中國遠洋控股股份有限公司
China COSCO Holdings Company Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 1919)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS:

- Revenue of the Group for 2014 was RMB66,901,438,000, representing an increase of RMB763,577,000 as compared to 2013.
- Profit attributable to equity holders of the Company for 2014 was RMB362,529,000 as compared to profit attributable to equity holders of the Company of RMB235,470,000 in 2013.
- The basic and diluted earnings per share for 2014 amounted to RMB0.0355 and RMB0.0355, respectively.
- The Board resolved not to propose any final dividend for the year 2014.

The board of directors (the "**Board**") of China COSCO Holdings Company Limited (the "**Company**" or "**China COSCO**") hereby announces the results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2013, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

CHINA COSCO HOLDINGS COMPANY LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	**2014**	**2013**
		RMB'000	*RMB'000*
Continuing operations			
Revenues	3	66,901,438	66,137,861
Cost of services and inventories sold	5	(62,877,383)	(67,030,192)
Gross profit/(loss)		4,024,055	(892,331)
Other income, net	4	718,572	74,633
Gain on disposal of a joint venture and an available-for-sale financial asset		608,330	—
Gain on disposal of subsidiaries		—	3,690,633
Selling, administrative and general expenses	5	(4,308,227)	(4,175,907)
Operating profit/(loss)		1,042,730	(1,302,972)
Finance income	6	998,500	1,022,769
Finance costs	6	(2,965,968)	(3,212,282)
Net related exchange gain	6	66,214	876,744
Net finance expense	6	(1,901,254)	(1,312,769)
		(858,524)	(2,615,741)
Share of profits less losses of			
- joint ventures		654,494	540,909
- associates		711,317	561,236
Profit/(loss) before income tax		507,287	(1,513,596)
Income tax expenses	7	1,043,534	(299,472)
Profit/(loss) for the year from continuing operations		1,550,821	(1,813,068)
Discontinued operations			
Profit for the year from discontinued operations		—	4,692,490
Profit for the year		1,550,821	2,879,422

	Note	2014	2013
		RMB'000	*RMB'000*
Profit attributable to:			
Equity holders of the Company	9	362,529	235,470
Non-controlling interests		1,188,292	2,643,952
		1,550,821	2,879,422
Profit/(loss) attributable to equity holders of the Company arising from:			
- Continuing operations		362,529	(2,960,159)
- Discontinued operations		—	3,195,629
		362,529	235,470

	2014	2013
	RMB	*RMB*
Earnings/(loss) per share attributable to equity holders of the Company:		
Basic earnings/(loss) per share from		
- Continuing operations	0.0355	(0.2898)
- Discontinued operations	—	0.3128
	0.0355	0.0230
Diluted earnings/(loss) per share from		
- Continuing operations	0.0355	(0.2898)
- Discontinued operations	—	0.3128
	0.0355	0.0230

	Note	2014	2013
		RMB'000	*RMB'000*
Dividend	8	—	—

CHINA COSCO HOLDINGS COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 *RMB'000*	2013 *RMB'000*
Profit for the year	1,550,821	2,879,422
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Fair value gains on available-for-sale financial assets, net of tax	131,288	2,283
Share of other comprehensive loss of joint ventures and associates	(20,925)	(9,029)
Release of reserves upon disposal of subsidiaries, a joint venture and an associate	(87,244)	(375,977)
Currency translation differences	(84,079)	(1,285,436)
Item that may not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	(221,851)	—
Total other comprehensive loss for the year	(282,811)	(1,668,159)
Total comprehensive income for the year	1,268,010	1,211,263
Total comprehensive income/(loss) for the year attributable to:		
- Equity holders of the Company	127,619	(968,251)
- Non-controlling interests	1,140,391	2,179,514
	1,268,010	1,211,263
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:		
- Continuing operations	127,619	(4,036,820)
- Discontinued operations	—	3,068,569
	127,619	(968,251)

CHINA COSCO HOLDINGS COMPANY LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	**2014** *RMB'000*	**2013** *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		80,097,345	81,404,047
Investment properties		476,432	401,885
Leasehold land and land use rights		1,934,852	1,986,279
Intangible assets		107,078	114,441
Joint ventures		6,051,578	4,877,158
Associates		6,096,396	5,881,784
Loans to joint ventures and an associate		636,219	229,683
Available-for-sale financial assets		1,640,570	1,510,630
Deferred income tax assets		109,129	173,443
Restricted bank deposits		1,482	6,106
Other non-current assets		917,629	765,561
Total non-current assets		98,068,710	97,351,017
Current assets			
Inventories		1,926,723	2,374,978
Trade and other receivables	10	7,722,068	9,078,897
Available-for-sale financial assets		500,000	4,000,000
Restricted bank deposits		865,429	850,825
Cash and cash equivalents		39,705,524	48,206,390
Total current assets		50,719,744	64,511,090
Total assets		148,788,454	161,862,107

CHINA COSCO HOLDINGS COMPANY LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	**2014** *RMB'000*	**2013** *RMB'000*
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		10,216,274	10,216,274
Reserves		14,162,888	14,006,311
		24,379,162	24,222,585
Non-controlling interests		18,578,796	17,891,222
Total equity		42,957,958	42,113,807
LIABILITIES			
Non-current liabilities			
Long-term borrowings		68,056,685	68,351,377
Provisions and other liabilities		1,271,566	1,283,942
Deferred income tax liabilities		527,062	2,042,587
Total non-current liabilities		69,855,313	71,677,906
Current liabilities			
Trade and other payables	11	15,377,316	18,151,708
Short-term borrowings		3,127,600	2,765,570
Current portion of long-term borrowings		15,758,769	25,278,430
Current portion of provisions and other liabilities		493,489	602,657
Tax payable		1,218,009	1,272,029
Total current liabilities		35,975,183	48,070,394
Total liabilities		105,830,496	119,748,300
Total equity and liabilities		148,788,454	161,862,107
Net current assets		14,744,561	16,440,696
Total assets less current liabilities		112,813,271	113,791,713

CHINA COSCO HOLDINGS COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 **General information**

China COSCO Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively.

The businesses of the Company and its subsidiaries (the "Group") include the provision of a range of container shipping, dry bulk shipping, managing and operating container terminals and container leasing all over the world.

The directors of the Company (the "Directors") regard China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC, as being the Company's parent company. COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

The Consolidated Financial Statements are presented in Renminbi ("RMB'') and all values are rounded to the nearest thousand except when otherwise indicated.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 26 March 2015.

2 **Basis of preparation**

The Consolidated Financial Statements for the year ended 31 December 2014 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations'' issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The Consolidated Financial Statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets and derivative financial instruments are stated at fair value.

The preparation of the Consolidated 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.

(i) Amendments to standards which are effective in 2014 and adopted by the Group

HKICPA has issued some amendments to standards which are mandatory and adopted by the Group for the accounting periods on or after 1 January 2014. The adoption of those amendments does not have any significant impact to the Group's results for the year ended 31 December 2014 and the Group's financial position as at 31 December 2014.

(ii) New and amended standards and interpretation to standard that are relevant to the Group but not yet effective for the financial year beginning 1 January 2014 and have not been early adopted by the Group

New and amended standards and interpretation to standard		**Effective for accounting periods beginning on or after**
HKAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements Project	Annual Improvements 2010-2012 Cycle	1 July 2014
Annual Improvements Project	Annual Improvements 2011-2013 Cycle	1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Bearer plants	1 January 2016
HKFRS 10 and HKFRS 28 (Amendment)	The sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendment)	The equity method	1 January 2016
Annual Improvements Project	Annual Improvements 2012-2014 Cycle	1 July 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

The Group will apply the new and amended standards and interpretation to standard from 1 January 2016 or later periods. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 Revenues and segment information

Revenues include gross revenues from operations of container shipping, dry bulk shipping, logistics, container terminal operations and container leasing, net of discounts allowed, where applicable. Revenues recognised during the year are as follows:

	2014	**2013**
	RMB'000	*RMB'000*
Continuing operations		
Container shipping (note a)	49,491,862	47,464,934
Dry bulk shipping (note b)	11,250,265	12,957,293
Container terminal operations	2,926,171	2,566,983
Container leasing, management and sale (note c)	1,105,234	1,177,774
Turnover	64,773,532	64,166,984
Crew service income	478,401	289,112
Others	1,649,505	1,681,765
Total revenues from continuing operations	66,901,438	66,137,861
Discontinued operation		
Logistics	—	4,986,050
Total revenues from discontinued operation	—	4,986,050

Notes:

(a) Turnover from container shipping under time charterhire agreements was RMB618,282,000 for the year ended 31 December 2014 (2013: RMB769,985,000).

(b) Turnover from dry bulk shipping under time charterhire agreements was RMB3,405,713,000 for the year ended 31 December 2014 (2013: RMB3,550,014,000).

(c) Turnover from container leasing, management and sale is analysed below:

	2014	2013
	RMB'000	*RMB'000*
Operating lease rentals	800,806	906,548
Finance lease income	11,036	5,943
Proceeds from sale of resaleable containers	293,392	265,283
	1,105,234	1,177,774

Operating segments

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

- Container shipping and related business

- Dry bulk shipping and related business

- Logistics (discontinued operation)

- Container terminal and related business

- Container leasing, management, sale and related business

- Corporate and other operations that primarily comprise container manufacturing (discontinued operation), investment holding, management services and financing

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude joint ventures, associates, loans to joint ventures and an associate, available-for-sale financial assets not related to the segment and unallocated assets. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

Unallocated assets consist of deferred income tax assets. Unallocated liabilities consist of current and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investments in joint ventures and an associate and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

	Year ended 31 December 2014						
	Container shipping and related business(#)	Dry bulk shipping and related business(#)	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement							
Total revenues	50,324,187	12,556,490	3,176,914	2,192,976	14,577	(1,363,706)	66,901,438
Inter-segment revenues	(14,111)	(11,110)	(250,743)	(1,087,742)	—	1,363,706	—
Revenues (from external customers)	50,310,076	12,545,380	2,926,171	1,105,234	14,577	—	66,901,438
Segment profit/(loss)	1,015,538	(1,044,972)	718,653	739,461	(385,950)	—	1,042,730
Finance income							998,500
Finance costs							(2,965,968)
Net related exchange gain							66,214
Share of profits less losses of							
- joint ventures	(6,786)	48,794	612,486	—	—	—	654,494
- associates	9,183	(8,388)	439,092	—	271,430	—	711,317
Profit before income tax							507,287
Income tax expenses							1,043,534
Profit for the year							1,550,821
Depreciation and amortisation	1,470,117	1,348,054	511,378	778,435	12,789	—	4,120,773
Provision/(reversal of provision) for impairment of trade and other receivables, net	19,684	(30,740)	—	1,717	—	—	(9,339)
Impairment loss on availablie-for-sale financial assets	—	32,039	—	—	—	—	32,039
Amortised amount of transaction costs on long-term borrowings	27,575	2,315	—	29,170	22,000	—	81,060
Additions to non-current assets	2,111,907	1,973,137	1,953,141	1,878,458	1,385	—	7,918,028

(#) Revenues for container shipping and related business and dry bulk shipping and related business including respective crew service income and other income.

