituted continuing connected transactions of the Group as disclosed above.

The Independent Non-executive Directors had reviewed (1) the Supply Continuing Connected Transactions; (2) the Purchase Continuing Connected Transactions; (3) the Financial Services Continuing Connected Transactions; (4) the Fuel Oil Continuing Connected Transactions; (5) the Management Services Continuing Connected Transactions; (6) the Tenancy Continuing Connected Transactions; and (7) the COSCO Kansai Continuing Connected Transactions (collectively "the Group's Continuing Connected Transactions") and were of the opinion that the Group's Continuing Connected Transactions for the financial year ended 31st December 2013 had been entered into:

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

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

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

For the purposes of Rule 14A.38 of the Listing Rules in relation to the Group's Continuing Connected Transactions, the Board engaged the auditor of the Company to report on the Group's Continuing Connected Transactions for the year ended 31st December 2013 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the Group's Continuing Connected Transactions for the year ended 31st December 2013, in accordance with Rule 14A.38 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

B. Renewal and Streamlining of the Existing Continuing Connected Transactions

1. The Master Supply Agreement, the Master Purchase Agreement, the Financial Services Master Agreement, the Fuel Oil Master Agreement, the Management Services Master Agreement and the Master Tenancy Agreement would expire on 31st December 2013 and it was expected that the Group would continue to enter into transactions of a nature similar to the transactions under those agreements from time to time thereafter. Therefore, in view of the above and in order to accommodate certain new businesses between certain parties, on 13th November 2013, the New Master Supply Agreement, the New Master Purchase Agreement, the New Financial Services Master Agreement, the New Fuel Oil Master Agreement, the New Management Services Master Agreement and the New Master Tenancy Agreement were entered into between the Company and COSCO Hong Kong.

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

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

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

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

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

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

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

New Caps with COSCO Group

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

2. The COSCO Kansai Purchase Agreements, the NKM-COSCO Kansai Purchase Agreement, the NKM Referral Services Agreement, the NKM-COSCO Kansai Supply Agreement and the Suzhou Kansai Supply Agreement would expire on 31st December 2013 and it was expected that the Group would continue to enter into transactions of a nature similar to the transactions under those agreements from time to time thereafter. In view of the above and in order to (i) streamline and consolidate such agreements, (ii) standardise the parties of the master agreements between the Group and its connected persons to the extent practicable and (iii) accommodate certain new businesses between certain parties, on 17th December 2013, the New Master Kansai Supply Agreement and the New Master Kansai Purchase Agreement were entered into by the Company and Japan Kansai.

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

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

    In addition, the annual caps for the transactions contemplated under the Technology Transfer Agreements (the "Kansai Technology Transfer Continuing Connected Transactions") for the three financial years ending 31st December 2013 would expire and are renewed. The aggregate amount of the Kansai Technology Transfer Continuing Connected Transactions for each of the financial year ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "New Caps with Japan Kansai Group" (the "New Kansai Technology Caps").

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

New Caps with Japan Kansai Group

	Caps for the year ending 31st December 2014 RMB	Caps for the year ending 31st December 2015 RMB	Caps for the year ending 31st December 2016 RMB
Aggregate amount receivable by the Group for transactions contemplated under the New Master Kansai Supply Agreement	10,000,000	10,000,000	11,000,000
Aggregate amount payable by the Group for transactions contemplated under the New Master Kansai Purchase Agreement	19,000,000	30,000,000	41,000,000
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the Technology Transfer Agreements	18,000,000	18,000,000	18,000,000

C. Connected Transactions

1. Acquisition of Hanyuan Technical Service Center GmbH ("Hanyuan")

On 10th June 2013, Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company ("Yuantong"), entered into an agreement with COSCO Europe GmbH ("COSCO Europe"), pursuant to which Yuantong agreed to acquire the entire issued share capital of Hanyuan from COSCO Europe at the consideration of EUR1,180,000 (the "Acquisition"). COSCO Europe is a subsidiary of COSCO, the ultimate controlling shareholder of the Company, and is therefore an associate of COSCO and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company which was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Acquisition were disclosed in the announcements of the Company dated 18th March 2013 and 10th June 2013 respectively. The Acquisition was completed in June 2013.

As set out in note 38 to the financial statements, the related party transactions of the Group also constituted connected transactions of the Group as disclosed above.

2. Purchase of Steel

On 25th October 2013, 中遠國際貿易有限公司 (COSCO International Trading Company Limited*), a wholly-owned subsidiary of the Company ("CITC"), entered into an agreement with 中遠物流倉儲配送有限公司 (COSCO Logistics Warehousing & Distribution Co., Ltd.*) ("COSCO LW & D"), pursuant to which CITC agreed to purchase approximately 19,812.665 tonnes of steel from COSCO LW & D at a consideration to be fixed by a separate written confirmation by CITC and COSCO LW & D (the "Agreement").

After signing of the Agreement, CITC would endeavor to sell the steel to third parties. After a third party purchaser is found for a batch of steel, the purchase price for that batch of steel under the Agreement would be agreed and fixed at an amount equivalent to the sale price to such third party purchaser by way of a written confirmation by CITC and COSCO LW & D. COSCO LW & D has confirmed that CITC would not be required to pay the purchase consideration to COSCO LW & D in cash. Instead the purchase consideration for the steel would be set off against and applied to pay part of the Outstanding

* for identification purpose only

Sum (as defined hereinbelow) payable by the COSCO LW & D Group (as defined in the announcement of the Company dated 25th October 2013) to CITC. After all steel are sold by CITC to third party purchaser(s), CITC and COSCO LW & D would confirm in writing the total amount of the Outstanding Sum which has been offset by and paid from the purchase consideration of the steel.

The reason for entering into the Agreement was set out below:

On 27th September 2012, a COSCO LW & D Group Company (as defined in the announcement of the Company dated 25th October 2013) entered into an agreement (the "Undertaking Agreement") with CITC whereby such COSCO LW & D Group Company agreed, among other things, to procure steel production factories designated by such COSCO LW & D Group Company to sell steel to CITC and procure its designated business partners to purchase steel from CITC. Pursuant to the Undertaking Agreement, such COSCO LW & D Group Company also agreed with CITC that if any of its designated business partners failed to pay CITC for the purchase of steel in accordance with the terms of sale and purchase agreements between CITC and such business partners, such COSCO LW & D Group Company would assume the liability to pay CITC. As at 25th October 2013, trade receivables in the total sum of RMB96,511,991.44 (the "Outstanding Sum") has not been paid by the business partners designated by such COSCO LW & D Group Company.

COSCO LW & D is a subsidiary of COSCO, the ultimate controlling shareholder of the Company. COSCO LW & D is therefore an associate of COSCO and also a connected person of the Company under the Listing Rules. Accordingly, the Agreement and the transaction contemplated under the Agreement constitute a connected transaction of the Company which was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the purchase of steel were disclosed in the announcements of the Company dated 25th October 2013 and 29th October 2013 respectively. In December 2013, CITC sold all steel at the total sale price of RMB69,204,928.50 and both CITC and COSCO LW & D confirmed that the amount of RMB69,204,928.50 which has been offset by and paid from the purchase consideration of the steel. The settlement for the remaining part of the Outstanding Sum will be further negotiated between the COSCO LW & D Group and CITC.

As set out in note 39(h) to the financial statements, the related party transactions of the Group also constituted connected transactions of the Group as disclosed above.

RELATED PARTY TRANSACTIONS

Material related party transactions of the Group are set out in note 39 to the financial statements. In relation to those related party transactions that also constituted connected transactions or continuing connected transactions of the Group as defined in the Listing Rules, the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules had been complied with.

SHARE OPTIONS

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

1. Purpose of the Share Option Scheme

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

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

2. Participants of the Share Option Scheme

(a) any director of the Group;

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

(c) any employee of the Group;

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

(e) any business associate of the Group; and

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

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

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

As the Share Option Scheme expired on 16th May 2012, no further share option can be granted under the Share Option Scheme. As at the date of the Report, a total of 62,874,000 shares representing 4.15% of the issued share capital of the Company may be issued upon exercise of all share options which had been granted and yet to be exercised under the Share Option Scheme.

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

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

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

Share options granted on 2nd December 2004 are exercisable at any time from 29th December 2004 to 28th December 2014. Share options granted on 10th May 2005 are exercisable at any time from 6th June 2005 to 5th June 2015. Share options granted on 9th March 2007 are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards; and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

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

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

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

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

8. The basis of determining the exercise price

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

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

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

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

9. The remaining life of the Share Option Scheme

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

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

Category	Exercise price (HK$)	Outstanding as at 1st January 2013	Granted during the year	Category changed during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st December 2013	Approximate percentage of total issued share capital of the Company	Notes
Director										
Mr. Sun Jiakang*	1.37	–	–	800,000*	–	–	–	800,000	0.053%	(1),(4)
Mr. He Jiale	1.37	1,200,000	–	–	–	(1,200,000)	–	–	–	(1),(4)
Continuous contract employees of the Group and joint venture(s)	1.37	6,110,000	–	–	(104,000)	–	–	6,006,000	0.397%	(1),(4)
	1.21	600,000	–	–	–	–	–	600,000	0.040%	(2),(4)
	3.666	13,160,000	–	800,000	–	–	(100,000)	13,860,000	0.916%	(3),(4)
Other participants	1.37	19,718,000	–	(800,000)	(50,000)	(1,200,000)	–	17,668,000	1.167%	(1),(4)
	1.21	550,000	–	–	–	–	–	550,000	0.036%	(2),(4)
	3.666	24,990,000	–	(800,000)	–	(800,000)	–	23,390,000	1.545%	(3),(4)

* Mr. Sun Jiakang was appointed as Executive Director and Chairman on 23rd September 2013. At the time of his appointment, he already held such share options.

Notes:

(1) These share options were granted on 2nd December 2004 pursuant to the Share Option Scheme and are exercisable at HK$1.37 per share at any time between 29th December 2004 and 28th December 2014.

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

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

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

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

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

(6) During the year, the weighted average closing price of the share of the Company immediately before the dates on which the share options were exercised was HK$3.52.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2013, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

1. Long positions in the underlying shares of equity derivatives of the Company

Details are set out in the section headed "SHARE OPTIONS" above.

2. Long positions in the shares of associated corporation(s)

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

3. Long positions in the underlying shares of equity derivatives of associated corporation(s)

(a) Share options

Name of Director	Name of associated corporation	Exercise price (HK$)	Outstanding as at 1st January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2013	Approximate percentage of total issued share capital of associated corporation	Exercisable period	Notes
Mr. Sun Jiakang*	COSCO Pacific	13.75	700,000*	–	–	–	700,000	0.024%	1.12.2004 – 30.11.2014	(1),(2)

* Mr. Sun Jiakang was appointed as Executive Director and Chairman on 23rd September 2013. At the time of his appointment, he already held such share options.

Notes:

(1) Pursuant to the share option scheme of COSCO Pacific, an associated corporation of the Company, adopted on 23rd May 2003, these share options were granted during the period from 25th November 2004 to 16th December 2004 and are exercisable at HK$13.75 per share at any time within ten years from the date on which an offer is accepted or deemed to be accepted.

