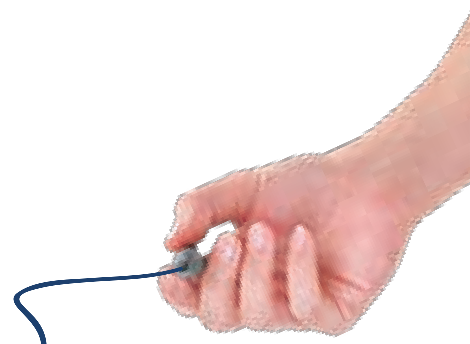
International

COSCO INTERNATIONAL HOLDINGS LIMITED

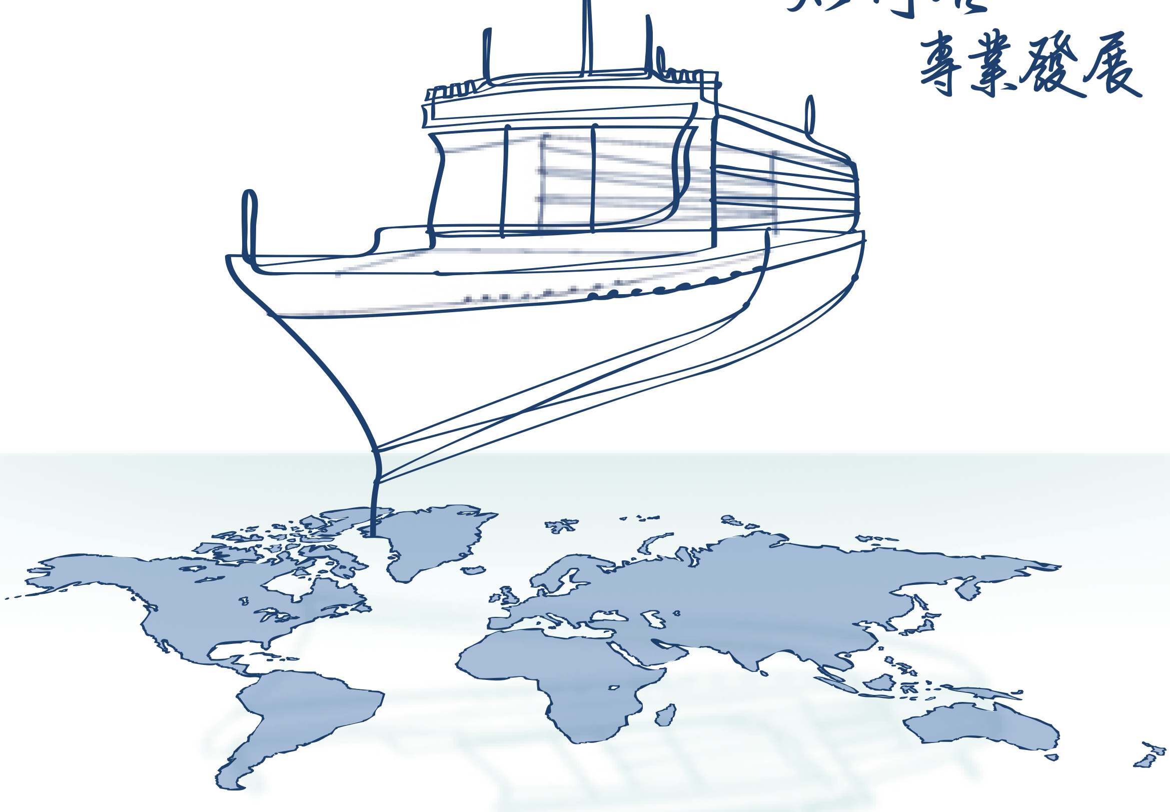
STOCK CODE : 00517

ANNUAL REPORT 2014



Walk The Talk
Grow On Expertise

知行合一
專業發展



CORPORATE PROFILE

COSCO International is a company listed on the Main Board of the Stock Exchange (stock code 00517).

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

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

VISION

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

MISSION

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

Contents

DEFINITIONS AND GLOSSARY

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

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

DEFINITIONS AND GLOSSARY

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

* *for identification purpose only*

COMPANY INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wang Wei
Mr. Wu Shuxiong

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. Chiu Shui Suet

QUALIFIED ACCOUNTANT

Mr. Lo Siu Leung, Tony

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

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

STRATEGIC DEVELOPMENT COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

INDEPENDENT AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

COMPANY INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

INVESTOR RELATIONS

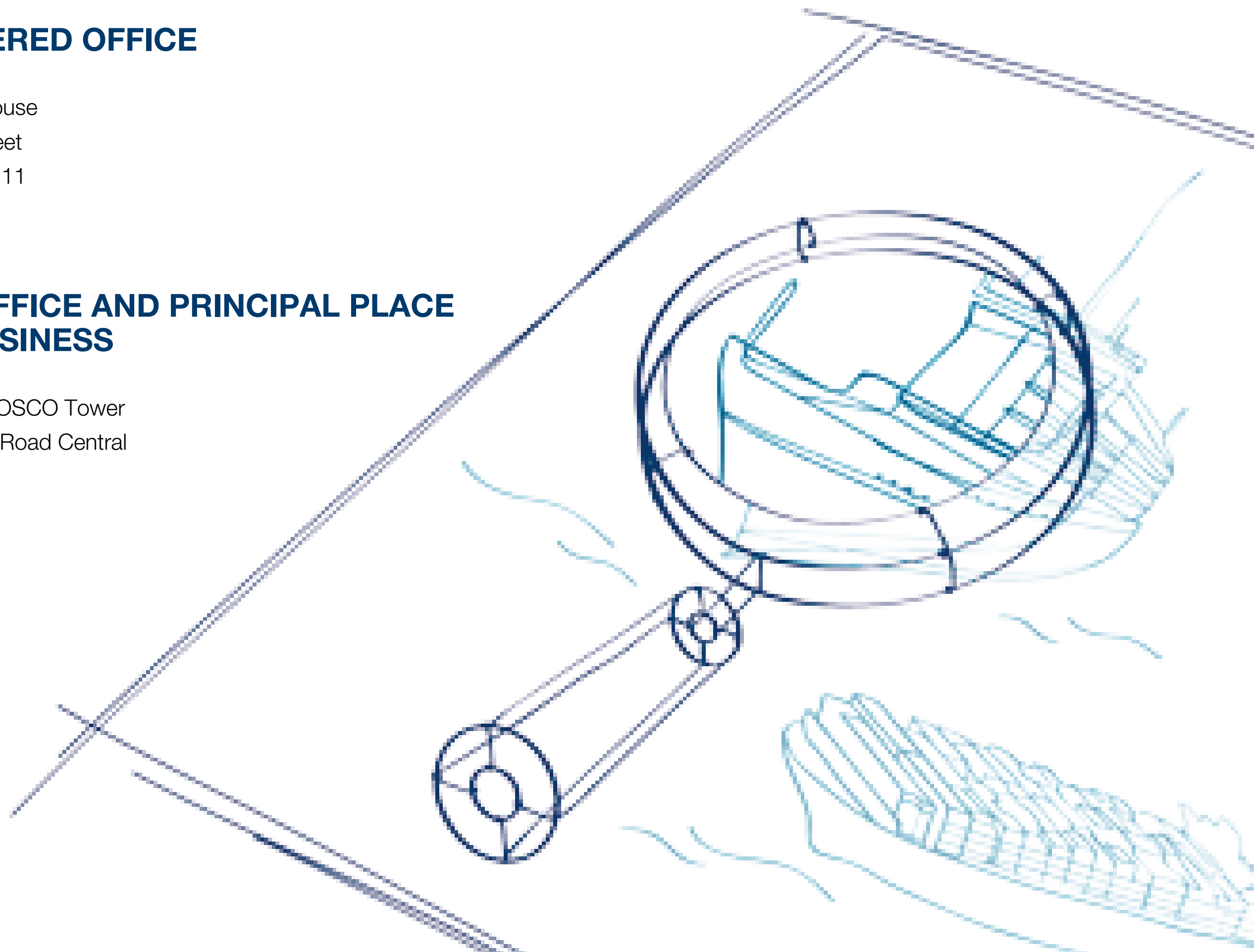
Telephone	: (852) 2809 7888
Facsimile	: (852) 8169 0678
Website	: www.coscointl.com
E-mail	: info@coscointl.com

FINANCIAL CALENDAR

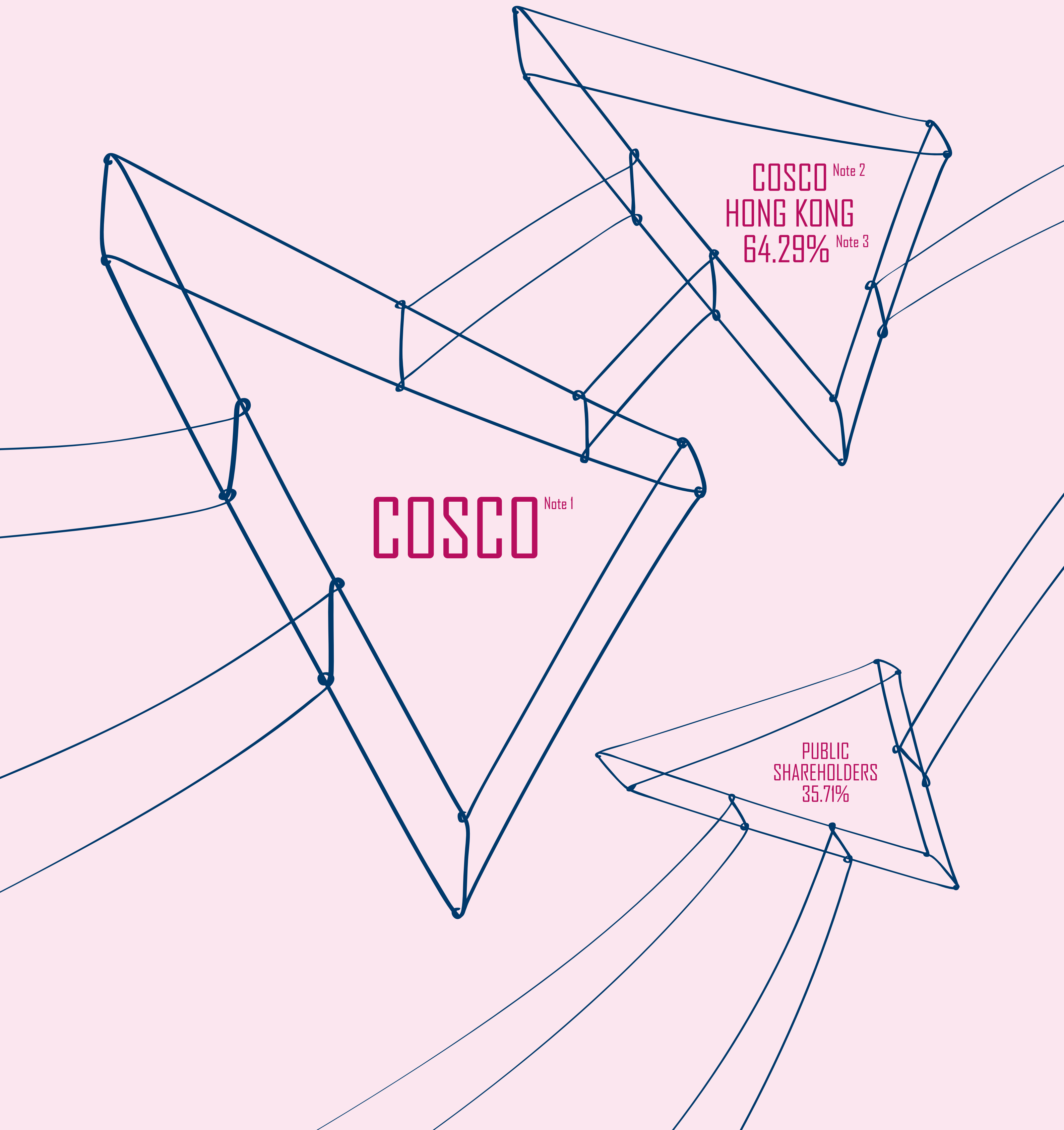
2014 Annual General Meeting	: 30th May 2014
Announcement of 2014 Interim Results	: 19th August 2014
Announcement of 2014 Annual Results	: 19th March 2015
2015 Annual General Meeting	: 29th May 2015

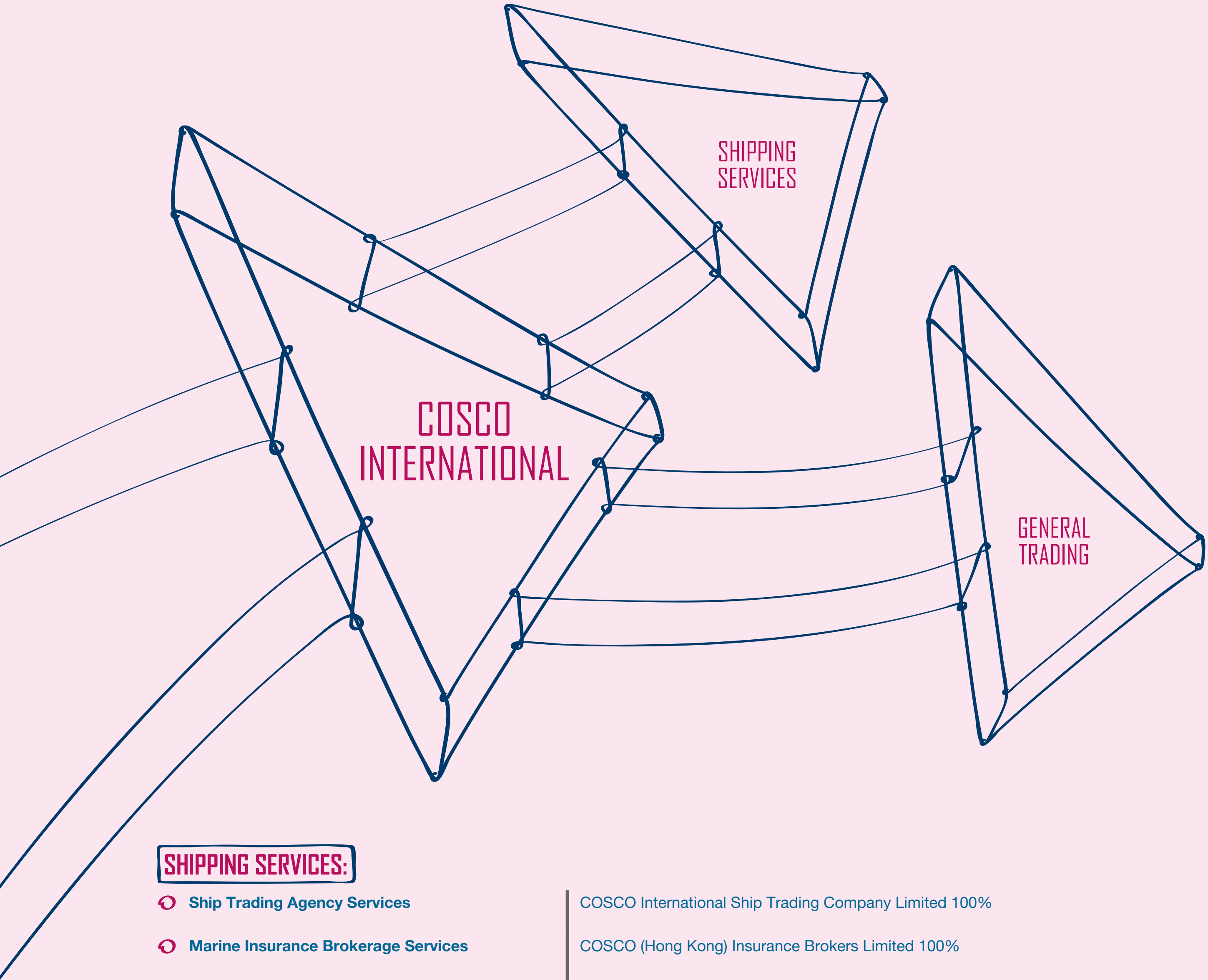
DIVIDEND

2014 Interim Dividend	: 3 HK cents per share
Proposed 2014 Final Dividend	: 10 HK cents per share
Total Dividends for 2014	: 13 HK cents per share



CORPORATE STRUCTURE





SHIPPING SERVICES:

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

GENERAL TRADING:

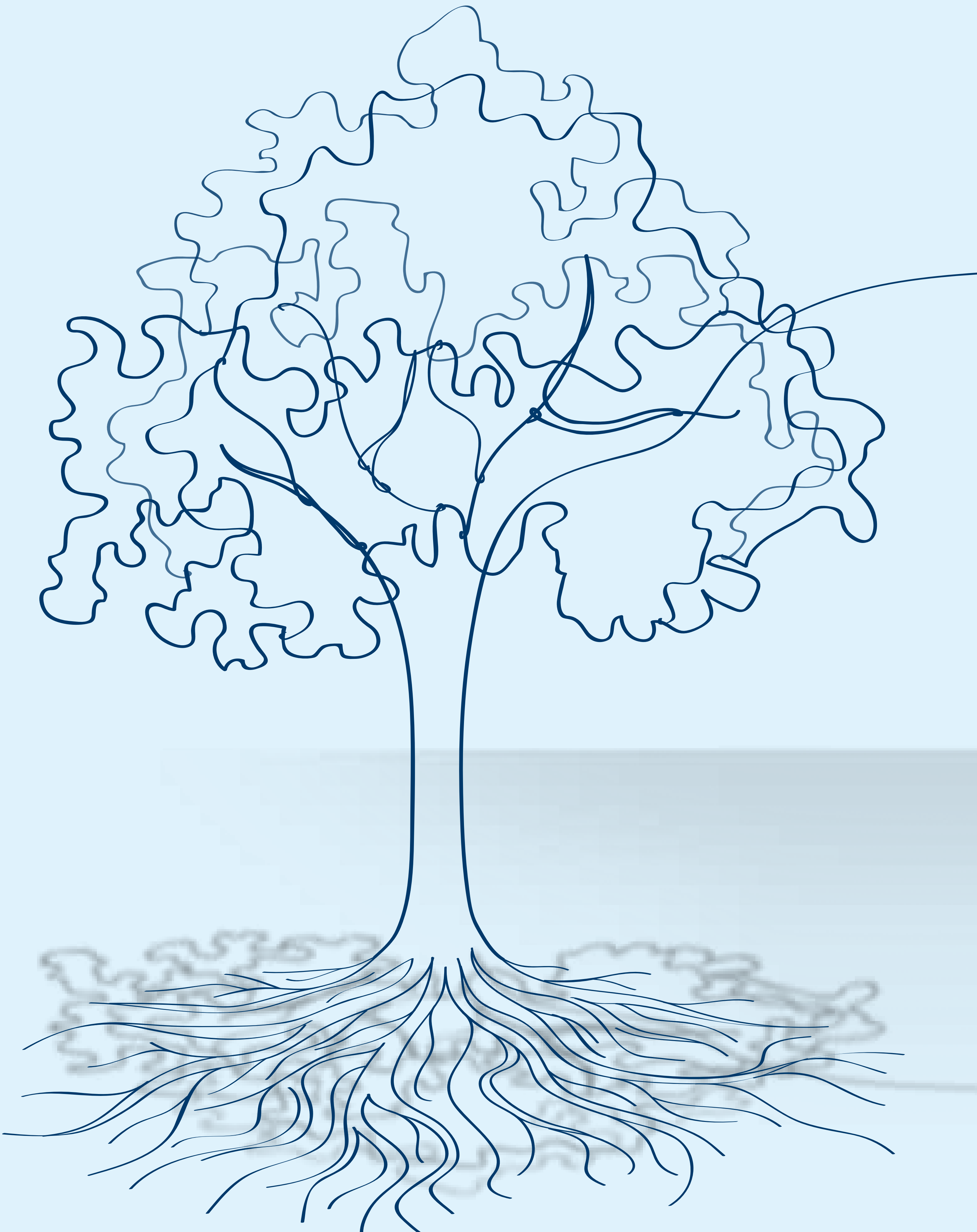
General Trading	中遠國際貿易有限公司 (COSCO International Trading Company Limited*) 100%

Note 1
COSCO is the ultimate holding company of COSCO International. COSCO Group operates a fleet of about 650 modern commercial vessels with a total carrying capacity of about 48,000,000 dead weight tonnages.

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

Note 3
To the best of the knowledge and belief of the Directors, COSCO Hong Kong through its wholly-owned subsidiary held 64.29% issued share capital of the Company as at 31st December 2014.