	Year ended 31 December 2013									
	Continuing operations							Discontinued operations		
	Container shipping and related business(##)	Dry bulk shipping and related business(##)	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total	Logistics	Corporate and other operation(#)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement										
Total revenues	48,325,636	14,067,865	2,822,348	2,154,990	18,732	(1,251,710)	66,137,861	4,986,050	—	4,986,050
Inter-segment revenues	(13,604)	(5,525)	(255,365)	(977,216)	—	1,251,710	—	—	—	—
Revenues (from external customers)	48,312,032	14,062,340	2,566,983	1,177,774	18,732	—	66,137,861	4,986,050	—	4,986,050
Segment (loss)/profit	(988,138)	(1,697,821)	756,499	924,597	(298,109)	—	(1,302,972)	271,229	—	271,229
Finance income							1,022,769	16,837	—	16,837
Finance costs							(3,212,282)	(10,090)	—	(10,090)
Net related exchange gain							876,744	5,477	—	5,477
Share of profits less losses of										
- joint ventures	(2,490)	38,925	504,474	—	—	—	540,909	19,845	—	19,845
- associates	7,660	1,579	449,306	—	102,691	—	561,236	36,938	142,897	179,835
(Loss)/profit before income tax							(1,513,596)	340,236	142,897	483,133
Income tax expenses							(299,472)	(74,332)	—	(74,332)
(Loss)/profit for the year							(1,813,068)	265,904	142,897	408,801
Net gain on disposals of subsidiaries and an associate from discontinued operations								1,845,721	2,437,968	4,283,689
Profit for the year from discontinued operations								2,111,625	2,580,865	4,692,490
Depreciation and amortisation	1,446,676	1,280,352	464,701	693,568	16,600	—	3,901,897	75,662	—	75,662
Provision/(reversal of provision) for impairment of trade and other receivables, net	6,903	(24,172)	—	9,602	—	—	(7,667)	441	—	441
Impairment loss on availablie-for-sale financial assets	—	31,607	—	—	—	—	31,607	—	—	—
Amortised amount of transaction costs on long-term borrowings	35,448	9,607	—	20,816	24,500	—	90,371	—	—	—
Additions to non-current assets	5,324,032	923,065	2,747,541	1,795,128	1,560	—	10,791,326	125,185	—	125,185

(#) It comprised the container manufacturing business of the Group.

(##) Revenues for container shipping and related business and dry bulk shipping and related business including respective crew service income and other income.

	As at 31 December 2014						
	Container shipping and related business	**Dry bulk shipping and related business**	**Container terminal and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet							
Segment assets	55,296,737	35,191,351	17,385,341	13,487,977	25,934,705	(13,541,549)	133,754,562
Joint ventures	293,824	612,342	5,145,412	—	—	—	6,051,578
Associates	43,585	90,791	5,055,499	—	906,521		6,096,396
Loans to joint ventures and an associate	—	—	636,219	—	—	—	636,219
Available-for-sale financial assets	600,687	825,718	214,165	—	500,000	—	2,140,570
Unallocated assets							109,129
Total assets							148,788,454
Segment liabilities	49,751,676	30,426,846	10,999,482	6,693,697	19,755,273	(13,541,549)	104,085,425
Unallocated liabilities							1,745,071
Total liabilities							105,830,496

	As at 31 December 2013						
	Container shipping and related business	**Dry bulk shipping and related business**	**Container terminal and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet							
Segment assets	55,963,679	37,395,805	17,520,123	13,015,075	34,665,422	(13,370,695)	145,189,409
Joint ventures	410,891	591,358	3,874,909	—	—	—	4,877,158
Associates	71,779	101,185	5,027,492	—	681,328	—	5,881,784
Loans to a joint venture and an associate	—	—	229,683	—	—	—	229,683
Available-for-sale financial assets	469,837	876,177	164,616	—	4,000,000	—	5,510,630
Unallocated assets							173,443
Total assets							161,862,107
Segment liabilities	50,640,317	31,007,899	11,318,860	6,844,757	29,992,546	(13,370,695)	116,433,684
Unallocated liabilities							3,314,616
Total liabilities							119,748,300

Geographical information

(a) *Revenues*

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	**Trade lanes**
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

	2014	**2013**
	RMB'000	*RMB'000*
Continuing operations		
Container shipping and related business		
- America	15,520,660	14,200,756
- Europe	11,850,850	10,663,157
- Asia Pacific	8,435,475	7,384,713
- China domestic	11,425,183	13,767,285
- Other international market	3,077,908	2,296,121
Dry bulk shipping and related business		
- International shipping	9,962,007	12,144,158
- PRC coastal shipping	2,583,373	1,918,182
Container terminal and related business, corporate and other operations		
- Europe	1,094,607	902,255
- China domestic	1,846,141	1,683,460
Unallocated	1,105,234	1,177,774
Total	66,901,438	66,137,861
Discontinued operation		
Logistics		
- Europe	—	24,060
- Asia Pacific	—	75,388
- China domestic	—	4,886,602
Total	—	4,986,050

(b) *Non-current assets*

The Group's non-current assets, other than deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, joint ventures and associates and other non-current assets (excluding finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels, containers and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2014	**As at 31 December 2013**
	RMB'000	*RMB'000*
China domestic	26,992,510	26,755,431
Non-China domestic	5,461,323	4,502,092
Unallocated	63,010,765	64,049,883
Total	95,464,598	95,307,406

4 **Other income, net**

	2014	**2013**
	RMB'000	*RMB'000*
Dividend income from listed and unlisted investments	160,119	115,237
Government subsidy for the demolition of vessels	1,379,000	—
Other government subsidies	363,720	290,031
Gain/(loss) on disposal of/write off property, plant and equipment, net		
- container vessels	(1,041,206)	(268,930)
- dry bulk vessels	(28,277)	244,176
- containers	39,877	2,646
- others	10,941	(26,119)
Gain on disposal of available-for-sale financial assets	9,000	123
Loss on disposal of joint ventures and associates	—	(9,792)
Net (loss)/gain on derivatives financial instruments	(33,510)	3,436
Reversal of provision for impairment of trade and other receivables	52,078	71,677
Provision for impairment of trade and other receivables	(42,739)	(64,010)
Net exchange loss	(249,758)	(17,538)
Compensation expense	(136,287)	(287,263)
Compensation income	91,207	29,884
Donations	(346)	(1,006)
Impairment of available-for-sale financial assets	(32,039)	(31,607)
Gain on fair value change on share appreciation rights	14,379	18,814
Reversal of provision for litigation	183,357	—
Others	(20,944)	4,874
Total	718,572	74,633

5 **Expenses by nature**

	2014	2013
	RMB'000	*RMB'000*
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
- Equipment and cargo transportation costs	19,133,576	17,757,865
- Voyage costs	16,501,546	19,011,981
- Vessel costs	15,418,821	17,220,097
- Provision for onerous contracts	387,380	604,663
- Others	1,473,283	1,172,686
Freight forwarding and shipping agency costs	5,987,147	7,556,011
Terminal operating and other direct costs	2,071,510	1,924,398
Cost of inventories sold	792,966	731,054
Container depreciation and other direct costs	1,021,703	928,032
Business tax	89,451	123,405
Total	62,877,383	67,030,192
Selling, administrative and general expenses		
Administrative staff costs	2,938,151	2,808,755
Depreciation and amortisation	199,502	201,141
Rental expense	244,669	186,036
Office expense	139,844	142,281
Transportation and travelling expense	126,550	130,573
Legal and professional fees	121,501	100,629
Auditors' remuneration	40,785	44,696
Telecommunication and utilities	95,593	102,101
Repair and maintenance expense	51,821	44,099
Others	349,811	415,596
Total	4,308,227	4,175,907

6 **Finance income and costs**

	2014	2013
	RMB'000	*RMB'000*
Finance income		
Interest income from:		
- deposits with COSCO Finance	262,378	226,646
- loans to joint ventures and an associate	30,413	14,916
- banks	705,709	781,207
	998,500	1,022,769
Finance costs		
Interest expenses on:		
- bank loans	(1,753,380)	(1,831,734)
- other loans wholly repayable within five years	(50,299)	(54,558)
- loans with COSCO Finance	(7,705)	(19,452)
- finance lease obligations	(8,911)	(7,083)
- notes/bonds	(871,772)	(1,162,895)
Fair value loss on derivative financial instruments	—	(53,065)
Fair value adjustment of notes attributable to interest rate risk	—	69,648
	—	16,583
	(2,692,067)	(3,059,139)
Amortised amount of transaction costs on long-term borrowings	(81,060)	(90,371)
Amortised amount of discount on issue of notes	(1,689)	(10,668)
Other incidental borrowing costs and charges	(246,344)	(187,553)
Less: amount capitalised in construction in progress	55,192	135,449
	(2,965,968)	(3,212,282)
Net related exchange gain	66,214	876,744
Net finance costs	(1,901,254)	(1,312,769)

7 **Income tax expenses**

	2014	2013
	RMB'000	*RMB'000*
Current income tax (note a)		
- PRC enterprise income tax	279,167	218,679
- Hong Kong profits tax	5,578	4,784
- Overseas taxation	139,871	112,735
Under provision in prior years	676	2,473
	425,292	338,671
Deferred income tax	(1,468,826)	(39,199)
	(1,043,534)	299,472

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 46% (2013: 12.5% to 46%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 25% (2013: 12.5% to 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

8 **Dividend**

The Board of Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2014 and the year ended 31 December 2013.

9 Earnings/(loss) per share

(a) *Basic*

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

	2014	**2013**
Profit/(loss) from continuing operations attributable to equity holders of the Company (RMB)	362,529,000	(2,960,159,000)
Profit from discontinued operations attributable to equity holders of the Company (RMB)	—	3,195,629,000
	362,529,000	235,470,000
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic earnings/(loss) per share (RMB)		
From continuing operations	0.0355	(0.2898)
From discontinued operations	—	0.3128
	0.0355	0.0230

(b) ***Diluted***

The outstanding share options granted by a subsidiary of the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2014, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2014.

Diluted (loss)/earnings per share for the year ended 31 December 2013 was calculated based on the loss attributable to equity holders of the Company after adjusting the effect for assumed issuance of shares on exercise of share options of a subsidiary and the number of ordinary shares in issue during the year.