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

(b) Share appreciation rights

Name of Director	Name of associated corporation	Exercise price (HK$)	Outstanding as at 1st January 2013	Units granted during the year	Units exercised during the year	Units lapsed during the year	Outstanding as at 31st December 2013	Approximate percentage of total issued share capital H share of associated corporation	Notes
Mr. Sun Jiakang*	China COSCO Holdings Company Limited ("China COSCO")	3.195	375,000*	–	–	–	375,000	0.015%	(1),(4)
		3.588	500,000*	–	–	–	500,000	0.019%	(2),(4)
		9.540	480,000*	–	–	–	480,000	0.019%	(3),(4)
Mr. Zhang Liang	China COSCO	9.540	580,000	–	–	–	580,000	0.022%	(3),(4)
Mr. Wang Wei	China COSCO	3.195	75,000	–	–	–	75,000	0.003%	(1),(4)
		3.588	65,000	–	–	–	65,000	0.003%	(2),(4)
		9.540	60,000	–	–	–	60,000	0.002%	(3),(4)
Mr. Wu Shuxiong	China COSCO	3.195	375,000	–	–	–	375,000	0.015%	(1),(4)
		3.588	500,000	–	–	–	500,000	0.019%	(2),(4)
		9.540	480,000	–	–	–	480,000	0.019%	(3),(4)
Mr. He Jiale	China COSCO	3.195	375,000	–	–	–	375,000	0.015%	(1),(4)
		3.588	500,000	–	–	–	500,000	0.019%	(2),(4)
		9.540	480,000	–	–	–	480,000	0.019%	(3),(4)
Mr. Xu Zhengjun	China COSCO	3.195	225,000	–	–	–	225,000	0.009%	(1),(4)
		3.588	280,000	–	–	–	280,000	0.011%	(2),(4)
		9.540	260,000	–	–	–	260,000	0.010%	(3),(4)
Ex-Director Mr. Ye Weilong#	China COSCO	9.540	480,000#	–	–	–	N/A	N/A	(3),(4)

* Mr. Sun Jiakang was appointed as Executive Director and Chairman on 23rd September 2013. At the time of his appointment, he already held such share appreciation rights.

\# Mr. Ye Weilong resigned as Executive Director and Chairman on 23rd September 2013. As at 23rd September 2013, he had 480,000 share appreciation rights of China COSCO at exercise price of HK$9.540 per unit.

Notes:

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

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

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

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

Save as disclosed above and in the section headed "SHARE OPTIONS", none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange as at 31st December 2013.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2013, the following persons and entities, other than Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Nature of interest	Total number of ordinary shares of the Company held (Long positions)	Approximate percentage of total issued share capital of the Company
COSCO	Interest of controlled corporation	Corporate interest	984,314,286	65.02%
COSCO Hong Kong	Interest of controlled corporation	Corporate interest	984,314,286	65.02%
True Smart International Limited ("True Smart")	Beneficial Owner	Beneficial interest	984,314,286	65.02%

Note:

True Smart has beneficial interest in 984,314,286 shares of the Company. Since True Smart is a wholly-owned subsidiary of COSCO Hong Kong which is in turn a wholly-owned subsidiary of COSCO, the interests of True Smart are deemed to be the interests of COSCO Hong Kong and in turn the interests of COSCO Hong Kong are deemed to be the interests of COSCO under the SFO.

Save as disclosed above, as at 31st December 2013, the Company has not been notified by any person or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the 2014 AGM.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

XU Zhengjun
Managing Director
Hong Kong, 20th March 2014

羅兵咸永道

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

We have audited the consolidated financial statements of COSCO International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 111 to 197, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th March 2014

CONSOLIDATED BALANCE SHEET

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	**103,127**	97,071
Property, plant and equipment	7	**145,892**	156,718
Prepaid premium for land leases	8	**36,315**	7,064
Investment properties	9	**41,924**	38,447
Investments in joint ventures	11	**432,465**	416,886
Investments in associates	12	**91,969**	79,015
Available-for-sale financial assets	14	**49,048**	59,373
Deferred income tax assets	15(a)	**65,520**	62,044
Non-current deposits	21	**38,153**	61,654
		1,004,413	978,272
Current assets			
Completed properties held for sale	16	**192**	186
Inventories	17	**446,800**	487,264
Trade and other receivables	18	**1,672,431**	2,288,638
Available-for-sale financial assets	14	**34,954**	37,281
Financial assets at fair value through profit or loss	20	**1,109**	700
Current income tax recoverable		**401**	19,589
Restricted bank deposits	21	**62,782**	41,570
Current deposits and cash and cash equivalents	21	**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	22	**151,378**	151,363
Reserves	23	**7,270,808**	7,091,940
Proposed dividend	23	**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	15(b)	**32,497**	26,689
Current liabilities			
Trade and other payables	24	**1,546,465**	1,946,155
Current income tax liabilities		**22,122**	18,195
Short-term borrowings	25	**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

He Jiale	**Xu Zhengjun**
Director	*Director*

The notes on pages 118 to 197 form an integral part of these audited consolidated financial statements.

BALANCE SHEET

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**571**	780
Subsidiaries	10(a)	**249,891**	197,545
Investment in a joint venture	11	**143,688**	143,688
Amount due from a subsidiary	10(b)	**—**	40,000
		394,150	382,013
Current assets			
Amounts due from subsidiaries	10(b)	**1,273,242**	1,284,146
Other receivables	18	**74,197**	160,112
Current deposits and cash and cash equivalents	21	**4,540,136**	4,458,689
		5,887,575	5,902,947
Total assets		**6,281,725**	6,284,960
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	**151,378**	151,363
Reserves	23	**5,640,016**	5,684,921
Proposed dividend	23	**52,982**	90,818
Total equity		**5,844,376**	5,927,102
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	10(b)	**420,042**	339,923
Other payables	24	**17,098**	14,783
Current income tax liabilities		**209**	3,152
Total liabilities		**437,349**	357,858
Total equity and liabilities		**6,281,725**	6,284,960
Net current assets		**5,450,226**	5,545,089
Total assets less current liabilities		**5,844,376**	5,927,102

He Jiale
Director

Xu Zhengjun
Director

The notes on pages 118 to 197 form an integral part of these audited consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**9,308,434**	10,005,705
Cost of sales	27	**(8,614,169)**	(9,319,720)
Gross profit		**694,265**	685,985
Other income and gains	26	**53,941**	63,199
Selling, administrative and general expenses	27	**(506,511)**	(448,053)
Other expenses and losses	27	**(22,626)**	(2,368)
Operating profit		**219,069**	298,763
Finance income	30	**94,155**	127,896
Finance costs	30	**(4,156)**	(3,948)
Finance income — net	30	**89,999**	123,948
Share of profits of joint ventures	11	**9,549**	37,996
Share of profits of associates	12	**13,028**	13,126
Profit before income tax		**331,645**	473,833
Income tax expenses	31	**(58,547)**	(70,926)
Profit for the year		**273,098**	402,907
Profit attributable to:			
Equity holders of the Company	32	**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	33(a)	**15.96**	23.98
— diluted, HK cents	33(b)	**15.81**	23.73

The notes on pages 118 to 197 form an integral part of these audited consolidated financial statements.

	Note	2013 HK$'000	2012 HK$'000
Dividends	34	**83,257**	121,091

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2013

	2013 HK$'000	2012 HK$'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

The notes on pages 118 to 197 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2013

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Other reserves	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2013		151,363	1,191,376	5,991,382	7,334,121	246,023	7,580,144
Profit for the year		–	–	241,610	241,610	31,488	273,098
Other comprehensive income/(losses)							
Currency differences on translation of:							
— subsidiaries	23	–	26,471	–	26,471	–	26,471
— joint ventures	23	–	486	–	486	–	486
— associates	23	–	303	–	303	–	303
— non-controlling interests		–	–	–	–	8,806	8,806
Share of currency translation differences of:							
— a joint venture	23	–	5,581	–	5,581	–	5,581
— an associate	23	–	216	–	216	–	216
Share of cash flow hedges of an associate, net of tax	23	–	(80)	–	(80)	–	(80)
Fair value losses on available-for-sale financial assets	23	–	(12,652)	–	(12,652)	–	(12,652)
Total comprehensive income for the year ended 31st December 2013		–	20,325	241,610	261,935	40,294	302,229
Transactions with owners							
Shares issued upon exercise of share options	22(d), 23	15	196	–	211	–	211
Transfer between reserves	23	–	1,366	(1,366)	–	–	–
Capital contribution by non-controlling interests		–	–	–	–	30,166	30,166
Dividends paid	23	–	–	(121,099)	(121,099)	(2,558)	(123,657)
Total transactions with owners		15	1,562	(122,465)	(120,888)	27,608	(93,280)
Balance at 31st December 2013		151,378	1,213,263	6,110,527	7,475,168	313,925	7,789,093

The notes on pages 118 to 197 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2013

	Note	Attributable to equity holders of the Company				Non-	
		Share capital	Other reserves	Retained profits	Total	controlling interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1st January 2012		151,363	1,177,541	5,762,891	7,091,795	187,119	7,278,914
Profit for the year		—	—	363,006	363,006	39,901	402,907
Other comprehensive income/(losses)							
Adjustment on the adoption of HKAS 12 (Amendment)	23	—	1,436	—	1,436	—	1,436
Currency differences on translation of:							
— subsidiaries	23	—	1,168	—	1,168	—	1,168
— associates	23	—	(106)	—	(106)	—	(106)
— non-controlling interests		—	—	—	—	342	342
Share of currency translation differences of:							
— a joint venture	23	—	3,268	—	3,268	—	3,268
— an associate	23	—	78	—	78	—	78
Share of cash flow hedges of an associate, net of tax	23	—	(28)	—	(28)	—	(28)
Fair value gains on available-for-sale financial assets	23	—	9,808	—	9,808	—	9,808
Cash flow hedges, net of tax	23	—	(78)	—	(78)	—	(78)
Total comprehensive income for the year ended 31st December 2012		—	15,546	363,006	378,552	40,243	418,795
Transactions with owners							
Transfer between reserves	23	—	(1,711)	1,711	—	—	—
Capital contribution by non-controlling interests		—	—	—	—	23,725	23,725
Dividends paid	23	—	—	(136,226)	(136,226)	(5,064)	(141,290)
Total transactions with owners		—	(1,711)	(134,515)	(136,226)	18,661	(117,565)
Balance at 31st December 2012		151,363	1,191,376	5,991,382	7,334,121	246,023	7,580,144

The notes on pages 118 to 197 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	35	**396,794**	339,440
Income tax paid		**(36,133)**	(84,880)
Net cash generated from operating activities		**360,661**	254,560
Cash flows from investing activities			
(Increase)/decrease in cash investments with maturity over three months		**(2,809,446)**	1,869,429
Increase in restricted bank deposits		**(19,592)**	(4,658)
Interest received		**94,155**	127,896
Advance of loan to a joint venture		**(178,397)**	(108,592)
Loan repayment by a joint venture		**267,596**	—
Dividends received from investments		**2,340**	2,377
Dividends received from joint ventures		**37**	1,255
Dividends received from associates		**513**	19,108
Net proceeds from sale of property, plant and equipment		**332**	74
Purchase of intangible assets		**(350)**	(102)
Purchase of property, plant and equipment		**(10,423)**	(13,112)
Purchase of leasehold land		**(29,516)**	—
Net cash generated from acquisition of subsidiary	38	**3,621**	—
Net cash (used in)/generated from investing activities		**(2,679,130)**	1,893,675
Cash flows from financing activities			
Drawdown of bank loans		**59,344**	46,061
Repayment of bank loans		**(46,900)**	(34,751)
Proceeds from shares issued upon exercise of share options	22(d)	**211**	—
Capital contribution by non-controlling interests		**30,166**	23,725
Finance costs paid		**(4,156)**	(3,948)
Dividends paid to the Company's equity holders		**(121,099)**	(136,226)
Dividends paid to non-controlling interests		**(2,558)**	(5,064)
Net cash used in financing activities		**(84,992)**	(110,203)
Net (decrease)/increase in cash and cash equivalents		**(2,403,461)**	2,038,032
Cash and cash equivalents at the beginning of the year		**4,079,100**	2,045,378
Exchange gains/(losses) on cash and cash equivalents		**23,040**	(4,310)
Cash and cash equivalents at the end of the year	21(f)	**1,698,679**	4,079,100

The notes on pages 118 to 197 form an integral part of these audited consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the board of directors on 20th March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

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 Group has modified and provided additional disclosures for financial instruments in note 3. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

The following new standard 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 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 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.