** for identification purpose only*



MAXIMISE OUR Strength FOR SUSTAINABLE GROWTH

INHERITANCE

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

FINANCIAL HIGHLIGHTS

ANNUAL RESULTS HIGHLIGHTS

For the year ended 31st December	2014 HK$'000	2013 HK$'000	Change
Revenue	**7,588,213**	9,308,434	–18%
Gross profit	**804,492**	694,265	+16%
Operating profit	**245,846**	219,069	+12%
Profit before income tax	**468,093**	331,645	+41%
Profit attributable to equity holders	**358,970**	241,610	+49%
Basic earnings per share (HK cents)	**23.70**	15.96	+48%
Dividends per share (HK cents)	**13.00**	5.50	+136%
Dividend payout ratio (%)	**55**	34	+21pts

BALANCE SHEET HIGHLIGHTS

As at 31st December	2014 HK$'000	2013 HK$'000	Change
Total assets	**9,665,334**	9,449,963	+2%
Total liabilities	**1,556,846**	1,660,870	–6%
Net assets attributable to shareholders	**7,739,037**	7,475,168	+4%
Net cash	**6,107,736**	6,268,030	–3%
Net assets per share (HK$)	**5.05**	4.94	+2%
Net cash per share (HK$)	**3.99**	4.14	–4%
Return on total assets (%)	**3.76**	2.53	+1.23pts
Return on shareholders' equity (%)	**4.72**	3.26	+1.46pts

KEY FINANCIAL RATIOS

For the year ended 31st December	2014	2013
Gross profit margin	**10.6%**	7.5%
Interest coverage	**161.6 times**	83.0 times
Current ratio	**5.6 times**	5.2 times
Liquidity ratio	**5.3 times**	4.9 times
Total liabilities/total assets	**16.1%**	17.6%
Total borrowings/total assets	**0.3%**	0.6%

FINANCIAL HIGHLIGHTS

	2014 HK$'000	2013 HK$'000	Change
SEGMENT REVENUE*			
For the year ended 31st December			
Shipping Services			
Coatings	**1,391,004**	1,323,348	+5%
Marine equipment and spare parts	**1,050,186**	888,522	+18%
Ship trading agency	**128,710**	103,243	+25%
Insurance brokerage	**91,000**	89,453	+2%
Marine fuel and other products	**3,978,870**	5,655,961	–30%
	6,639,770	8,060,527	–18%
General Trading	**948,443**	1,247,907	–24%
Total	**7,588,213**	9,308,434	–18%

* external customers only

	2014 HK$'000	2013 HK$'000	Change
SEGMENT PROFIT BEFORE INCOME TAX			
For the year ended 31st December			
Shipping Services			
Coatings	**178,664**	108,776	+64%
Marine equipment and spare parts	**41,666**	30,405	+37%
Ship trading agency	**88,885**	72,624	+22%
Insurance brokerage	**64,206**	64,310	—
Marine fuel and other products	**19,949**	17,493	+14%
	393,370	293,608	+34%
General Trading	**2,995**	5,761	–48%
Corporate and others	**71,728**	32,276	+122%
Total	**468,093**	331,645	+41%

HIGHLIGHTS OF THE YEAR 2014

20th MARCH

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

24th MARCH

A grand ceremony for commencement of construction of a new plant of COSCO Kansai Paint (Shanghai) was held in Shanghai Jinshan Industrial Zone. The construction of the new plant will further strengthen COSCO Kansai Companies' competitive edge in the Yangtze River Delta, and fortify its leadership in China's coatings market.

30th MAY

2014 Annual General Meeting of the Company was held in Hong Kong.

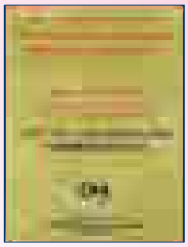
6th AUGUST

Yuantong entered into a share purchase agreement with COSCO Americas, regarding the acquisition of 51% equity interest in Yuan Hua. The acquisition indicated that COSCO International had initially established the global service network in marine spare parts supply through consolidation of the resources within COSCO Group.

19th AUGUST

A press conference and an analyst meeting for 2014 interim results were held in Hong Kong.

AWARDS AND RECOGNITIONS



Honored with the Special Mention of Best Corporate Governance Disclosure Awards 2014 in Non-Hang Seng Index Category (Mid-to-small Market Capitalisation) by The Hong Kong Institute of Certified Public Accountants.

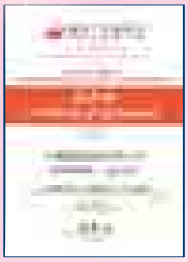
Honored with Gold Award in the Asset Corporate Awards 2014 by the Asset magazine.

Awarded the "Asia's Icon on Corporate Governance" in the 10th Corporate Governance Asia Recognition Award — The Best of Asia by Corporate Governance Asia magazine.

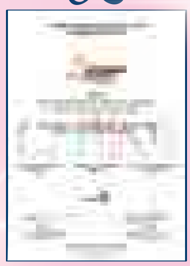
Honored with "Best Investor Relations Company" in the 4th Asian Excellence Recognition Award by Corporate Governance Asia magazine.

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

COSCO International's website (www.coscointl.com) was awarded the Bronze Award in the category of "Investor/Shareholder Relations" in the 14th Annual International iNOVA Awards Competition.

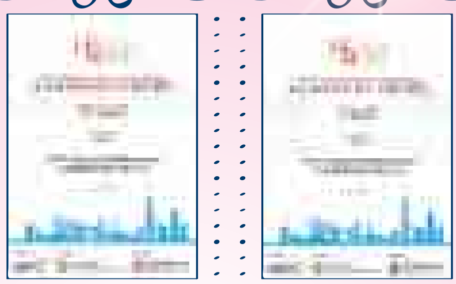


Awarded the Certificate of Appreciation of Hong Kong Community Volunteers (Corporate Member) by Agency for Volunteer Service.

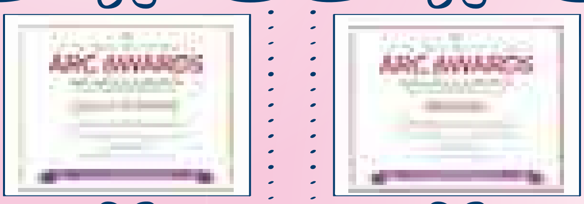


Awarded "5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service in recognition of the Company's contribution and commitment to caring for its employees, the community and the environment over five consecutive years.

The Company Secretary of COSCO International was awarded the "Asian Company Secretary of the Year 2014" in the 2nd Asian Company Secretary of the Year Recognition Awards by Corporate Governance Asia magazine.



Awarded the "Hong Kong Corporate Citizenship Logo" in the Enterprise Category and Volunteer Team Category in the 5th Hong Kong Corporate Citizenship Award Scheme, co-organised by Hong Kong Productivity Council and the Committee on the Promotion of Civic Education.

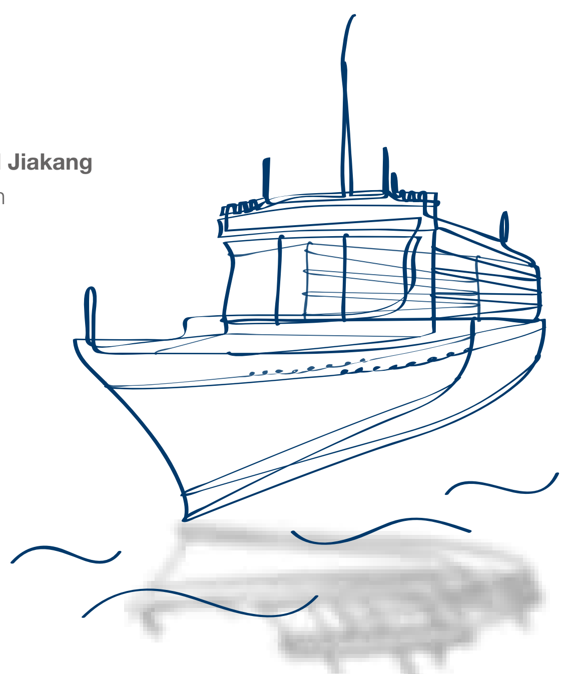


Annual Report 2013 won the Gold Award in the category of "Traditional Annual Report: Shipping Services" and Honors Award in the category of "Financial Data: Shipping Services" in the 28th International ARC Awards.

CHAIRMAN'S STATEMENT

DURING 2014, GLOBAL ECONOMY REMAINED ON THE PATH OF MODEST RECOVERY. DRAGGED BY DECLINING IMPORT AND EXPORT DEMAND FROM DEVELOPING COUNTRIES, GROWTH PACE OF GLOBAL TRADE WAS SLOWER THAN EXPECTED. UNDER THE SLOW RECOVERY IN DEMAND OF SHIPPING MARKET, IT WAS DIFFICULT FOR THE INDUSTRY TO SPEED UP ITS RECOVERY AS SHIPPING CAPACITY REMAINED IN STRONG GROWTH. SHIPPING COMPANIES AND SHIPOWNERS STILL ADOPTED STRICT COST CONTROL MEASURES, WHICH IMPOSED GREATER PRESSURE ON THE PRODUCTION AND OPERATION OF SHIPPING SERVICES OF COSCO INTERNATIONAL. NEVERTHELESS, BENEFITING FROM THE INTRODUCTION OF A SERIES OF SUPPORTING POLICIES FOR THE DEVELOPMENT OF SHIPPING AND SHIPBUILDING INDUSTRY BY THE PRC GOVERNMENT, THE SHIPOWNERS ACCELERATED THE ADJUSTMENT OF FLEET STRUCTURE DURING THE YEAR. AS A RESULT, NEW BUILD VESSEL ORDERS AND THE NUMBER OF SCRAPPED OLD VESSELS INCREASED SIGNIFICANTLY, PROVIDING DEVELOPMENT OPPORTUNITIES FOR VARIOUS SHIPPING SERVICES BUSINESSES OF THE GROUP.

Mr. SUN Jiakang
Chairman



CHAIRMAN'S STATEMENT

The management of COSCO International led all the staff to proactively cope with the market risks by expanding the market and striving to enhance profitability. A comprehensive marketing service program was launched and control on risks and costs were implemented. While endeavoring to enhance profitability, the Group actively conducted studies on expansion into new businesses in the shipping services sector and explored potential acquisition targets, thus preparing the Group for achieving a leap in the development of shipping services.

Profit attributable to equity holders of the Company amounted to HK$358,970,000, representing a marked increase of 49% from 2013. Basic earnings per share was 23.7 HK cents. During the year, the Group's total revenue was HK$7,588,213,000. In order to give better returns to our shareholders, the Board proposed a final dividend of 10 HK cents per share for 2014. Together with the interim dividend of 3 HK cents per share, total dividends for 2014 amounted to 13 HK cents per share.

For business expansion, the Group has kept focusing on its strategic development positioning in "shipping services", with establishing itself as "a global leading one-stop shipping services provider" as its development vision. It provides customers with quality products and services through its increasing presence all over the world. The Group continues to enhance its profitability and maintains its capability for sustainable development, thus making greater contribution to the shareholders and society. During the year, the Group proactively explored acquisition targets in the shipping services sector. The Group further implemented the integration of its overseas spare parts business and optimised the global spare parts service network by acquiring 51% equity interest of Yuan Hua in the United States in August 2014, which strengthened the Group's business of marine equipment and spare parts supplies.

CORPORATE GOVERNANCE

The Group believes that effective corporate governance is essential for the sustainable and steady development of the Company. Therefore, the Group has endeavored to enhance its corporate governance standard, which is conducive to safeguarding the rights and interests of shareholders and stakeholders. In order to maintain a high standard of corporate governance, the Group has being strictly adhered to the relevant laws and regulations and continuously optimised its corporate governance policy. The Group has made efforts to enhance information

CHAIRMAN'S STATEMENT

disclosure, increase the transparency, protect shareholders' right to information and balance the rights and interests of various stakeholders, insist to improve the management of investor relationship and continue to pursue investor engagement of high quality. During the year, COSCO International further optimised its current "Shareholder Communication Policy" to ensure shareholders' access to information about the Company in a comprehensive and timely way. In addition, in respect of the new amendment to the Listing Rules regarding connected transactions and the guidelines on pricing policies for continuing connected transactions and the related information disclosure released by the Stock Exchange, COSCO International made corresponding adjustment to the existing "Connected Transactions Management Policy" after consideration of our own conditions and required all member companies under the Group to strictly comply with the relevant requirements and conduct connected transactions in line with those laws and regulations. COSCO International has obtained various awards in respect of corporate governance and investor relations during the year, in particular the "2014 Best Corporate Governance and Information Disclosure Award" in the Hang Seng Index (Mid-to-Small Market Capitalisation) category together with the accreditation of judge panel by the Hong Kong Institute of Certified Public Accountants, "Asia's Icon on Corporate Governance" in the 10th Corporate Governance Asia Recognition Award and the "Best Investor Relations Company" in the 4th Asian Excellence Recognition Awards by Corporate Governance Asia, the authoritative international magazine in terms of corporate governance. The Company was also awarded Gold Award in The Asset Corporate Awards 2014 by the renowned The Asset magazine.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group has always highly regarded safe production as the primary task and constantly pursued the mission of "Safety first, crucial precaution, comprehensive management" and the twin working principle of "Prevention and Contingency", continued to enhance the knowledge and awareness on Health, Safety and Environment (HSE) by means of education and propaganda, investigation and rectifications, inspection and supervision, emergency drills and system building. As such, a positive HSE corporate culture has been nurtured with normalised hidden hazards investigation and rectification and enhanced contingency and emergency ability. Further, the HSE management work of each subsidiary was comprehensively regulated and managed, resulting in a good and sustainable management mechanism. COSCO International firmly adhered to "Absolute safety with three zeros" as the general objective of the HSE management: an absolute exercise of HSE management by all staff, in all weather conditions and throughout all working procedures so as to ensure the safety of overall production environment and "zero number on reports in accident, injury and pollution". In addition, COSCO International constantly and actively pushed forward the concept of green shipping. During the year, the coating manufacturing joint ventures of the Group proactively promoted the high performance antifouling coatings and Hull Performance Solutions. They successfully conducted testing on high solid epoxy coatings and water-based container coatings with satisfactory results.

COMMUNITY INVOLVEMENT

COSCO International always emphasises and pays close attention to promoting the well-being of the community and the country where it operates. The Company believes that when it spares no effort to enhance its profitability and expand in operational scale, it should also positively fulfill its obligations as a corporate citizen and proactively give back to the society. The Company also motivates its employees to participate in various social charitable activities and volunteer services as well as provide more assistance to the people in need. In order to improve the charitable donation system, COSCO International formulated a charitable donation policy during the year. In accordance with the policy, the total budget of all direct charitable donations and expenses to be incurred with related community services would be linked to the profit attributable to the equity holders of the previous year. The actual amount and proportion will be adjusted according to the variation of profit of current year. During the year, the Company continued to maintain good partnership with various charitable institutions and bodies of the community, and support diversified public welfare events. In particular, the Company made contributions to the

CHAIRMAN'S STATEMENT

areas such as education in the mountainous regions in China, environmental care, and volunteer services for the underprivileged. With the efforts of various parties, COSCO International was awarded again the "5 Years Plus Caring Company Logo" by The Hong Kong Council of Social Service and the "Hong Kong Corporate Citizenship Logo" in Enterprises Category and Volunteer Team Category jointly by Hong Kong Productivity Council and Committee on the Promotion of Civic Education in 2014 in recognition of the Company's contribution and commitment to caring for the society.

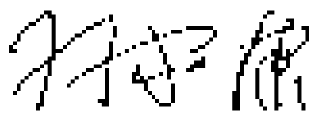
OUTLOOK AND PROSPECTS

In 2015, global economy is expected to grow at a faster pace but face increasing uncertainty. With commodity price staying at lows and the uncertainty arising from geopolitical crisis, the economic trend and policy stances of major economies will differentiate. The United States economic recovery remains at a faster pace and Eurozone and Japan economies will face recession risk, while China economy enters the "New Normal" phase of development where the domestic consumption and investment growth slows down. The oversupply in shipping market will continue and it may become normal for the market to operate at a low price level. The seasonal volatility of freight rates will be reflected in the continuous fluctuation at low price level. In the event of the market condition without substantial change, shipping industry and relevant enterprises will continue to face numerous difficulties and challenges, as well as development opportunities.

Over the past two years, the PRC government introduced a series of policies to promote the development of shipping industry and actively push forward the study of construction planning of "Silk Road Economic Belt" and "21st Century Maritime Silk Road", and the establishment of free-trade zones, etc. The Group expects the implementation of these policies and establishments will create a new market landscape and new opportunities for sustainable and healthy development of shipping industry and relevant enterprises.

Facing the market opportunities and challenges, the Group will focus on its strategic positioning and continue its endeavors to establish itself as a globally leading one-stop shipping services provider and proactively build the "integrated shipping service platform". On one hand, the Group will strive to consolidate and optimise its existing shipping service business, further improve its business allocation, sharpen its overall competitive edges and pursue the sustainable development of the Company. On the other hand, the Company will continue to seek and explore development opportunities in shipping service-related fields and strive to make great strides in its development. With the full support of COSCO and COSCO Hong Kong, the Group proactively explores the opportunity of integrating the resources within and outside COSCO Group, increases its profitability, and strives to establish itself as a global leading one-stop shipping services provider thus bringing higher returns to shareholders.

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



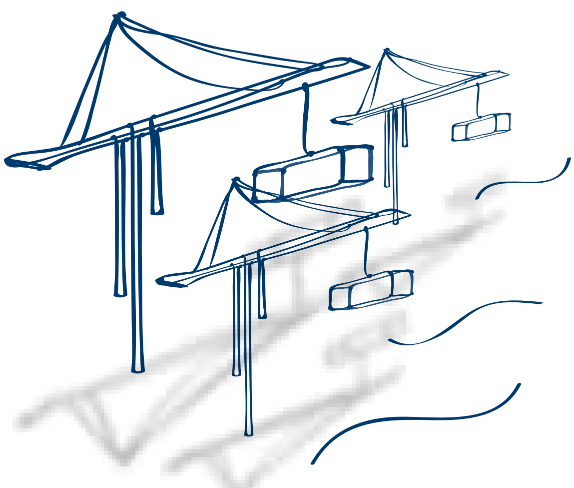
SUN Jiakang
Chairman

Hong Kong, 19th March 2015

VICE CHAIRMAN'S STATEMENT

IN 2014, THE GROUP CONTINUOUSLY ADHERED TO THE PHILOSOPHY OF "DEVELOPMENT THROUGH INNOVATION AND INNOVATION THROUGH INHERITANCE", TOGETHER WITH THE TASK FOCUS OF "OPERATE BUSINESS WISELY, FULLY ENHANCE PROFITABILITY", AND PUT IN OUR BEST EFFORTS TO PUSH FORWARD MARKETING SERVICES, TRANSFORMATION AND UPGRADING. IT HAS PROACTIVELY PLANNED ITS CORPORATE DEVELOPMENT WHILE STRIVING TO ENSURE SMOOTH PRODUCTION AND OPERATION, THUS ACHIEVING SIGNIFICANT WORK ACCOMPLISHMENTS EVEN IN THE HIGHLY COMPETITIVE MARKET.

Mr. ZHANG Liang
Vice Chairman



VICE CHAIRMAN'S STATEMENT

CORPORATE PROFITABILITY

During the year, the global economy maintained its mild recovery, and the shipping market remained prolonged depression with excess shipping capacity. The pace of market recovery was slow. Nevertheless, benefited from accelerating the adjustment of fleet structure by the shipowners, the revenues from the Group's business sectors such as coatings, ship trading agency services, supply of marine equipment and spare parts were increased. Facing complicated and ever-changing operating environment, the Group actively put great efforts in production and operation, cost control and receivable collection, and achieved satisfactory results. During the year, the Company secured higher deposit rate on its strong liquid cash through strengthening its cash management and proactive negotiation with various bankers. Return on cash for the year was 2.29%, representing 204 basis points above 3-month US Dollar London Interbank Offered Rate as at the end of 2014. In addition, all the operating units proactively controlled their operating costs and reduced controllable expenditure. In respect of receivable collection, the Group reinforced its receivables management while exercising strict risk control, set up a receivables collection team which, under various measures and with their great efforts, collected certain overdue receivables successfully. As at the end of 2014, the balance of outstanding trade receivables decreased by 2% as compared to the end of 2013 which made a contribution to safeguard the Group's interests.

MARKETING SERVICES, TRANSFORMATION AND UPGRADING

The Group insists in marketing services and transformation and upgrading as core breakthrough, thereby promoting the sustainable development of the Company with higher revenue and profit. During the year, focused on the theme of "Service with heart, sail with you as lifetime partner", the Group promotes and implements vigorously the "solution marketing" and upholds the principle of providing "one-stop" shipping services solution by adopting innovative marketing modes and synergic development so as to strive to provide our customers with value marketing, services marketing and personalised marketing services which have achieved satisfactory results. COSCO Kansai and Jotun COSCO maintained their leading positions in the container coating and marine coating market respectively in China. COSCO Yuantong Operation Headquarters leveraged its cost advantages arising from centralised procurement to successfully explore a group of

VICE CHAIRMAN'S STATEMENT

established and major customers outside COSCO Group, resulting in remarkable growth of business outside COSCO Group. The service of COSCO Ship Trading continued to gain the trust and satisfaction of the shipowners. COSCO Insurance Brokers actively explored new business such as vehicle insurance, port insurance and offshore units builders' risk insurance and made breakthrough in expansion of non-marine insurance business. CITC successfully entered Inner Mongolian market for its asphalt trading business. In order to enhance the Group's core competitiveness, each business unit of the Group strived to strengthen and improve its existing businesses through continued business transformation and upgrade. During the year, COSCO Insurance Brokers strived to shift business focus from marine insurance business to expansion in non-marine insurance, and expansion from business within COSCO Group to business outside COSCO Group. COSCO Yuantong Operation Headquarters established business cooperation relationship with certain renowned enterprise groups by capturing the opportunities arising from product line modification and upgrade and improving service quality. In August 2014, it further integrated the overseas spare parts business by completion of the acquisition of 51% equity interest in Yuan Hua in the United States.

CORPORATE MANAGEMENT

In response to changes in market and operating environment, COSCO International continued to enhance management and improve the corporate systems. It focused on the operating risk prevention, and endeavoured to strengthen internal audit, which put an emphasis on both supervision and management. COSCO International also strived to enhance its corporate governance standard and transparency. Externally, COSCO International enhanced its relationship with the media, improved its website, and enhanced its communication with shareholders, investors, analysts and media. During the year, save for continuously optimising and refining the existing company regulations in order to constantly improve efficiency, COSCO International newly formulated certain measures or guidelines such as "COSCO International Holdings Limited Marketing Services Management Measures", "COSCO International Holdings Limited Customers Relationship Management Measures", "COSCO International Holdings Limited's Guidance on Centralised Management of Marketing Services" to ensure the establishment of long-term and effective marketing mechanism and achieve synergic development. COSCO International focused on its management work on occupational health, safety and environmental protection. It enhanced awareness of employees generally through diversified education and training programmes, as well as examinations and competitions, continuously strengthened its inspection and rectification of hidden hazards. It also strengthened its capabilities to cope with emergencies by organising joint activities and simulation drills with government authorities. Each of the coating manufacturing subsidiaries had obtained ISO9001, ISO14001, OHSAS18001 System Certification. Meanwhile, the safety management for the asphalt tanker of CITC was strengthened and the "Self Assessment System for Asphalt Tanker Safety" was newly compiled during the year, resulting in a firmly secured operation. In addition, to enhance the core competitiveness and team cohesion of the enterprise, the outline of COSCO International corporate culture was prepared by COSCO International during the year, well defining the vision and mission, the operating philosophy and core values of the enterprise. Overall, the Group strives to cultivate a management team that values integrity and constant learning and localisation knowledge and pursues professionalism and enhances continuous market monitoring so as to push forward the healthy and sustainable development of COSCO International.