	2013
Loss from continuing operations attributable to equity holders of the Company (RMB)	(2,960,159,000)
Adjustment of continuing operations on the effect of dilution	(54,000)
	(2,960,213,000)
Profit from discontinued operations attributable to equity holders of the Company (RMB)	3,195,629,000
Adjustment of discontinued operations on the effect of dilution	(79,000)
	3,195,550,000
	235,337,000
Number of ordinary shares in issue	10,216,274,357
Diluted (loss)/earnings per share (RMB)	
From continuing operations	(0.2898)
From discontinued operation	0.3128
	0.0230

10 Trade and other receivables

	Group 2014	Group 2013
	RMB'000	*RMB'000*
Trade receivables (note a)		
- third parties	3,384,336	4,052,880
- fellow subsidiaries	98,982	141,517
- joint ventures	46,251	58,736
- associates	754	2,351
- other related companies	63,071	62,343
	3,593,394	4,317,827
Bills receivables (note a)	165,741	242,239
	3,759,135	4,560,066
Prepayments, deposits and other receivables		
- third parties	2,912,923	3,253,475
- fellow subsidiaries (note b)	690,110	675,216
- joint ventures (note b)	152,521	338,037
- associates (note b)	17,058	53,142
- other related companies (note b)	156,846	184,916
	3,929,458	4,504,786
Current portion of financial lease receivables	33,475	14,045
Total	7,722,068	9,078,897

Notes:

(a) Trading balances with related parties are unsecured, interest free and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of shipping business receivables. As at 31 December 2014, the ageing analysis of trade and bills receivables is as follows:

	2014	2013
	RMB'000	*RMB'000*
1-3 months	3,514,997	4,393,309
4-6 months	144,907	184,285
7-12 months	117,543	39,828
Over 1 year	155,342	130,669
Trade and bills receivables, gross	3,932,789	4,748,091
Less: impairment of		
1-3 months	(31,716)	(53,085)
4-6 months	(14,485)	(13,931)
7-12 months	(3,681)	(3,626)
Over 1 year	(123,772)	(117,383)
Provision for impairment	(173,654)	(188,025)
	3,759,135	4,560,066

As at 31 December 2014, the Group's trade and bills receivables of RMB3,166,765,000 (2013: RMB3,661,813,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

(b) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

11 Trade and other payables

	Group	
	2014	**2013**
	RMB'000	*RMB'000*
Trade payables (note a)		
- third parties	3,471,235	3,923,515
- fellow subsidiaries	871,024	1,242,575
- joint ventures	96,830	72,263
- associates	5,937	6
- other related companies	384,839	195,677
	4,829,865	5,434,036
Bills payables (note a)	71,420	29,020
	4,901,285	5,463,056
Advances from customers	492,500	685,414
Other payables and accruals	8,992,782	10,426,941
Due to related companies		
- fellow subsidiaries (note b)	252,949	280,629
- joint ventures (note b)	238,054	184,166
- associates (note b)	13,307	18,035
- other related companies (note c)	486,439	1,093,467
	990,749	1,576,297
Total	15,377,316	18,151,708

Notes:

(a) As at 31 December 2014, the ageing analysis of trade and bills payables is as follows:

	2014	**2013**
	RMB'000	*RMB'000*
1-6 months	4,515,959	5,156,073
7-12 months	149,320	82,313
1-2 years	158,800	122,052
2-3 years	37,711	39,877
Above 3 years	39,495	62,741
	4,901,285	5,463,056

Trade balances with related companies are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) The amounts due to related companies are unsecured and interest free and have no fixed terms of repayment.

(c) The balance including advances from non-controlling shareholders of subsidiaries are unsecured, interest bearing and repayable within twelve months.

12 Contingent liabilities

The Group was involved in a number of claims and lawsuits, including but not limited to, the claims and lawsuits arising from damage to vessels during transportation, delay in delivery, collision of vessels, early termination of vessel chartering contracts and non-payment of professional fees of certain terminal investment.

As at 31 December 2014, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's Consolidated Financial Statements for the year ended 31 December 2014.

The financial figures above in respect of the announcement of the Group's annual results for the year ended 31 December 2014 (the "Announcement") have been agreed by the Company's international auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2014. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and Analysis of the Board Regarding the Operation of the Group during the Reporting Period

In 2014, the international shipping sector still did not see substantial improvement of imbalance of supply and demand. Under such difficult conditions, the Company had taken various measures to improve its overall performance by increasing revenue and reducing expenses.

In 2014, the Group's operating revenue amounted to RMB66,901,438,000, representing an increase of RMB763,577,000 as compared to RMB66,137,861,000 in 2013. Realized net profit attributable to equity holders of the Company amounted to RMB362,529,000, representing an increase of RMB127,059,000 or 53.96% as compared to RMB235,470,000 in 2013.

(I) Analysis of principal businesses

1. Movement analysis for the related items in the consolidated income statement and consolidated cash flow statement

Unit: RMB'000

Items	Current year	Last year	Change (%)
Revenues	66,901,438	66,137,861	1.15
Cost of services and inventories sold	(62,877,383)	(67,030,192)	-6.20
Selling, administrative and general expenses	(4,308,227)	(4,175,907)	3.17
Net finance costs	(1,901,254)	(1,312,769)	44.83
Net cash flow from operating activities	6,037,356	(2,316,602)	360.61
Net cash flow from investing activities	(763,358)	810,671	-194.16
Net cash flow from financing activities	(13,731,565)	4,114,655	-433.72

2. Revenues

(1) Analysis of reasons for changes in revenues

The amounts set out in the following financial analysis and descriptions in the Management Discussion and Analysis are in RMB unless otherwise specified.

In 2014, the Group's operating revenue amounted to RMB66,901,438,000, representing an increase of RMB763,577,000 or 1.15% as compared to RMB66,137,861,000 in 2013. In particular:

Container shipping business

The operating revenue from container shipping and related business amounted to RMB50,310,076,000, representing an increase of RMB1,998,044,000 or 4.14% as compared to last year. In 2014, container shipping volume amounted to 9,437,540 TEUs, representing an increase of 8.5% as compared to last year. Average container freight rate amounted to RMB4,558 per TEU, representing an increase of 1.7% as compared to last year. During the Reporting Period, market conditions had remained weak and imbalance of supply over demand had continued. The Company responded quickly to market changes by adjusting its allocation of global shipping capacity and improving its regional shipping route network. Routes and supplier structure were constantly optimised which resulted in increases in the container shipping volume and the overall revenue throughout the year as compared to last year.

As at 31 December 2014, the Group operated 175 container vessels with a total capacity of 840,692 TEUs and the shipping capacity operated by the Group increased by 6.9% as compared to last year (exclusive of the chartered-out capacity of 5 container vessels with 42,476 TEUs). Meanwhile, the Group had 10 orders for container vessels, representing a total of 117,960 TEUs.

Dry bulk shipping business

Revenue generated from the dry bulk shipping and related business amounted to RMB12,545,380,000, representing a decrease of RMB1,516,960,000 or 10.79%, as compared to last year, which was mainly due to lower shipping capacity and shipment volume.

During the Reporting Period, the dry bulk shipping business has completed a shipment of 177,817,100 tons, representing a decrease of 15.36% as compared to last year. Dry bulk shipment turnover amounted to 830,000 million ton-nautical miles, representing a decrease of 16.72% as compared to last year, of which the shipping volume of coal was 65,523,800 tons, representing a decrease of 20.21% as compared to last year; the shipping volume of metal ore amounted to 75,487,600 tons, representing a decrease of 13.73% as compared to last year; the shipping volume of grain amounted to 20,278,200 tons, representing a decrease of 8.86% as compared to last year; the shipping volume of other cargoes was 16,527,500 tons, representing a decrease of 9.22% as compared to last year.

As at 31 December 2014, the Group operated 255 dry bulk vessels of 23,367,400 DWT, representing a decrease of 20.06% and 16.69% respectively as compared to the beginning of the Reporting Period. At the end of the Reporting Period, the Group owned 174 vessels of 16,222,200 DWT, representing a decrease of 14.29% and 8.83% respectively as compared to beginning of the Reporting Period; the Group operated 81 chartered-in vessels of 7,145,200 DWT, representing a decrease of 30.17% and 30.33% respectively as compared to the beginning of the Reporting Period, mainly because the Company has gradually adjusted and optimized the structure of its shipping fleet and controlled the scale of chartered-in vessels. Meanwhile, the Group had 40 dry bulk vessel orders of 3,474,200 DWT.

		2014	**2013**	**Change (%)**
Shipping volumes by routes (tons)	International shipping	145,665,758	178,390,114	-18.34
	PRC coastal shipping	32,151,333	31,684,196	1.47
Shipping volumes by cargo type (tons)	Coal	65,523,795	82,117,092	-20.21
	Mineral ore	75,487,655	87,501,131	-13.73
	Foodstuff	20,278,157	22,249,976	-8.86
	Others	16,527,484	18,206,111	-9.22
Shipment turnover (thousand ton nautical miles)		831,626,160	998,621,609	-16.72

As at 31 December 2014, China COSCO disassembled a total of 56 container and dry bulk vessels of 3,138,800 DWT.

Terminal and related business

Revenue generated from the terminal and related business amounted to RMB2,926,171,000, representing an increase of RMB359,188,000 or 13.99%, as compared to last year. The throughput of Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal were 2,986,904 TEUs (2013: 2,519,664 TEUs) and 4,647,266 TEUs (2013: 4,449,311 TEUs), respectively, which resulted in an increase in revenue as compared to last year.

Container leasing business

Revenue generated from the container leasing business was RMB1,105,234,000, representing a decrease of RMB72,540,000 or 6.16% as compared to last year.