(b) Consolidation

(i) Subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Change in ownership interests

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

(c) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1st January 2012. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, investment in joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in joint ventures include goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates

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

Under the equity method of accounting, investment in associate is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

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

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

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

(e) Intangible assets

(i) Goodwill

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (Continued)

(i) Goodwill (Continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which goodwill arose and identified according to operating segment.

(ii) Computer software

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

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

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

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

(f) Properties

(i) Investment properties

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Properties (Continued)

(i) Investment properties (Continued)

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

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

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

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

(ii) Completed properties held for sale

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

The accounting policy for recognition of income from sale of completed properties is set out in note 2(x)(iii).

(iii) Prepaid premium for land leases

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

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

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

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

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

No depreciation or amortisation is provided for construction in progress and freehold land.

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

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

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

All direct and indirect costs relating to the construction of property, plant and equipment, including financing costs and foreign exchange differences on the related borrowed funds during the construction period are capitalised as costs of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(i) Inventories

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

(j) Financial assets

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

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

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

(ii) Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(iii) Available-for-sale financial assets

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

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

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

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

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

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

(k) Assets held for sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

(ii) Assets classified as available-for-sale

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Derivative financial instruments and hedging activities

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

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

The fair values of the derivative instruments used for hedging purposes are disclosed in note 19. Movement on the hedging reserve in shareholders' equity are shown in note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

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

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

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

(n) Operating leases

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other receivables

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

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

(p) Cash and cash equivalents

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

(q) Trade and other payables

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

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

(r) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Contingent liabilities

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

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

(t) Current and deferred income tax

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

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

(v) Borrowings and borrowing costs

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

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

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

(w) Employee benefits

(i) Pensions and retirement benefits

Following the adoption of the Mandatory Provident Fund Scheme ("MPF Scheme") in December 2000, all staff of the Group employed in Hong Kong joined the MPF Scheme. Under this scheme, employees and the Group are required to make contributions to the scheme calculated at 5% of the individual employee's monthly basic salaries, subject to a cap of HK$1,250. The Group's contributions to this scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Employee benefits (Continued)

(ii) Share-based compensation

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

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

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

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

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

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Revenue and income recognition

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

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

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

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

(ii) Commission income

(1) Agency commission income
Commission income from agency services is recognised when the terms of the agency contracts are fulfilled upon provision of services.

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

(iii) Sale of completed properties held for sale

Income from sale of completed properties held for sale is recognised where significant risks and rewards of ownerhip of the properties are transferred to the purchasers.

(iv) Rental income

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

(v) Dividend income

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

(vi) Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Segment reporting

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

(z) Dividend distribution

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

(aa) Share capital

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

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk, and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. During the year, the Group had entered into derivative financial instruments to hedge the risk exposures.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(1) *Foreign currency risk*

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

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31st December 2013 and 2012, the Group had not entered into significant forward foreign exchange contracts to mitigate the currency exposure.

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

At 31st December 2013, if Hong Kong dollars had weakened/strengthened by 1% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$38,807,000 (2012: HK$38,985,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables.

Foreign currency risk arising from operations whose functional currency is Renminbi

At 31st December 2013, if Renminbi had weakened/strengthened by 5% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$10,848,000 (2012: HK$3,826,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables and short-term borrowings.

(2) *Interest rate risk*

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) will result in a net increase/decrease in the Group's post-tax profit by HK$19,867,000 (2012: HK$28,488,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group's fuel oil trading business is conducted on an indent basis where the purchase and selling prices of majority of the transactions are fixed in advance and thus the Group's exposure to fuel oil price risk is not significant. Management manages its exposure by entering into derivative contracts to hedge against the price fluctuation when the need arises. As at 31st December 2013 and 2012, there were no outstanding derivative financial instruments entered into by the Group.

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

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

	Impact on post-tax profit		Impact on investment revaluation reserve	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
5% change in market price	**55**	35	**4,112**	4,745

(ii) Credit risk

Credit risk mainly arises from trade and other receivables and balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with acceptable credit rating, as rated by external credit agencies, and over 90% of the Group's bank balances as at 31st December 2013 were placed with state-owned and listed banks. Management considers these balances are subject to low credit risk. New customers are assessed and rated based on the credit quality of the customers, taking into account their financial position, past experience and other factors before standard payment and delivery terms and conditions are offered. The utilisation of credit limits granted to existing customers is regularly monitored and individual risk limits are revised accordingly.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

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

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

	Less than 1 year HK$'000	**Between 2 and 3 years** HK$'000
Group		
At 31st December 2013		
Trade and other payables	**1,483,018**	**14,296**
Short-term borrowings	**60,329**	**—**
At 31st December 2012		
Trade and other payables	1,888,043	13,861
Short-term borrowings	47,128	—
Company		
At 31st December 2013		
Amounts due to subsidiaries	**420,042**	**—**
Other payables	**17,098**	**—**
At 31st December 2012		
Amounts due to subsidiaries	339,923	—
Other payables	14,783	—

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's total borrowings divided by total assets. The Group's strategy, which was unchanged from 2012, is to maintain a low gearing ratio. The gearing ratios at 31st December 2013 and 2012 were as follows:

	2013 **HK$'000**	2012 HK$'000
Total borrowings	**59,786**	46,205
Total assets	**9,449,963**	9,617,388
Gearing ratio	**0.6%**	0.5%

(c) Fair value estimation

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31st December 2013.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
— equity securities	**82,243**	**—**	**1,759**	**84,002**
Financial assets at fair value through profit or loss				
— trading securities	**1,109**	**—**	**—**	**1,109**
Total assets	**83,352**	**—**	**1,759**	**85,111**

The following table presents the Group's financial assets that are measured at fair value at 31st December 2012.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
— equity securities	94,895	—	1,759	96,654
Financial assets at fair value through profit or loss				
— trading securities	700	—	—	700
Total assets	95,595	—	1,759	97,354

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

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

Level 2 derivative financial instruments comprise fuel oil swaps which are not traded in an active market. The fair values of these derivative financial instruments are based on prices quoted by financial institutions, which are determined using forward prices at the balance sheet date.

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

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

(f) Valuation process

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Allowances for bad and doubtful debts

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

(b) Allowances for inventory

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

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December 2013, the carrying amount of goodwill was HK$99,416,000. Details of the recoverable amount calculation are disclosed in note 6.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Fair value estimates on acquisition of subsidiaries

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

(e) Estimate of fair value of investment properties

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

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

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

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

The fair value of investment properties as at 31st December 2013 is based on valuations determined by independent professional qualified valuer. Details of the judgement and assumptions have been disclosed in note 9.

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

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

(g) Estimate of cost provisions

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(h) Income taxes

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

(i) Relocation of a production plant of coating business

In 2012, the Group was committed to relocate a production plant in the PRC in 2015 in order to meet a provincial town planning requirement. This has resulted in a provision for employee severance payment of HK$12,699,000 as at 31st December 2013. A high degree of management judgement is required in assessing the provision, which will be subject to reassessment at the end of each reporting period. In addition, the useful lives of certain non-movable property, plant and equipment were adjusted, which has resulted in an accelerated depreciation of HK$7,035,000 in 2013.

(j) Investment in Double Rich Limited ("Double Rich")

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

(k) Joint arrangements

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

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

5 REVENUE AND SEGMENT INFORMATION

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

	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
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.

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

	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 27)	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

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2013 HK$'000	2012 HK$'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 HK$'000	2012 HK$'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

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	2013 HK$'000	2012 HK$'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.

6 INTANGIBLE ASSETS

		Group	
	Goodwill HK$'000	**Computer software HK$'000**	**Total HK$'000**
Cost:			
At 1st January 2013	**98,330**	**8,095**	**106,425**
Additions	**—**	**350**	**350**
Acquisition of a subsidiary (note 38)	**6,281**	**—**	**6,281**
Currency translation differences	**789**	**170**	**959**
At 31st December 2013	**105,400**	**8,615**	**114,015**
Accumulated amortisation and impairment:			
At 1st January 2013	**5,984**	**3,370**	**9,354**
Currency translation differences	**—**	**78**	**78**
Amortisation (note 27)	**—**	**1,456**	**1,456**
At 31st December 2013	**5,984**	**4,904**	**10,888**
Net book amount	**99,416**	**3,711**	**103,127**

6 INTANGIBLE ASSETS (Continued)

		Group	
	Goodwill	Computer software	Total
	HK$'000	HK$'000	HK$'000
Cost:			
At 1st January 2012	98,327	7,994	106,321
Additions	—	102	102
Currency translation differences	3	(1)	2
At 31st December 2012	98,330	8,095	106,425
Accumulated amortisation and impairment:			
At 1st January 2012	5,984	1,795	7,779
Currency translation differences	—	2	2
Amortisation (note 27)	—	1,573	1,573
At 31st December 2012	5,984	3,370	9,354
Net book amount	92,346	4,725	97,071

Impairment tests for goodwill

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

	2013	2012
	HK$'000	HK$'000
Agency service in respect of shipbuilding, ship trading and bareboat charter business ("Ship trade business")	**48,720**	48,320
Provision of insurance brokerage services ("Insurance business")	**35,046**	35,046
Trading of marine equipment and spare parts ("Supply business")	**15,650**	8,980
	99,416	92,346

6 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill (Continued)

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

The key assumptions used for value-in-use calculations in 2013 are as follows:

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

The key assumptions used for value-in-use calculations in 2012 are as follows:

	Ship trade business	Insurance business	Supply business
Annual growth rate	3%	3%	3%
Discount rate	13.5%	13.5%	13.5%

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

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

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Properties HK$'000	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
At 1st January 2012						
Cost	164,235	83,331	16,331	33,970	1,133	299,000
Accumulated depreciation, amortisation and impairment	(45,133)	(52,221)	(13,195)	(26,234)	–	(136,783)
Net book amount	119,102	31,110	3,136	7,736	1,133	162,217
Year ended 31st December 2012						
Opening net book amount	119,102	31,110	3,136	7,736	1,133	162,217
Additions	32	8,052	200	4,815	13	13,112
Transfer between categories	1,033	–	–	–	(1,033)	–
Currency translation differences	1,631	23	(4)	9	(3)	1,656
Depreciation and amortisation (note 27(a))	(7,584)	(6,821)	(1,702)	(4,116)	–	(20,223)
Disposals	–	–	–	–	(44)	(44)
Closing net book amount	114,214	32,364	1,630	8,444	66	156,718
At 31st December 2012						
Cost	166,975	89,992	16,528	37,413	66	310,974
Accumulated depreciation, amortisation and impairment	(52,761)	(57,628)	(14,898)	(28,969)	–	(154,256)
Net book amount	114,214	32,364	1,630	8,444	66	156,718
Year ended 31st December 2013						
Opening net book amount	**114,214**	**32,364**	**1,630**	**8,444**	**66**	**156,718**
Additions	**–**	**3,099**	**–**	**4,234**	**3,090**	**10,423**
Acquisition of a subsidiary (note 38)	**–**	**262**	**119**	**18**	**–**	**399**
Transfer between categories	**–**	**66**	**–**	**–**	**(66)**	**–**
Currency translation differences	**1,379**	**923**	**28**	**235**	**50**	**2,615**
Depreciation and amortisation (note 27(a))	**(11,105)**	**(7,266)**	**(1,505)**	**(4,384)**	**–**	**(24,260)**
Disposals	**–**	**(3)**	**–**	**–**	**–**	**(3)**
Closing net book amount	**104,488**	**29,445**	**272**	**8,547**	**3,140**	**145,892**
At 31st December 2013						
Cost	**170,122**	**93,260**	**16,754**	**41,801**	**3,140**	**325,077**
Accumulated depreciation, amortisation and impairment	**(65,634)**	**(63,815)**	**(16,482)**	**(33,254)**	**–**	**(179,185)**
Net book amount	**104,488**	**29,445**	**272**	**8,547**	**3,140**	**145,892**