VICE CHAIRMAN'S STATEMENT

FUTURE DEVELOPMENT

There is not sufficient momentum for the global economic growth in 2015, while individual emerging economies saw slower growth. With the launch of deep-rooted structural reform, the economic growth of China would slow down. It is not optimistic for a solid recovery of the shipping market. Remaining sluggish or slow recovery of market would become the normal conditions in shipping industry. As such, enormous pressure will be put on the operations of shipping and shipbuilding enterprises, bringing similarly vigorous challenges to the future profitability of the Group's various segments of shipping services. However, opportunities always go with challenges. The strategic planning of "One Belt and One Road" and the "Yangtze River Economic Belt", establishment of free-trade zones and a series of policies to promote maritime transportation industry by the PRC Government. For the shipping service business of the Group, it presented favorable and new market opportunities, laying a solid foundation for sustainable development of shipping services industries. The Group will grasp the opportunities arising from the development trend in the shipping industry, pursue the core target for profitability, actively achieve its corporate transformation and upgrading and focus on its marketing services to continue to enhance its core competitiveness. Meanwhile, it will also actively conduct studies on asset acquisitions within and outside COSCO Group, constantly improve its shipping services network around the world and expand related operations along the industry value chain of shipping services. It will provide customers with one-stop services, strive to establish "Integrated Shipping Service Platform" and ultimately develop itself as a worldwide shipping services provider. Under the full support of COSCO and COSCO Hong Kong, the Group will proactively implement the consolidation and development of its leading global integrated shipping services platform. The Group will seize the opportunities to explore development in shipping services, thus enhancing the momentum for sustainable development of the Company and continuously creating returns for shareholders.

ZHANG Liang
Vice Chairman

Hong Kong, 19th March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL ANALYSIS OF RESULTS

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

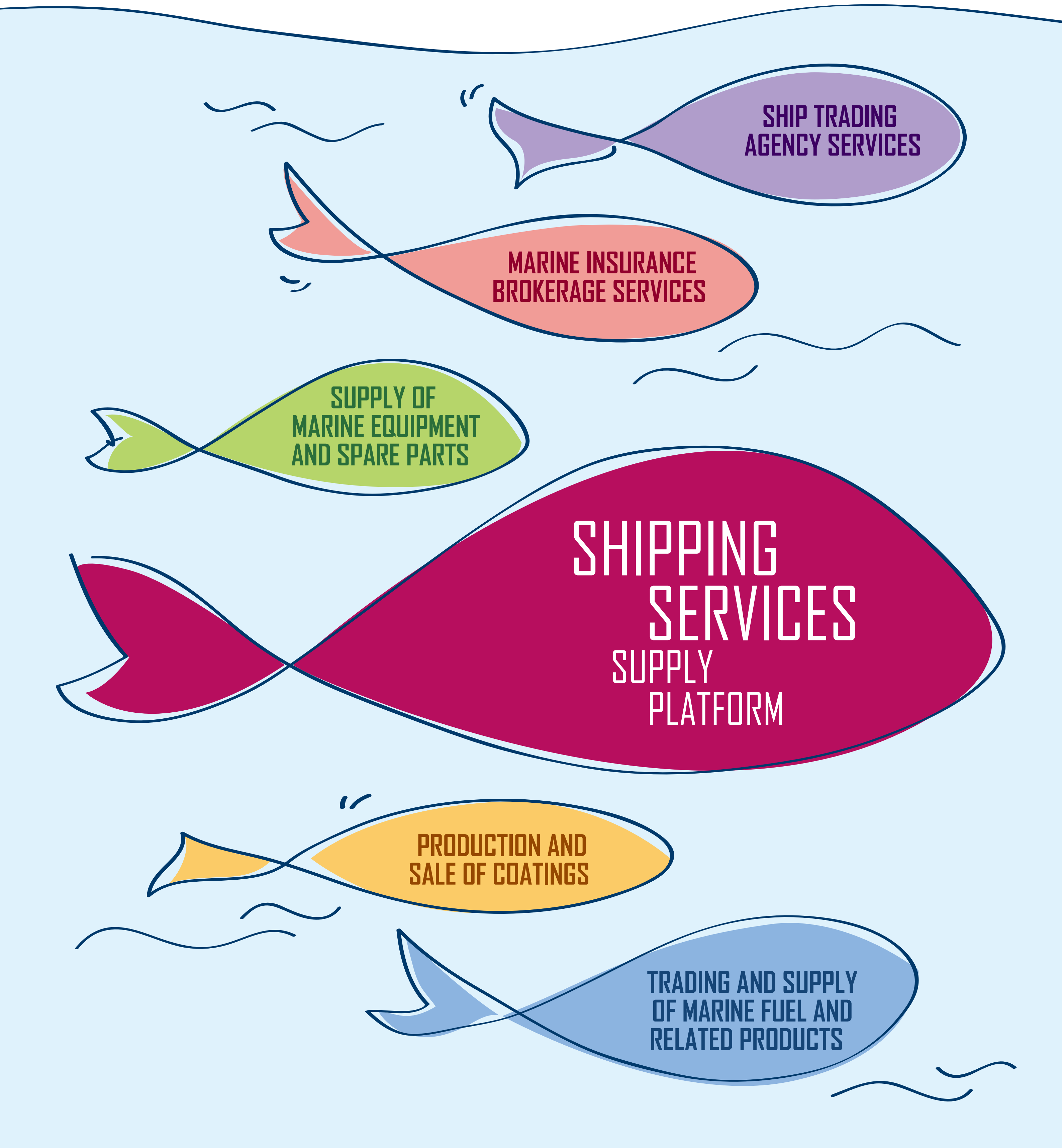
Other Income and Gains

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

Other Expenses and Losses

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

MANAGEMENT DISCUSSION AND ANALYSIS



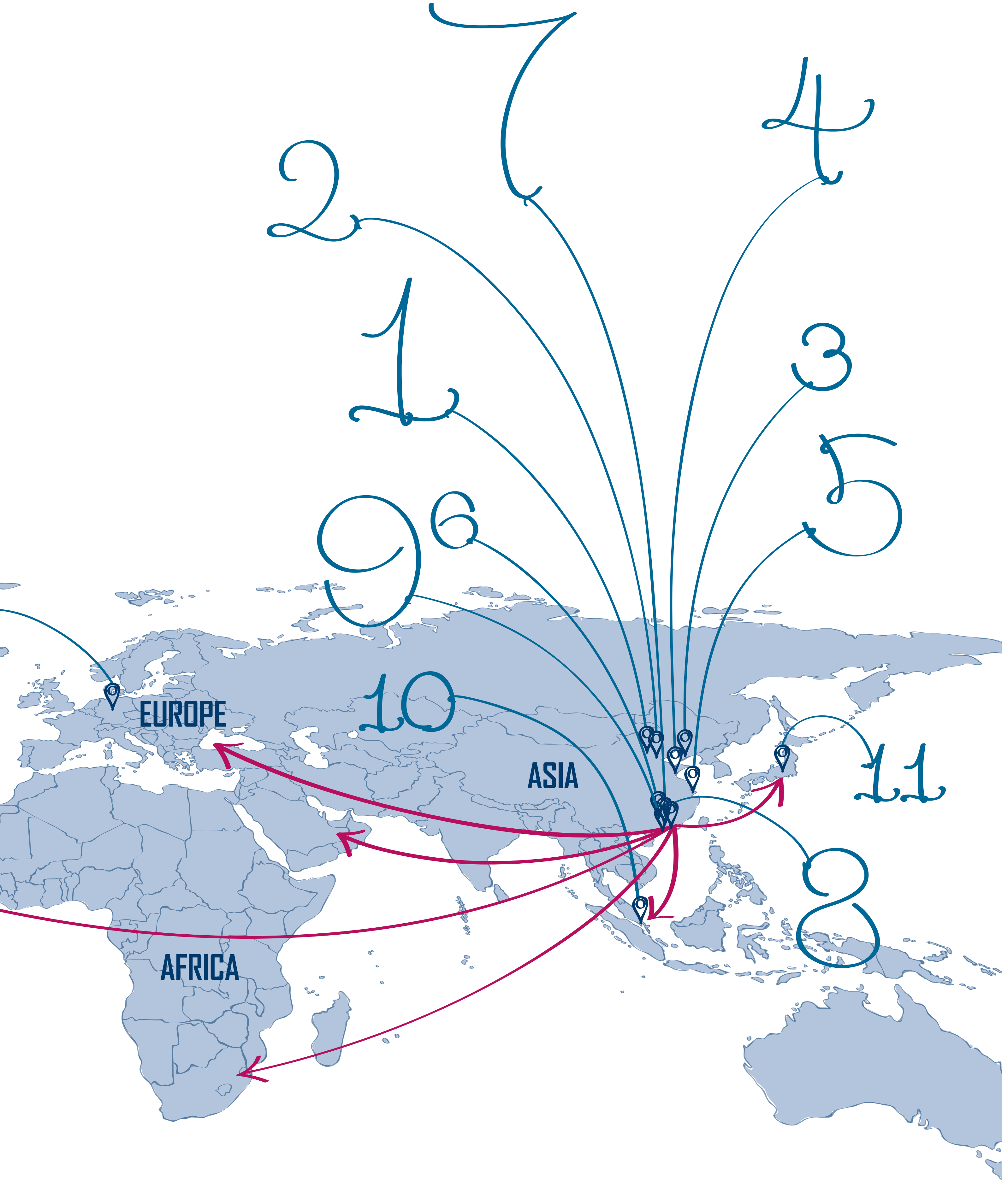
MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Major sales office or plant

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Selling, Administrative and General Expenses

The Group's selling, administrative and general expenses was HK$577,505,000 (2013: HK$506,511,000), increased by 14% as compared to 2013. The main components of selling expenses comprised selling expenses payable to customers, sales staff remuneration, technology usage fees and transportation costs. Selling expenses for the year was HK$217,460,000 (2013: HK$163,047,000) and the increase was primarily due to the increase of headcount and adjustments of salary levels of sales personnel and additional selling expenses. Administrative and general expenses rose by 5% to HK$360,045,000 (2013: HK$343,464,000).

Operating Profit

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

Finance Income — Net

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

Share of Profits of Joint Ventures

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

Share of Profits of Associates

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

Income Tax Expenses

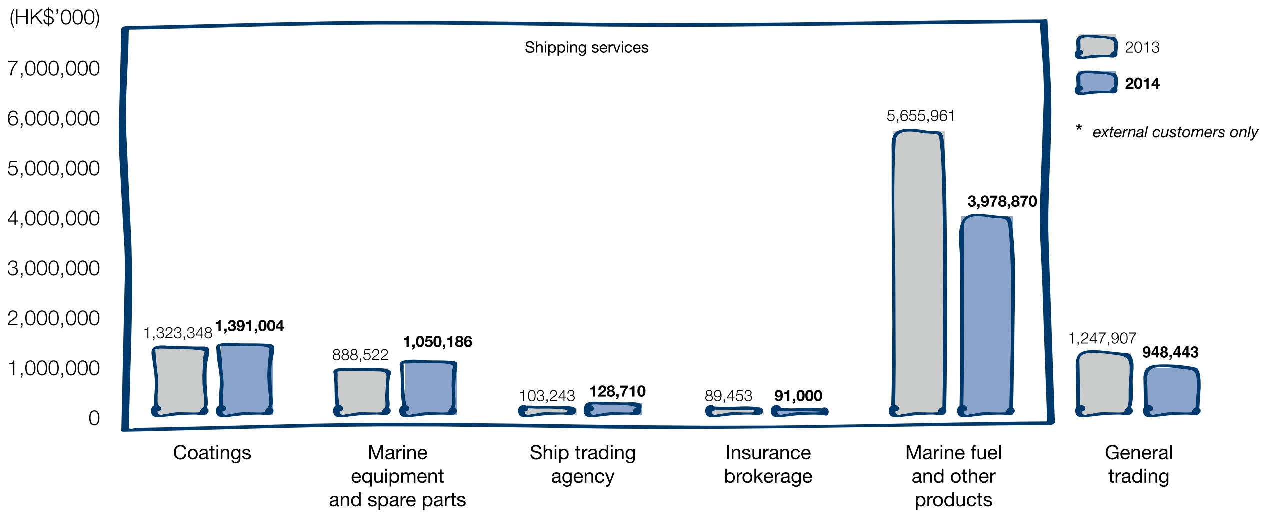
The Group's income tax expenses for the year increased to HK$73,331,000 (2013: HK$58,547,000). The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, remained at 19% approximately.

Profit Attributable to Equity Holders

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

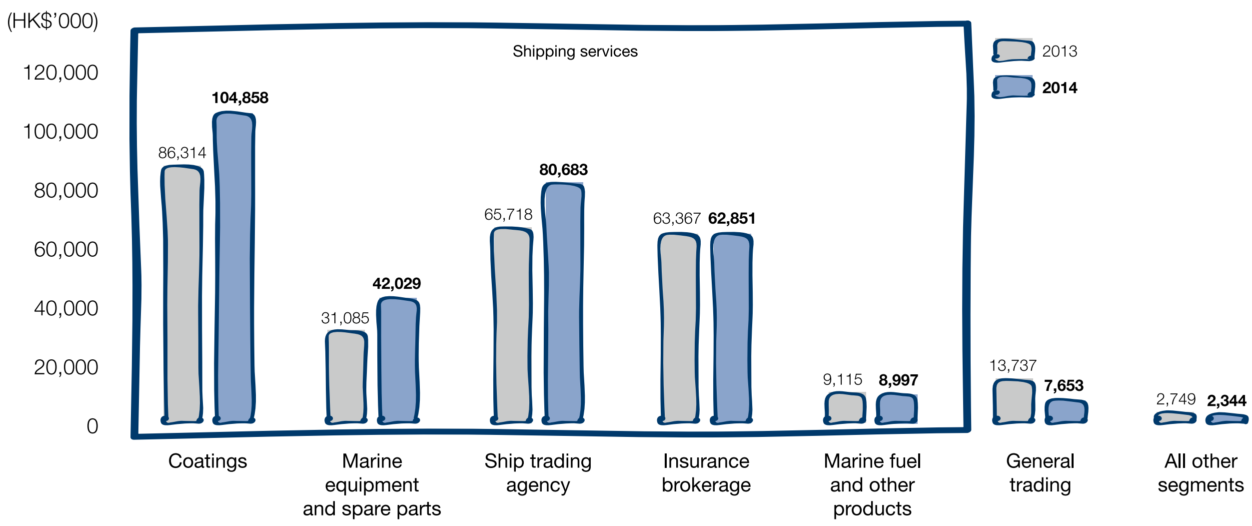
FINANCIAL RESULTS

SEGMENT REVENUE*



During the year, except for marine fuel and other products, all core shipping services segment revenues recorded growth of varying degrees. Segment revenues of ship trading agency, marine equipment and spare parts, coatings and insurance brokerage increased by 25%, 18%, 5% and 2% respectively as compared to 2013. Revenue from the core shipping services businesses fell by 18% to HK$6,639,770,000 (2013: HK$8,060,527,000) and accounted for 88% (2013: 87%) of the Group's revenue.

SEGMENT OPERATING PROFIT



Segment operating profit from shipping services was HK$299,418,000 (2013: HK$255,599,000), representing an increase of 17% as compared to 2013. It was mainly attributable to increase in operating profit from coatings, marine equipment and spare parts and ship trading agency as compared to 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS (Continued)

For the year ended 31st December	2014 HK$'000	2013 HK$'000	Change HK$'000	%	Remark
Shipping services	**299,418**	255,599	43,819	17	It was mainly due to increase in the operating profits of ship trading agency, coatings and marine equipment and spare parts businesses, resulted from higher demand for relevant shipping services driven by a remarkable growth in the volume of new build vessel orders and scrapped old vessels upon the accelerated adjustment of fleet structure by shipowners.
General trading	**7,653**	13,737	(6,084)	(44)	It was mainly attributable to exchange loss generated from intra group loan denominated in foreign currency due to the fluctuations of Renminbi exchange rate.
All other segments	**2,344**	2,749	(405)	(15)	
Corporate expenses, net of income	**(63,474)**	(52,929)	(10,545)	20	Attributed mainly to the decrease in exchange gain arising on the cash holding of corporate headquarters as compared to 2013.
Elimination of segment income from corporate headquarters	**(95)**	(87)	(8)	9	
Operating profit	**245,846**	219,069	26,777	12	
Finance income-net	**140,013**	89,999	50,014	56	It was mainly attributable to higher cash deposit rates as compared to 2013 after the Group's active negotiations with various banks and financial institutions.
Share of profits of joint ventures	**65,218**	9,549	55,669	583	As a result of the improvement of Jotun COSCO's operating results, the share of exchange gain realised by Jotun COSCO upon liquidation of its subsidiary of HK$14,345,000 and the one-off specific provision for impairment made in the 2013 results in respect of trade receivable from marine coating customers, causing a decline of HK$37,958,000, net of tax in the Group's share of profit of Jotun COSCO.
Share of profits of associates	**17,016**	13,028	3,988	31	Represented mainly share of profit of Double Rich.
Profit before income tax	**468,093**	331,645	136,448	41	
Income tax expenses	**(73,331)**	(58,547)	(14,784)	25	The ratio of income tax expenses to profit before income tax, excluding the share of profits of joint ventures and associates, remained at 19% approximately.
Profit for the year	**394,762**	273,098	121,664	45	

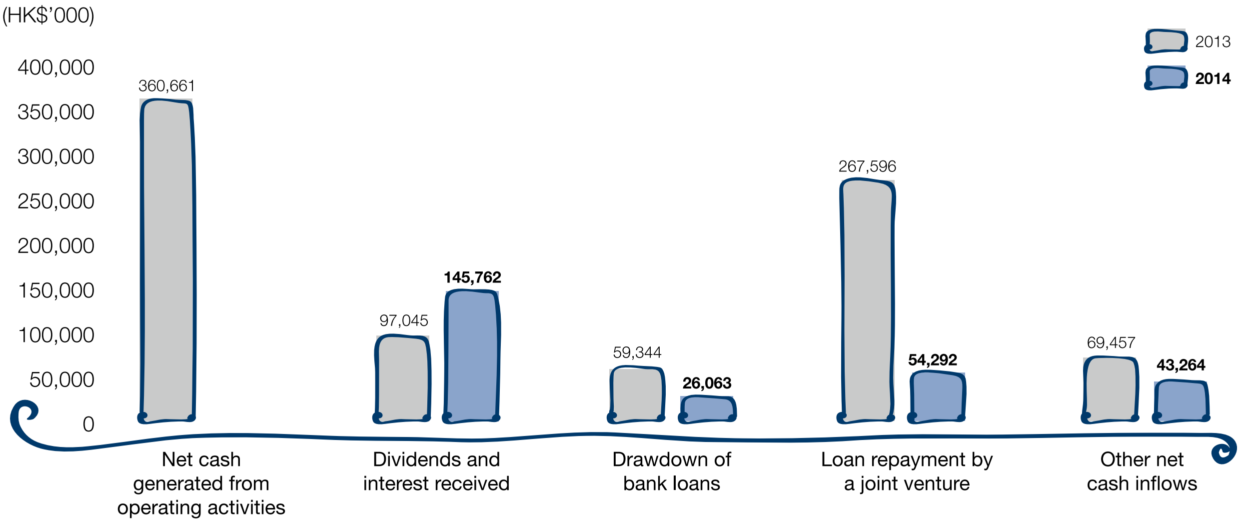
FINANCIAL RESULTS (Continued)

As at 31st December	2014 HK$'000	2013 HK$'000	Change HK$'000	%	Remark
Intangible assets	**105,478**	103,127	2,351	2	
Property, plant and equipment, prepaid premium for land leases and investment properties	**342,128**	224,131	117,997	53	The increase mainly reflected the construction in progress of the new plant of COSCO Kansai Paint (Shanghai) in Jinshan, Shanghai.
Investments in joint ventures	**493,107**	432,465	60,642	14	
Investments in associates	**82,520**	91,969	(9,449)	(10)	
Other non-current assets	**139,969**	114,568	25,401	22	
Completed properties held for sale and inventories	**369,390**	446,992	(77,602)	(17)	
Trade receivables — net	**942,612**	960,354	(17,742)	(2)	All business units of the Group vigorously refined their customer credit control and further reinforced their receivable management on the existing foundation. A distinctive result in respect of receivable collection was achieved as the Group's trade receivables balance dropped by 2% as compared to 2013.
Other receivables	**1,017,595**	712,077	305,518	43	The increase mainly reflected the increase in advance payments and deposits paid to third party suppliers for purchase of goods for marine equipment and spare parts and general trading business.
Cash (including non-current deposits, restricted bank deposits and current deposits and cash and cash equivalents)	**6,133,797**	6,327,816	(194,019)	(3)	①②
Other current assets	**38,738**	36,464	2,274	6	
Total assets	**9,665,334**	9,449,963	215,371	2	
Deferred income tax liabilities	**39,027**	32,497	6,530	20	
Trade and other payables	**1,470,613**	1,546,465	(75,852)	(5)	
Current income tax liabilities	**21,145**	22,122	(977)	(4)	
Short-term borrowings	**26,061**	59,786	(33,725)	(56)	
Non-controlling interests	**369,451**	313,925	55,526	18	
Total liabilities and non-controlling interests	**1,926,297**	1,974,795	(48,498)	(2)	
Net assets attributable to equity holders	**7,739,037**	7,475,168	263,869	4	