(2) **Major customers**

In 2014, sales to the top five customers of the Group and their respective percentages (as stated in the audited financial data of A Shares of the Group) are as follows:

Unit: RMB

Total sales to top five customers	2,238,641,621.31
Total revenue of the Group for the year	64,374,456,245.65
Percentage of the total revenue of the Group for the year (%)	3.48

3. Costs

(1) Cost analysis

Unit: RMB'000

By business segments

Business segment	**Components of cost**	**Current year**	**Percentage of total cost for the current year** *(%)*	**Last year**	**Percentage of total cost for last year** *(%)*	**Change** *(%)*
Container shipping and related business	Equipment and cargo transportation costs	19,133,576	30.43	17,757,865	26.49	7.75
	Voyage costs	11,813,821	18.79	13,539,742	20.20	-12.75
	Vessel costs	8,309,394	13.22	8,094,777	12.08	2.65
	Others	6,528,787	10.38	8,156,139	12.17	-19.95
	Subtotal	45,785,578	72.82	47,548,523	70.94	-3.71
Dry bulk shipping and related business	Voyage costs	4,687,725	7.46	5,472,239	8.16	-14.34
	Vessel costs	7,109,427	11.31	9,125,320	13.61	-22.09
	Others	1,860,663	2.96	1,775,035	2.65	4.82
	Subtotal	13,657,815	21.72	16,372,594	24.43	-16.58
Container terminal and related business	Container terminal and related business cost	2,071,510	3.29	1,924,398	2.87	7.64
Container leasing business		1,273,029	2.02	1,061,272	1.58	19.95
Tax		89,451	0.14	123,405	0.18	-27.51
Total costs of operations		62,877,383	100.00	67,030,192	100.00	-6.20

In 2014, the operating costs of the Group amounted to RMB62,877,383,000, representing a decrease of RMB4,152,809,000, or 6.2% as compared to RMB67,030,192,000 of 2013. In particular:

The operating costs of container shipping and related business amounted to RMB45,785,578,000, representing a decrease of RMB1,762,945,000, or 3.71%, as compared to last year. During the Reporting Period, with the combined effect of increased self-operating capacity and shipping volume as compared to last year, operating costs recorded a decrease attributable to a significant decrease in fuel costs. The Company had taken various steps to reduce the usage of fuel and realised a corresponding decrease of 8.3% in fuel consumption during the Reporting Period, which, coupled with fluctuations in international fuel prices, led to a decrease of 15.0% in fuel costs as compared to last year.

Operating costs of dry bulk shipping and related business amounted to RMB13,657,815,000, representing a decrease of RMB2,714,779,000, or 16.58%, as compared to last year. The capacity of chartered-in vessels was further reduced during the Reporting Period whereas the charter costs amounted to RMB3,627,670,000, representing a decrease of RMB1,601,406,000, or 30.6%, as compared to last year, being the main reason for the decrease in costs during the Reporting Period. Fuel costs amounted to RMB3,755,009,000, representing a decrease of RMB816,993,000, or 17.9%, as compared to last year. In addition, the reversal of provisions for onerous contracts during the Reporting Period amounted to RMB599,998,000, as compared to the reversal of RMB1,416,202,000 last year.

The operating costs of terminal and related business amounted to RMB2,071,510,000, representing an increase of RMB147,112,000, or 7.64%, as compared to last year. During the Reporting Period, the increase of operating costs was attributable to the increase in business volume of controlling terminals.

The operating costs of container leasing business amounted to RMB1,273,029,000, representing an increase of RMB211,757,000, or 19.95%, as compared to last year. The corresponding increase was mainly due to the expansion of container fleets and the increase of returned containers sold upon expiry of lease during the Reporting Period.

(2) **Major suppliers**

In 2014, purchases from the top five suppliers of the Group and their respective percentages (as stated in the audited financial data of A Shares of the Group) prior to A Share auditing are as follows:

Unit: RMB

Total purchases from top five suppliers	3,774,410,390.16
Total purchases of the Group for the year	59,852,218,578.36
Percentage of the total purchases of the Group for the year (%)	6.31

4. **Expenses**

Other net income/(expenses) and other gains

The net amount of other income/(expenses) and other gains of the Group in 2014 was RMB1,326,902,000 as compared to RMB3,765,266,000 in 2013, representing a decrease of RMB2,438,364,000 as compared to last year. In the prior year, the Group generated gains of RMB3,690,633,000 through the disposal of Shanghai Tianhongli Asset Management Co. Ltd. (上海天宏力資產管理有限公司) and COSCO (Qingdao) Asset Management Co., Ltd. (青島遠洋資產管理有限公司), while in the current year, gain on the disposal of equity interests in certain companies amounted to RMB608,330,000. The grants for vessel retirement transferred from controlling shareholders amounted to RMB1,379,000,000 and a net loss of RMB1,069,483,000 was incurred for the disassembly of vessels during the Reporting Period.

Selling, administrative and general expenses

In 2014, the administrative expenses of the Group amounted to RMB4,308,227,000, representing an increase of RMB132,320,000, or 3.17%, as compared to 2013, which was mainly attributable to the year-on-year increase in the expenses of items such as staff costs and rental expenses.

Finance income

The finance income of the Group was mainly interest income from bank deposits. In 2014, the finance income of the Group amounted to RMB998,500,000, representing a decrease of RMB24,269,000 or 2.37%, as compared to 2013. Such decrease was mainly attributable to the decrease in the balances of bank deposits during the current year.

Finance expenses

In 2014 the Group incurred finance expenses of RMB2,965,968,000, representing a decrease of RMB246,314,000, or 7.67%, as compared to last year. The decrease was mainly due to a decrease in the amount of borrowings.

Share of profits less losses of joint ventures and associates

The Group's share of profits of joint ventures and associates in aggregate amounted to RMB1,365,811,000 in 2014, representing an increase of RMB263,666,000 as compared to RMB1,102,145,000 in 2013, which was attributable to the increased profits in some joint venture terminal companies.

Income tax expenses

Income tax expenses of the Group in 2014 amounted to RMB-1,043,534,000, representing a decrease of RMB1,343,006,000, as compared to RMB299,472,000 in 2013. During the Reporting Period, the Company's overseas subsidiaries signed container vessel building contracts which required more funds for such expansion. It was determined after consideration that the retained profits in the previous year will not be distributed and the deferred income tax liability originally provided amounting to RMB1,557,867,000 was reversed accordingly.

5. **Research and development ("R&D") expenses**

(1) **Breakdown of R&D expenses**

Unit: RMB'000

R&D expenses in the current year	74,643
Capitalised R&D expenses in the current year	0
Total R&D expenses	74,643
Percentage of total R&D expenses over net assets (%)	0.31
Percentage of total R&D expenses over operating revenue (%)	0.12

(2) **Description**

In 2014, China COSCO had adopted an operation-driven approach and adhered to the principles of cost reduction for greater efficiency, energy and consumption saving, environmental protection and continuous improvement of management level and service ability by employing new technologies and introducing advanced management concepts. The Group emphasized the development of mobile internet technology application, vessel exhaust-gas scrubbing and desulfurization test and vessel turbocharger partition technology test, as well as the proprietary research and development of roro vessel transport management platform and cooling box unit controller fault diagnose system, and LNG refueling and loading arm system and large caliber marine loading arm for inland waterway and the update of automation technologies for container terminals.

6. **Cash flow**

As at 31 December 2014, cash and cash equivalents of the Group amounted to RMB39,705,524,000, representing a decrease of RMB8,500,866,000, or 17.63%, as compared to 31 December 2013.

In 2014, the Group's net cash inflow from operating activities amounted to RMB6,037,356,000 as compared to the net cash outflow of RMB2,316,602,000 in 2013 During the Reporting Period, profit attributable to the principal business of container shipping business turned around as compared to the losses in the same period of last year; loss attributable to the principal business of dry bulk shipping business narrowed further, resulting in a significant improvement to the cash inflow from operating activities.

In 2014, the Group's net cash used in investing activities amounted to RMB763,358,000, as compared to the net cash inflow of RMB810,671,000 in last year. During the Reporting Period, the Group's cash receipts from returns of investments had increased as compared to last year, mainly attributable to receipts of wealth management products interest; cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets decreased respectively as compared to last year; net cash from the disposal of a subsidiary and other operating entities decreased as compared to the amount received from the disposal of equity interests in COSCO Logistics Co., Ltd. (中國遠洋物流有限公司) ("**COSCO Logistics**") and other entities last year.

In 2014, the Group's net cash used in financing activities amounted to RMB13,731,565,000, as compared to net cash inflow of RMB4,114,655,000 last year. During the Reporting Period, cash payments for repayment of debts by the Group increased as compared to last year. In particular, the first phase of RMB10 billion medium-term notes issued in 2009 was repaid in April, and the cash received from the borrowings decreased as compared to last year.

7. **Others**

(1) **Details of major changes in components of income and sources of profits of the Group**

In 2014, the international shipping sector still did not see substantial improvement of imbalance of supply and demand. Under such difficult conditions, the Company had taken various measures to increase revenue and reduce expenses. Realized net profit attributable to equity holders of the Company of amounted to RMB362,529,000 representing an increase of RMB127,059,000 or 53.96% as compared to RMB235,470,000 in 2013. In particular, realized operating profit from container shipping and related business amounted to RMB1,015,538,000, representing an increase of RMB2,003,676,000 as compared to loss of RMB988,138,000 last year. Operating results from dry bulk shipping and related business further recorded a decrease in loss of RMB652,849,000 as compared to last year, mainly contributed to the further improvement in efficiency. In addition, subsidy received for the decommission of vessels from the controlling shareholder of the Company (the "**Shareholder**") was RMB1,379,000,000 and a net loss of RMB1,069,483,000 was incurred by the disassembly of vessels during the Reporting Period. Earnings of the Group recorded in 2014 was mainly attributable to the decreased losses from principal shipping businesses and the proceeds from the disposal of assets.

(2) **Analysis of progress of the Company's implementation of various financing and significant asset restructuring events in the previous period**

Not applicable.

(3) **Progress of implementation of development strategies and operation plans**

Container shipping business

In 2014, the global economy recovered gradually while the market demand for container shipping increased slowly. As the pressure on shipping capacity and supply still existed and the supply and demand relations was still severe, the overall market freight rates saw no significant improvement. The Company focused on "increasing revenue, controlling costs, refining management and ensuring safety" and adopted various measures to increase revenue and reduce expenses and finally achieved turnaround of operating gross profit.

COSCO Container Lines Co. Ltd. (中遠集裝箱運輸有限公司) (“**COSCON**”) had undertaken numerous measures on vessel upgrade, alliance cooperation, optimizing of route layout and shrinking of loss-making logistics, which resulted in a significant decrease in costs of a single container for Europe and the United States routes. With the coordination of southern and northern routes, more efforts were able to be put into emerging markets. In order to explore new market opportunities, COSCON implemented optimization, upgrade and revamp on routes. Through constant improvement in the regional route network, transit routes were planned, short-distance berths were coordinated and the utilization rate of berth resources was increased.

In line with the state’s “One Belt and one Road” strategy, the Company expanded its service outreach, resulting in an enlarged market share. The Company was involved in Sino-Europe route business trying new mode of transportation and identifying new profit growth drivers.

The Company continuously increased the proportion of its owned large vessels, the proportion of custom-built vessels of high efficiency and energy saving with social responsibility in mind, and promoted the decommissioning or disassembly of its old vessels, which enabled great improvement in fleet structure. The shipping fleet recorded a year-on-year decrease in average fixed vessel costs per container per day. As at 31December 2014, out of our owned shipping fleet, capacity of vessels with 8000 TEUs above further improved to 52%.