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Machinery, equipment and motor vehicles HK$'000	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Total HK$'000
At 1st January 2012				
Cost	3,875	8,909	812	13,596
Accumulated depreciation and impairment	(3,076)	(8,909)	(737)	(12,722)
Net book amount	799	—	75	874
Year ended 31st December 2012				
Opening net book amount	799	—	75	874
Additions	38	200	12	250
Depreciation	(311)	(3)	(30)	(344)
Closing net book amount	526	197	57	780
At 31st December 2012				
Cost	3,901	9,110	824	13,835
Accumulated depreciation and impairment	(3,375)	(8,913)	(767)	(13,055)
Net book amount	526	197	57	780
Year ended 31st December 2013				
Opening net book amount	**526**	**197**	**57**	**780**
Additions	**65**	**—**	**—**	**65**
Depreciation	**(202)**	**(40)**	**(29)**	**(271)**
Disposals	**(3)**	**—**	**—**	**(3)**
Closing net book amount	**386**	**157**	**28**	**571**
At 31st December 2013				
Cost	**3,941**	**9,110**	**824**	**13,875**
Accumulated depreciation and impairment	**(3,555)**	**(8,953)**	**(796)**	**(13,304)**
Net book amount	**386**	**157**	**28**	**571**

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Group 2013 HK$'000	2012 HK$'000
Freehold properties held outside Hong Kong	**28,043**	29,100
Leasehold properties held in Hong Kong		
— on leases of over 50 years	**3,686**	3,721
— on leases of between 10 and 50 years	**1,665**	1,802
Leasehold properties held outside Hong Kong		
— on leases of between 10 and 50 years	**54,446**	54,902
— on leases of less than 10 years	**16,648**	24,689
	104,488	114,214

8 PREPAID PREMIUM FOR LAND LEASES

	Group 2013 HK$'000	2012 HK$'000
At 1st January	**7,064**	7,482
Currency translation differences	**682**	—
Addition	**29,516**	—
Amortisation (note 27)	**(947)**	(418)
At 31st December	**36,315**	7,064

In May 2013, the Group paid a sum of RMB22,910,000 (equivalent to approximately HK$29,516,000) to a government authority for the transfer of a land use right which was acquired for the establishment of a coating plant in the PRC.

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

	Group 2013 HK$'000	2012 HK$'000
Held outside Hong Kong		
— on leases of between 10 and 50 years	**35,583**	5,836
— on leases of less than 10 years	**732**	1,228
	36,315	7,064

9 INVESTMENT PROPERTIES

	Group		
	Completed commercial properties Hong Kong	**Completed residential properties PRC**	**Total**
	HK$'000	HK$'000	HK$'000
Opening balance as at 1st January 2013	**19,100**	**19,347**	**38,447**
Currency translation differences	**—**	**8**	**8**
Fair value gains (note 26)	**1,700**	**1,769**	**3,469**
Closing balance as at 31st December 2013	**20,800**	**21,124**	**41,924**
Opening balance as at 1st January 2012	17,100	18,677	35,777
Currency translation differences	—	(42)	(42)
Fair value gains (note 26)	2,000	712	2,712
Closing balance as at 31st December 2012	19,100	19,347	38,447

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

	Group	
	2013	2012
	HK$'000	HK$'000
Held in Hong Kong		
— on leases of over 50 years	**20,800**	19,100
Held outside Hong Kong		
— on leases of between 10 and 50 years	**21,124**	19,347
	41,924	38,447

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Debenham Tie Leung Limited, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31st December 2013 and 2012. For all investment properties, their current use equates to the highest and best use.

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

9 INVESTMENT PROPERTIES (Continued)

At each financial year end, the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

10 SUBSIDIARIES

(a) Investments in subsidiaries

	Company 2013 HK$'000	2012 HK$'000
Unlisted investments, at cost	**249,891**	197,545

(b) Amounts due from/to subsidiaries

	Company 2013 HK$'000	2012 HK$'000
Amounts due from subsidiaries	**1,273,242**	1,324,146
Less: amount due after one year, included under non-current assets	**–**	40,000
Amounts due from subsidiaries, included under current assets	**1,273,242**	1,284,146

Amounts due from subsidiaries as at 31st December 2013 are unsecured, interest-free and repayable on demand, except for certain amounts totalling HK$567,262,000 (2012: HK$567,039,000) which are unsecured, interest bearing from 2% p.a. to 2.2% p.a. (2012: 2% p.a to 2.2% p.a) and repayable in 2014 (2012: repayable in 2014).

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of principal subsidiaries which, in the opinion of the directors, principally affect the results and/or assets and liabilities of the Group as at 31st December 2013 are set out in note 40 to the financial statements.

11 INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**416,886**	376,877	**143,688**	143,688
Currency translation differences (note 23)	**486**	—	**—**	—
Share of profits	**9,549**	37,996	**—**	—
Share of other comprehensive income (note 23)	**5,581**	3,268	**—**	—
Dividends received	**(37)**	(1,255)	**—**	—
At 31st December	**432,465**	416,886	**143,688**	143,688

Particulars of the joint ventures of the Group as at 31st December 2013 are set out in note 41 to the financial statements.

Summarised financial information for material joint venture of the Group

Set out below are the summarised financial information for Jotun COSCO which is accounted for using the equity method.

Summarised balance sheet

	2013	2012
	HK$'000	HK$'000
Non-current assets	**509,766**	238,104
Current assets		
Cash and cash equivalents	**209,975**	378,306
Other current assets	**966,365**	1,148,958
	1,176,340	1,527,264
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	**134,504**	286,909
Other current liabilities	**721,225**	680,444
	855,729	967,353
Non-current liability		
Deferred income tax liabilities	**10,565**	10,565
Net assets	**819,812**	787,450

11 INVESTMENTS IN JOINT VENTURES (Continued)

Summarised statement of comprehensive income

	2013 **HK$'000**	2012 HK$'000
Revenue	**2,066,771**	2,840,150
Depreciation and amortisation	**7,918**	8,971
Interest income	**3,824**	4,181
Interest expense	**3,599**	15,296
(Loss)/profit before income tax	**(18,670)**	117,273
Income tax credit/(charge)	**39,870**	(40,667)
Profit for the year	**21,200**	76,606
Other comprehensive income	**11,162**	6,536
Total comprehensive income	**32,362**	83,142

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

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in the joint venture

	2013 **HK$'000**	2012 HK$'000
Opening net assets at 1st January	**787,450**	704,308
Profit for the year	**21,200**	76,606
Other comprehensive income		
Currency translation differences	**11,162**	6,536
Closing net assets at 31st December	**819,812**	787,450
Interest in joint venture (50%)	**409,906**	393,725
Goodwill	**7,097**	7,097
Carrying value	**417,003**	400,822

12 INVESTMENTS IN ASSOCIATES

	Group 2013 HK$'000	2012 HK$'000
At 1st January	**79,015**	85,053
Currency translation differences (note 23)	**303**	(106)
Share of profits	**13,028**	13,126
Share of other comprehensive income (note 23)	**136**	50
Dividends received	**(513)**	(19,108)
At 31st December	**91,969**	79,015

Particulars of the associates of the Group as at 31st December 2013 are set out in note 41 to the financial statements.

13 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables HK$'000	**Assets at fair value through profit or loss** HK$'000	**Available-for-sale** HK$'000	**Total** HK$'000
Assets as per consolidated balance sheet				
At 31st December 2013				
Available-for-sale financial assets (note 14)	**—**	**—**	**84,002**	**84,002**
Trade and other receivables excluding prepayments (note 18)	**1,670,858**	**—**	**—**	**1,670,858**
Financial assets at fair value through profit or loss (note 20)	**—**	**1,109**	**—**	**1,109**
Restricted bank deposits, deposits and cash and cash equivalents (note 21)	**6,327,816**	**—**	**—**	**6,327,816**
Total	**7,998,674**	**1,109**	**84,002**	**8,083,785**
At 31st December 2012				
Available-for-sale financial assets (note 14)	—	—	96,654	96,654
Trade and other receivables excluding prepayments (note 18)	2,287,231	—	—	2,287,231
Financial assets at fair value through profit or loss (note 20)	—	700	—	700
Restricted bank deposits, deposits and cash and cash equivalents (note 21)	5,867,112	—	—	5,867,112
Total	8,154,343	700	96,654	8,251,697

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Group (Continued)

	Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated balance sheet	
At 31st December 2013	
Trade and other payables excluding non-financial liabilities	**1,497,314**
Short-term borrowings (note 25)	**59,786**
Total	**1,557,100**
At 31st December 2012	
Trade and other payables excluding non-financial liabilities	1,901,904
Short-term borrowings (note 25)	46,205
Total	1,948,109

Company

	Loans and receivables HK$'000
Assets as per balance sheet	
At 31st December 2013	
Amounts due from subsidiaries (note 10(b))	**1,273,242**
Other receivables excluding prepayments (note 18)	**73,479**
Current deposits and cash and cash equivalents (note 21)	**4,540,136**
Total	**5,886,857**
At 31st December 2012	
Amounts due from subsidiaries (note 10(b))	1,324,146
Other receivables excluding prepayments (note 18)	159,259
Current deposits and cash and cash equivalents (note 21)	4,458,689
Total	5,942,094

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Company (Continued)

	Financial liabilities at amortised cost HK$'000
Liabilities as per balance sheet	
At 31st December 2013	
Amounts due to subsidiaries (note 10(b))	**420,042**
Other payables (note 24)	**17,098**
Total	**437,140**
At 31st December 2012	
Amounts due to subsidiaries (note 10(b))	339,923
Other payables (note 24)	14,783
Total	354,706

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2013 HK$'000	Group 2012 HK$'000
At 1st January	**96,654**	86,846
Fair value (losses)/gains recognised in other comprehensive income (note 23)	**(12,652)**	9,808
At 31st December	**84,002**	96,654
Less: current portion	**34,954**	37,281
Non-current portion	**49,048**	59,373

There were no impairment provisions on available-for-sale financial assets as at 31st December 2013 and 2012.

Available-for-sale financial assets include the following:

	Group 2013 HK$'000	Group 2012 HK$'000
Unlisted securities	**1,759**	1,759
Market value of listed equity securities in Hong Kong	**82,243**	94,895
	84,002	96,654

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Renminbi	**1,759**	1,759
Hong Kong dollars	**82,243**	94,895
	84,002	96,654

15 DEFERRED INCOME TAX

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

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1st January	**35,355**	52,282
Currency translation differences	**1,023**	(405)
Adjustment on the adoption of HKAS 12 (Amendment) credited to equity (note 23)	**—**	1,436
Adjustment on the adoption of HKAS 12 (Amendment) charged to the consolidated income statement (note 31)	**—**	(5,054)
Acquisition of a subsidiary (note 38)	**(855)**	—
Transferred to current income tax liabilities	**138**	3,267
Charged to the consolidated income statement, net (note 31)	**(2,638)**	(16,171)
At 31st December	**33,023**	35,355

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2013, the Group has unrecognised tax losses of HK$59,786,000 (2012: HK$50,642,000) to carry forward against future taxable income.