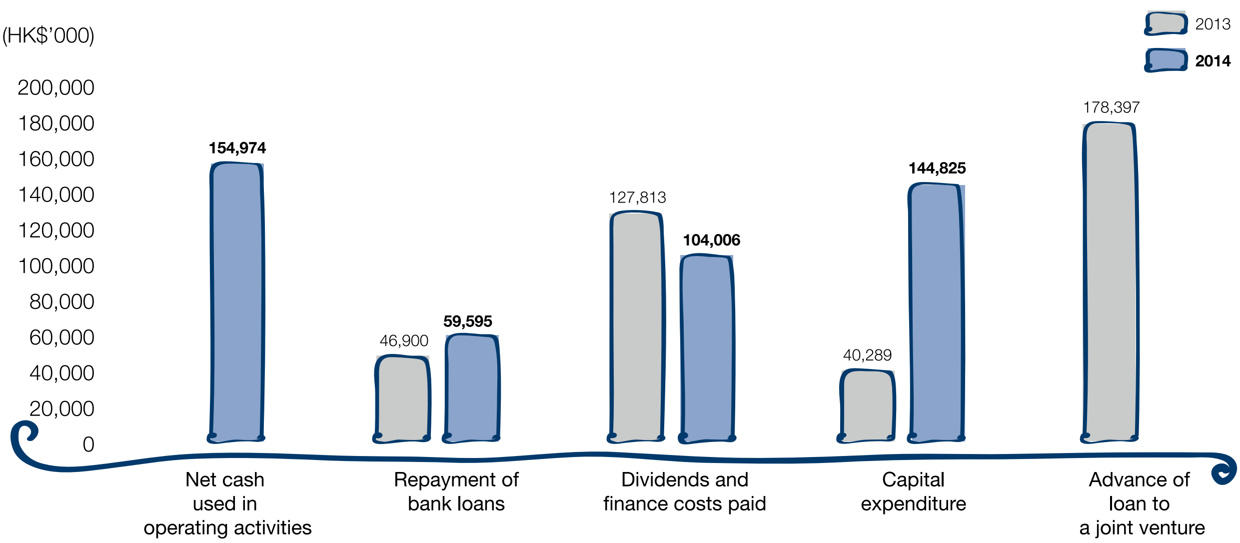
MANAGEMENT DISCUSSION AND ANALYSIS

① MAJOR SOURCES AND USE OF CASH

CASH INFLOWS



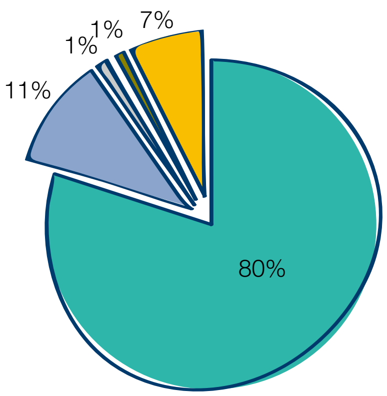
CASH OUTFLOWS



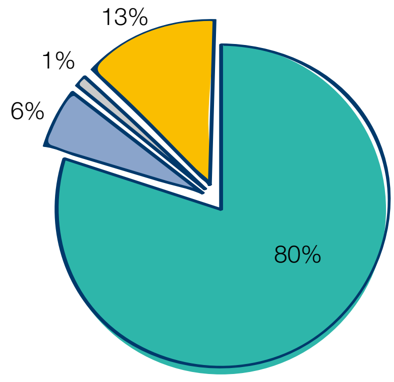
Cash (including non-current deposits, restricted bank deposits and current deposits and cash and cash equivalents) decreased by HK$194,019,000 in aggregate during the year. Sources of cash principally included dividends and interest received of HK$145,762,000, drawdown of bank loans of HK$26,063,000, loan repayment by a joint venture of HK$54,292,000 and other net cash inflows of HK$43,264,000. Use of cash principally included net cash used in operating activities of HK$154,974,000, repayment of bank loans of HK$59,595,000, payment of dividends and finance costs totalling HK$104,006,000 and purchase of intangible assets and property, plant and equipment of HK$144,825,000.

② ANALYSIS OF CASH

CLASSIFIED BY NATURE



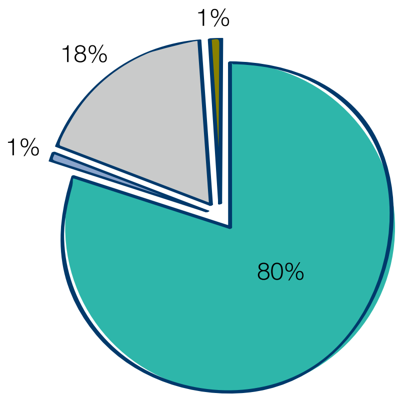
2013



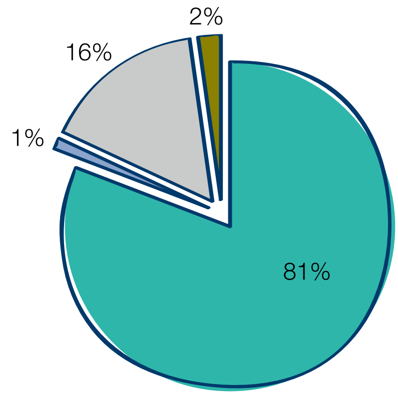
2014

- Non-current deposits with a fellow subsidiary
- Restricted bank deposits
- Current deposits with a fellow subsidiary
- Short-term bank deposits
- Cash at bank and in hand

CLASSIFIED BY CURRENCY



2013



2014

- Renminbi
- Hong Kong dollars
- United States dollars
- Other

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group adopts a prudent yet flexible approach towards financial management which aims at maintaining a healthy balance sheet, a relatively low level of borrowings and a high degree of liquidity. The Board believes this approach is beneficial to the Group's long term development as a major shipping services provider and ensures sufficient financial resources for merger and acquisition opportunities that fit in well with the Group's strategic direction.

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

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

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

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

Debt Analysis

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

MANAGEMENT DISCUSSION AND ANALYSIS

Both the bank borrowings and the gearing ratio remained low since the end of 2013. Due to the provision of funds from the corporate headquarters to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. Furthermore, the Group was also successful in securing higher yields for liquid funds through explored channels of placement of deposits with major financial institutions in China Mainland and Hong Kong.

The Group had restricted bank deposits of HK$14,120,000 (2013: HK$62,782,000) as security for bank credit facilities and other purposes.

In view of the Group's current level of cash and bank balances, funds generated internally from operations, the unutilised banking facilities available and a relatively low debt level, the Board is confident that the Group will have sufficient resources to meet its foreseeable capital expenditures and debt repayment requirements.

TREASURY POLICY

The Group operates principally in Hong Kong, China Mainland and Singapore, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and Renminbi. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group managed its foreign exchange exposure through matching its operating costs and borrowings against its receivables on sales. Nevertheless, the Group is still exposed to relevant foreign exchange risk in respect of Renminbi and United States dollars exchange rate fluctuations such that the Group's profit margin might be impacted accordingly. In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government.

The Group continued to monitor and adjust its debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure, improve debt structure and lower interest expenses. The Group maintained the policy of providing financial support to major business units to reduce the level of external borrowings.

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

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

The Group maintained a healthy cash position. As at 31st December 2014, the Group had net cash of HK$6,107,736,000 (2013: HK$6,268,030,000). To enhance the Group's revenue and to ensure availability of cash at appropriate times to meet the Group's commitments and needs, the Group, on the basis of balancing risk, return and liquidity, invested in a mix of financial products, including overnight deposits, term deposits and offshore fixed deposits. Cash and deposits of the Group were placed with highly reputable financial institutions both in Hong Kong and China Mainland. During the year, the Group strengthened funds management, actively negotiated with bankers to strive for higher deposit yields for the huge sum of liquid funds on hand. The Group achieved a 2.29% return on the Group's cash for the year, represented 204 basis points above 3-month US Dollar LIBOR as at the end of 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

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

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

EMPLOYEES

As at 31st December 2014, excluding joint ventures and associates, the Group had 835 (2013: 804) employees, of which 100 (2013: 112) were Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$302,911,000 (2013: HK$269,548,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

On 2nd December 2004, the directors of the Company (excluding independent non-executive directors) and certain employees of the Group were granted share options to subscribe for a total of 32,650,000 shares of the Company at a price of HK$1.37 per share. These share options were exercisable at any time from 29th December 2004 to 28th December 2014. On 10th May 2005, certain employees of a subsidiary of the Company were granted share options to subscribe for a total of 2,400,000 shares of the Company at a price of HK$1.21 per share. These share options are exercisable at any time from 6th June 2005 to 5th June 2015. On 9th March 2007, the directors of the Company (excluding independent non-executive directors) and certain employees of the Group and its joint venture were granted share options to subscribe for a total of 25,930,000 shares of the Company at a price of HK$3.666 per share. These share options are exercisable from 9th March 2009 to 8th March 2015 in the stipulated proportion at any time namely: (i) no share options shall be exercisable by the grantees within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised by the grantees from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised by the grantees from 9th March 2010 onwards and (iv) all share options can be exercised by the grantees from 9th March 2011 onwards.

MANAGEMENT DISCUSSION AND ANALYSIS

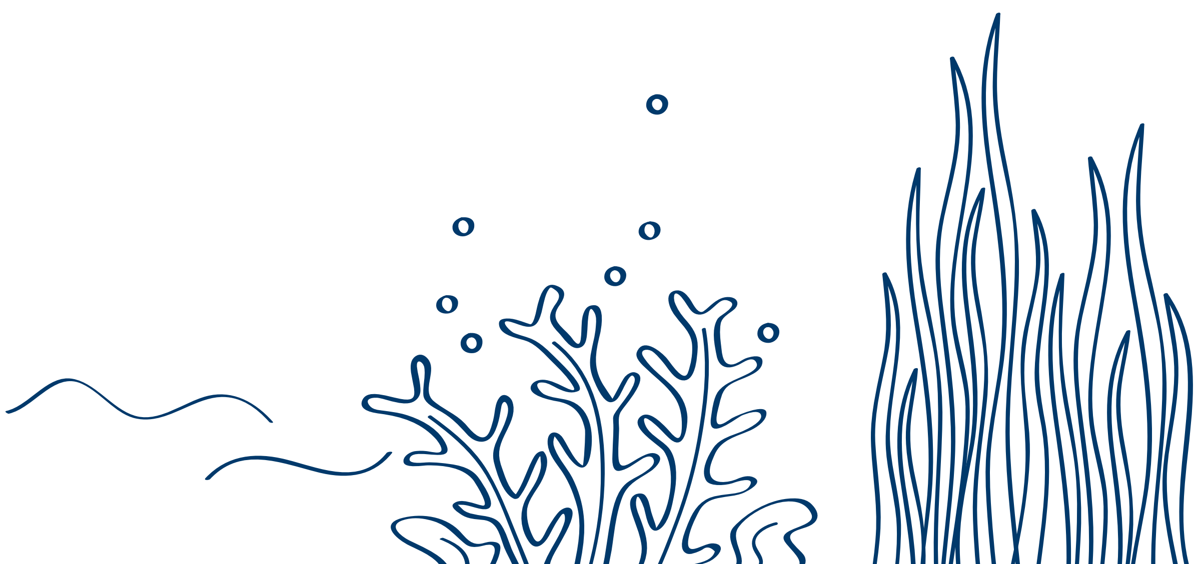
BUSINESS REVIEW

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

1. Core Business — Shipping Services

The Group's shipping services mainly include ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products.

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



MANAGEMENT DISCUSSION AND ANALYSIS

SHIP TRADING AGENCY SERVICES

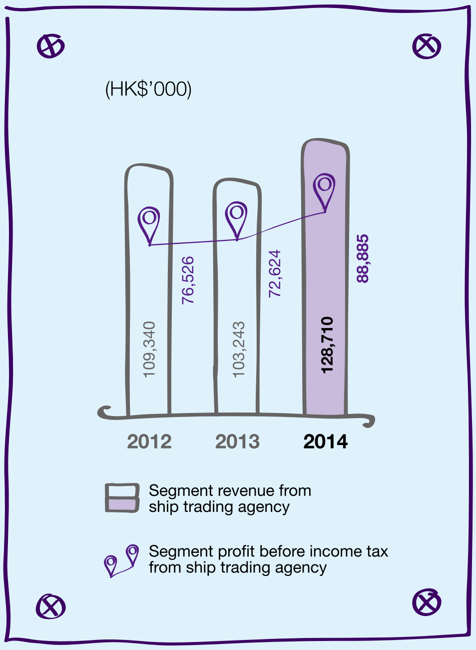
1.1 Ship Trading Agency Services

COSCO Ship Trading is principally engaged in the provision of agency services relating to ship building, ship trading and chartering for the fleets of COSCO Group, and is the sole platform for the ship trading of COSCO Group. COSCO Ship Trading also provides similar services for shipowners and shipping enterprises outside COSCO Group. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid by shipbuilders according to the work progresses specified in the relevant contracts. For the trading of second-hand vessels, commissions are paid to COSCO Ship Trading according to the contracts after the vendors have delivered the vessels to the buyers.

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

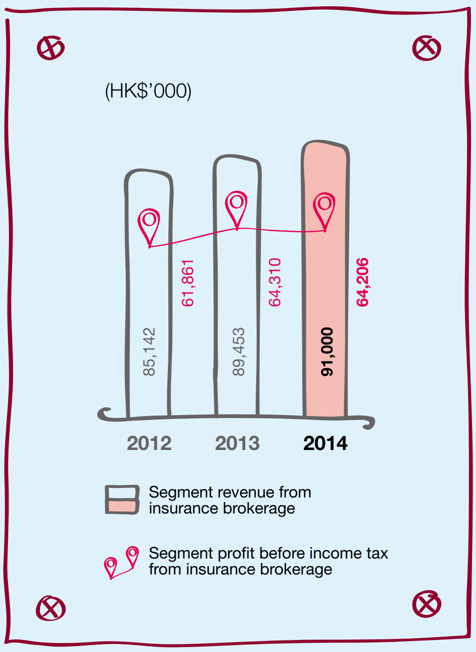
MARINE INSURANCE BROKERAGE SERVICES

1.2 Marine Insurance Brokerage Services

COSCO Insurance Brokers are primarily engaged in the provision of insurance intermediary services including risk assessment, designing insurance programmes, placing insurance coverage, loss prevention and claims handling to the insured (including their various vessels) worldwide for service commissions.

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

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


(HK$'000)
85,142
61,861
89,453
64,310
91,000
64,206
2012
2013
2014
Segment revenue from insurance brokerage
Segment profit before income tax from insurance brokerage

MANAGEMENT DISCUSSION AND ANALYSIS

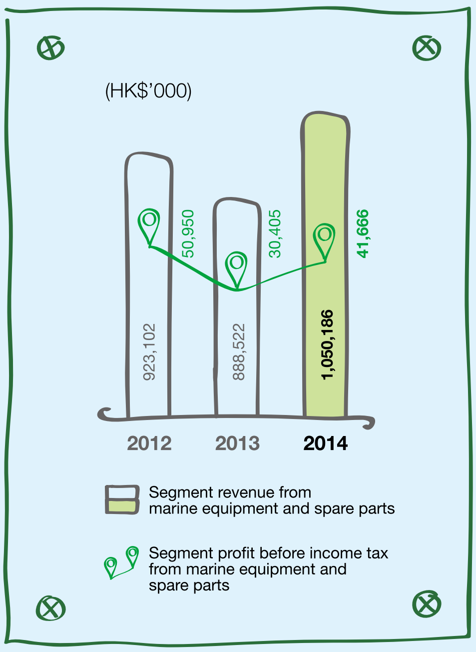
SUPPLY OF MARINE EQUIPMENT AND SPARE PARTS

1.3 Supply of Marine Equipment and Spare Parts

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

PRODUCTION AND SALE OF COATINGS

1.4 Production and Sale of Coatings

The coating business of the Company primarily includes the production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Companies are principally engaged in the production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, a 50/50 joint venture formed by the Company and the international coating manufacturer Jotun A/S, Norway, is principally engaged in the production and sale of marine coatings.

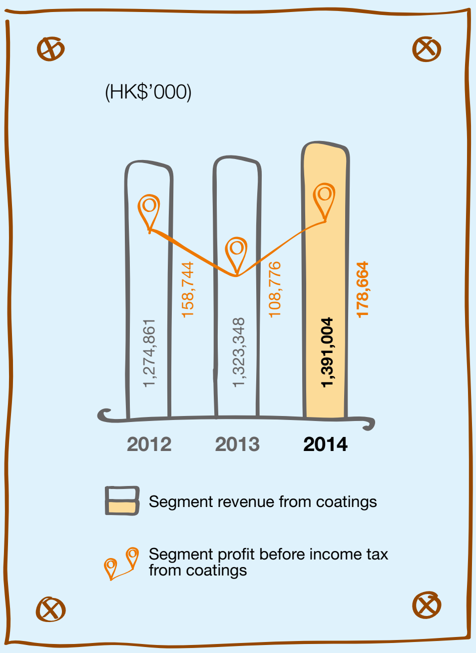
For container coatings, COSCO Kansai Companies seized opportunities from the rebounded demand for new build containers during the year and successfully explored new customers while further consolidating the core customers. They carried out strategic marketing tailored to the needs of different markets and customers and provided differential services so as to maintain their leading position in China's container coating market. For marine coatings, Jotun COSCO put a greater effort into marketing and customer care, and therefore maintained its leading position in China's marine coating market. In addition, in order to meet the future development needs of the coating business units, maintain a sound market position in China Mainland and make proper follow-up arrangement after ceased production of plant in Baoshan, Shanghai under COSCO Kansai (Shanghai) in January 2015, the Group spared no effort to push forward the construction of new plants of two joint ventures. The Group properly assigned the plants under COSCO Kansai (Tianjin) and COSCO Kansai (Zhuhai) to take up the production of plant in Baoshan, Shanghai, and the plant of COSCO Kansai Paint (Shanghai) in Jinshan, Shanghai has been officially under construction during the first half of 2014. Currently, the construction of major civil work of the plant was basically completed while exterior decoration and installation of electric appliances and equipments commenced. The new plant was expected to commence production in June 2015. The construction of a coating plant in Qingdao by Jotun COSCO (Qingdao) was basically completed and production in stages has commenced.

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

1.4.1 Container Coatings and Industrial Heavy-Duty Anti-Corrosion Coatings

COSCO Kansai Companies have coating plants in Zhuhai, Shanghai and Tianjin respectively. These three coating plants are respectively located in the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim Area, the three most economically developed regions of China, with annual production capacity of 100,000 tonnes.

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



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

During the year, COSCO Kansai (Tianjin) was permitted by Tianjin Municipal Government to prepare for the establishment of "Key Laboratory of Special Industrial Anti-corrosion Coatings" ("特種工業防腐塗料重點實驗室") with the approval of the expert group under the Science and Technology Commission (科委專家組) of Tianjin. COSCO Kansai Companies were awarded "The Top 10 Anti-Corrosion Coating Brands Awards of China" by 慧聰塗料網 (HC Coating Network) for the fifth straight year.

1.4.2 Marine Coating

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

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

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

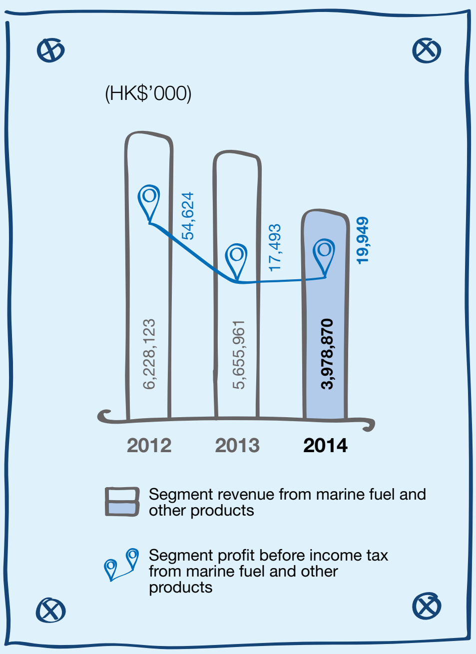
MANAGEMENT DISCUSSION AND ANALYSIS

TRADING AND SUPPLY OF MARINE FUEL AND RELATED PRODUCTS

1.5 Trading and Supply of Marine Fuel and Related Products

Sinfeng is primarily engaged in the provision of marine fuel supply, trading and brokerage services of marine fuel and related products. Sinfeng has established long-term and good business cooperation with top international fuel oil suppliers and traders. Currently, its business network primarily covers Singapore, Malaysia and other major oil ports.

During the year, Sinfeng adopted prudent business strategies in response to the sophisticated shipping market. As for maintaining existing customer base, Sinfeng established stable and long-term business cooperation with reputable customers through the implementation of its key customer marketing strategy. As for exploring new customers, Sinfeng strictly controlled its operation risks by preferentially selecting shipping enterprises and trading companies with leading positions in the market. During the year, while Sinfeng gradually withdrew from certain businesses of relatively high risks, the total sales volume of marine fuel products was 864,335 tonnes, down by 26% as compared with 1,162,465 tonnes



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

In addition, Double Rich, which the Group owns 18% equity interest, is principally engaged in the trading of fuel and oil products and the provision of bunker oil supply services in Hong Kong, and at the same time in sourcing products like light diesels and fuel oil. Its major customers are shipowners and ship operators. During the year, the Group's share of profit from Double Rich was HK$16,272,000 (2013: HK$13,703,000), up by 19% as compared to 2013, which was mainly due to increase in finance income during the year.