The Company strengthened top customer-oriented strategy, optimised supply structure and customer structure and developed and owned a batch of small and medium customers with higher contribution. Customer service guarantee system was established to provide individualised services where customer experience and internal communication efficiency were both increased step by step.

The Company continued to control each process, including purchasing and daily fuel consumption, which realised a decrease of 8.3% in fuel consumption volume, with a corresponding increase in operating capacity, as compared to last year, which, combined with fluctuations in fuel prices, in turn led to a decrease of 15.0% in fuel cost expenses, as compared to last year.

During the Reporting Period, the Company had continued to push forward the integration of its traditional business with e-commerce, targeting a coverage of all routes, and expanded its e-commerce platform to foreign trade routes, whilst introducing new products such as “Zhiqibao” (滯期寶), which was a meaningful attempt on commercialization of services.

The container shipping business of the Group achieved a shipping volume of 9,437,540 containers in 2014, representing a corresponding increase of 8.5% as compared to last year.

Dry bulk shipping business

While strictly adhering to a market-oriented approach and shifting the line of thinking, the Company focused on its shipping presence and took flexible measures to capture market opportunities. Based on the improved quantitative analysis model and the dynamic analysis on sensitive factors, the Company strengthened the benchmark analysis of charters with markets and budgets so as to enhance its level of operation. Taking into account budget indicators and changes in market, the Company targeted by band with vessels and cargos operated separately to safely ship valued cargos and made efforts to build cycling routes based on long-term cooperation and location of spot goods. The Company proactively developed premium routes for less than container load to effectively take advantage of the features of different vessels of 300,000 tons, 200,000 tons and 115,000 tons, with the utilization of DWT improved.

Substantial progress was made in the implementation of the top customer-oriented strategy. During the Reporting Period, the Company has proactively arranged customer visits at various levels to promote differentiated service products and customized solutions by leveraging its resource advantage. As directed by the head office of the Group, the Company impelled further cooperation with major mineral traders, grain traders and coal traders and have made positive progress. At the end of the Reporting Period, the cargo sources of the Company has seen obvious improvement over the beginning of the Reporting Period. The Company proactively carried out reform and innovation in its marketing mechanism and had its overseas network increasingly completed.

On the basis of overall budget management, the Company detailed components of costs and improved its capability in cost control. Adhering to the principles of "precise, detailed, strict and practical", the Company detailed overall budget management and placed emphasis on focus, details, process management, strict inspection and the implementation of reward and punishment to further explore its potential and get rid of its weaknesses, break expenditure items to the minimum, and follow up continuously, with its management efficiency improved, resulting a decrease of 16.5% in total costs as compared to last year.

The Company had optimized fleet structure and professional management, construct a low-cost competitive advantage from the source. Based on market / customer demands and its affordability, the Company dynamically adjusted fleet structure and made all efforts to implement the plan to upgrade energy-efficient and environment-friendly vessels. Meanwhile, each fleet secured long-term resources based on ancillary operating plans.

The Company has refined its risk management system and optimized top-layer design to facilitate the innovative integration of risk management, internal control and overall management system. By organizing five level-1 risk management segments of "market, strategy, finance, operation, and labor", the Company has realized the connection between comprehensive risk management and business process and effectively prevented risk events.

A dry bulk shipping volume of 685.6 billion ton nautical miles in 2014 was expected to be achieved while 835.5 billion ton nautical miles was actually achieved.

Terminal business

COSCO Pacific emphasizes a terminal investment strategy of keeping balanced layout, with terminal portfolio covering four major port clusters in mainland China, Hong Kong and Taiwan as well as overseas port hubs. It has established certain brands in the market with increasing influence in the industry. As at 31 December 2014, COSCO Pacific operated and managed 123 berths at 21 ports worldwide (17 in mainland China, Hong Kong and Taiwan and 4 overseas), of which 108 container berths had an annual handling capacity of 65,750,000 TEUs, representing approximately 9.3% global market shares in terms of total throughput. During the Reporting Period, COSCO Pacific continued to expand its operating terminals through acquisition of terminal assets to increase handling capacity. Meanwhile, it upgraded terminal infrastructures to improve the efficiency of the operating terminals so as to enhance their competitiveness and drive business growth. The actual additional annual operating capacity for 2014 is 3,000,000 TEUs.

(II) Analysis of operations by industries, products and regions

For details, please refer to the segment statement and income statement by regions in the consolidated financial statements of the Group.

(III) Analysis of assets and liabilities

As at 31 December 2014, the total assets of the Group amounted to RMB148,788,454,000, representing a decrease of RMB13,073,653,000 as compared to RMB161,862,107,000 at the beginning of the Reporting Period. Total liabilities of the Group amounted to RMB105,830,496,000, representing a decrease of RMB13,917,804,000 as compared to RMB119,748,300,000 at the beginning of the Reporting Period. Equity attributable to equity holders of the Company amounted to RMB24,379,162,000, representing an increase of RMB156,577,000 as compared to RMB24,222,585,000 at the beginning of the Reporting Period.

As at 31 December 2014, the total amount of outstanding borrowings of the Group was RMB86,943,054,000, representing a decrease of RMB9,452,323,000 as compared to RMB96,395,377,000 at the beginning of the year. As at 31 December 2014, net current assets amounted to RMB14,744,561,000, representing a decrease of RMB1,696,135,000 as compared to the beginning of the Reporting Period. The net debt as at 31 December 2014 amounted to RMB47,237,530,000, representing a decrease of RMB951,457,000 as compared to RMB48,188,987,000 at the beginning of the year. As at 31 December 2014, the net liability to equity ratio was 109.96% as compared to 114.43% as at 31 December 2013.

The interest coverage ratio in 2014 was 1.19 times as compared to 0.51 times in 2013. Certain property, plant and equipment of the Group with net book value of RMB34,776,361,000 (31 December 2013: RMB33,098,947,000) were pledged to banks and financial institutions as collaterals for borrowings in the total amount of RMB21,475,272,000 (31 December 2013: RMB20,244,211,000), representing 43.42% of the total value of the property, plant and equipment (31 December 2013: 40.66%).

Debt analysis

Categories	As at 31 December 2014 *RMB'000*	As at 31 December 2013 *RMB'000*
Short-term borrowings	3,127,600	2,765,570
Long-term borrowings		
Less than 1 year	15,758,769	25,278,450
1 to 2 years	22,713,238	20,205,381
3 to 5 years	21,849,275	24,130,210
Over 5 years	23,494,172	24,015,766
Sub-total	83,815,454	93,629,807
Total	86,943,054	96,395,377

Classification by categories of borrowings

The secured borrowings of the Group amounted to RMB21,475,272,000 and unsecured borrowings amounted to RMB65,467,782,000, representing 24.70% and 75.30% respectively of the total borrowings.

Classification by categories of borrowings

The borrowings of the Group denominated in US dollars amounted to RMB71,556,736,000 and borrowings denominated in RMB amounted to RMB13,905,724,000, as well as borrowings denominated in other currencies amounted to RMB1,480,594,000, representing 82.30%, 15.99% and 1.71% respectively of the total borrowings.

Company guarantee and contingent liabilities

As at 31 December 2014, the Group had provided a guarantee on a banking facility granted to an associate in the amount of RMB83,298,000 (31 December 2013: RMB128,608,000). Details of the Group's contingent liabilities are disclosed in Note 12.

(IV) Analysis of core competitive edge

1. Advantages in scale: overall strength of principal businesses leading the world

China COSCO is the capital platform of the China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司) ("**COSCO Group**") and provides a wide range of services covering the shipping value chain, including container shipping, dry bulk cargo shipping, terminals and container leasing services to international and domestic customers through its subsidiaries. Its container fleet ranked sixth in the world. The container throughputs of the terminals invested globally by COSCO Pacific ranked fourth in the world. Advantages in scale run as a basis to provide more diversified and pluralistic comprehensive services for its customers.

2. Network advantages: global service network

As the capital platform of the COSCO Group, China COSCO, being an integrated shipping company, maintained its presence in China and expanded to the global market. With its advantages in market experience and network, it continues to enhance its integrated capability in shipping.

With 192 ports for calling container vessels in 64 countries and regions, it operated 101 international routes, 33 international branch routes, 23 coastal routes in China and 83 branch routes in the Pearl River Delta and the Yangtze River. COSCON has 500 or so domestic and overseas sales and service outlets. Such wide coverage of sales and service network enabled the provision of quality "door-to-door" services to our customers.

The dry bulk shipping routes covered more than 1,000 ports in more than 100 countries and regions worldwide. A large capacity in scale and well-established outlets were more conducive to the design and scheduling of vessel routes so that customised services could be offered to customers. Under the circumstances where the cost was fixed, the advantage in scale was even more apparent.

As for terminal business, the Group's terminal portfolio covers four major port clusters in mainland China, Hong Kong and Taiwan as well as overseas port hubs. As at 31 December 2014, the Group operated and managed 123 berths at 21 ports worldwide (17 in mainland China, Hong Kong and Taiwan and 4 overseas), of which 108 container berths had an annual handling capacity of 65,750,000 TEUs.

As for container leasing business, Florens company of the Group has an efficient and quality international operation team and a sales and service network across the globe, with offices or branches covering 13 locations spanning five continents around the world and has business relationship with approximately 230 depots. The Group is capable of seeking development with upgrading and transformation in respond to changing market and continues to increase its competitiveness.

3. **Brand advantages: "COSCO" brand is well-known in the world**

In the international shipping market, "COSCO" has a wide range of popularity and recognition. "COSCO" brand has become an important intangible asset of COSCO. Vessels and containers containing the "COSCO" trademark are operating around the world and the trademark carries a symbolic representation of COSCO.

4. **Advantages in business mode: to establish extensive strategic cooperation and expand electronic commerce business**

The controlling Shareholder (COSCO Group) has put a great emphasis on the establishment of relationship and strategic cooperation with major customers by the signing of major and long term contracts. It has strengthened the expansion of domestic and overseas markets and customer - relationship maintenance with enhanced cooperation for mutual benefit to ensure the stable increase of cargo sources. It has put emphasis on the emerging markets and new customers and has improved the composition of markets, cargo flow, cargo sources and customers.

COSCON continued to create a new business mode of Pan-Asian electronic commerce platform by promoting the integration of traditional industries and electronic commerce to expand electronic commerce platform business to foreign trade route with an aim to cover the entire route.

5. **Advantages in business synergy: capitalising on the integrated advantages of China COSCO**

China COSCO has placed emphasis on strengthening its business synergy and optimised integration of internal resources to provide customers with an entire transportation chain service. COSCON has provided additional value-added services to customers by strengthening internal coordination in order to continuously enhance the level of customer service. COSCO Bulk has relied on the support from COSCON to provide "integrated resolutions for goods transportation" to the customers.