15 DEFERRED INCOME TAX (Continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**51,318**	49,576
— to be recovered within 12 months	**14,202**	12,468
	65,520	62,044
Deferred income tax liabilities:		
— to be settled after more than 12 months	**(32,497)**	(26,689)
— to be settled within 12 months	**—**	—
	(32,497)	(26,689)
	33,023	35,355

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

(a) Deferred income tax assets

	Group			
	Accrued liabilities	**Impairment losses**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2012	55,090	16,270	1,280	72,640
Currency translation differences	(20)	3	(13)	(30)
(Charged)/credited to the consolidated income statement	(10,343)	(340)	117	(10,566)
At 31st December 2012	44,727	15,933	1,384	62,044
At 1st January 2013	**44,727**	**15,933**	**1,384**	**62,044**
Currency translation differences	**1,333**	**567**	**60**	**1,960**
(Charged)/credited to the consolidated income statement	**(4,284)**	**4,159**	**1,641**	**1,516**
At 31st December 2013	**41,776**	**20,659**	**3,085**	**65,520**

15 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	Group			
	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2012	(319)	(3,244)	(16,795)	(20,358)
Currency translation differences	(2)	8	(381)	(375)
Adjustment on the adoption of HKAS 12 (Amendment) credited to equity	—	1,436	—	1,436
Adjustment on the adoption of HKAS 12 (Amendment) charged to the consolidated income statement	—	(5,054)	—	(5,054)
Transfer to current income tax liabilities	—	—	3,267	3,267
Charged to the consolidated income statement	(133)	(506)	(4,966)	(5,605)
At 31st December 2012	(454)	(7,360)	(18,875)	(26,689)
At 1st January 2013	**(454)**	**(7,360)**	**(18,875)**	**(26,689)**
Currency translation differences	**1**	**(231)**	**(707)**	**(937)**
Acquisition of a subsidiary (note 38)	**—**	**—**	**(855)**	**(855)**
Transfer to current income tax liabilities	**—**	**—**	**138**	**138**
Charged to the consolidated income statement	**—**	**(504)**	**(3,650)**	**(4,154)**
At 31st December 2013	**(453)**	**(8,095)**	**(23,949)**	**(32,497)**

As at 31st December 2013, deferred income tax liabilities of HK$23,949,000 (2012: HK$18,875,000) have been recorded for the withholding tax that would be payable on profits of certain subsidiaries, joint ventures and associate to be repatriated and distributed by way of dividends.

16 COMPLETED PROPERTIES HELD FOR SALE

	Group 2013 HK$'000	2012 HK$'000
Land cost	**56**	54
Development cost	**136**	132
	192	186

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

	Group 2013 HK$'000	2012 HK$'000
Held outside Hong Kong		
— on leases of over 50 years	**192**	186

17 INVENTORIES

	Group 2013 HK$'000	2012 HK$'000
Raw materials	**58,919**	53,429
Work in progress	**2,817**	2,700
Finished goods	**385,064**	431,135
	446,800	487,264

The cost of inventories recognised as expense and included in cost of sales amounted to HK$8,614,169,000 (2012: HK$9,319,720,000) (note 27).

During the year, the Group recognised inventories impairment provision of HK$12,179,000 (2012: HK$16,695,000) and reversed inventories impairment provision of HK$18,243,000 (2012: HK$14,480,000).

As at 31st December 2013, inventories of HK$41,064,000 (2012: HK$51,672,000) were carried at net realisable value.

18 TRADE AND OTHER RECEIVABLES

	Group 2013 HK$'000	Group 2012 HK$'000	Company 2013 HK$'000	Company 2012 HK$'000
Trade receivables				
— fellow subsidiaries (note (i))	**151,769**	314,929	**—**	—
— associated companies of COSCO (note (i))	**134,802**	145,376	**—**	—
— joint ventures (note (i))	**869**	7,012	**—**	—
— associates (note (i))	**—**	2	**—**	—
— a holding company (note (i))	**—**	14	**—**	—
— non-controlling interests (note (i))	**1,026**	554	**—**	—
— third parties	**739,814**	1,022,482	**—**	—
	1,028,280	1,490,369	**—**	—
Less: provision for impairment (note (c))	**67,926**	61,224	**—**	—
Trade receivables — net	**960,354**	1,429,145	**—**	—
Bills receivables				
— associated companies of COSCO (note (i))	**70,222**	14,499	**—**	—
— non-controlling interests (note (i))	**127**	1,233	**—**	—
— third parties	**121,265**	331,767	**—**	—
Prepayments	**1,573**	1,407	**718**	853
Deposits and other receivables				
— fellow subsidiaries (note (i))	**19,675**	4,713	**—**	—
— associated companies of COSCO (note (i))	**1,050**	—	**—**	—
— a joint venture (note (i))	**317**	—	**—**	—
— an associate (note (i))	**—**	1,011	**—**	—
— third parties	**443,414**	361,324	**19,170**	15,841
Amounts due from fellow subsidiaries (note (i))	**157**	153	**32**	32
Loan to a joint venture (note (f))	**54,277**	143,386	**54,277**	143,386
	1,672,431	2,288,638	**74,197**	160,112

Notes:

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

	Group 2013 HK$'000	Group 2012 HK$'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.

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) As at 31st December 2013, trade receivables of HK$94,091,000 (2012: HK$96,791,000) were impaired. Taking into account the financial difficulties of the debtors, default and delinquency in payments, business relationship and transaction volumes with the debtors, it was assessed that only a portion of these receivables is expected to be recoverable. The amount of the provision for these receivables was HK$67,926,000 as at 31st December 2013 (2012: HK$61,224,000). The ageing analysis of these receivables is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Current–90 days	**2,144**	2,704
91–180 days	**812**	4,121
Over 180 days	**91,135**	89,966
	94,091	96,791

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1st January	**61,224**	96,041
Currency translation differences	**1,768**	(21)
Provision for impairment	**33,099**	13,967
Reversal of unused provision	**(28,165)**	(48,763)
At 31st December	**67,926**	61,224

(d) Trade receivables that are less than three months past due are not considered impaired. As at 31st December 2013, trade receivables of HK$174,305,000 (2012: HK$208,478,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis on past due days of these receivables is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Up to 90 days	**113,820**	149,176
91–180 days	**33,468**	49,711
Over 180 days	**27,017**	9,591
	174,305	208,478

(e) Trade receivables of HK$34,933,000 were collateralised to secure short-term borrowings (note 25).

(f) Loan to a joint venture is unsecured, interest bearing at 1.5% (2012: 1.5%) above London Interbank Offerred Rate and repayable in April 2014 (2012: repayable in March 2013).

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(g) As at 31st December 2013, other receivables of HK$40,549,000 (2012: HK$11,555,000) were impaired and the amount of impairment provision for these receivables was HK$19,490,000 (2012: HK$1,632,000). Except for these receivables and trade receivables mentioned above, the other classes within trade and other receivables do not contain impaired assets.

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**1,102,872**	1,267,887	**7**	—
Hong Kong dollars	**16,038**	12,838	**1,315**	1,123
United States dollars	**321,833**	819,986	**72,875**	158,989
Others	**231,688**	187,927	**—**	—
	1,672,431	2,288,638	**74,197**	160,112

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

(j) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. As at 31st December 2013, other receivable of HK$34,728,000 is secured by the guarantee of a fellow subsidiary. Other than this, the Group does not hold any collateral as security.

19 DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to the risk of fuel oil price fluctuation which arises when sales contracts of fixed prices for sale of fuel oil and purchase contracts of floating prices for purchase of fuel oil are entered. During the year, the Group entered into swap contracts to hedge against the risk of fuel oil price fluctuation. As at 31st December 2013 and 2012, there were no outstanding derivative financial instruments entered into by the Group.

During the year, fair value losses of HK$247,000 (2012: fair value gains of HK$25,243,000) recognised in the hedging reserve were reclassified to the consolidated income statement as part of cost of inventories sold upon maturity of the derivative financial instruments.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	HK$'000
Market value of listed equity securities in Hong Kong	**1,109**	700

21 RESTRICTED BANK DEPOSITS, DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current deposits with a fellow subsidiary (note (a))	**38,153**	61,654	**—**	—
Restricted bank deposits (note (b))	**62,782**	41,570	**—**	—
Current deposits with a fellow subsidiary (note (a))	**451,197**	287,553	**—**	—
Short-term bank deposits	**5,070,146**	5,073,381	**4,538,738**	4,457,121
Cash at bank and in hand	**705,538**	402,954	**1,398**	1,568
Current deposits and cash and cash equivalents	**6,226,881**	5,763,888	**4,540,136**	4,458,689
Total deposits and cash and cash equivalents	**6,327,816**	5,867,112	**4,540,136**	4,458,689

Notes:

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

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**1,134,027**	979,858	**22**	4
Hong Kong dollars	**66,944**	89,856	**1,255**	1,478
United States dollars	**5,056,538**	4,741,268	**4,538,859**	4,457,207
Others	**70,307**	56,130	**—**	—
	6,327,816	5,867,112	**4,540,136**	4,458,689

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

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

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

Note: (Continued)

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

	Group 2013 HK$'000	Group 2012 HK$'000
Total deposits and cash and cash equivalents	**6,327,816**	5,867,112
Less: restricted bank deposits	**62,782**	41,570
cash investments with maturity more than three months from date of placement	**4,566,355**	1,746,442
Cash and cash equivalents	**1,698,679**	4,079,100

22 SHARE CAPITAL

	2013 Number of shares	2013 HK$'000	2012 Number of shares	2012 HK$'000
Authorised:				
Shares of HK$0.10 each	**3,000,000,000**	**300,000**	3,000,000,000	300,000
Issued and fully paid:				
At 1st January	**1,513,627,429**	**151,363**	1,513,627,429	151,363
Shares issued upon exercise of share options (note (d))	**154,000**	**15**	—	—
At 31st December	**1,513,781,429**	**151,378**	1,513,627,429	151,363

Share options

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

22 SHARE CAPITAL (Continued)

Share options (Continued)

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

Category	Note	Exercise price HK$	Outstanding as at 1st January 2013	Granted during the year	Changed category during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st December 2013	Vested % as at 31st December 2013	Vested % as at 31st December 2012
Directors	(a)	1.37	1,200,000	–	800,000	–	(1,200,000)	–	800,000	100	100
Continuous contract employees	(a)	1.37	6,110,000	–	–	(104,000)	–	–	6,006,000	100	100
	(b)	1.21	600,000	–	–	–	–	–	600,000	100	100
	(c)	3.666	13,160,000	–	800,000	–	–	(100,000)	13,860,000	100	100
Others	(a)	1.37	19,718,000	–	(800,000)	(50,000)	(1,200,000)	–	17,668,000	100	100
	(b)	1.21	550,000	–	–	–	–	–	550,000	100	100
	(c)	3.666	24,990,000	–	(800,000)	–	(800,000)	–	23,390,000	100	100
			66,328,000	–	–	(154,000)	(3,200,000)	(100,000)	62,874,000		

Notes:

(a) On 2nd December 2004, the directors and employees of the Group were granted 32,650,000 share options at an exercise price of HK$1.37 per share. In addition, 23,250,000 share options were granted to employees of COSCO Group. These share options were all vested upon the date of grant and are exercisable at any time from 29th December 2004 to 28th December 2014. During the year, 154,000 (2012: nil) share options were exercised and 2,400,000 (2012: 3,200,000) share options were cancelled and lapsed.

(b) On 10th May 2005, the employees of the Group were granted 2,400,000 share options at an exercise price of HK$1.21 per share. These share options were all vested upon the date of grant and are exercisable at any time from 6th June 2005 to 5th June 2015. No share options were exercised in 2013 and 2012.