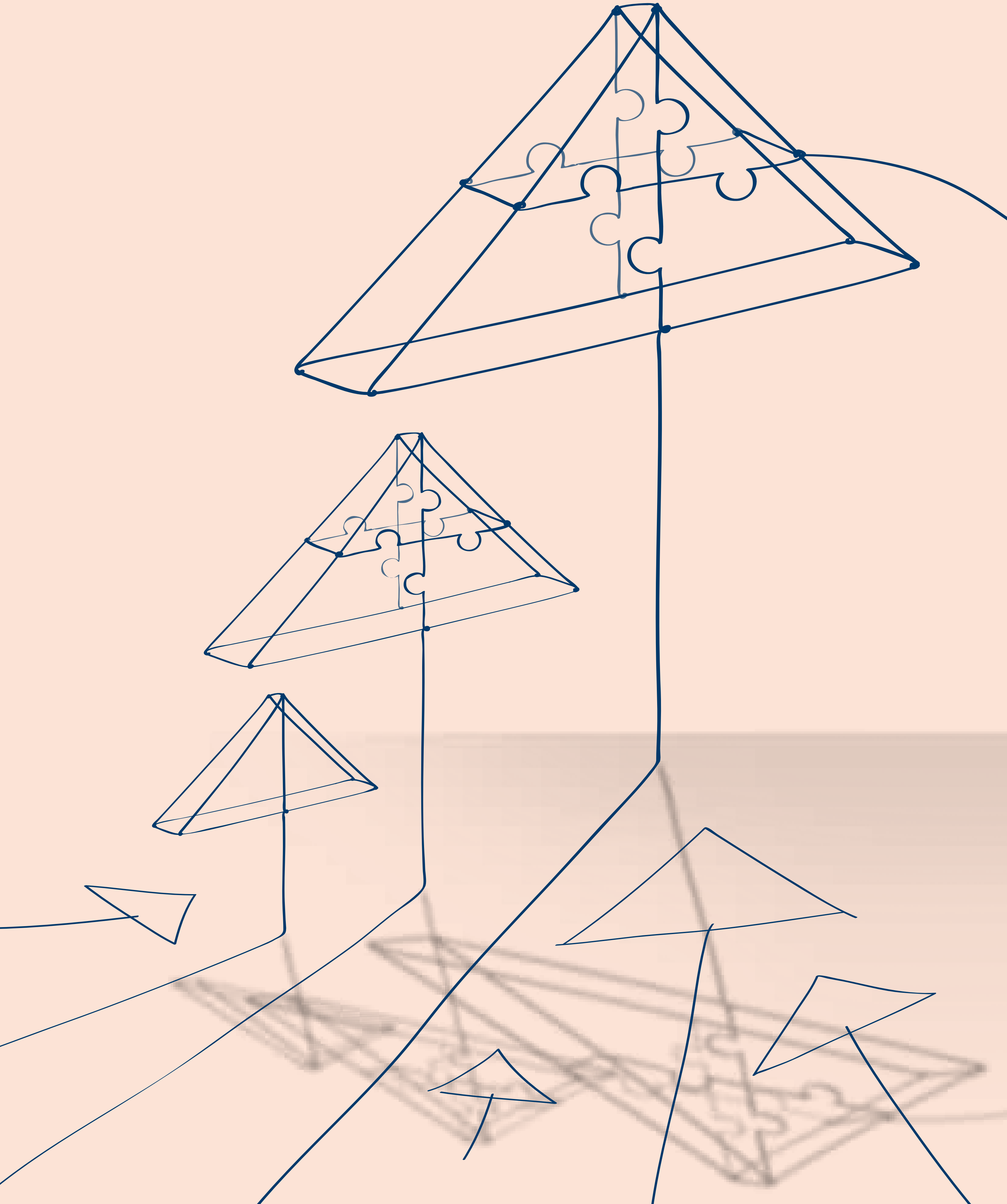
Profit before income tax of marine fuel and other products segment was HK$19,949,000 (2013: HK$17,493,000), representing an increase of 14% as compared to 2013.

2. General Trading

CITC is principally engaged in the trading of asphalt, general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the China market and the market operations and has abundant experience in international trade. It has stable suppliers and market share, which will generate synergies with the Group's shipping services businesses, serving as an important platform for the Group to tap into the China market for other business.

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

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



FOCUS ON OUR Core Values AND ENHANCE OUR CORPORATE GOVERNANCE PRACTICES

INNOVATION

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Mr. Sun Jiakang

CHAIRMAN

aged 55, has been Executive Director and Chairman of the Board of the Company since September 2013. He is also executive vice president, secretary to the board of directors, chief legal consultant and spokesperson of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), executive director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC), chairman of the board of directors of China COSCO Logistics Co., Ltd, China Marine Bunker (PetroChina) Co., Ltd., COSCO Europe GmbH, China Ocean Shipping Company Americas, Inc., COSCO Africa (Pty) Ltd., COSCO Oceania Pty Limited and China LNG Shipping (Holdings) Limited, vice president of China Association of Communication Enterprise Management, vice chairman of China Maritime Arbitration Commission, chairman of China Region of Germanischer Lloyd, chairman of China Region of Nippon Kaiji Kyokai and director of UK Protection and Indemnity Club. Mr. Sun had been the deputy manager of shipping department of Tianjin Ocean Shipping Company, the manager of the Container Transport Divisions III and II of COSCO Container Lines Headquarters, the general manager of the Transportation Division and assistant to the president of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the vice president of COSCO (Hong Kong) Group Limited, the vice chairman, managing director, executive director and non-executive director of COSCO Pacific Limited (listed in Hong Kong), the managing director of COSCO Container Lines Co., Ltd. and the deputy general manager of China COSCO Holdings Company Limited. Mr. Sun has over 30 years of experience in the shipping industry, extensive experience in the corporate operation management and has demonstrated his excellent management skills. Mr. Sun obtained a doctor of Philosophy (PhD) degree in Management from Preston University in the United States and a master's degree in Transportation Planning and Management from Dalian Maritime University. He is a senior engineer.

Mr. Zhang Liang

VICE CHAIRMAN

aged 61, has been Executive Director and Vice Chairman of the Board of the Company since February 2012 and is chairman of Strategic Development Committee and Risk Management Committee of the Company. Mr. Zhang is director of two subsidiaries of the Company. He is also non-executive director and vice chairman of China International Marine Containers (Group) Co., Ltd. (listed in Hong Kong and the PRC) and director, executive vice chairman and president of COSCO (Hong Kong) Group Limited. Mr. Zhang was the department head of Personnel Department, assistant to the general manager, deputy general manager (and safety control manager) and general manager of Tianjin Ocean Shipping Company, the deputy general manager, general manager and chairman of COSCO Bulk Carrier Co., Ltd., the chief legal consultant and vice president of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the general manager of China COSCO Holdings Company Limited and the chairman of Qingdao Ocean Shipping Co., Ltd., COSCO Logistics Co., Ltd., Shenzhen Ocean Shipping Co., Ltd., the chairman of the board of directors of COSCO (H.K.) Shipping Co., Limited and the executive director of China COSCO Holdings Company Limited (listed in Hong Kong and the PRC) up to his resignation in February 2012. Mr. Zhang was a marine captain. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operation and management. Mr. Zhang graduated from Dalian Maritime University, majoring in navigation and obtained a Master's degree in Transportation Planning and Management from Shanghai Maritime College as well as a Doctoral degree in Corporate Management from Nankai University, and is a senior engineer.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

aged 43, has been Non-executive Director of the Company since April 2012. He is also non-executive director of COSCO Pacific Limited (listed in Hong Kong), director of COSCO Shipping Co., Ltd. (listed in the PRC), director of COSCO (Hong Kong) Group Limited, general manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited, supervisor of the State-owned Enterprise Supervisory Committee appointed by the State-owned Assets Supervision and Administration Commission of the State Council to 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). Mr. Wang joined COSCO Group since 1995 and had been the deputy manager of Executives Management Department of Organisation Division/Human Resources Division, the manager of Executives Management Department of Organisation Division/Human Resources Division and the deputy general manager of Organisation Division/Human Resources Division of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the deputy general manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited. Mr. Wang graduated from Renmin University of China, majoring in human resources management.

Mr. Wang Wei

aged 60, has been Non-executive Director of the Company since April 2012 and is member of Risk Management Committee of the Company. He is also non-executive director of China International Marine Containers (Group) Co., Ltd. (listed in Hong Kong and the PRC) and director and executive vice president of COSCO (Hong Kong) Group Limited. Mr. Wu had been the marine chief engineer, the section manager of safety and technology of Ship Management Department, the deputy manager of Ship Management Department of Shanghai Ocean Shipping Company, the general manager of Shanghai Far East Container Manufacturing Co. Ltd., the deputy general manager of Shanghai Ocean Shipping Company, the deputy general manager and director of COSCO Container Lines Co., Ltd. and the supervisor of China COSCO Holdings Company Limited. Mr. Wu has over 30 years of experience in the shipping industry and has extensive experience in corporate operational management and ship management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management and is a senior engineer.

Mr. Wu Shuxiong

aged 60, has been Executive Director of the Company since April 2012 and is member of Strategic Development Committee and Risk Management Committee of the Company. Mr. He is director and financial controller of COSCO (Hong Kong) Group Limited. Mr. He was the executive director of the Company during 2003 to 2006, the executive director of COSCO Pacific Limited (listed in Hong Kong) until his resignation in March 2013, and had been the deputy director of Finance Division of Shanghai Ocean Shipping Company, the deputy general manager of Finance Department of COSCO Container Lines Headquarters, the deputy general manager of Finance and Capital Department of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), the chief accountant of COSCO Container Lines Co., Ltd., the chief financial officer of China COSCO Holdings Company Limited and the non-executive director of Chong Hing Bank Limited (listed in Hong Kong) until his resignation in February 2014. Mr. He has over 30 years of experience in the shipping industry and has extensive experience in corporate finance and financial management. Mr. He graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

Mr. He Jiale

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

aged 59, has been Executive Director and Managing Director of the Company since July 2012, and is chairman of Corporate Governance Committee, member of Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee of the Company. Mr. Xu leads overall management and operation, strategic development, corporate governance, legal and financial management of the Company. Mr. Xu is director of subsidiaries of the Company, director, vice president and chief legal consultant of COSCO (Hong Kong) Group Limited and director of True Smart International Limited. He had been the section chief and the head of department of Shanghai Ocean Shipping Company, the general manager of crew company and land property company, which were the subsidiaries of COSCO Container Lines Co., Ltd., the assistant to general manager of COSCO Container Lines Co., Ltd., the general manager of Shanghai Ocean Shipping Company, a member of the leading team of COSCO Container Lines Co., Ltd. in charge of audit and supervision affairs, the managing director of COSCO (H.K.) Industry & Trade Holdings Limited and the director and vice chairman of Shenzhen Guangju Energy Co., Ltd. (listed in the PRC) until his resignation in March 2013. Mr. Xu has extensive experience in corporate management and onshore industries. Mr. Xu obtained postgraduate degree in Maritime Transportation Management from Shanghai Maritime University and is a senior political officer.

Mr. Xu Zhengjun

MANAGING DIRECTOR

aged 65, has been Independent Non-executive Director of the Company since February 2004 and is chairman of Nomination Committee, member of Audit Committee, Remuneration Committee and Corporate Governance Committee of the Company. Mr. Tsui is also chairman of WAG Worldsec Corporate Finance Limited and director of Industrial and Commercial Bank of China (Asia) Limited. He is also independent non-executive director of a number of listed companies in Hong Kong, namely, China Power International Development Limited, Pacific Online Limited, China Oilfield Services Limited (also listed in the PRC), Summit Ascent Holdings Limited, Melco Crown Entertainment Limited (also listed on NASDAQ), Kangda International Environmental Company Limited as well as independent director of certain companies listed overseas including ATA Inc. (listed on NASDAQ) and Melco Crown (Philippines) Resorts Corporation (listed in the Republic of Philippines). Mr. Tsui graduated from the University of Tennessee, the United States and was awarded a Bachelor of Science degree and a Master of Engineering degree in Industrial Engineering and had completed the Program for Senior Managers in Government at the John F. Kennedy School of Government at Harvard University, the United States. He was the chairman of Hong Kong Securities Institute from 2001 to 2004 and the chief operating officer of Hong Kong Exchanges and Clearing Limited in 2000 and the adviser and council member of the Shenzhen Stock Exchange from July 2001 to June 2002. He has numerous years of experience in finance and administration, corporate and strategic planning, information technology and human resources management. He previously served as the independent non-executive director of the following listed companies in Hong Kong, namely, China BlueChemical Ltd. until his retirement in June 2012 and China Chengtong Development Group Limited until his resignation in November 2013.

Mr. Tsui Yiu Wa, Alec

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

aged 61, has been Independent Non-executive Director of the Company since April 2007 and is chairman of Remuneration Committee, member of Audit Committee, Nomination Committee and Corporate Governance Committee of the Company. He is also chairman of Cyber City International Limited, independent non-executive director of China Petroleum & Chemical Corporation (listed in Hong Kong and the PRC). Mr. Jiang is also a director of China Foundation for Disabled Persons, a trustee of Cambridge China Development Trust and a senior associate at the Judge Business School of Cambridge University of England. He is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the United Nations Investments Committee. Mr. Jiang received his Bachelor's degree from Beijing Foreign Studies University, Master's degree from Australian National University and Doctorate's degree in Economics from Cambridge University of England. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management Service, a director of Zi Corporation, the advisory board member of Capital International Inc. of United States and Rothschild Investment Bank of England and the independent non-executive director of Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (listed in Hong Kong) until his retirement in June 2014. He has experience in fund management.

Mr. Jiang, Simon X.

aged 73, has been Independent Non-executive Director of the Company since June 2011 and is chairman of Audit Committee, member of Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Company. Mr. Hamilton is also independent non-executive director of a number of listed companies, namely, CITIC Limited (formerly known as CITIC Pacific Limited) (listed in Hong Kong), Esprit Holdings Limited (listed in Hong Kong), Shangri-La Asia Limited (listed in Hong Kong) and JPMorgan China Region Fund, Inc. (formerly known as JF China Region Fund, Inc.) (a USA registered closed end fund quoted on the New York Stock Exchange). Mr. Hamilton is a member of the Institute of Chartered Accountants of Scotland, a fellow member of the Hong Kong Institute of Certified Public Accountants and Institute of Directors. He was a partner of Price Waterhouse for 16 years and has more than 20 years of audit and accounting experience.

Mr. Alexander Reid Hamilton

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

The Directors' interests in shares and underlying shares of the Company and its associated corporations, if any, within the meaning of Part XV of the Securities and Futures Ordinance (the"SFO") as at 31st December 2014 are disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" of the Directors' Report.

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

Save as disclosed in the Directors' respective biographical details under "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" and other part in this annual report, the Directors (a) have not held any directorships in other publicly listed companies, whether in Hong Kong or overseas, during the past three years; (b) do not hold any other positions in the Company and its subsidiaries; and (c) do not have any other relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company as at 31st March 2015.

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

The Directors referred to under "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" (except (i) Non-executive Directors and (ii) Mr. Sun Jiakang and Mr. He Jiale being Executive Directors) received the Directors' emoluments for the year 2014 which will be determined with reference to the prevailing market conditions, director's experience, qualifications and responsibilities involved in the Company. The details of the emoluments of the Directors for the year ended 31st December 2014 on a named basis are disclosed in note 29(a) to the financial statements.

SENIOR MANAGEMENT

Mr. Lin Wenjin

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

Mr. Wang Jianping

aged 60, has been Deputy General Manager of the Company since August 2012. He is also director of subsidiaries of the Company. Mr. Wang is in charge of corporate management and coating business of the Company. Mr. Wang graduated in International Shipping from Shanghai Maritime University (formerly known as Shanghai Maritime College) and was awarded the senior economist qualification by the Ministry of Communications of the PRC. He had been the general manager of China Ocean Shipping Agency Ltd., Zhanjiang, the deputy general manager of China Ocean Shipping Agency head office, the deputy general manager of COSCO Guangzhou International Freight Co. Ltd., logistics director and deputy general manager of COSCO Logistics (Guangzhou) Co., Ltd. (China Ocean Shipping Agency Ltd., Guangzhou), the general manager of COSCO Logistics (Xiamen) Co., Ltd. (China Ocean Shipping Agency Ltd., Fujian) and COSCO Logistics (Qingdao) Co., Ltd. (China Ocean Shipping Agency Ltd., Qingdao) and also served as the chairman of several joint ventures and associate companies. Mr. Wang is familiar to the basic-level operation and shipping services, and has extensive experience in modern logistics, shipping agency, freight forwarding and corporate management.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Siu Leung, Tony

aged 51, has been Financial Controller of the Company since September 2005. Mr. Lo is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He holds a Master's degree of Business Administration from The Hong Kong University of Science and Technology. Mr. Lo had previously worked for an international accounting firm, The Stock Exchange of Hong Kong Limited and several listed companies. He has extensive experience and expertise in corporate finance, corporate governance and financial planning.

Ms. Chiu Shui Suet

aged 48, has been Company Secretary of the Company since October 2005. Ms. Chiu obtained a Bachelor of Laws degree from the University of Wolverhampton and completed her Postgraduate Certificate in Laws at the City University of Hong Kong. Ms. Chiu was admitted as a solicitor in Hong Kong. Besides, she is also a fellow member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Prior to joining the Company, Ms. Chiu had worked for accounting firms, legal firm and listed companies. She has extensive experience and solid knowledge in dealing with the company secretarial and legal matters of listed company.

Mr. Xu Baoqi

aged 55, joined the Company in May 2012. He is Assistant to Managing Director of the Company and director of subsidiaries of the Company. Mr. Xu graduated from Dalian Maritime University and obtained his Master's degree of Business Administration from the Chinese University of Hong Kong. Mr. Xu joined COSCO Group in 1980 and served as a ship radio operator of COSCO Group, deputy manager of Communications and Navigation Department, deputy director of General Office, deputy manager of Research & Development Department of Technology Centre and manager of Labour and Onshore Safety Management Office of Safety and Technology Supervision Department of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company). Mr. Xu was a member of Communications and Navigation Committee of the China Institute of Navigation. He has senior engineer qualification in marine technology/safety management. Mr. Xu has worked in ship technology management and corporate safety management, and he has extensive experience in corporate management.

Mr. Li Jingshi

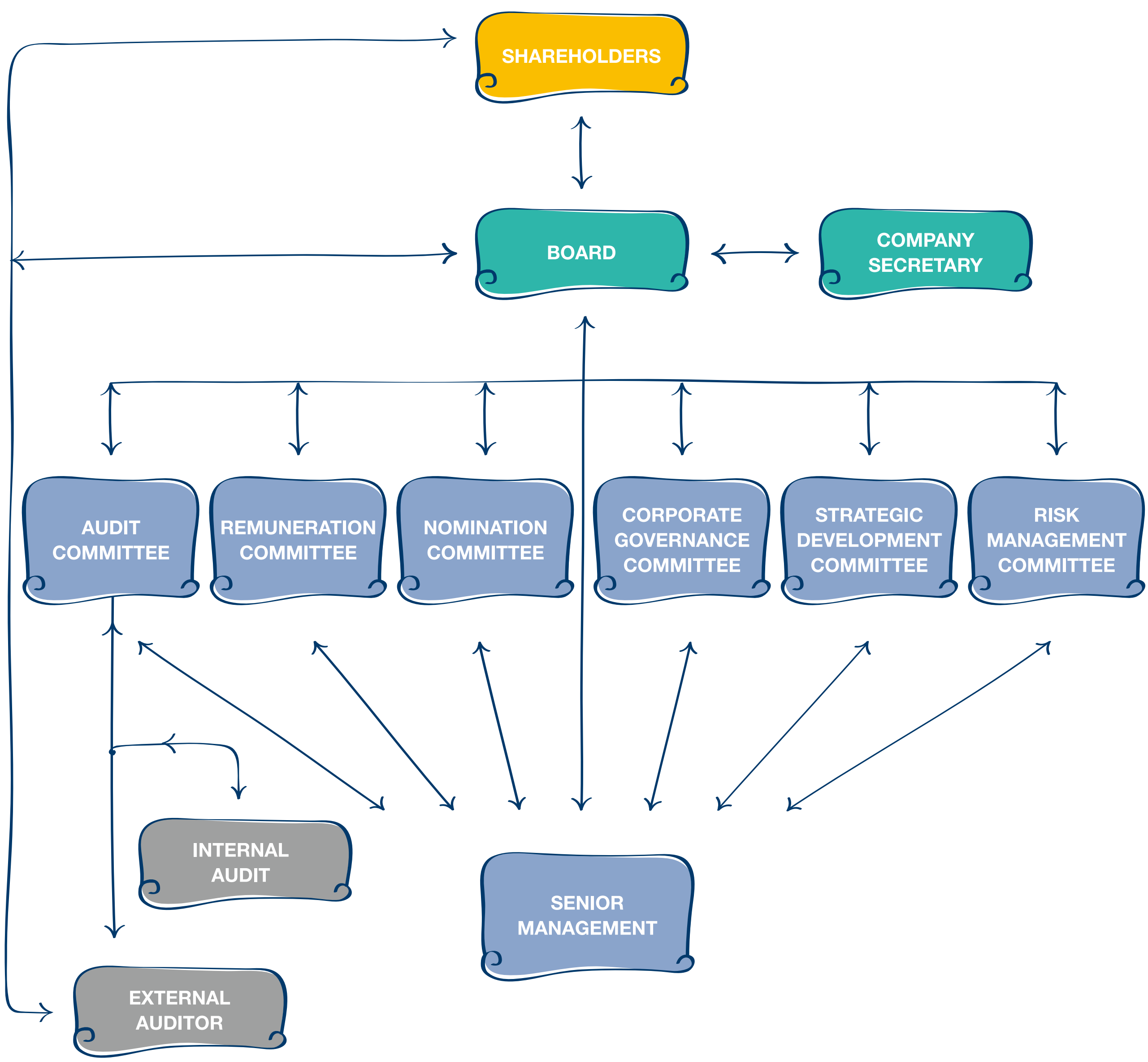
aged 42, joined the Company in July 2014. He is currently the Assistant to Managing Director and the General Manager of Administration and Human Resources Department of the Company. Mr. Li obtained a Bachelor degree of Shipbuilding Engineering and a Master's degree of Design & Shipbuilding and Offshore Structure both from Tianjin University. Mr. Li joined COSCO Group in 1997, and had worked in the Planning Division, Strategic Development Division, Executive Division of COSCO, and Executive Division of China COSCO Holdings Company Limited. Mr. Li is familiar with the operation of listed companies, and has rich experience in corporate governance, investment management, human resources management and administration.