(V) **Investment analysis**

1. **Analysis of external equity investment**

In 2014, the total external equity investment of the Group amounted to RMB424,967,631.32. The Group made additional investments of RMB62,974,365.23 to Ningbo Yuan Dong Terminals Ltd. The Group also invested in six new companies as follows:

Invested companies	Principal business	Proportion of the equity interest held in the invested companies	Investment Costs
COSCO Yingkou Container Services Co., Ltd. (營口中遠集裝箱服務有限公司)	Stack and storage	51%	510,000.00
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	Operation of terminal	25%	352,092,547.09
Mindano Limited	Agency service	49%	981,772.45
COSNAM Shipping Co., Ltd.	Agency service	49%	3,450,165.67
Cosiam Transport Co., Ltd.	Agency service	49%	4,955,710.11
COSCO-HPHT Asia Container Terminals Ltd.	Investment holding and indirect holding of equity interest in Asia Container Terminals Ltd.	50%	3,070.77

(1) Security investment

Not applicable.

(2) Equity held in other listed companies

Unit: RMB

Stock code	Short name of securities	Initial investment cost	Percentage of equity in the company (%)	Book value as at the end of the period	Gain/loss for the reporting period	Change in owner's equity during the reporting period	Accounting item	Sources of shares
600837	Haitong Securities	7,291,668.00	0.05	117,165,848.16	584,368.32	46,530,327.48	Available-for-sale financial assets	Acquired by promotion
600821	Tianjin Quanye Bazaar	99,300.00	0.02	512,035.02	0.00	75,039.61	Available-for-sale financial assets	Original legal person shares purchased
000597	Northeast Pharmaceutical	200,000.00	0.01	1,320,181.17	0.00	455,019.95	Available-for-sale financial assets	Original legal person shares purchased
000792	Qinghai Salt Lake	7,500,000.00	0.07	23,087,628.20	71,284.38	3,965,858.71	Available-for-sale financial assets	Swap
005880KS	KOREA LINE CORP	80,138,805.95	0.51	16,586,059.23	-32,039,294.22	30,109,082.08	Available-for-sale financial assets	Other
601328	Bank of Communications	676,413.00	0.00	3,473,739.20	132,819.44	1,134,073.68	Available-for-sale financial assets	Original legal person shares purchased
Total		95,906,186.95	/	162,145,490.98	-31,250,822.08	82,269,401.51	/	/

(3) Equity held in non-listed financial enterprises

Name of object held	Initial investment cost (RMB)	Number of shares held (shares)	Percentage of equity in the company (%)	Book value as at the end of the period (RMB)	Gain/loss for the reporting period (RMB)	Changes in owner's equity during the reporting period (RMB)	Accounting item	Source of shares
COSCO Finance Co., Ltd.	352,040,000.00	500,000,000	31.25	906,520,819.40	271,430,426.33		Long-term equity investments	Original legal person shares purchased
Bank of Jiangsu Co., Ltd.	400,000.00	400,000	0.0044	400,000.00			Available-for-sale financial assets	Acquired by promotion
Total	352,440,000.00	500,400,000.00	/	906,920,819.40	271,430,426.33		/	/

(4) Trading of shares of other listed companies

Not applicable

2. Wealth management entrusted to non-financial companies and derivatives investments

(1) Entrusted wealth management

Partner Name	Entrusted wealth management product type	Entrusted wealth management amount	Entrusted wealth management start date	Entrusted wealth management end date	Remuneration determination method	Estimated profit	Actual principal amount recovered	Actual profit obtained	Going through legal procedures	Impairment provision amount provided	Related party transactions or not	Litigation	Source of funds and indicate whether the funds are raised funds	Relationship
Ping An Trust	Trust	1,000,000,000	2014-1-2	2014-3-26	Expected	16,145,205.47	1,000,000,000	16,145,205.47	Yes	No	No	No	No	No
CITIC Securities	Collective asset management plan	200,000,000	2014-1-6	2014-3-25	Expected	2,949,041.10	200,000,000	3,061,946.12	Yes	No	No	No	No	No
Industrial Bank	Bank financing	1,000,000,000	2014-1-3	2014-3-28	Expected	14,038,256.16	1,000,000,000	14,038,356.16	Yes	No	No	No	No	No
CITIC Bank	Bank financing	1,000,000,000	2014-1-6	2014-3-28	Expected	13,758,804.11	1,000,000,000	13,419,178.08	Yes	No	No	No	No	No
Ping An Trust	Trust	1,500,000,000	2014-4-1	2014-4-17	Expected	2,301,369.86	1,500,000,000	2,301,369.86	Yes	No	No	No	No	No
Ping An Trust	Trust	500,000,000	2014-4-1	2014-4-16	Expected	719,178.08	500,000,000	719,178.08	Yes	No	No	No	No	No
CITIC Securities	Collective asset management plan	199,000,000	2014-5-9	2014-11-18	Expected	7,050,052.05	199,000,000	7,124,200.00	Yes	No	No	No	No	No
CITIC CP	Specified asset management plan	300,000,000	2014-5-6	2014-8-6	Expected	5,444,383.56	300,000,000	5,444,383.56	Yes	No	No	No	No	No
CITIC CP	Specified asset management plan	300,000,000	2014-8-7	2014-11-6	Expected	5,235,616.44	300,000,000	5,235,616.44	Yes	No	No	No	No	No
CITIC CP	Specified asset management plan	300,000,000	2014-11-6	2015-2-2	Expected	5,063,013.70		0.00	Yes	No	No	No	No	No
CITIC CP	Specified asset management plan	200,000,000	2014-11-6	2015-2-2	Expected	3,375,342.47		0.00	Yes	No	No	No	No	No
Total /	/	6,499,000,000	/	/	/	76,080,263.00	5,999,000,000	67,489,433.77	/		/	/	/	/
Cumulative amount of principal and revenue overdue: (RMB)														0.00

(2) Entrusted loans

Borrower Name	Amount of entrusted loans	Loan duration	Loan interest rate	Use of borrowings	Security or guarantor	Overdue or not	Related transactions or not	Extended or not	Litigation	Source of funds and indicate whether the funds are raised funds	Relationship	Estimated profit	Profit/loss of investment
COSCO Shanghai Hotel Company Limited	70,000,000.00	2014.7.17-2014.12.12	6%	Ordinary operation	No	No	Yes	No	No	Equity fund	Joint venture	1,726,666.67	1,726,666.67

Explanation of entrusted loans

COSCO Shanghai Hotel Company Limited is originally a joint venture of the Company, which was interested in 10% of that company at the end of the year following a disposal of its 48.07% equity interests.

(3) **Other wealth management and derivative investments**

Type of investment	Source of investment	Party to contract	Investment amount	Duration	Type of instrument	Estimated profit	Profit/loss of investment	Litigation
Financial derivative business	/	Citibank, Societe Generale, JPMorgan Chase Bank, HSBC	97,500 tons	Within twelve months	Fuel swap	/	US$-5,452,557.50	No
Financial derivative business	/	China Merchants Bank	US$80 million	Within one year	Forward foreign exchange settlement	/	/	No

3. **Use of proceeds from raised funds**

Not applicable.

4. **Analysis of principal subsidiaries and companies with equity interest**

The following is stated according to the audited financial report of A share of the Company.

COSCON, a wholly-owned subsidiary of China COSCO, is principally engaged in international and domestic container shipping services and related businesses. Its registered capital is RMB11,088,763,082.00. As at 31 December 2014, its total assets and total equity amounted to RMB55,995,785,878.26 and RMB6,046,247,120.57 respectively. Total equity attributable to owners of the parent company amounted to RMB5,732,110,700.89 (31 December 2013: RMB5,880,579,854.90). Revenue, operating profit, gross profit and net profit in 2014 were RMB47,742,517,023.55, RMB651,132,225.42, RMB297,207,719.72 and RMB91,390,313.49 respectively. Net profit attributable to equity holders of the parent company amounted to RMB52,027,471.59 (2013: RMB-1,426,094,567.07).

COSCO Bulk , a wholly-owned subsidiary of China COSCO established in 2011, in principally engage in cargo transportation service of dry bulk cargo to the customers such as grain, minerals, coal, chemical fertilizer, steel, timber, agricultural products and cement. Its current registered capital is RMB25,968,025,394.50. As at 31 December 2014, its total asset and total equity amounted to RMB36,738,523,356.67 and RMB6,094,065,693.62 respectively. Total equity attributable to equity holders of the parent company amounted to

RMB5,820,473,570.70 (31 December 2013: RMB7,518,997,435.20). Revenue, operating profit and net profit in 2014 were RMB12,557,153,617.69, RMB-2,409,375,147.84 and RMB-1,671,563,525.65 respectively. Net profit attributable to equity holders of the parent company amounted to RMB-1,696,655,574.15 (2013: RMB-1,677,834,884.52).

COSCO Pacific and its subsidiaries are principally engaged in the businesses of terminals management and operation and container leasing, management and sales. COSCO Pacific is a company incorporated in Bermuda with limited liability whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). On 31 December 2014, COSCO Pacific was owned as to 44.54% by China COSCO. As at 31 December 2014, the authorized share capital of COSCO Pacific was HK$400,000,000 and its issued share capital and paid-up capital was HK$294,043,786.20. As at 31 December 2014, the total asset and total equity of COSCO Pacific amounted to RMB46,546,766,182.13 and RMB30,884,628,156.48 respectively. Total equity attributable to equity holders of the parent company amounted to RMB28,949,708,704.87 (31 December 2013: RMB27,701,010,706.67). Revenue, operating profit and net profit in 2014 were RMB5,404,648,365.05, RMB2,106,952,050.70 and RMB1,919,287,386.16 respectively. Net profit attributable to equity holders of the parent company amounted to RMB1,795,666,947.76 (2013: RMB4,351,826.194.79).

5. **Projects financed by funds not raised from financing activities**

Not applicable.

II. **Discussion and analysis of the Board concerning the future development of the Company**

(I) **Competition in the industry and development trend**

Container shipping market

Competition landscape

Since the financial crisis, the container shipping market has experienced a period of unprecedented turbulence and downturn. Liners made great efforts to reduce costs, actively optimized business structure and expanded alliance cooperation in order to compete in the sluggish market. According to the statistics of Alphaliner, the four shipping alliances, including 2M, CKYHE, Ocean3 and G6, accounted for approximately 35%, 23%, 22% and 19% of the weekly shipping capacity of the Asia-Europe routes and approximately 15%, 36%, 14% and 30% of the weekly shipping capacity of the Pacific routes respectively. The four alliances had a total share of up to 99% and 95% in the shipping capacity of the afore-said two eastern-and-western major routes. The co-operation structure in the eastern-and-western major routes alliance is relatively stable and is not expected to be broken in the near future.