(c) On 9th March 2007, the Company granted share options to subscribe for 43,850,000 shares of the Company at an exercise price of HK$3.666 per share. These share options are exercisable at any time from 9th March 2009 to 8th March 2015 in the stipulated proportion namely: (i) no share options shall be exercisable within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised from 9th March 2010 onwards and (iv) all share options can be exercised from 9th March 2011 onwards. During the year, no (2012: nil) share options were exercised and 900,000 (2012: 3,430,000) share options were cancelled and lapsed.

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

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

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

There was no employee share option benefit expense recognised in 2013 and 2012 as a result of the above equity-settled share based transactions on the basis of the fair value of share options granted.

22 SHARE CAPITAL (Continued)

Share options (Continued)

Notes: (Continued)

(d) During the year, 154,000 (2012: nil) share options were exercised and a summary of share options exercised analysed by exercise month, is set out below:

	Number of share options exercised	
	2013	2012
Exercise month		
January	**104,000**	—
October	**50,000**	—
	154,000	—

Exercise of share options yielded proceeds as follows:

	2013	2012
	HK$'000	HK$'000
Ordinary share capital — at par	**15**	—
Share premium	**196**	—
Proceeds	**211**	—

The weighted average closing price of the Company's shares on the dates when the share options were exercised was HK$3.49 (2012: not applicable).

23 RESERVES

Group

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Statutory reserves (note (b)) HK$'000	Contributed surplus (note (c)) HK$'000	Exchange reserve HK$'000	Property Revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2013	**141,986**	**47,696**	**104,466**	**676,218**	**140,304**	**7,799**	**71,482**	**1,425**	**5,991,382**	**7,182,758**
Transfer to statutory reserves (note (b))	**–**	**–**	**2,542**	**–**	**–**	**–**	**–**	**–**	**(2,542)**	**–**
Transfer to retained profits upon the lapse and cancellation of share options	**–**	**(1,176)**	**–**	**–**	**–**	**–**	**–**	**–**	**1,176**	**–**
Currency differences on translation of :										
– subsidiaries	**–**	**–**	**–**	**–**	**26,471**	**–**	**–**	**–**	**–**	**26,471**
– joint ventures (note 11)	**–**	**–**	**–**	**–**	**486**	**–**	**–**	**–**	**–**	**486**
– associates (note 12)	**–**	**–**	**–**	**–**	**303**	**–**	**–**	**–**	**–**	**303**
Share of reserves of a joint venture (note 11)	**–**	**–**	**–**	**–**	**5,581**	**–**	**–**	**–**	**–**	**5,581**
Share of reserves of an associate (note 12)	**–**	**–**	**–**	**–**	**216**	**–**	**–**	**(80)**	**–**	**136**
Shares issued upon exercise of share options	**196**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**196**
Fair value losses on available-for-sale financial assets (note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**(12,652)**	**–**	**–**	**(12,652)**
Profit for the year (note (a))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**241,610**	**241,610**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(121,099)**	**(121,099)**
Balance at 31st December 2013	**142,182**	**46,520**	**107,008**	**676,218**	**173,361**	**7,799**	**58,830**	**1,345**	**6,110,527**	**7,323,790**
Representing:										
Reserves	**142,182**	**46,520**	**107,008**	**676,218**	**173,361**	**7,799**	**58,830**	**1,345**	**6,057,545**	**7,270,808**
2013 proposed final dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**52,982**	**52,982**
	142,182	**46,520**	**107,008**	**676,218**	**173,361**	**7,799**	**58,830**	**1,345**	**6,110,527**	**7,323,790**
Balance at 1st January 2012	141,986	52,704	101,169	676,218	135,896	6,363	61,674	1,531	5,762,891	6,940,432
Adjustment on the adoption of HKAS12 (Amendment) (note 15)	–	–	–	–	–	1,436	–	–	–	1,436
Transfer to statutory reserves (note (b))	–	–	4,943	–	–	–	–	–	(4,943)	–
Transfer to retained profits	–	–	(1,646)	–	–	–	–	–	1,646	–
Transfer to retained profits upon the lapse and cancellation of share options	–	(5,008)	–	–	–	–	–	–	5,008	–
Currency differences on translation of :										
– subsidiaries	–	–	–	–	1,168	–	–	–	–	1,168
– associates (note 12)	–	–	–	–	(106)	–	–	–	–	(106)
Share of reserves of a joint venture (note 11)	–	–	–	–	3,268	–	–	–	–	3,268
Share of reserves of an associate (note 12)	–	–	–	–	78	–	–	(28)	–	50
Fair value gains on available-for-sale financial assets (note 14)	–	–	–	–	–	–	9,808	–	–	9,808
Cash flow hedges, net of tax	–	–	–	–	–	–	–	(78)	–	(78)
Profit for the year (note (a))	–	–	–	–	–	–	–	–	363,006	363,006
Dividends paid	–	–	–	–	–	–	–	–	(136,226)	(136,226)
Balance at 31st December 2012	141,986	47,696	104,466	676,218	140,304	7,799	71,482	1,425	5,991,382	7,182,758
Representing:										
Reserves	141,986	47,696	104,466	676,218	140,304	7,799	71,482	1,425	5,900,564	7,091,940
2012 proposed final dividend	–	–	–	–	–	–	–	–	90,818	90,818
	141,986	47,696	104,466	676,218	140,304	7,799	71,482	1,425	5,991,382	7,182,758

23 RESERVES (Continued)

Company

	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus (note (c)) HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2013	**141,986**	**47,696**	**676,218**	**4,909,839**	**5,775,739**
Transfer to retained profits upon the lapse and cancellation of share options	**—**	**(1,176)**	**—**	**1,176**	**—**
Shares issued upon exercise of share options	**196**	**—**	**—**	**—**	**196**
Profit for the year	**—**	**—**	**—**	**38,162**	**38,162**
Dividends paid	**—**	**—**	**—**	**(121,099)**	**(121,099)**
Balance at 31st December 2013	**142,182**	**46,520**	**676,218**	**4,828,078**	**5,692,998**
Representing:					
Reserves	**142,182**	**46,520**	**676,218**	**4,775,096**	**5,640,016**
2013 proposed final dividend	**—**	**—**	**—**	**52,982**	**52,982**
	142,182	**46,520**	**676,218**	**4,828,078**	**5,692,998**
Balance at 1st January 2012	141,986	52,704	676,218	4,983,604	5,854,512
Transfer to retained profits upon the lapse and cancellation of share options	—	(5,008)	—	5,008	—
Profit for the year	—	—	—	57,453	57,453
Dividends paid	—	—	—	(136,226)	(136,226)
Balance at 31st December 2012	141,986	47,696	676,218	4,909,839	5,775,739
Representing:					
Reserves	141,986	47,696	676,218	4,819,021	5,684,921
2012 proposed final dividend	—	—	—	90,818	90,818
	141,986	47,696	676,218	4,909,839	5,775,739

Notes:

(a) Profit for the year of HK$241,610,000 (2012: HK$363,006,000) includes net profits of HK$9,549,000 (2012: HK$37,996,000) attributable to joint ventures and HK$13,028,000 (2012: HK$13,126,000) attributable to associates.

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

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

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
— fellow subsidiaries (note (b))	**11,575**	25,643	**—**	—
— associated companies of COSCO (note (b))	**36**	6	**—**	—
— joint ventures (note (b))	**323**	267	**—**	—
— associates (note (b))	**6,068**	27,257	**—**	—
— non-controlling interests (note (b))	**452**	562	**—**	—
— third parties	**467,456**	840,421	**—**	—
	485,910	894,156	**—**	—
Bills payables				
— third parties	**195,315**	267,595	**—**	—
Advances from customers and other payables				
— fellow subsidiaries (note (b))	**209,017**	141,470	**—**	—
— associated companies of COSCO (note (b))	**65,994**	59,761	**—**	—
— joint ventures (note (b))	**96**	96	**—**	—
— a holding company (note (b))	**147**	142	**—**	—
— non-controlling interests (note (b))	**2,798**	2,418	**—**	—
— third parties	**459,528**	404,927	**651**	709
Accrued liabilities	**45,283**	45,474	**16,447**	14,074
Commission income received in advance	**22,444**	44,251	**—**	—
Amounts due to fellow subsidiaries (note (b))	**1,414**	727	**—**	—
Dividend payable to non-controlling interests	**58,519**	85,138	**—**	—
	1,546,465	1,946,155	**17,098**	14,783

Notes:

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

	Group	
	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

24 TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**595,776**	1,013,934	**432**	418
Hong Kong dollars	**94,020**	96,451	**16,666**	14,365
United States dollars	**694,414**	711,909	**—**	—
Others	**162,255**	123,861	**—**	—
	1,546,465	1,946,155	**17,098**	14,783

25 SHORT-TERM BORROWINGS

	Group	
	2013	2012
	HK$'000	HK$'000
Bank loans, repayable within one year		
— secured (note 18e)	**28,615**	—
— unsecured	**31,171**	46,205
	59,786	46,205

Notes:

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

	Group	
	2013	2012
	HK$'000	HK$'000
Renminbi	**28,615**	46,205
United States dollars	**31,171**	—
	59,786	46,205

25 SHORT-TERM BORROWINGS (Continued)

Notes: (Continued)

(b) The effective interest rates of short-term borrowings during the year ended 31st December 2013 and 2012 are as follows:

	2013	2012
Renminbi	**3.72%**	4.43%
United States dollars	**1.66%**	2.62%

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

26 OTHER INCOME AND GAINS

	2013 HK$'000	2012 HK$'000
Gain on disposal of property, plant and equipment	**329**	30
Rental income	**1,502**	1,262
Fair value gains on investment properties (note 9)	**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

27 EXPENSES BY NATURE

	2013 HK$'000	2012 HK$'000
Cost of sales		
Cost of inventories sold (note 17)	**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 (note 27(a))	**6,636**	7,309
Amortisation of intangible assets (note 6)	**1,456**	1,573
Amortisation of prepaid premium for land leases (note 8)	**947**	418
Operating lease rental expenses (note 27(b))	**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.

(a) Depreciation and amortisation of property, plant and equipment

	2013 HK$'000	2012 HK$'000
Charge for the year (note 7)	**24,260**	20,223
Charged to cost of sales	**(15,269)**	(11,599)
Charged to selling expenses	**(1,277)**	—
Capitalised in inventories	**(1,078)**	(1,315)
	6,636	7,309

(b) Operating lease rental expenses

	2013 HK$'000	2012 HK$'000
Land and buildings	**28,457**	28,741

28 EMPLOYEE BENEFIT EXPENSES

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

	2013 HK$'000	2012 HK$'000
Wages, salaries and other short-term benefits, including directors' emoluments (note 29(a))	**248,460**	229,893
Retirement benefits costs — defined contribution scheme (note)	**20,952**	18,802
Termination benefits	**136**	—
	269,548	248,695
Included in:		
Cost of sales	**30,916**	29,875
Selling, administrative and general expenses	**238,632**	218,820
	269,548	248,695

Note:

There were no forfeited contributions (2012: nil) utilised during the year and no forfeited contributions were available at the year-end to reduce future contributions. There were no contributions (2012: nil) payable to the fund at the year-end.