CORPORATE GOVERNANCE REPORT

THE COMMITMENT AND COMPLIANCE OF THE COMPANY

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

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



CORPORATE GOVERNANCE REPORT

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

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

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

The Company had applied the principles and complied with the CG Code throughout the year ended 31st December 2014 except that Mr. Wu Shuxiong, the Non-executive Director, was unable to attend the annual general meeting of the Company held on 30th May 2014 due to other business engagement, a deviation from the code provision A.6.7 of the CG Code which provides that independent non-executive directors and other non-executive directors should attend general meetings of the company.

THE BOARD

The Board currently comprises nine Directors, namely, Mr. Sun Jiakang (Chairman), Mr. Zhang Liang (Vice Chairman), Mr. He Jiale and Mr. Xu Zhengjun (Managing Director) as Executive Directors; Mr. Wang Wei and Mr. Wu Shuxiong as Non-executive Directors; and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as Independent Non-executive Directors, whose biographical details are set out in the "PROFILE OF DIRECTORS AND SENIOR MANAGEMENT" of this annual report and also available on the Company's website. An updated list of the directors by category identifying their roles and functions is available on the websites of the Stock Exchange and the Company.

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

CORPORATE GOVERNANCE REPORT

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

During the year, meetings between the Chairman, Mr. Sun Jiakang, and the Non-executive Directors (including Independent Non-executive Directors) without presence of the Executive Directors were held in March and August 2014 respectively. The Board regarded such meetings as opinion exchange gathering whereby a broad range of strategic and performance matters were openly discussed.

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

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

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

Board Meetings

The Board met regularly and held four regular meetings in 2014. Notice of meeting was given to the Directors at least 14 days prior to each regular Board meeting. The Directors were invited to include any matters which they thought appropriate in the agenda. Agenda and board papers with adequate information were sent to all Directors at least 3 days before the meeting in order to ensure that they had sufficient time to review the board papers and prepare for the meeting. At each regular Board meeting, the Directors were properly briefed on the Company's current situation and issues arising at the Board meetings. Executive Director(s) and/or Board Committee chairman and/or the senior management reported to the Board on various aspects, including the business performance, financial performance, corporate governance, risk management and internal control, etc.. Queries raised by

CORPORATE GOVERNANCE REPORT

the Directors were responded promptly by the senior management. Directors were encouraged to make an active contribution to the Board's affairs and express their views and concerns. Sufficient time was allowed for the Directors to discuss matters about which they were concerned. For Director who was unable to attend the regular Board meeting, he was properly briefed the matters to be discussed in advance and his view expressed prior to the meeting was reported to the Board.

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

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

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

Board Committees

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

CORPORATE GOVERNANCE REPORT

(a) Audit Committee

Members	Three Independent Non-executive Directors, namely, Mr. Alexander Reid Hamilton (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Jiang, Simon X.
Major responsibilities	• reviewing the accounting policies and supervising the Company's financial reporting process; • monitoring the performance of both the internal and external auditors; • reviewing and examining the effectiveness of the financial reporting procedures and internal controls; • ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board; and • acting as the key representative body of the Company responsible to oversee the relationship between the Company and the external auditor, include the relationships involving the provision of non-audit services.
Major work performed during the year 2014	• reviewing and making recommendations for the Board's approval on the draft 2013 annual results announcement, the audited consolidated financial statements for the year ended 31st December 2013, the draft 2014 interim results announcement, draft interim report 2014 and the unaudited condensed consolidated financial statements for the six months ended 30th June 2014; • reviewing the report of external auditor; • reviewing the effectiveness of the internal control and risk management system; • reviewing the cash flow forecast and consolidated profit forecast for 2014; • reviewing the continuing connected transactions of the Group for the year ended 31st December 2013 and the period ended 30th June 2014 respectively; • making recommendations to the Board, subject to the Shareholders' approval at the annual general meeting, the re-appointment of PricewaterhouseCoopers as the external auditor of the Company; • reviewing the internal audit planning for the year 2015 and external audit planning for the year ending 31st December 2014; and • reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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

(b) Remuneration Committee

Members	Three Independent Non-executive Directors, namely, Mr. Jiang, Simon X. (committee chairman), Mr. Tsui Yiu Wa, Alec and Mr. Alexander Reid Hamilton; and an Executive Director, namely, Mr. Xu Zhengjun.
Major responsibilities	• making recommendations to the Board on the policy for the remuneration of the Company; • ensuring the remuneration offered is appropriate for the duties and in line with market practice; • determining the remuneration packages of individual Executive Directors and senior management with delegated responsibility by the Board; and • making recommendations to the Board on the remuneration of Non-executive Directors.
Major work performed during the year 2014	• reviewing and making recommendations to the Board on the Directors' fees of Independent Non-executive Directors for the year of 2014; and • reviewing the remuneration report of the Group including determining the salary package for Executive Directors and senior management.

(c) Nomination Committee

Members	Three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec (committee chairman), Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton; and an Executive Director, namely, Mr. Xu Zhengjun.
Major responsibilities	• reviewing the structure, size and composition of the Board; • monitoring the appointment and succession planning of the Directors; • assessing the independence of Independent Non-executive Directors; • monitoring the annual checks and assessment on the members of the Board, including the suitability and the sufficiency of time commitment of Non-executive Directors; and • monitoring and reviewing the implementation of the Board Diversity Policy.
Major work performed during the year 2014	• conducting a review of the Board diversity, assessing the independence of Independent Non-executive Directors and the contributions of the Board members and recommending the submission of the proposal on Directors' re-election in 2015.

CORPORATE GOVERNANCE REPORT

(d) Corporate Governance Committee

Members	An Executive Director, namely, Mr. Xu Zhengjun (committee chairman); and three Independent Non-executive Directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton.
Major responsibilities	• developing and reviewing the Company's policies and practices on corporate governance; • reviewing and monitoring the training and continuous professional development of Directors and/or senior management; reviewing and monitoring the compliance of Staff Code of Conduct (the "Staff Code"); and • reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the annual report.
Major work performed during the year 2014	• reviewing the continuous professional development of Directors, the Company's compliance status of the CG Code for the year ended 31st December 2013 and the disclosure in the corporate governance report of the annual report; and • reviewing the Company's compliance status of the CG Code for the six months ended 30th June 2014.

(e) Strategic Development Committee

Members	Three Executive Directors, namely, Mr. Zhang Liang (committee chairman), Mr. He Jiale and Mr. Xu Zhengjun.
Major responsibilities	• reviewing the annual strategic development plan of the Company and monitoring the implementation of strategies; • reviewing the major investment projects and financing proposals; • reviewing the major capital deployment and project on operation of assets; • reviewing the strategic direction of the Company's business and operational management; and • reviewing and evaluating the project evaluation systems.
Major work performed during the year 2014	• reviewing and discussing the implementation of strategic development plan for the year 2013 and the annual medium and long-term strategic development plan for 2014 submitted by Strategic Investment Department; and • recommending the execution of a share purchase agreement between COSCO Americas and Yuantong in relation to the acquisition of the 51% equity interests of Yuan Hua by Yuantong from COSCO Americas.

(f) Risk Management Committee

Members	Three Executive Directors, namely, Mr. Zhang Liang (committee chairman), Mr. He Jiale and Mr. Xu Zhengjun; and a Non-executive Director, namely, Mr. Wu Shuxiong.
Major responsibilities	• formulating and reviewing the risk management procedure and internal control system and monitoring the implementation of risk control.
Major work performed during the year 2014	• discussing the risk management report for 2014 in relation to the analysis on investment and strategic risk, production safety risk, customer and receivables risk, procurement risk and construction project risk and the risk management plan for 2015.

REMUNERATION OF DIRECTORS

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

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

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company adopted the Director Appointment Policy (available on the Company's website) which provides framework and standards for the appointment of high quality directors who should have the capacity and ability to lead the Company towards achieving sustainable development. The Nomination Committee is responsible for identifying and nominating suitable candidates for the Board's consideration. Pursuant to the bye-laws of the Company, any Director appointed to fill vacancy shall hold office until the next following general meeting or annual general meeting of the Company and shall then be eligible for re-election at that meeting, and every Director is subject to retirement by rotation at least once every three years and shall be eligible for re-election at such annual general meeting of the Company. Any further re-appointment of an independent non-executive director, who has served the Board for more than nine years, will be subject to separate resolution to be approved by the Shareholder. In addition, Nomination Committee recommended the proposal of Directors' re-election in 2015.

Each of Mr. Wang Wei and Mr. Wu Shuxiong, being the Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Each of the above letters of appointment is subject to termination by either party giving one month's prior notice in writing or such other shorter notice period as may be agreed by both parties. Besides the Independent Non-executive Directors and the Non-executive Directors, all Executive Directors were appointed for a specific term and letters of appointment setting out the key terms and conditions of appointment were entered into between the Company and each of the Directors, details of which are set out in the "Directors' Report" of this annual report.

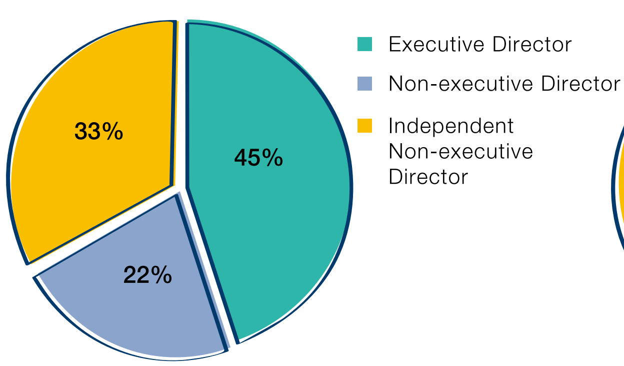
Board Diversity

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

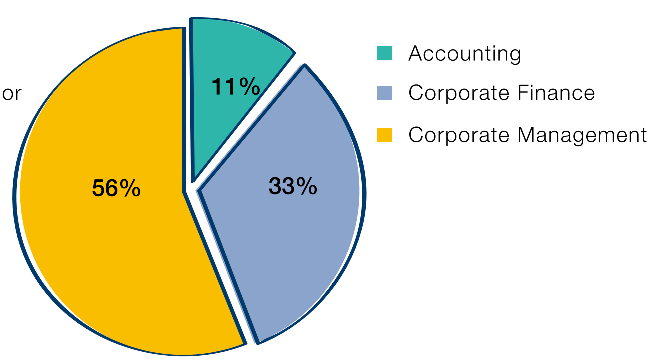
The Nomination Committee is responsible for monitoring and reviewing the implementation of the Board Diversity Policy to ensure its effectiveness and recommending any revisions of the policy to the Board for consideration and approval.

The Board composition and the professional experience of Directors

Board Composition



Professional Experience of Directors



CORPORATE GOVERNANCE REPORT

Induction and Continuous Professional Development

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

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

Directors' Responsibilities for Financial Reporting and Disclosures

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

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

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

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

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

SECURITIES TRANSACTIONS OF DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") (available on the Company's website) no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. In order to ensure Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee comprising the Chairman, the Vice Chairman, the Managing Director and a Director was set up to deal with such transactions. The Company had made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year of 2014, all Directors confirmed that they had complied with the required standards as set out in the Model Code and the Securities Code during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility

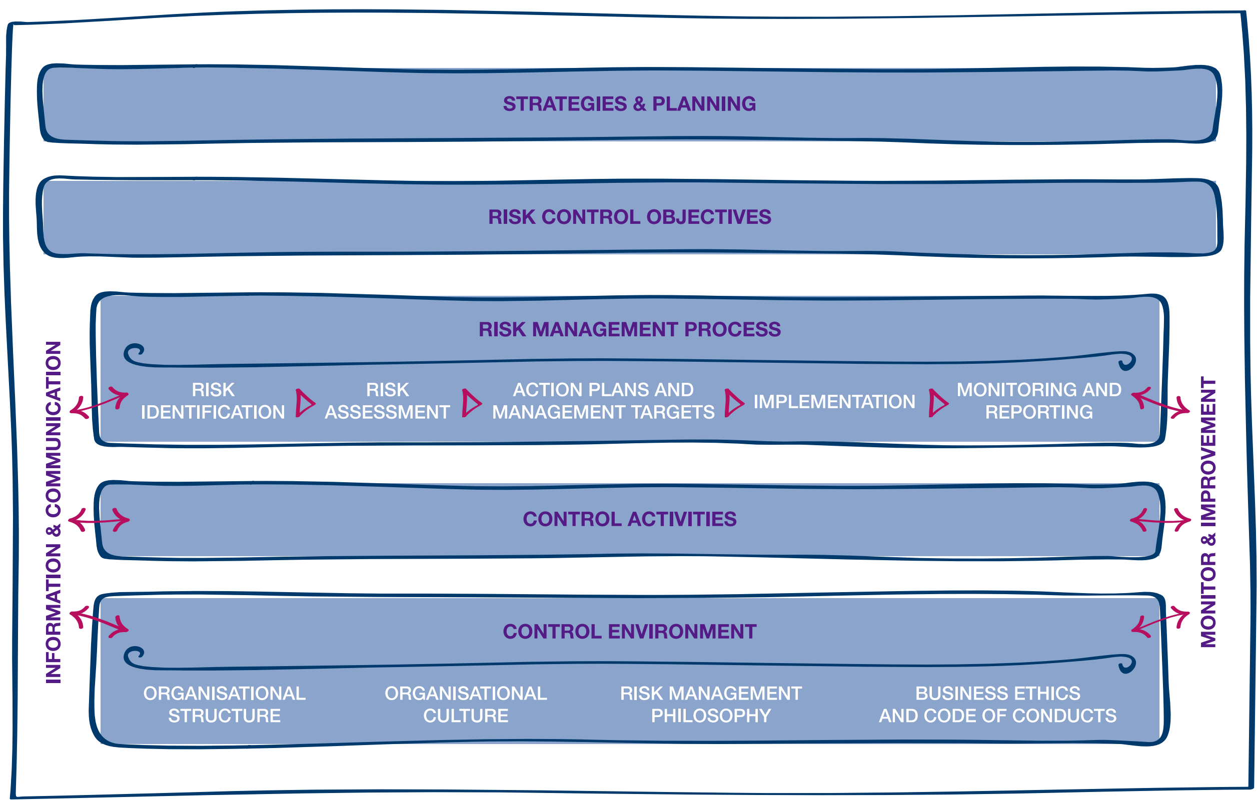
The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing its effectiveness to safeguard the Company's assets and the Shareholders' interests.

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

Framework and Approach

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

Risk Management Framework of the Group



CORPORATE GOVERNANCE REPORT

Control Environment

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

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

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

Control Activities

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

- the design of an organisational structure with defined lines of responsibility and delegation of authority;

- the setup and adherence of authorisation and approval limits of the Company and each business unit;

- the establishment of policies and procedures to support deployment of management's directives;

- the systems and procedures to identify and mitigate risks on an ongoing basis; and

- the application of enterprise resource planning (ERP) systems and other relevant information technology in business processes to strengthen internal controls and promote internal efficiency.

Risk Management Process

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

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

Major operational risk factors and measures

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

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

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

In order to regulate the procurement operations, COSCO Kansai Companies implemented a various of measures to prevent any potential procurement risk, including (i) establishing various rules and procedures, and clearly defining the purchase methods for different types of raw materials; (ii) including in its scope of procurement through tendering for all the major raw materials, including zinc powder, epoxy, wooden tray, and the selection of transportation companies; (iii) evaluating regularly the qualifications of the existing suppliers, especially for those trading suppliers; and (iv) modifying the supplier evaluation process to enhance the performance of suppliers as well as the quality of raw materials. The implementation of the above measures not only improved the process of supplier selection but also lowered the overall procurement costs.

Internal Audit and Control Effectiveness

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

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

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

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

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

EXTERNAL AUDITOR

During the year, the remuneration paid or payable to the Company's external auditor, PricewaterhouseCoopers in respect of audit and non-audit services provided to the Group were approximately HK$3,452,000 and HK$1,088,000 respectively. These amounts excluded remuneration paid or payable to other external auditors of subsidiaries which were included in Auditors' remuneration disclosed in note 27 to the financial statements.

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

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

COMMUNICATION WITH SHAREHOLDERS

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

The Board believes that the general meetings provide an opportunity for communication between the Shareholders and the Board members. During the year, an annual general meeting of the Company was held on 30th May 2014 (the "2014 AGM"). Shareholders were given at least 20 clear business days' notice of the 2014 AGM. The Chairman of the Board and the chairmen of relevant committees attended the 2014 AGM. The representative from PricewaterhouseCoopers, the external auditor of the Company attended the 2014 AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, whenever necessary. Q&A session had been provided to the Shareholders to raise their concern at the 2014 AGM. The chairman of the 2014 AGM explained the detailed procedures for conducting a poll at such meetings. At the 2014 AGM, separate resolution for each substantially separate issue was proposed in order to avoid bundling resolutions. The poll voting results of the 2014 AGM were published on the websites of the Stock Exchange and the Company on the same day after the 2014 AGM.

Shareholders' Rights

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

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

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

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

Shareholders' Enquiries

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

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

Procedures for Shareholders to make proposals at general meeting

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

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

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

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

CONSTITUTIONAL DOCUMENTS

There was no change to the memorandum of association and bye-laws of the Company during the year ended 31st December 2014.

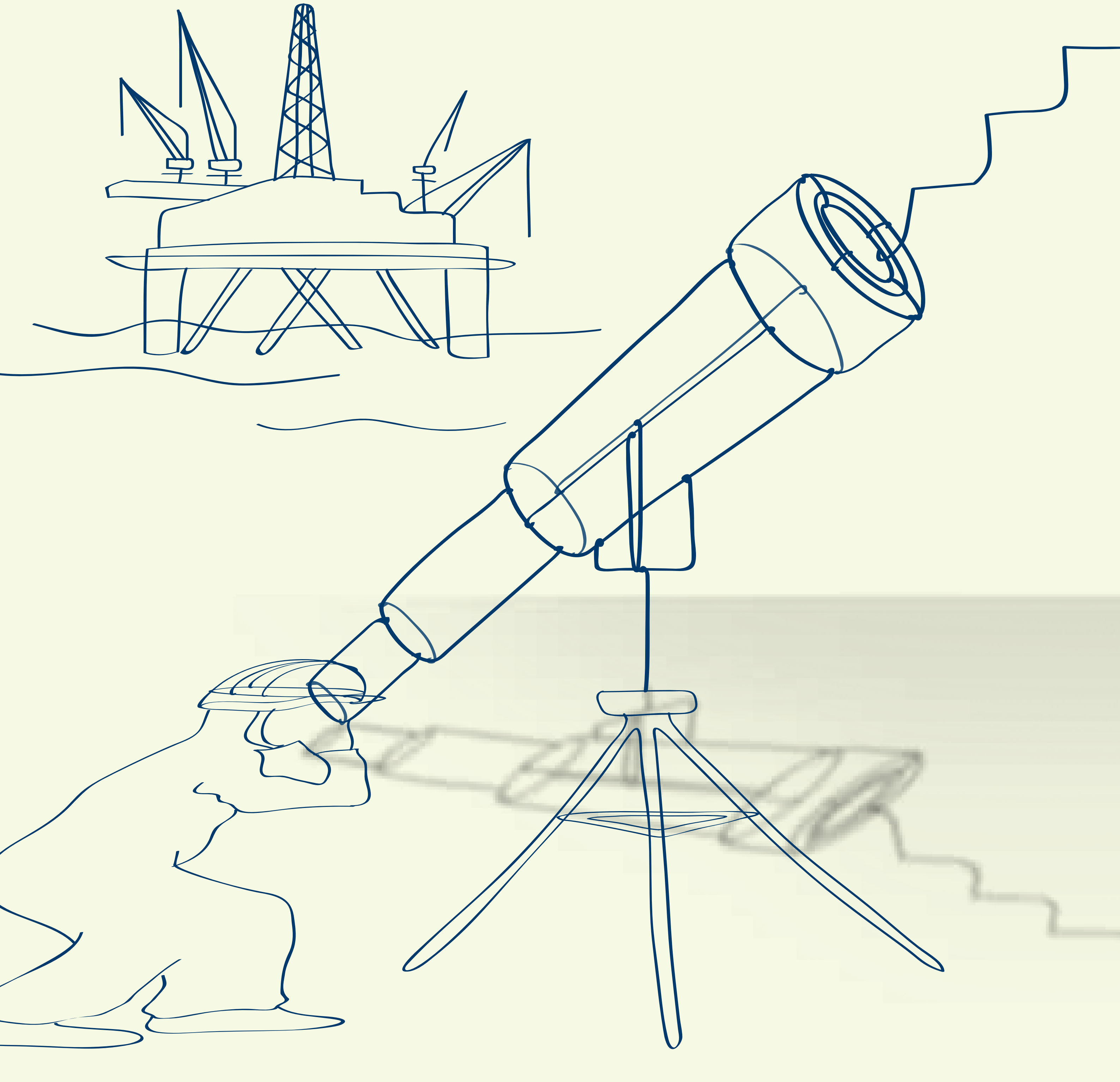
INFORMATION DISCLOSURE

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

By order of the Board

CHIU Shui Suet
Company Secretary

Hong Kong, 19th March 2015



EXPLORE NEW MARKETS, FOR MORE Development OPPORTUNITIES

DEVELOPMENT

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

PROSPECTS

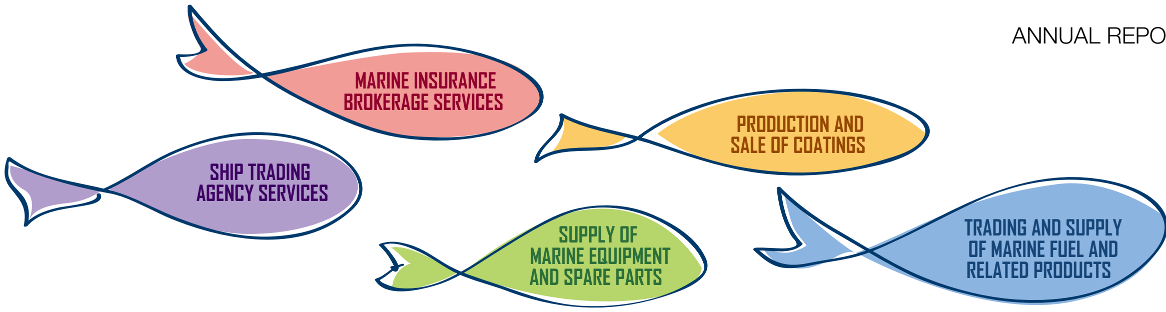
In 2015, it is expected that the global economic growth will see a slight recovery but remain weak in general. In view of the uncertainties from continuous low prices of fuel oil and geopolitical risks, the trend and political standing of each of the major economies will differentiate. The economic outlook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

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

In 2015, COSCO International will continue to develop with the corporate vision to establish itself as a "global leading one-stop shipping services provider" by means of further promoting the transformation and upgrading of shipping services business segments and providing customers with one-stop services through optimisation of its global network, by offering high quality services and products with core competitiveness. The Group will enhance the development of existing businesses and new businesses steadily and improve the profitability of its core business in accordance with its established strategic plans while strictly controlling various operational risks.