Market outlook

Although the demand for container transportation continues to recover in 2015, the capacity oversupply pressure does not fall and industry competition remains intensive. Clarkson forecasts in February that the global container volume will increase by 6.7% in 2015 as compared to 2014 and the supply of global container transportation capacity will increase by 5.8%, slightly lower than the increase in demand; the increase in capacity of large vessels (new vessels of more than 12,000TEUs) in 2015 will reach approximately 704,000 TEUs, representing a year-on-year increase of approximately 11%. The concentrated delivery of large vessels will continued to put pressure on the shipping capacity of east-west main routes. As a result of hierarchical substitution, the pressure shall spread to North-South shipping routes and routes in the emerging markets.

Development trend

In respect of demand and supply, a certain "barrier" has developed in the market against the background of large vessel size and operational alliance in the eastern-and-western major routes, especially the Asia-Europe routes. Liner companies outside the alliance had gradually lost their competitiveness and their operation retarget at sub-main routes, which results in the rapid growth of shipping capacity supply of sub-main routes, especially in the emerging markets. According to the statistics issued by Alphaliner in February, the current percentage of capacity allocation to the Middle East/South Asia regional market, the African regional market and the East Asia intra-regional is 13%, 9% and 11%, one percentage point higher than the previous year in each case. In terms of absolute value, the regional capacity allocation to the afore-said three emerging markets is approximately 2.36 million TEUs, 1.67 million TEUs and 2.12 million TEUs, representing a year-on-year increase of 14%, 17% and 18% respectively. The capacity scale of Asia-Europe routes reaches 3.93 million TEUs, which is the same as the corresponding period last year. In addition, it is notable that large vessel capacity will further favor the Pacific routes. In February 2015, the shipping capacity of large vessels of more than 10,000 TEUs in the Pacific routes recorded a sharp year-on-year increase of 286%, resulting a year-on-year increase of 25% in the total capacity of this route.

In respect of freight rate, being put under severe test by the "New Normal" of slower growth of global economy and container shipping market demands, as well as the continuing imbalance between demand and supply, it is expected that freight rate in 2015 will remain low and low-cost competitive situation will remain unchanged. This situation is mainly due to two reasons: firstly, the inherent cost difference and the difference in operating strategies and supplier structure among various main liners will exist in the long run, and the ability of the suppliers to recover freight rate will decrease in face of the intense market competition; secondly, in recent years, the low cost advantages emerged from large-scale vessels in the container shipping market, may prolong the duration of low market freight rate.

Dry bulk shipping market

Competition landscape

With the slow recovery of global economy and China's economy entering into a "New Normal", the growth rate of demand for dry bulk shipping witnessed significant slowdown. Meanwhile, due to significant decrease in the price of dry bulk cargo and the effects from trade pattern, some large-scale mineral traders and grain traders further enhanced their concentration on resources such as iron ore and coal and also strengthened their control on shipping rights, which intensified the excessive overcapacity of shipping capacity and thus the competition environment of dry bulk market has further deteriorated. Therefore, shipping companies encountered more difficulties in their shipping operations.

Market Outlook

Based on the latest forecasts of various international organizations and major forecast institutions on global economic growth in 2015, the global economy in 2015 is expected to slightly outperform than 2014. However, taking into account that the price of bulk commodities will continue staying at a generally low level, as well as the impact of domestic and international economic environment and the strengthening US dollars, problems on multilevel structure will affect the increase of demand for dry bulk. It is expected that the demand for dry bulk shipping will increase by around 3.7% in 2015. Based on the delivery schedules of new ship orders and the ship age structure of dry bulk shipping capacities, the supply of dry bulk shipping capacities is expected to increase by around 4.5% in 2015. It is preliminarily predicted that the market condition will remain very severe in the dry bulk market.

Development Trend

Firstly, the global economy will continue to show a weak recovery trend and a differentiated development trend between developed economies and emerging economies. In addition, the "New Normal" presented in economic development and market environment in the PRC will, to some extent, slow down the growth rate of dry bulk market. On one hand, due to continued downturn of the bulk commodity trades, cargo owner customers will generally experience operating pressure, and in order to control shipping costs, they will require spot market operation as mainstream approach. On the other hand, faced with operation challenges, the customers are also striving for innovation, and they will impose more requests on shipping companies for integrated shipping service solutions and customized service products.

Secondly, sustained release of excessively oversupplied capacities in the ship manufacturing industry in Asian region will continue to intensify the oversupply of shipping capacities accumulated in a long term. And the imbalance between supply and demand of shipping capacities will have a long-term effect on the international dry bulk market, which will keep volatile at a low level in a quite long period of time.

Thirdly, low entry barriers in the dry bulk shipping industry results in the entry of numerous investment funds and cargo owners, thus occupied the development space of ship owners. In the past, many investors who are not engaged in the industry have successively made significant investment in building bulk carriers, resulting in more fragmental and complicated operating environment of suppliers of shipping capacities and more intense competition, with obvious disadvantages compared to highly centralized demand parties of shipping capacities.

Port Segment

Competition landscape

In 2015, the shipping industry has entered into a "New Normal" and the imbalance between supply and demand remained prominent in the container shipping market. The trend that container shipping companies establishing alliance and container vessels becoming larger also brought new challenges for the expansion of terminals and container leasing business. On one hand, shipping companies establishing alliance and container vessels becoming larger require higher terminal service quality and operation efficiency, such as terminal operation efficiency and port turnround of ships.

Market outlook

In light of the slow recovery of economic fundamentals and new normal development of the shipping industry, the global port industry is expected to experience stable growth, but the growth rate may slow down. With China's economic transformation and slowdown of economic growth, it is expected that domestic manufacturing industry will continue to be affected and the throughput growth will continue to show a slowdown trend. Specifically, the growth rate of China's port container throughput is expected to remain above 5% or more. Meanwhile, with the implementation of full reform on domestic ports, the port transformation and upgrading process will accelerate.

Development trend

In recent years, as competition in the terminal industry became more intense, some regional terminal operators have gradually grown stronger and developed their business globally. Meanwhile, terminal operators are still active in making investment in emerging markets such as Eastern Europe, Central America and Far-East which are widely considered to have good growth potential.

(II) Development strategy

According to the latest revised development strategy of China COSCO (2020), China COSCO categorizes its existing business into global integrated service cluster for container and global integrated service cluster for dry bulk, and will put great emphasis on the synergy between inter-cluster companies, so as to become an industry leader in terms of profitability, anti-cyclicality, global presence and increase in size as directed by the strategic vision of being customer-centric.

The overall position and function of global integrated service cluster for container in the business of China COSCO falls into improvement of profitability, expansion of global presence and increase in size. Container terminal business will actively adapt to "New Normal" through activation of new reform impetus, practical exploration of new marketing model, pursuit of profit growth, continuing optimization of fleet structure, broad way of alliance cooperation, expansion of cost advantage. Container terminal business will seek to realize synergy with container shipping business in investment and operation. It will also accelerate the establishment of overseas networks, emphasize the construction of hub ports, and increase shareholdings in terminals to turn to be an operator of terminal business from its participant in order to make contribution to the realization of the four strategic visions of China COSCO.

The overall position and function of global integrated service cluster for dry bulk in the business of China COSCO falls into the development of anti-cyclicality and expansion of global presence. Dry bulk shipping will increase investment in shipping based on demand from customers, accelerate the restructuring of cargo sources and customers, and proactively develop direct customers to secure shipping demand, expand its global presence and realize healthy operation. Dry bulk terminal business will make selective investment in individual terminals after giving adequate consideration to the investment potential and synergetic value of relevant terminals.

(III) Operation plan

Container shipping business

In light of the "New Normal" of the global economy and the shipping market and the new wave of Internet economy, the Company will further grasp the main keynote of "Adjustment and Development", actively adapt to "New Normal", activate new reform impetuses to continually improve effectiveness of business operation.

Capitalizing two key factors, namely large-scale vessel and energy saving and environmental protection, the Group will continue to optimize its fleet structure, establish a low-cost fleet, improve the economical efficiency of marine fuel. In addition, the Group will promote sharing of resources within the alliance, enhance its value-creating capacities and further consolidate and expand the cost advantages of alliance. Moreover, the Group will actively exploit the potentials and the profit growth contributors of the emerging markets and regional markets through optimization of the type of vessels and shipping routes.

The Group will renovate its transportation modes under the guideline of national strategy of "One Belt and One Road (一帶一路)" in order to establish seamless connection of transit shipment in multi-transportation modes and establish unique competitive advantages. Moreover, the Group will carry out marketing innovation, improve service quality and put full efforts on the consolidation of cargo source base in order to further increase the proportion of high-value cargoes and profit contribution.

The Group will enhance its resource allocation capacities and utilization efficiency in order to accelerate turnover of container equipment. Furthermore, the Group will continue to strengthen ship operation and fuel consumption monitoring. Moreover, the Group will continue to strengthen supplier management and negotiations and enhance collaboration between terminal business and shipping business in order to improve terminal operation efficiency.

We will further explore O2O e-commerce model and actively introduce new elements and new mechanism, and we will integrate various resources through our e-commence platform to expand derivative services with increasing efforts on service and product innovation for establishing shipping e-commerce ecosphere, so as to improve the overall value of the Company's services.

In 2015, the Group's container shipping business is expected to achieve a 5-6% increase in cargo volume as compared with 2014.

Dry bulk shipping business

In 2015, with the new changes and features of domestic and international economic development, COSCO Bulk will adhere to its operation and development principles of "being market-oriented and customer-centric", and gradually promote the transformation of business model to enhance its soft power. Focusing on the four dimensions of "anti-cyclicality, profitability, global presence, increase in size", it will insist on "systematic thinking, systematic innovation and systematic implementation" to enhance the ability to increase revenues and create benefits so as to achieve sustainable development.

It will establish the systematic innovation mechanism, speed up the transformation of business model to build an integrated service cluster for dry bulk. Being customer-centric, it will optimize the design of service products, and actively promote the deep strategic cooperation with major customers and realize mutual benefit by taking a series of measures such as "entering into long-term contracts to provide selectively tailored-made ship-booking and transportation services to targeted customers, collaborating on the development of resources and deepening joint venture". Through materializing the reforms on institutional mechanism of marketing, it will adopt marketing account executive accountability system to improve the customers' experience on shipping services and enhance its global market capacities. On the basis of the existing marketing network of overseas companies, with a combination of source flow of goods, status of cargo owners and potential of emerging markets, it will accelerate the establishment of oversea networks to develop an overseas collaborative network platform. It will gradually facilitate the adjustment, optimization and professional management on fleet structure to form competitive advantages at a low cost from sources and continue to meet the demands for special cargo types and project transportation at various levels from customers.