29 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' emoluments

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2013 are as follows:

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Mr. Zhang Liang	—	5,000	5,000
Mr. Xu Zhengjun	—	2,400	2,400
Mr. Tsui Yiu Wa, Alec	240	—	240
Mr. Jiang, Simon X.	240	—	240
Mr. Alexander Reid Hamilton	240	—	240
	720	7,400	8,120

29 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(a) Directors' emoluments (Continued)

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2012 are as follows:

Name of directors	Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Total HK$'000
Mr. Zhang Liang (appointed on 24th February 2012)	—	4,260	4,260
Mr. Wang Futian (resigned on 24th February 2012)	—	740	740
Mr. Xu Zhengjun (appointed on 12th July 2012)	—	1,138	1,138
Mr. Wang Xiaodong (resigned on 12th July 2012)	—	1,276	1,276
Mr. Lin Wenjin (resigned on 10th April 2012)	—	299	299
Mr. Tsui Yiu Wa, Alec	230	—	230
Mr. Jiang, Simon X.	230	—	230
Mr. Alexander Reid Hamilton	230	—	230
	690	7,713	8,403

As at 31st December 2013, directors of the Company had outstanding share options to subscribe for 800,000 (2012: 1,200,000) shares of the Company (refer to note 22 for details).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2012: two) directors whose emoluments are reflected in the above analysis. The emoluments of the remaining three (2012: three) individuals during the year are as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, allowances and benefits-in-kind	**3,254**	3,107
Discretionary bonuses	**1,033**	1,058
Retirement benefits costs — defined contribution scheme	**45**	41
	4,332	4,206

The emoluments of the individuals fell within the following bands:

Emolument band	**Number of individuals** **2013**	2012
HK$1,000,001 — HK$1,500,000	**2**	2
HK$1,500,001 — HK$2,000,000	**1**	1

29 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(c) Emoluments of senior management

Other than the emoluments of directors disclosed in notes 29(a), the emoluments of senior management whose profiles are included in the Profile of Directors and Senior Management section of this report fell within the following bands:

	Number of individuals	
Emolument band	**2013**	2012
Below HK$1,000,000	**2**	2
HK$1,000,001 — HK$1,500,000	**5**	4

30 FINANCE INCOME — NET

	2013 **HK$'000**	2012 HK$'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

31 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.

31 INCOME TAX EXPENSES (Continued)

	2013 HK$'000	2012 HK$'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) (note 15)	**—**	5,054
Deferred income tax charge — net (note 15)	**2,638**	16,171
Income tax expenses	**58,547**	70,926

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Company operates and the difference is set out below:

	2013 HK$'000	2012 HK$'000
Profit before income tax (excluding share of profits of joint ventures and associates)	**309,068**	422,711
Calculated at a tax rate of 16.5% (2012: 16.5%)	**50,996**	69,747
Effect of different tax rates in the PRC and other overseas countries	**6,488**	6,372
Effect of prospective change in tax rate applicable to a subsidiary in the PRC	**—**	(2,141)
Income not subject to income tax	**(16,994)**	(27,688)
Expenses not deductible for tax purposes	**13,413**	13,493
Tax losses not recognised	**1,509**	—
Over-provision in prior years	**(392)**	(470)
Withholding tax on profits of subsidiaries, joint ventures and associate	**3,650**	4,966
Other temporary differences	**315**	977
Withholding tax on interest income	**1,607**	1,854
Adjustment on the adoption of HKAS 12 (Amendment)	**—**	5,054
Land appreciation tax on PRC investment properties	**381**	—
Special tax credit	**(2,426)**	(1,238)
Income tax expenses	**58,547**	70,926

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$38,162,000 (2012: HK$57,453,000).

33 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

34 DIVIDENDS

	2013 HK$'000	2012 HK$'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 of the Company 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.

35 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash generated from operations

	2013 HK$'000	2012 HK$'000
Operating profit	219,069	298,763
Amortisation of intangible assets	1,456	1,573
Depreciation and amortisation of property, plant and equipment, net of amount capitalised	23,182	18,908
Gain on disposal of property, plant and equipment	(329)	(30)
Amortisation of prepaid premium for land leases	947	418
Fair value gains on investment properties	(3,469)	(2,712)
Fair value gains on financial assets at fair value through profit or loss	(409)	(323)
(Reversal of)/provision for impairment of inventories, net	(6,064)	2,215
Provision for/(reversal of) impairment of trade receivables, net	4,934	(34,796)
Provision for/(reversal of) impairment of other receivables, net	17,538	(4,132)
Reversal of provision for selling expenses	—	(65,000)
Dividend income	(2,340)	(2,377)
Operating profit before working capital changes	254,515	212,507
Decrease in inventories	61,306	177,711
Decrease in trade receivables, bills receivables, prepayments, deposits and other receivables	565,895	47,189
Increase in amounts due from fellow subsidiaries	(4)	—
Decrease in trade payables, bills payables, advances from customers, other payables, accrued liabilities and commission income received in advance	(456,779)	(72,803)
Increase/(decrease) in amounts due to fellow subsidiaries	687	(4,992)
Decrease in dividend payable to non-controlling interests	(28,826)	(20,172)
Cash generated from operations	396,794	339,440

36 FINANCIAL GUARANTEE CONTRACTS

As at 31st December 2013, the Group and the Company had financial guarantees issued in favour of banks as security for general banking facilities granted to an associate and a joint venture, and financial guarantee issued in favour of the shareholder of a joint venture as counter guarantee in relation to general banking facilities granted to the joint venture.

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

		Group and Company	
	Year of maturity	**2013** **HK$'000**	2012 HK$'000
General banking facilities of:			
— a joint venture	2014	**38,769**	38,753
— an associate	2014	**205,477**	205,390
Counter guarantee	2014	**22,486**	22,477
		266,732	266,620

As at 31st December 2013, the credit risk and liquidity risk exposure relating to the above financial guarantee contracts are considered as low.

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

37 COMMITMENTS

(a) The Group had capital commitments for capital expenditure as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Authorised but not contracted for	**298,828**	—
Contracted but not provided	**9,018**	—
	307,846	—

(b) The Group and the Company's share of capital commitments of a joint venture in respect of fixed assets investment is as follows:

	Group and Company	
	2013 **HK$'000**	2012 HK$'000
Authorised but not contracted for	**—**	4,085
Contracted but not provided	**17,466**	72,237
	17,466	76,322

37 COMMITMENTS (Continued)

(c) As at 31st December 2013, the Company had capital commitments of HK$37,064,000 (2012: HK$89,303,000) relating to the share of outstanding capital contribution to a non-wholly owned subisidiary (note 39(f)).

(d) The aggregate future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**17,936**	23,796	**9,058**	8,672
In the second to fifth years inclusive	**32,334**	7,984	**18,116**	—
	50,270	31,780	**27,174**	8,672

The Group's operating leases were for terms ranging from one to five years.

(e) The aggregate future minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**557**	999
In the second to fifth years inclusive	**286**	175
	843	1,174

The Group's operating leases were for terms ranging from one to two years.

38 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.

38 BUSINESS COMBINATION (Continued)

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 (note 6)	6,281

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

	Fair values HK$'000
Plant and equipment (note 7)	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.

39 MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"), a company incorporated in Hong Kong, which owns 65.02% of the Company's shares as at 31st December 2013. The remaining 34.98% of the Company's shares is widely held. The parent of COSCO Hong Kong is COSCO.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO, its subsidiaries (other than the Group) and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the years 2013 and 2012, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the year:

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, associated companies of COSCO and other related parties

	Note	2013 HK$'000	2012 HK$'000
Sale of coatings to:	(i)		
— fellow subsidiaries		**12,532**	9,361
— associated companies of COSCO		**430,286**	457,251
— non-controlling interests		**3,347**	2,915
— a joint venture		**–**	127
Sale of marine equipment and spare parts to:	(ii)		
— fellow subsidiaries		**723,588**	722,593
— associated companies of COSCO		**3,569**	9,031
— joint ventures		**1,629**	5,151
Commission income in relation to the provision of ship trading agency services to:	(iii)		
— fellow subsidiaries		**105,559**	98,436
— associated companies of COSCO		**–**	4,222
— a holding company		**–**	433
— a joint venture		**–**	10,215
Commission income in relation to the provision of insurance brokerage services to:	(iv)		
— fellow subsidiaries		**56,492**	53,271
— associated companies of COSCO		**990**	1,413
— holding companies		**124**	122
Sale of marine fuel to fellow subsidiaries:	(v)		
— fellow subsidiaries		**2,927,918**	1,503,344
— associated companies of COSCO		**23**	3,302
Sale of ship supplies and other products to:	(vi)		
— fellow subsidiaries		**5,520**	2,814
— associated companies of COSCO		**90**	342
Interest income from a fellow subsidiary (note 21(a))	(vii)	**8,057**	7,697
Interest income from a joint venture (note 18(f))		**722**	3,015

Notes:

(i) Sale of coatings to fellow subsidiaries, associated companies of COSCO, non-controlling interests and a joint venture was conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of marine equipment and spare parts to fellow subsidiaries, associated companies of COSCO and joint ventures was conducted on terms as set out in the agreements governing these transactions.

(iii) Certain subsidiaries of the Company acted as agent of COSCO and its subsidiaries relating to (a) sale and purchase of new and second hand vessels, (b) bareboat charter businesses, and (c) sale and purchase of marine equipment for new shipbuilding projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above. The commissions were charged based on terms as set out in the agreements governing these transactions.

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, associated companies of COSCO and other related parties (Continued)

Notes: (Continued)

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, associated companies of COSCO and holding companies was calculated on terms as set out in the agreements governing these transactions.

(v) Sale of marine fuel to fellow subsidiaries and associated companies of COSCO was conducted on terms as set out in the agreements governing these transactions.

(vi) Sale of ship supplies and other products to fellow subsidiaries and associated companies of COSCO was conducted on terms as set out in the agreements governing these transactions.

(vii) Interest income was received from cash deposits placed with a fellow subsidiary and was calculated at prevailing market rates.

(b) Purchase of goods and services from fellow subsidiaries, associated companies of COSCO and other related parties

	Note	**2013 HK$'000**	2012 HK$'000
Rental expenses paid to fellow subsidiaries	(i)	**25,606**	25,782
Commission expenses in relation to the sale of coatings paid to:	(ii)		
— fellow subsidiaries		**5,626**	5,821
— associated companies of COSCO		**485**	61
— non-controlling interests		**583**	—
Commission expenses in relation to the provision of ship trading agency services paid to:	(iii)		
— fellow subsidiaries		**301**	860
— a joint venture		**864**	1,270
— an associate		**323**	—
Commission expenses in relation to the sale of marine equipment paid to an associated company of COSCO	(iv)	**1,563**	3,470
Purchase of marine equipment from an associated company of COSCO	(iv)	**20,651**	62,825
Purchase of raw materials from non-controlling interests	(v)	**1,707**	2,375
Transportation costs paid to fellow subsidiaries	(vi)	**15,409**	26,816
Purchase of marine fuel from:	(vii)		
— fellow subsidiaries		**2,192,829**	1,179,537
— associated companies of COSCO		**27,243**	218,281
— an associate		**177,569**	177,930
Technology usage fee paid to non-controlling interests	(viii)	**5,748**	5,572
Management service fees paid to a holding company and fellow subsidiaries	(ix)	**12,826**	15,673

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, associated companies of COSCO and other related parties (Continued)

Notes:

(i) During the year, the Group leased certain office premises in Hong Kong from the wholly-owned subsidiaries of COSCO Hong Kong at an average monthly rent of HK$1,578,000 (2012: HK$1,565,000). The Group also leased other properties in the PRC and other overseas countries from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) Commission expenses paid to fellow subsidiaries, a joint venture and an associate were based on terms as set out in the agreements governing these transactions.

(iv) An associated company of COSCO was appointed as agent to provide agency services in relation to the sale of marine equipment in the PRC and to purchase marine equipment from suppliers. Commission paid was based on a certain percentage of sales procured by the associated company of COSCO.

(v) Purchase of raw materials from non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(vi) Transportation costs paid to fellow subsidiaries was based on terms as set out in the agreements governing these transactions.

(vii) Purchase of marine fuel from fellow subsidiaries, associated companies of COSCO and an associate was conducted on terms as set out in the agreements governing these transactions.

(viii) Technology usage fee paid to non-controlling interests was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(ix) Management service fees were paid to COSCO Hong Kong and fellow subsidiaries in relation to their provision of administrative services, manpower resources, technical support and other ancillary support to the Group and sharing of office premises by the Group and were conducted on terms as set out in the agreements governing these transactions.