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

For container coatings, it is expected the demand for new build containers will be stable in 2015. COSCO Kansai Companies will seize opportunities to maintain its close relationship with container manufacturing groups and container owners. Leveraging the brand effect, they aim to further enhance their market share and extend their footprint to the relevant business, proactively develop the market and explore new clients to capture more sales orders in terms of container coating types and quantity. Also, they will enhance



service quality and promote the brand recognition among container owners and container manufacturers and further enhance the corporate image, so as to maintain their leading position in terms of the market share in the container coating market. For industrial heavy-duty anti-corrosion coatings, it is expected that the market trend will remain the same as 2014 or record a slight increase, but there is certain growth in the coating industry of petroleum and petrochemical facilities, port facilities and infrastructure facilities. COSCO Kansai Companies will actively formulate market strategies for each business segment, deploy sales networks, as well as innovate their marketing approach and mode. They will establish a regional management system focusing on expanding the markets of three major areas, namely the Southern, Central and Northern China and offering industry guidelines so as to develop quality distributors and expand sales channels while striving for the development of competitive projects such as bridges, nuclear power and steel engineering business. They will put more efforts into the development and follow-up works of key customers and projects in order to achieve a higher success rate in respect of projects. In addition, COSCO Kansai Paint (Shanghai) will also proactively push forward the plant construction project in Jinshan, Shanghai. The civil construction of the plant is basically completed and it is expected to commence its production in June 2015, which will strengthen the leading position of COSCO Kansai Companies in the container coating market in the PRC. For marine coatings, the demand for marine coatings in 2015 is expected to be slightly higher than that in 2014. Jotun COSCO will capture market opportunities, implement marketing and customer care so as to enhance customers' satisfaction in terms of product quality and on-site technical services guidance. It will also develop selected markets, seek better orders of marine coatings for new build vessels, and raise the market share among customers of vessel repairs. In addition, Jotun COSCO will continue to strive for product enhancement, facilitate energy saving and emission reduction of vessels while focusing on the promotion of HPS (Hull Performance Solution), the high performance anti-fouling coating, Sea Quantum X200 as well as the combination of vessel maintenance concept with coating products. The plant of Jotun COSCO (Qingdao) in Qingdao is expected to commence full production in May 2015 with total annual production capacity of 50,000,000 litres which will highly secure the leading position of Jotun COSCO in the marine coating market in China.

For the trading and supply of marine fuel and related products, in response to the operating pressure and risks faced by shipping enterprises, Sinfeng will continue to control risk and adopt prudent operating strategy, and solicit business from new customers prudently and cautiously while retaining its existing quality customers, so as to expand its business under the premise of strict risk control.

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

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

INVESTOR RELATIONS

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

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

PERSEVERANCE IN QUALITY INVESTOR COMMUNICATIONS UNDER THE UNFAVORABLE BUSINESS ENVIRONMENT

In 2014, the shipping industry remained depressed and investors were still worried about the prospects of the shipping-related industries. Meanwhile, the Company has still been proactively identifying significant potential acquisition targets, so its stock did not draw great attention from investors in the short run. Nevertheless, COSCO International insisted on pursuing high-quality investor communications, such as maintaining various communications channels in a smooth way, including: prompt feedback to enquiries or meeting requests from investors, keeping good relations with the securities analysts of relevant industries, and taking active participation in the investor conferences organised by securities firms. In compliance with regulation rules, the Company made full disclosure to the shareholders and investors, including detailed explanation and descriptions on the reasons for the change in the results of the Company, direct response to negative information, and prudent disclosure of forward looking information. In addition, COSCO International insisted on improving the presentation material, which provides valuable discloseable information to shareholders and investors, which enables them to conduct effective analysis and make investment decisions. Through these efforts, COSCO International has gradually established a relative stable investor base, in which the majority of existing independent shareholders are long-term value investors from Hong Kong, Singapore, Europe and America, etc. This will provide a good foundation for the Company's development and the implementation of corporate actions in the future.

In 2014, COSCO International continues two-way communications with shareholders, potential investors and sell-side analysts through various channels, so as to enable shareholders and investors to understand the latest developments and future direction of the Company, thus enabling the investment community to maintain a correct understanding and objective assessment of the prospects of the Company.

INVESTOR RELATIONS

VARIOUS COMMUNICATIONS CHANNELS OF INVESTOR RELATIONS

Press conferences and analyst meetings for announcement of interim and annual results

- Results presentation material and its transcript are posted on the Company's website immediately after the meeting
- Webcast of the press conferences is posted on the corporate website within 6 hours afterwards, so as to allow access by investors around the globe
- Press release of the results is disseminated to all major financial media worldwide immediately after the meeting

Shareholder general meetings

- Arranging direct communications for shareholders with the directors and the management of the Company

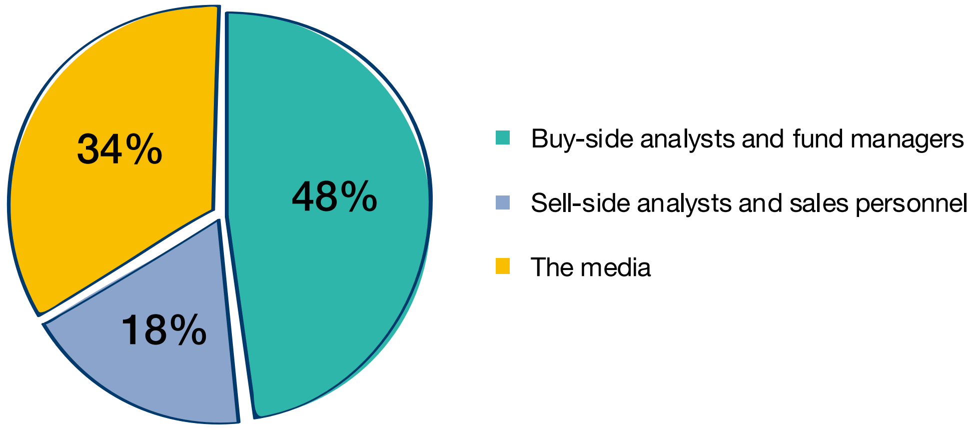
Corporate conferences and roadshows

- Greater China CEO Summit 2014 organised by Goldman Sachs
- 2014 Asia-Pacific Industrials, Transportation and Utilities Corporate Day organised by Macquarie

One-on-one meetings
Conference calls
Emails
Gatherings with financial media
Media interviews

In 2014, COSCO International met with institutional investors, sell-side analysts and sales personnel from securities firms and the media for 76 attendances, 29 attendances and 55 attendances, respectively, amounting to a total of 160 attendances (2013: 207 attendances) through sincere and proactive communication.

Breakdown of Investor Relations Officers' Meetings with Institutional Investors, Sell-side Analysts and the Media in 2014 (By Percentage)



INVESTOR RELATIONS

Continuous Improvement on the Corporate Website's Disclosure

The Company believes that good corporate governance is based on a sound and effective management system. For years, COSCO International has consistently implemented *The Regulations for Investor Relations Management, The Information Management Policy and The Website Management Policy,* and has taken initiatives to maintain effective communications with shareholders and investors in an honest, equal and proactive manner through fair, just and open channels. Among them, keeping the Company's website updated with the latest and accurate information plays an important role in COSCO International's investor relations practices, as it is the most direct and timely channel to disseminate corporate information to the stakeholders of the Company.

What's on Investor Relations Section of the Company's Website

- Investment highlights
- Latest financial information
- Announcements and circulars
- Financial reports
- Presentations
- Investor calendar
- FAQ
- Historical financial data
- Dividends history

Newly added user-friendly functions

- Email alert
- Data sheet download
- Investor briefcase
- Add to calendar

Built mobile site for the Company's website

Investors from all over the world can easily access COSCO International's website on their smart mobile devices, and obtain the comprehensive and precise information about the Company's operation, business development and financial position. According to Google Analytics' analysis of the usage of the Company's website, there were a total of 11,305 visits (2013: 11,985 visits) on COSCO International's website from 136 countries and regions in 2014.

PERFORMANCE OF SHARE PRICE AND TRADING IN 2014

On the last trading day of 2014, the closing share price of COSCO International was HK$3.17 (2013: HK$3.30) per share. The shares in issue of COSCO International were 1,531,805,429 shares (2013: 1,513,781,429 shares). The market capitalisation of the Company was HK$4,855,823,000 (2013: HK$4,995,479,000). During the year, the highest share price was HK$3.97 and the lowest share price was HK$2.90. The average share price was HK$3.28. The daily average trading volume and daily average trading turnover were 896,247 shares (2013: 1,088,369 shares) and HK$2,939,000 (2013: HK$3,543,000).

CHANGES IN SHARE PRICE AND TRADING VOLUME IN 2014

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

INVESTOR RELATIONS

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

The basic earnings per share of the Company for 2014 was 23.70 HK cents (2013: 15.96 HK cents). To appreciate the long-term support from shareholders, the Board of Directors proposed the 2014 final dividend of 10.0 HK cents (2013: 3.5 HK cents) per share, together with the interim dividend of 3.0 HK cents (2013: 2.0 HK cents) per share, the annual dividend for 2014 totaled 13.0 HK cents (2013: 5.5 HK cents) per share, representing the dividend payout ratio of 55% (2013: 34%).

DIVIDEND PAYOUT RATIO

After prudent and thorough discussion, the Board of the Company approved to temporarily increase its annual dividend payout ratio from previously not less than 25% of net profit to not less than 50% of net profit prior to practical progress in major investment project in the future. In case, after the Company publishes major transaction announcement in relation to investment project, the annual dividend payout ratio will maintain at the level of not less than 25% of net profit subject to the results, availability of distributable reserves and cashflow position of the Company at that time.

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

	2010	2011	2012	2013	**2014**
Basic earnings per share (HK cents)	83.97	25.80	23.98	15.96	**23.70**
Dividends per share (HK cents)	40.00	9.00	8.00	5.50	**13.00**
— Interim and final dividends per share (HK cents)	5.00	9.00	8.00	5.50	**13.00**
— Special dividend per share (HK cents)	35.00	—	—	—	**—**
Dividend payout ratio (%)	48	35	33	34	**55**

INVESTOR RELATIONS PROSPECTS

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

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

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

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

INVESTOR RELATIONS

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

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

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

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

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

A GLANCE AT FIVE-YEAR FINANCIAL STATISTICS

For the year ended and as at 31st December	2010	2011	2012	2013	2014
Total number of shares issued (million)	1,511	1,514	1,514	1,514	**1,532**
Closing price[Note] (HK$)	4.56	3.26	3.41	3.30	**3.17**
Market capitalisation[Note] (HK$ million)	6,890	4,934	5,161	4,995	**4,856**
Basic earnings per share (HK cents)	83.97	25.80	23.98	15.96	**23.70**
Price/earnings ratio[Note] (times)	5.40	12.64	14.22	20.68	**13.38**
Dividends per share (HK cents)	40.0	9.0	8.0	5.5	**13.0**
Dividend payout ratio (by net profit) (%)	48%*	35%	33%	34%	**55%**
Net assets value per share (HK$)	4.83	4.69	4.85	4.94	**5.05**
Return on total assets (%)	15.0%	4.1%	3.8%	2.5%	**3.8%**
Return on shareholders' equity (%)	18.5%	5.4%	5.0%	3.3%	**4.7%**
Net cash-to-shareholders' equity ratio (%)	86%	80%	81%	84%	**79%**
Current ratio (times)	4.66	3.92	4.30	5.19	**5.58**
Quick ratio (times)	4.41	3.62	4.05	4.91	**5.34**
Interest coverage (times)	89.0	33.3	123.4	83.0	**161.6**

Note: As at the last trading day per year

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

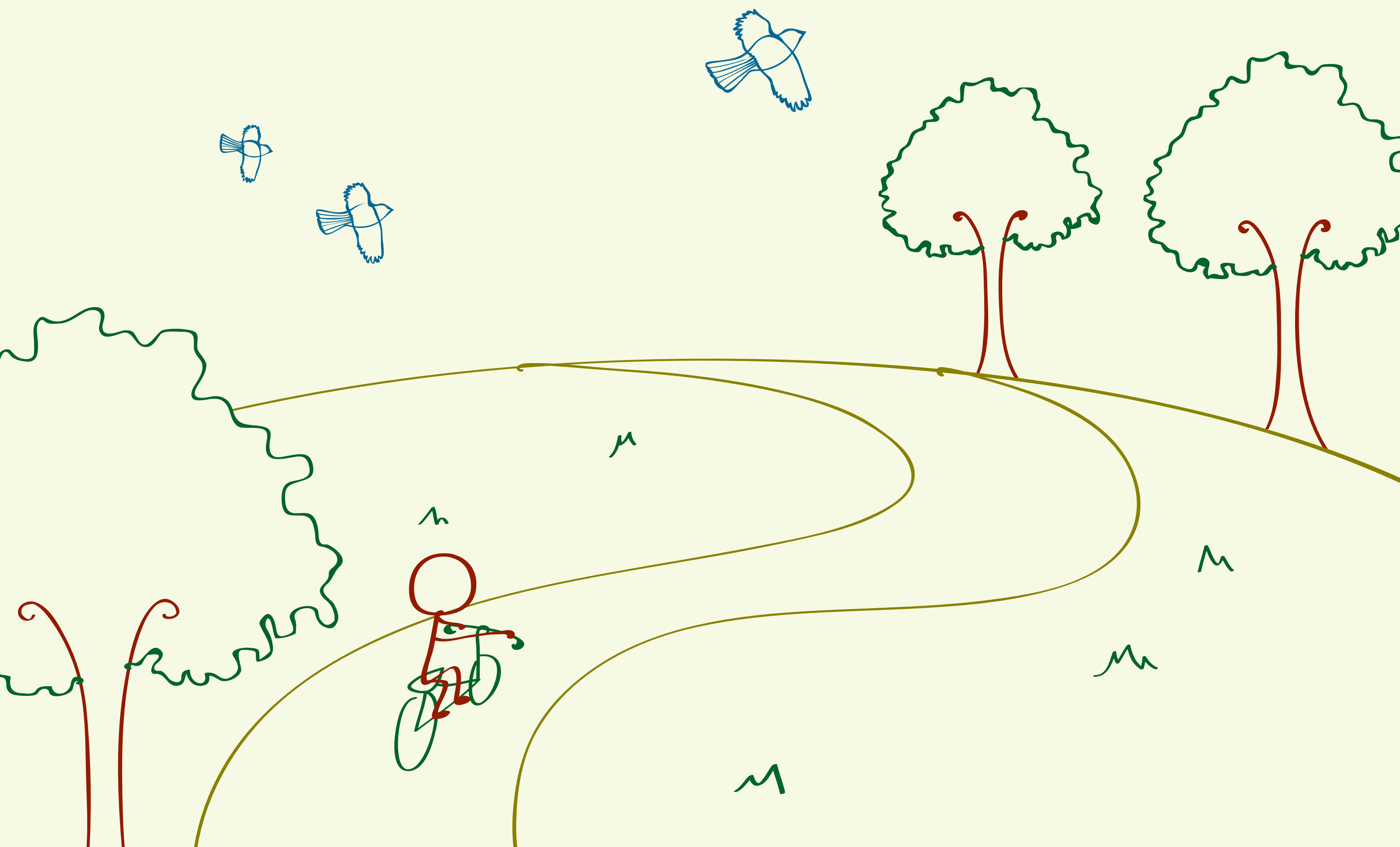
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

REPORTING FRAMEWORK AND SCOPE

This report aims to review the performance and achievements of COSCO International's implementation of social responsibility strategies in 2014 and is prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") set out in Appendix 27 to the Rules Governing of the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

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



MATERIALITY ASSESSMENT

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

Materiality Matrix

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

Relevance to the Group

Stakeholder Engagement

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

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

Recognising the necessity to build trust and productive relationships with our stakeholders, we interact regularly with them through various communication channels. During the year, Q&A session had been provided to the Shareholders to raise their concern at the 2014 annual general meeting. Besides, the Company maintained two-way communications with Shareholders, potential investors and sell-side analysts by holding results announcement press conferences, analyst meetings, post-result roadshows, annual general meetings, and organising or participating in investors' conferences or industry forums held by securities firms, one-on-one meetings and responding to email inquiries, so as to enable Shareholders and investors to understand the latest developments and future direction of the Company. In addition to day-to-day contact with customers, we arranged regular visits to key customers who provide valuable opinions about our operations and ways we can improve. Internally, employees raised their concerns through two-way appraisal.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WORKPLACE QUALITY

Working Conditions

COSCO International believes that quality talents are important assets of an enterprise and also the cornerstone for sustaining corporate development. We committed to providing a fair and competitive compensation package to attract and retain quality talents, in the form of a basic salary, incentives bonus, mandatory provident fund, and other fringe benefits, such as healthcare benefits, education and training sponsorship.

In order to encourage employees feedback and free expression of ideas on different aspects of workplace, such as employee benefits and communication channels, COSCO International has conducted survey to collect employees' opinions that are therefore taken into consideration when management formulates employee caring programmes.

The Group strictly complies with the rules and regulations of the Company, such as Staff Code, the labour legislations of different regions and the relevant guidelines. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

As at 31st December 2014, the Group had a total of 835 (2013: 804) employees, all of them are permanent full-time employees.

Details of workforce of the Group are as follows:

	As at 31st December	
	2014	2013
Total No. of Employees	**835**	804
By region		
Hong Kong	**100**	112
The PRC	**700**	658
Outside Hong Kong and The PRC (note)	**35**	34
By age group		
Below 30	**171**	160
30 to 50	**589**	573
Over 50	**75**	71
Employee Turnover Rate (%)	**8%**	4%
By region		
Hong Kong	**19%**	13%
The PRC	**6%**	1%
Outside Hong Kong and the PRC (note)	**20%**	21%
By age group		
Below 30	**9%**	1%
30 to 50	**8%**	4%
Over 50	**4%**	4%

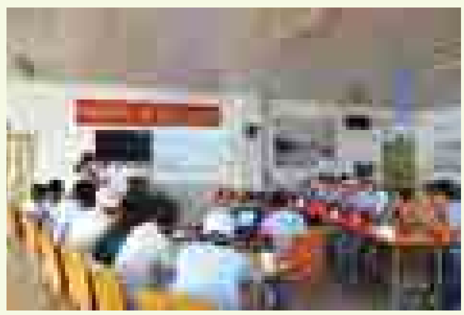
note: The 2013 figures refer to employees stationed in Japan, Singapore and Germany. In 2014, the Group acquired a subsidiary in the United States and therefore the 2014 figures refer to employees stationed in Japan, Singapore, Germany and the United States.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

COSCO International is an investment holding company and the nature of our daily operations means that we have a relatively low safety risk profile. However, COSCO Kansai Companies, being non-wholly owned subsidiaries of the Company, and Jotun COSCO, being a joint venture of the Company, engaging in the production of inflammable and explosive coating chemical products in Mainland China, COSCO International believes that ensuring stable and safety production is the most important social responsibility to its shareholders, employees and the community where it operates. Therefore, the Group has always regarded ensuring safety and stable production as one of the priorities in corporate management and endeavours to comply with the relevant safety management contained in the rules and regulations of COSCO International and measures for the local management in mainland, information management policy, management policy for information dissemination on the internet and document management policy.

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



COSCO International firmly adheres to "Absolute Safety with Three Zeros" as the general objective of the safety management. "Absolute Safety" refers to an overall production environment be ensured safe and "Three Zeros" refers to zero number of reports in accident, injury and pollution be ensured. The coating manufacturing subsidiaries of COSCO International had obtained Quality Management System Certification (ISO9001), Occupational Health and Safety Assessment Series Certification (OHSAS18001) and Environmental Management System Certification (ISO14001) formulated by the International Organisation for Standardisation (ISO) ("ISO") and they were certified, thus effectively guaranteeing the establishment of a healthy, safe and stable working environment.

In 2014, there was no work-related fatalities (2013: nil) and work injury cases (2013: 1 work injury case resulting in 108 lost days). The injury occurred in 2013 was caused by improper procedures taken by the worker of production department in the plant. Remedial actions were taken after the accident, i.e. organising trainings for production workers in order to avoid any improper procedure(s) being carried out and strengthen their safety awareness. The Group did not record any significant incident in relation to production safety so that safe and stable production was ensured.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During 2014, the Group adopted various safety and health measures as follows:

Safety Measures adopted	Implemented and monitored in 2014
1. Full-range hidden hazards rectification in various forms on multi-levels by means of "Three Inspections": • self inspection • wide inspection • supervisory inspection	• To take precautions at an early stage, the Group carried out safety inspections of each operating unit regularly and irregularly so as to track the hidden hazards and make rectifications accordingly. • COSCO Kansai Companies launched three activities, namely "Safety Self-assessment Campaign", "I Am Safety Supervisor Campaign" and "Dangerous Experience and Hidden Hazard Report Campaign". During the year, COSCO Kansai Companies implemented various security checks for 158 times, found 1,363 hidden hazards, all of which have been rectified.
2. Increased the number of unannounced emergency drills and raised the number of examination and renewal of the contingency equipment	• Safety Committee conducted a total of 27 (2013: 18) on-site safety inspections in the Group. • Coating manufacturing subsidiaries of COSCO International held a total of 23 (2013: 19) large-scale comprehensive and special emergency drills with 1,216 attendances (2013: 1,143 attendances).
3. Promotion and education on occupational safety and health	• Set different safety and health training goals for different safety management tasks and organised a variety of training activities.