COSCO Bulk expects that a shipping volume of 678.3 billion ton miles is to be achieved in 2015.

Terminal business

To focus on investment opportunities in major hub ports and domestic second-tier ports, and make flexible investment in promising second-tier domestic terminals. To upgrade existing terminal facilities to adapt to the trend of large vessels. To improve the terminal layout in Mediterranean region. To deepen the market research efforts on bulk, universal and various specialized terminals. To enlarge and strengthen the markets and businesses of existing specialized terminals such as stone terminals, timber terminals and car docks, and to identify cooperation opportunities in relevant specialized terminals to achieve diversification in terminal investment and operation. To actively coordinate with global development strategy of COSCO fleet to achieve full synergy between terminal and shipping segments. To promote the diversification of shareholding cooperation and make efforts to enhance the profitability of terminal segment. To firmly grasp the "Two Belts and One Road" strategic opportunity to make efforts to promote the globalization layout of terminals. To focus on emerging markets such as African and Latin-American markets.

(IV) Fund requirement for maintaining existing business and establishing project company in process

Capital commitment	Contract arrangement	Time schedule	Financing method	Funding source arrangement	Cost of fund and usage description
RMB 19.043 billion	Not applicable	2015	Debt financing	Bank loans, existing funds, others	Not applicable

(V) Potential risks

1. Risk of Macroeconomic Environment

In 2015, the economy of the world is still in a deep adjustment period following the financial crisis, the economic growth is likely to rebound significantly but the uncertainties increase. The domestic economy maintains overall steady but the downward pressure increases. It is difficult to reverse the situation that the shipping markets fluctuate at a low level, the Group is still exposed to many difficulties and challenges under such an environment that has not fundamentally changed.

2. Risk of Market Competition Landscape

With the continued downturn in the market, the shipping market in 2015 is still not optimistic and also shows some new characteristics: firstly, the market situation is more complicated. With the rising industrial concentration and the continuous emerging of new business models such as shipping e-commerce and shipping finance which were born out of new technologies and new economy, the business models of traditional shipping industry are suffering from serious challenges. Secondly, the customer demands become more diversified. The customers have increasingly higher demands for mode of transport, transport safety, service experience, etc. To meet customers' full range needs and provide integrated services becomes a "customer centric" innovative reflection. Thirdly, the competition and cooperation relationships become closer. To deepen the cooperation becomes the consensus of the shipping companies to cope with market risk and achieve steady growth. Peer competition facilitates the deepening of alliance cooperation and transboundary cooperation gradually becomes the new normality. Overall, the weak market demand and the lack of growth momentum represent the biggest challenges that the shipping companies currently face.

3. **Risk of Production Safety**

In recent years, the Company has been strengthening its efforts in safety management. Although the overall safety environment remains stable, production safety incidents occurred occasionally, which resulted in personal injuries and property losses. Therefore, the pressure of production safety has remained high. The Company is currently under difficult circumstances in terms of business operation and we cannot afford more safety problems at work place. The Company will further strengthen the production safety responsibility system, increase safety training, ensure investments in safety measures and strive to assure the normal order in the Company's production and operation.

III. Profit distribution or capitalization of surplus reserves proposals

(I) Formulation, implementation or adjustment of cash dividend policies

The Company distributes dividend to all shareholders by way of cash or scrip dividend, and the total dividends shall be no less than 25% of the audited distributable profits of the Company during the accounting year or period concerned in principle. The actual distribution amount of dividends to Shareholders shall be based on the operating results, cash flow condition, current financial position and capital expenditure plans of the Company. The proposal of dividend distribution is formulated by the Board and implemented after approval by the general meeting of the Company. The amount of dividends to be distributed shall be determined based on the lower of the after-tax profits set out in the audited financial statements prepared pursuant to China Accounting Standards for Business Enterprises and HKFRSs.

On 12 November 2012, the resolution regarding the amendments to the Articles of Association of China COSCO Holdings Company Limited was considered and approved in the second extraordinary general meeting of China COSCO for 2012. Pursuant to the amendments to Article 193, the profit distribution policy of the Company is as follows:

1. Profit distribution principles: The Company should implement positive profit distribution policies and value investors' reasonable investment return and the Company's sustainable development to maintain the continuity and stability of profit distribution policy. The cumulative profit distribution in cash by the Company in the last three years was in principle not less than 30% of the average annual distributable profits of the Group for the last three years.

2. Profit distribution frequency: In principle, the Company distributes profit once a year. When conditions permit, the Board may recommend the Company to distribute interim cash dividends according to the earnings and capital requirement of the Company.

3. Profit distribution decision-making system and procedures: The profit distribution proposal of the Company shall be formulated and reviewed by the Board and submitted to the general meeting for approval. Independent Directors shall express their opinions clearly in regard to the profit distribution proposal. The Supervisory Committee shall supervise the implementation of the profit distribution proposal.

4. In case of no proposal of profit distribution in cash being made in any profitable year with available distributable profit of the Company, disclosure should be made in a timely manner regarding the Board's explanation and the Independent Directors' expressed opinions. Upon consideration by the Board, it shall be submitted to the general meeting for review and the Board shall provide explanation at the general meeting.

5. When determining the particulars of the cash dividend proposal of the Company, the Board shall study and discuss on, among others, the timing, conditions as well as the minimum ratio, conditions of adjustments and other factors as required for making the decisions. The Independent Directors shall express their opinions clearly. When considering the particulars of the profit distribution proposal at the general Meeting, the Company shall communicate with the Shareholders, especially the minority shareholders,

through various channels (including but not limited to hotlines, mailbox of Secretary to the Board and inviting minority investors to attend the meeting), in order to gather opinions from the minority Shareholders and respond to their concerns in a timely manner.

6. Adjustments to cash dividend policy: The Company shall strictly implement the cash dividend policy stipulated in the Articles of Association and the particulars of the cash dividend proposal considered and approved at the general meetings. Adjustments or amendments to the cash dividend policy stipulated in the Articles of Association shall only be made after detailed discussion and corresponding decision-making procedure according to the Articles of Association and approval shall be obtained from Shareholders holding more than two thirds of the total voting rights present at the general meeting.

7. Disclosure of cash dividends in regular reports: The Company shall disclose the details regarding the formulation and implementation of its cash dividend policy in regular reports. In case of any adjustments or amendments to cash dividend policy, it shall also explain in detail the conditions and the procedures for such adjustment or amendments.

After the proposal of profit distribution has been passed by resolution at the general meeting of the Company, the Board must complete the distribution of dividends (or shares) within two months after the general meeting.

Although the Company achieved profits in 2014, the negative value of undistributed profits had not been reversed. After consideration by the Board, it was proposed that profits realized in the current year would not be distributed but would be used to supplement working capital to improve the financial conditions.

(II) **Proposals or budgets for profit distribution and capitalization of surplus reserves of the Company in the recent three years (including the Reporting Period)**

Unit: RMB

Year of Distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit attributable to shareholders of listed companies in consolidated financial statements of the bonus distribution year	Ratio to net profit attributable to shareholders of listed companies in consolidated financial statements (%)
2014	—	—	—	—	362,529,000	—
2013	—	—	—	—	235,470,000	—
2012	—	—	—	—	-9,559,138,000	—

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 21 April 2015 to Wednesday, 20 May 2015, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of members of the Company on Monday, 20 April 2015 at 4:30 p.m. are entitled to attend the annual general meeting of the Company to be held on Wednesday, 20 May 2015.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance within the Group, and the Board considers that effective corporate governance marks an important contribution to corporate success and to enhancing Shareholders value.

The Company adopted its own corporate governance code, which incorporates all the code provisions and a majority of the recommended best practices in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

None of the Directors is aware of any information that would reasonably indicate that the Company had not been in compliance with the Code for any part of the period for the year ended 31 December 2014.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issued (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors and supervisors of the Company. Having made specific enquiries of all Directors and supervisors of the Company, each of them has confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

Board Committees

The Company has established a strategic development committee, a risk control committee, an audit committee, a remuneration committee, a nomination committee and an executive committee.

Audit Committee

The audit committee of the Company (the "**Audit Committee**"), established in April 2005, comprises two independent non-executive Directors and one non-executive Director. It is chaired by Mr. KWONG Che Keung, Gordon and the other two members are Ms. SUN Yueying and Mr. YANG, Liang Yee Philip. All members of the committee are competent and experienced in understanding, analyzing and reviewing the financial reports of listed companies.

The annual results of the Company have been reviewed by the Audit Committee.

Repurchase, Sale or Redemption of Shares of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries had repurchased or sold any listed securities of the Company. The Company had not redeemed the Company's securities during the Reporting Period.

Service Contracts

Each of the Directors and supervisors of the Company has entered into a service contract with the Company.

Pre-emptive Rights

The articles of association of the Company and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to Shareholders on a pro-rata basis to their shareholdings.

Auditors

The Company has appointed PricewaterhouseCoopers and Ruihua Certified Public Accountants, LLP as the international and PRC auditors of the Company respectively for the year ended 31 December 2014. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRSs. Resolutions for the re-appointment of PricewaterouseCoopers and Ruihua Certified Public Accountants, LLP as the international and PRC auditors of the Company respectively will be proposed at the forthcoming annual general meeting of the Company to be held on Wednesday, 20 May 2015.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained in this annual results announcement are historical in nature, and past performance does not guarantee the future results of the Group. Any forward-looking statements and opinions contained within this annual results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (1) no obligation to correct or update the forward-looking statements or opinions contained in this annual results announcement; and (2) no liability in the event that any of the forward-looking statements or opinions do not materialize or turn out to be incorrect.

PUBLICATION OF ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinacosco.com). An annual report for the year ended 31 December 2014 containing all the information required by Appendix 16 to the Listing Rules will be despatched to Shareholders and will be available for review on the same websites in due course.

By Order of the Board
China COSCO Holdings Company Limited
Guo Huawei
Company Secretary

Beijing, the People's Republic of China
26 March 2015

As at the date of this announcement, the directors of the Company are Mr. MA Zehua[2] (Chairman), Mr. LI Yunpeng[1] (Vice Chairman), Ms. SUN Yueying[2], Mr. SUN Jiakang[1], Mr. YE Weilong[1], Mr. WANG Yuhang[2], Mr. JIANG Lijun[1] (President), Dr. FAN HSU Lai Tai, Rita[3], Mr. KWONG Che Keung, Gordon[3], Mr. Peter Guy BOWIE[3] and Mr. YANG, Liang Yee Philip[3].

[1] *Executive director*
[2] *Non-executive director*
[3] *Independent non-executive director*

* *For identification purpose only*