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) On 29th June 2009, the Group executed corporate guarantee of US$5,000,000 (equivalent to approximately HK$38,753,000) in favour of a bank as security for general banking facilities of US$5,000,000 (equivalent to approximately HK$38,753,000) granted by the bank to Jotun COSCO. This guarantee was subsequently amended on 22nd March 2013 and remains effective as at 31st December 2013.

(d) On 20th October 2011, the Group executed corporate guarantee of US$2,900,000 (equivalent to approximately HK$22,477,000) in favour of Jotun A/S, the shareholder of Jotun COSCO, as counter guarantee in relation to general banking facilities granted to Jotun COSCO. This guarantee remains effective as at 31st December 2013.

(e) On 30th April 2012, the Group executed corporate guarantees of US$21,500,000 (equivalent to approximately HK$166,637,000) and US$5,000,000 (equivalent to approximately HK$38,753,000) respectively in favour of two banks as security for general banking facilities of US$108,000,000 (equivalent to approximately HK$837,062,000) and US$41,000,000 (equivalent to approximately HK$317,773,000) respectively granted by the banks to Double Rich. These guarantees remain effective as at 31st December 2013.

(f) On 2nd May 2012, the Group and Kansai Paint (China) Investment Co., Ltd., a wholly-owned subsidiary of the Group's non-controlling interest, Kansai Paint Co., Ltd. ("Japan Kansai") entered into an agreement whereby a new company known as COSCO Kansai Paint (Shanghai) Co., Ltd. will be established for the purpose of operating coating business in the PRC. The new company with a registered capital of US$25,600,000 (equivalent to approximately HK$198,415,000) will be owned as to 63.07% equity interest by the Group and 36.93% equity interest by Japan Kansai. During the year, Japan Kansai contributed capital of HK$30,166,000 (2012: HK$20,951,000) to the new company.

(g) During the year, the Group appointed a fellow subsidiary to enter into fuel oil swap contracts with total notional principal amounts of HK$131,664,000 (2012: HK$514,493,000) to hedge against the risk of fuel oil price fluctuation.

(h) On 25th October 2013, COSCO International Trading Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement to purchase from COSCO Logistics Warehousing & Distribution Co., Ltd., a fellow subsidiary, certain quantity of steel with a market value of approximately RMB70,000,000 (equivalent to approximately HK$89,024,000). The total purchase consideration for the steel paid to COSCO Logistics Warehousing & Distribution Co., Ltd. was RMB69,204,928.50 (equivalent to approximately HK$86,620,000).

40 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31st December 2013 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2013	2012
Capital Properties Limited #	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Provision of nominee services	**100%**	100%
COSCO (Hong Kong) Insurance Brokers Limited	Hong Kong, limited liability company	5,000,000 ordinary shares of HK$1 each	Provision of insurance brokerages and related services	**100%**	100%
COSCO International Land Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Investment holding	**100%**	100%
COSCO International Ship Trading and Supplying Services Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	Investment holding	**100%**	100%
COSCO International Ship Trading Company Limited	Hong Kong, limited liability company	500,000 ordinary shares of HK$1 each	Provision of agency services in ship trading business	**100%**	100%
New Legend Holdings Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	Investment holding	**100%**	100%
Yuantong Marine Service Co. Limited	Hong Kong, limited liability company	208,352,000 ordinary shares of HK$1 each	Trading of marine equipment and spare parts	**100%**	100%
COSCO (B.V.I.) Holdings Limited #	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
COSCO International Land (B.V.I.) Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Fragrant Sea Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Graceful Nice Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Hugo Marine Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Leadfull Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
New Renown Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Promise Keep Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2013	2012
Raycle Match Development Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Uppermost Corporation#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Winner Pacific Investment Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
COSCO (Beijing) Marine Electronic Equipment Limited	PRC, wholly foreign-owned enterprise	RMB680,000	Trading of marine equipment and spare parts	**100%**	100%
COSCO International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB130,633,044	Trading of asphalt, ship equipment and accessories	**100%**	100%
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$7,000,000	Production and sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$5,000,000	Production and sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$10,000,000	Production and sale of coatings	**64.71%**	64.71%
COSCO Kansai Paint (Shanghai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$18,020,992.60*	Production and sale of coatings	**63.07%**	63.07%
COSCOSHIP Beijing Company Limited	PRC, wholly foreign-owned enterprise	US$1,300,000	Provision of agency services in ship trading business	**100%**	100%
Shenzhen COSCO Insurance Brokers Limited	PRC, Sino-foreign equity joint venture enterprise	RMB10,000,000	Provision of professional services of insurance brokerages	**55%**	55%
Yuantong Marine Trade (Shanghai) Co., Ltd.	PRC, wholly foreign-owned enterprise	US$500,000	Trading of marine equipment and spare parts	**100%**	100%
Sinfeng Marine Services Pte. Ltd.	Singapore, limited liability company	7,000,000 ordinary shares of US$1 each	Trading of marine fuel and other related products	**100%**	100%
Xing Yuan (Singapore) Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of S$1 each	Trading of marine equipment and spare parts	**100%**	100%
Shin Chung Lin Corporation	Japan, limited liability company	600 ordinary shares of JPY50,000 each	Trading of marine equipment and spare parts	**100%**	100%
Hanyuan Technical Service Center GmbH	Germany, limited liability company	EUR102,259	Trading of marine equipment and spare parts	**100%**	–

shares held directly by the Company

* The paid-up registered capital as at 31st December 2012 was US$7,331,256.59.

41 JOINT VENTURES AND ASSOCIATES

Particulars of joint ventures and associates of the Group as at 31st December 2013 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2013	Attributable equity interest held 2012
(a) Joint ventures					
Jotun COSCO Marine Coatings (HK) Limited	Hong Kong/PRC, limited liability company	2,400 ordinary shares of HK$1 each	Investment holding and sale of coatings	**50%**	50%
Cosbulk International Trading Co. Ltd. (Tianjin)	PRC, Sino-foreign equity joint venture enterprise	RMB1,500,000	Vessel and equipment trade consultant	**49%**	49%
COSCO Dalian Ocean Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB600,000	Provision of marine electronic engineering services	**40%**	40%
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$250,000	Trading of marine equipment and provision of repair and maintenance	**25%**	25%
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$200,000	Provision of marine electronic engineering services	**25%**	25%
(b) Associates					
COSCO Guangzhou Shipstores Supply Co., Ltd.	PRC, limited liability company	RMB30,442,100	Supply and storage of related materials of cargo transportation	**20%**	20%
Coscoship (Qingdao) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB3,000,000	Vessel engineering and technical support	**20%**	20%
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$663,000	Manufacture, sale and provision of after-sale service of container software and related products	**20%**	20%
Shanghai Ocean Diamond Co. Ltd.	PRC, limited liability company	RMB1,000,000	International and domestic trade	**50%**	50%
Double Rich Limited	Hong Kong, limited liability company	88,000,000 ordinary shares of HK$1 each	Trading of oil products and investment holding	**18%**	18%

LIST OF MAJOR PROPERTIES

As at 31st December 2013

	Description	Existing use	Approximate area	Lease term	% of interest attributable to the Group
Properties held for own use					
(1)	No. 42, Diwu Main Street, Economic Technology Development Zone, Tianjin, the PRC	Industrial	Site area 28,572.32 sq.m.	From 1st January 2012 to 31st December 2017	63.07
(2)	No.5589-5689 Hutai Road, Shanghai, the PRC	Industrial	Site area 44,159 sq.m.	From 22nd December 1995 to 21st December 2015	63.07
(3)	Economic Zone, Gaolan Port, Zhuhai, the PRC	Industrial	Site area 67,881.68 sq.m.	From 18th April 2006 to 17th April 2056	64.71
(4)	No. 2, Industry Park, Jinshan District, Shanghai, the PRC	Industrial	Site area 61,097.30 sq.m.	From 5th July 2013 to 4th July 2063	63.07
(5)	207 Henderson Road, #01-03/#03-03 Henderson Industrial Park, Singapore 159550	Commercial	Saleable area 782 sq.m.	Freehold	100
Property held for investment					
(1)	19th Floor, Nan Dao Commercial Building, 359-361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7th February 1852	100

	Description	Existing use	Approximate area	% of interest attributable to the Group
Properties held for sale				
(1)	No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, the PRC	Carparking	1 car parking space	100
(2)	Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, the PRC	Residential	Gross floor area 228.29 sq.m.	100

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**9,308,434**	10,005,705	10,656,121	8,666,901	1,630,055
Operating profit	**219,069**	298,763	370,979	293,969	186,831
Finance income — net	**89,999**	123,948	91,808	1,127	2,646
Share of profits of joint ventures	**9,549**	37,996	50,152	79,725	104,025
Share of profits of associates	**13,028**	13,126	25,755	438,995	366,194
(Loss)/gain on deemed disposal of partial interest in an associate	**—**	—	—	(768)	245,287
Gain on disposal of an associate	**—**	—	—	545,704	—
Profit before income tax	**331,645**	473,833	538,694	1,358,752	904,983
Income tax expenses	**(58,547)**	(70,926)	(90,963)	(65,793)	(58,756)
Profit for the year	**273,098**	402,907	447,731	1,292,959	846,227
Profit attributable to:					
Equity holders of the Company	**241,610**	363,006	390,339	1,268,600	843,675
Non-controlling interests	**31,488**	39,901	57,392	24,359	2,552
	273,098	402,907	447,731	1,292,959	846,227

CONSOLIDATED BALANCE SHEET

	As at 31st December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Non-current assets					
Intangible assets	**103,127**	97,071	98,542	91,733	91,340
Property, plant and equipment	**145,892**	156,718	162,217	159,082	130,454
Prepaid premium for land leases	**36,315**	7,064	7,482	7,478	7,687
Investment properties	**41,924**	38,447	35,777	32,543	27,164
Investments in joint ventures	**432,465**	416,886	376,877	320,401	234,062
Investments in associates	**91,969**	79,015	85,053	57,689	4,722,687
Available-for-sale financial assets	**49,048**	59,373	66,187	138,344	104,084
Deferred income tax assets	**65,520**	62,044	72,640	59,710	37,426
Non-current deposits	**38,153**	61,654	—	—	—
	1,004,413	978,272	904,775	866,980	5,354,904
Current assets	**8,445,550**	8,639,116	8,583,760	8,498,429	2,154,968
Total assets	**9,449,963**	9,617,388	9,488,535	9,365,409	7,509,872
CAPITAL AND RESERVES					
Share capital	**151,378**	151,363	151,363	151,107	151,070
Reserves	**7,323,790**	7,182,758	6,940,432	7,148,920	6,263,790
Total shareholders' equity	**7,475,168**	7,334,121	7,091,795	7,300,027	6,414,860
Non-controlling interests	**313,925**	246,023	187,119	230,201	200,712
Total equity	**7,789,093**	7,580,144	7,278,914	7,530,228	6,615,572
LIABILITIES					
Non-current liability					
Deferred income tax liabilities	**32,497**	26,689	20,358	13,216	8,636
Current liabilities					
Short-term borrowings	**59,786**	46,205	34,801	207,299	11,725
Other current liabilities	**1,568,587**	1,964,350	2,154,462	1,614,666	873,939
	1,628,373	2,010,555	2,189,263	1,821,965	885,664
Total liabilities	**1,660,870**	2,037,244	2,209,621	1,835,181	894,300
Total equity and liabilities	**9,449,963**	9,617,388	9,488,535	9,365,409	7,509,872
Net current assets	**6,817,177**	6,628,561	6,394,497	6,676,464	1,269,304
Total assets less current liabilities	**7,821,590**	7,606,833	7,299,272	7,543,444	6,624,208

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