In addition, Safety Committee also conducted 2 (2013: 3) on-site safety inspections in the plant of Jotun COSCO during the year.

Development and Training

COSCO International places strong emphasis on the career development of individual employees. Employees are encouraged to keep abreast of the changing world and pursue continuing education, so as to cope with the rapidly changing society and meet the evolving corporate development needs. The Group encourages and subsidies its employees to participate in individual continuing education programs which are related to their job duties, with a view to strengthening the professional career training of its staff teams, promoting professional expertise of management teams and stimulating the potential abilities of employees.

The Company also organised working seminars or meetings in relation to business development such as management of accounts receivable, thus increasing the opportunities for the different level of staff and professionals from different regions to exchange and explore issues through active discussion of and expression of views, thereby achieving a better result for exchange and learning from each other during trainings. In the future, the Company will continue to enhance the quality of the management staff and provide more advancement opportunities through systematic training management to motivate each employee to grow together with COSCO International.

Training records by employment category are as follows:

	For the year ended 31st December	
	2014	2013
Total no. of training hours received	**17,905 hours**	17,905 hours
Average no. of training hours per employee/rate of employees trained by employment category		
Senior	**20 hours/81%**	17 hours/94%
Middle-level	**25 hours/90%**	29 hours/92%
General	**20 hours/83%**	21 hours/89%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Standards

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

COSCO International abides by the employment regulations of the relevant jurisdictions where it operates and through this employees' human rights are ensured. In addition, the Company has its internal procedure to report employees' information regularly in order to review employment practices so as to avoid any non-compliance. These particularly relate to issues concerning child labour and forced labour.

During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations regarding operations and activities, labour practices, including but not limited to compensation and remuneration, recruitment, working hours, equal opportunity, health and safety, child labour and forced labour.

ENVIRONMENTAL PROTECTION

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

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

Emissions

The coating manufacturing subsidiaries of the Company require the following inputs in the operation and production of coatings, the outputs of which listed below impact the environment:

Inputs	Outputs	
• Electricity • Water • Production equipment • Chemicals (Powder, organic solvents, resins and pigments, etc.)	• Atmospheric Emissions • Wastewater Discharge • Others Emissions	• Waste gas including: volatile organic compounds, volatiles toluene, xylene volatiles, particulate matter; • Sewage • Solid waste (Non-hazardous): recyclable plastics product packaging, scrap metal, etc; • Solid waste (hazardous): hazardous waste generated by coating production (such as waste solvent drums, rags, etc.) • Other: Noise (generated by equipment operation), odor

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

	Unit	2014	2013
Sewage	metric tons	**27,046**	30,705
Waste gas	10,000 m^3	**12,386**	14,836
Solid waste (Hazardous)	metric tons	**1,788**	1,473
Solid waste (Non-hazardous)	metric tons	**97**	152

During the year, total packaging material used for coatings by COSCO Kansai Companies was approximately 4,776 tonnes (2013: approximately 4,415 tonnes).

Reduction of Sewage and Pollutant Emission

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

- Cleaned the environmentally friendly sewage treatment sedimentation tank on a regular basis, inspecting the condition of water pump and aeration tank and making corresponding records, and enhancing the management on sewage treatment in order to meet the sewage discharge requirements of environmental protection department.
- Transformed the sewage treatment system to improve wastewater treatment efficiency.
- Established new waste gas treatment facilities for workshops to purify air in workshops and through which the waste gas from other areas of the plant were centrally processed and discharged.
- Established new waste gas treatment facilities for laboratory and installation of efficient fume scrubber in canteen.
- Used pipelines, central ventilation system and dust filtration equipment to reduce waste generation.

COSCO Kansai (Shanghai) was awarded as clean production qualified unit by Shanghai municipal government during 2014.

Waste Management

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption

The following is energy consumption of the Group by type:

	Unit	2014	2013
Water (note 1)	metric tons	**61,687**	38,988
Electricity (note 2)	kilowatt hour	**4,355,372**	4,066,057
Natural gas	metric tons	**4**	4

note 1: As the water supply of the members of the Group except COSCO Kansai Companies and SZ COSCO Insurance Brokers is controlled by the respective building management or landlord of the office premises and provision of sub-meters for the units occupied by them are not available, the amount of water consumed by the Group other than COSCO Kansai Companies and SZ COSCO Insurance Brokers is not available.

note 2: As the electricity supply of COSCOSHIP Beijing Company Limited, a subsidiary of the Company, is controlled by the building management or landlord of the office premises and provision of sub-meter for the unit occupied by COSCOSHIP Beijing Company Limited is not available, the amount of electricity consumed by COSCOSHIP Beijing Company Limited is not available.

Energy Efficiency

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

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

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

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

- Replaced old lighting with high energy efficient light-emitting diode ("LED") lights. This not only increased the brightness but also reduced electricity consumption and saved energy. On average, one LED light can save up to 150 kwh per year.

- Through the promotion activities of energy savings by the channels of network, billboards, television in canteens, employees can better understand the significance of energy saving. In addition, a number of energy conservation promotional banners and posters were post up in various places to remind workers. Through catchy slogan and posters, everyone paid high attention to environmental protection and resource conservation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Strengthened energy conservation training and education. During low-season, the companies carried out trainings on energy conservation and hazardous waste knowledge, to improve the awareness of energy conservation and the waste handling specification. ISO14001 system training focused on explanation of new regulations regarding the environmental pollution was organised.

- Utilised new technology and process to reduce energy consumption. For instance, transformed water cooling system to reduce operation time and remoulded sand mills, which can help to save consumption of electricity and coal every year respectively.

Go Green and Environmental Protection

Development and Promotion of Green Coating Products

In respect of the promotion of green coating, COSCO Kansai Companies and Jotun COSCO have made great efforts in the research and development and promotion of green coatings for years. COSCO Kansai Companies actively shifted its focus from price competition in a homogeneous product to gaining leadership by differentiated technologies, enhanced their technical research and development works, increased their technology reserves, as well as improved their innovative capability and their ability for applying new technology. Among their products, the fluorocarbon coatings for wind turbine tower with a 20-year ultra-long anti-corrosion period and the high performance anti-frozen coatings for wind turbine blade developed by COSCO Kansai Companies have become the leading products for coating upgrade in marine wind turbine and specific coating areas. In 2014, the technical centre of COSCO Kansai Companies was named as the major laboratory of special industrial coating in Tianjin, with its developed products achieving good sales result. As confirmed with the business partner in relation to the support and promotion plan for water-based coatings and high solids coatings, the coating testing on water-based container coatings and high solids container coatings was successfully implemented with satisfactory results.

In 2014, Jotun COSCO further enhanced the promotion of Hull Performance Solution and the high performance anti-fouling coating, Sea Quantum X200. As such product can lessen the roughness of the vessel body, enhancing saving energy and accelerating the speed. Theoretically, it can save up to 13.2% fuel consumption, as compared with market average level, which greatly reduces the fuel cost of shipowners and reduces emission of greenhouse gases. During the year, the Sea Quantum X200 anti-fouling coatings were successfully applied in several new build very large crude carriers. Hull Performance Solution of Jotun COSCO gains increasing recognition from the industry.

Promotion and Implementation of Green Coating Standards

Green coating is an important component in the development of green shipping. The Company actively promotes the development of green coating in an effort to protect the global climate. With its professional experiences and techniques in developing and using green coatings over the years, Jotun COSCO participated in formulation of international standard, namely the “Anti-fouling and Anti-rusting System for Vessel Body” which has been issued and the formulation of another one, namely “Performance Testing on Vessel Body and Propeller” led by Jotun COSCO will be completed in 2015. Such efforts of Jotun COSCO can maintain the effective and sustainable development of shipping enterprises.

OPERATING PRACTICES

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

Supply Chain Management

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

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

Mainland China	Hong Kong	Other Countries
865	122	768

Product Responsibility

The Group is committed to providing quality, health and safety products and services to its customers in accordance with the applicable local and international laws. COSCO Kansai Companies were registered as dangerous chemical production enterprises pursuant to the relevant rules and regulations of the PRC. Unified classification and format of product safety technical manual and safety label according to the relevant requirements of State Administration of Work Safety are used. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations.

The Group strives to provide customers with quality products and services, high attention is paid to complaints about products and services. Procedures for handling complaints are in place to deal with complaints in relation to the services and product. Specific person(s) is(are) responsible to investigate and take certain corrective measures to avoid such complaints in the future. During the year, 10 products and services related complaints (2013: 8) have been received by the Group and were properly handled and settled.

To ensure the product safety and quality, quality assurance process and recall procedures were established. In the production process, sampling and laboratory testing would be conducted regularly. Any product that fails to meet the standards would be classified as inferior-quality product for further investigation. Recalled products would be tested and in case the products meet with the standards, they would become stock, otherwise adjustments would be made. However, if the products fail to meet with the standard after adjustment, they would be destroyed. During the year, no products manufactured by the Group sold was subject to recalls for safety and health reasons (2013: nil).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group actively protects its own intellectual property rights. COSCO Kansai (Tianjin) was entitled "Tianjin Patent Demonstration Unit" in 2014, and received patent supporting funding of RMB600,000 from local government. During 2014, two out of twenty patent applications were succeeded, with a total number of nine authorised patents.

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

Anti-corruption

In order to ensure the Company's reputation be enhanced by the honest, loyal and ethical behaviours of staff, the Group has in place a formal Staff Code and Whistleblowing Policy. Staff Code serves as a clear and complete guideline to monitor the code of conduct of the employees of the Group during daily operations. Every year, the Group reviews the implementation status of the Staff Code within the Group through a self-inspection process by the Company and each of its subsidiaries, in order to ensure that the contents of the Staff Code had been applied throughout the actual operations and management practices, so as to balance and safeguard the interests between the Group and the stakeholders and build up a long-term partnership. Whistleblowing Policy provides a channel and guidelines to report any misconduct, malpractice or impropriety concerns within the Group. Employee who has a malpractice concern can inform the relevant designated superiors or take the complaint direct to the Chairman of the Audit Committee. Electronic reporting mailbox and a hotline were established, all reporting is treated as confidential and in a sensitive manner. The chairman of Audit Committee would review the complaint and decide how the investigation should proceed. During the year, the Company was not aware of any material non-compliance with relevant standards, rules and regulations. Furthermore, there was no legal case regarding corrupt practices brought against COSCO International or its employees during 2014 (2013: nil).

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNITY INVOLVEMENT

Community Investment

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

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

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

Education

Continuous Support to Education in Mountainous Areas in Mainland China

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

In 2014, COSCO International sent 46 employees together with their family members, totaling 13 teams, number of which hit record high, to participate in the fund raising activity of "Sowers Action Challenging 12 Hours Charity Marathon 2014". All participating teams completed the 12 km race within the designated time, in which 4 Open Teams and 1 Family Team achieved outstanding results and received merit medals.

Environmental Care

Partnering with Environmental Protection Bodies to Cultivate Green Awareness

COSCO International has joined the WWF-Hong Kong as a corporate member for three consecutive years to support its conservation work for our environment. In 2014, COSCO International, with its headquarters in Hong Kong, supported the WWF-Hong's annual eco-event, Earth Hour, to show our commitment to save the planet by turning off all non-essential lights. Moreover, the Company participated in WWF-Hong Kong's mangrove boardwalk activity in Mai Po Nature Reserve to nurture green awareness for its employees and their family members.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Every year, the Company co-operates with the non-profit organisation, Christian Action, to organise the “Green Collection Day” programme to encourage the employees to reduce waste by donating recycled items such as electrical appliances, toys and clothes for the people in need. In 2014, a total of 84 kilograms of clothes, toys and housewares were donated. The donated items were sent to those families newly migrated to Hong Kong, ethnic minorities, and the orphans and disabled children in Qinghai province, China, or sold for charity to finance various charitable services of Christian Action.

Volunteer Services for the Underprivileged

To show our care for the underprivileged and our commitment to contribute to society, COSCO International has launched volunteer services since 2011. Since then, the Company has stepped up various efforts to improve volunteer services policy so as to attract more staff to do volunteer service. In 2013, COSCO International launched a volunteer holiday policy, which aims to encourage its staff in Hong Kong to participate in volunteer services with holiday offer. All Hong Kong staff who has participated in volunteer services organised or referred by the Company for over 8 hours in a year will be entitled to a half-day paid leave. In 2014, COSCO International officially formed a volunteer team with a team slogan of “Our Passion to Serve” to demonstrate our commitment to care for the people in need.

Our Passion to Serve

In recent years, COSCO International organised several volunteer activities particularly for the senior citizens who live alone or living in poverty and the new arrival families, which are growing social concerns in Hong Kong. Partnering with a non-profit organization providing care for the underprivileged, Neighbourhood Advice-Action Council, COSCO International volunteer team has paid home visits to the senior citizens who live alone during festive seasons, and sponsored some gift packs to show care for the elderly in the past few years. During the year, a total of 15 households of senior citizens living alone in a public housing estate in Shek Kip Mei in Kowloon were successfully visited.

For the new arrival families, COSCO International joined hands with Christian Action for the first time to organise “COSCO International Green Living Fun Day” on 13th September 2014. The activity aimed to help the children cultivate green awareness. A total of 33 children aged from 5 to 14 were accompanied by COSCO International volunteer team to join a tour in an organic farm, namely One Hand Farm, in Kam Tin, Yuen Long. Guided by farm instructors, the children learnt using natural resources to make organic products with their own hands and experienced a day of life in the organic farm.

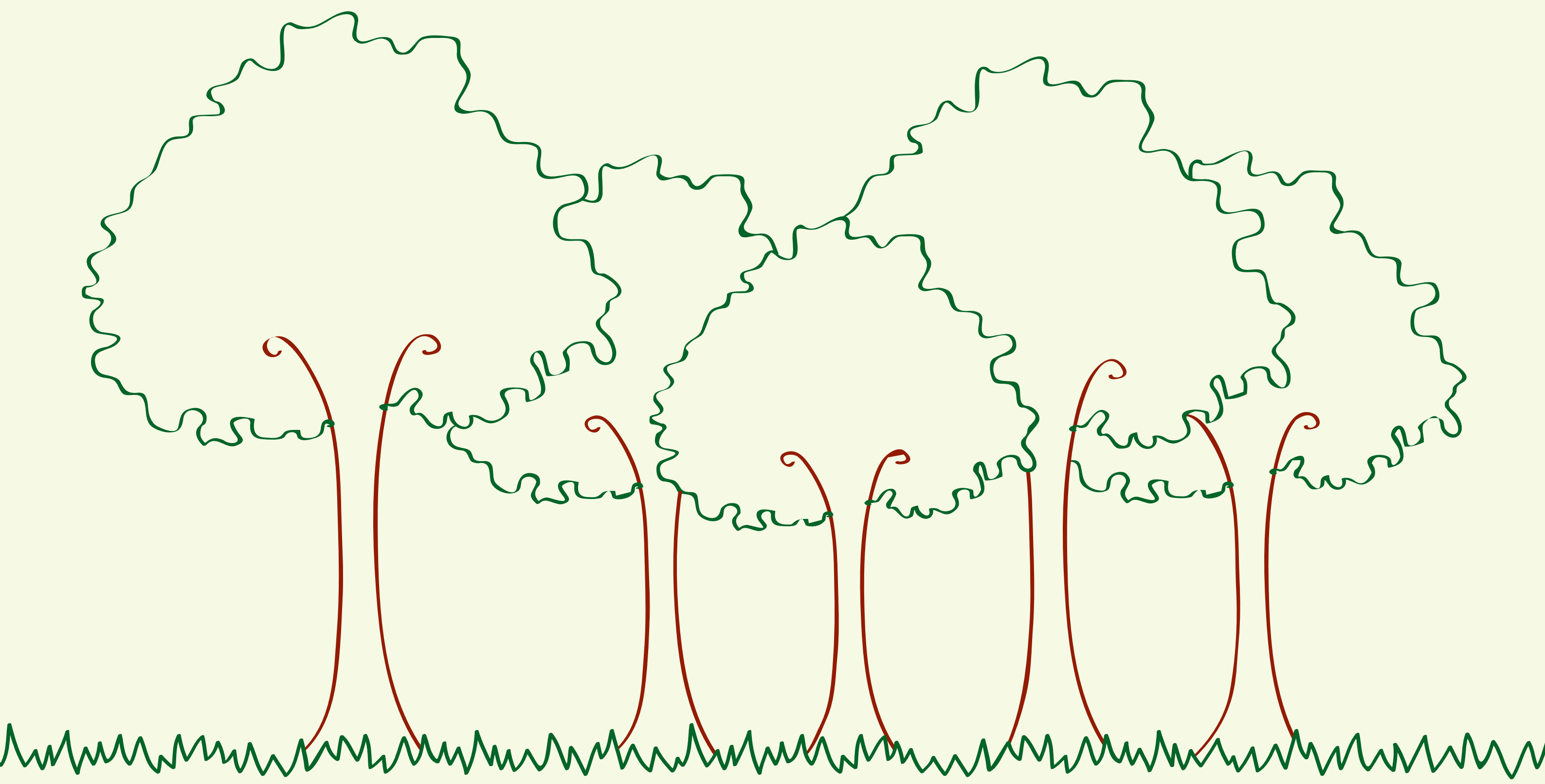
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2014, the number of volunteers participating in volunteer services amounted to 38 attendances while 236 volunteer hours were recorded. A total of 48 persons benefited from the above activities, reflecting a volunteering culture of caring for the community had been built up in COSCO International.

	Year ended 31st December	
Community Investment (HK$)	**2014**	**2013**
Corporate charitable donations & sponsorships	**230,000**	201,000

	Year ended 31st December	
Volunteer Participation (Hours)	**2014**	**2013**
Volunteer hours	**236**	292

	Year ended 31st December	
Number of Beneficiaries	**2014**	**2013**
Beneficiaries	**48**	79



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Reporting Guide under the Listing Rules

A.	Workplace Quality	Reference in this report
A1	**Working conditions**	
	Information on the policies and compliance and material non-compliance with relevant standards, rules and regulations on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and other benefits and welfare.	Workplace Quality — Working Conditions
	KPI A1.1 Total workforce by employment type, age group and geographical region.	Workplace Quality — Working Conditions
	KPI A1.2 Employee turnover rate by age group and geographical region.	Workplace Quality — Working Conditions
A2	**Health and safety**	
	Information on the policies and compliance and material non-compliance with relevant standards, rules and regulations on providing a safe working environment and protecting employees from occupational hazards.	Workplace Quality — Health and Safety
	KPI A2.1 Number and rate of work-related fatalities.	Workplace Quality — Health and Safety
	KPI A2.2 Lost days due to work injury.	Workplace Quality — Health and Safety
	KPI A2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Workplace Quality — Health and Safety
A3	**Development and training**	
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Workplace Quality — Development and Training
	KPI A3.1 The percentage of employees trained by employee category.	Workplace Quality — Development and Training
	KPI A3.2 The average training hours completed per employee by employee category.	Workplace Quality — Development and Training
A4	**Labour standards**	
	Information on the policies and compliance and material non-compliance with relevant standards, rules and regulations on preventing child or forced labour.	Workplace Quality — Employment Standards
	KPI A4.1 Description of measures to review employment practices to avoid child and forced labour.	Workplace Quality — Employment Standards
	KPI A4.2 Description of steps taken to eliminate such practices when discovered.	Not applicable

B.	Environmental Protection	Reference in this report
B1	**Emissions**	
	Information on the policies and compliance and material non-compliance with relevant standards, rules and regulations on air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous wastes, etc.	Environmental Protection
	KPI B1.1 Types of emissions and respective emissions data.	Environmental Protection — Emissions
	KPI B1.2 Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity.	Environmental Protection — Emissions
	KPI B1.3 Total hazardous waste produced (in tonnes) and where appropriate, intensity.	Environmental Protection — Emissions
	KPI B1.4 Total non-hazardous waste produced (in tonnes) and where appropriate, intensity.	Environmental Protection — Emissions
	KPI B1.5 Description of measures to mitigate emissions and results achieved.	Environmental Protection — Reduction of Sewage and Pollutant Emission
	KPI B1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Protection — Waste Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B2	**Use of resources**	
	Policies on efficient use of resources including energy, water and other raw materials.	Environmental Protection — Energy Efficiency
	KPI B2.1 Direct and/or indirect energy consumption by type in total (kwh in '000s) and intensity.	Environmental Protection — Energy Consumption
	KPI B2.2 Water consumption in total and intensity.	Environmental Protection — Energy Consumption
	KPI B2.3 Description of energy use efficiency initiatives and results achieved.	Environmental Protection — Energy Efficiency
	KPI B2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Not Applicable
	KPI B2.5 Total packaging material used for finished products (in tonnes), and if applicable with reference to per unit produced.	Environmental Protection — Emissions
B3	**The environment and natural resources**	
	Policies on minimising the operation's significant impact on the environment and natural resources.	Environmental Protection
	KPI B3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection — Emissions — Reduction of Sewage and Pollutant Emission — Energy Efficiency — Waste Management

C.	**Operating Practices**	**Reference in this report**
C1	**Supply chain management**	
	Policies on managing environmental and social risk of supply chain.	Operating Practices — Suppy Chain Management
	KPI C1.1 Number of suppliers by geographical region.	Operating Practices — Suppy Chain Management
	KPI C1.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Operating Practices — Suppy Chain Management
C2	**Product responsibility**	
	Information on the policies and compliance and material non-compliance with relevant standards, rules and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating Practices — Product Responsibility
	KPI C2.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating Practices — Product Responsibility
	KPI C2.2 Number of products and service related compliants received and how they are dealt with.	Operating Practices — Product Responsibility
	KPI C2.3 Description of practices relating to observing and protecting intellectual property rights.	Operating Practices — Product Responsibility
	KPI C2.4 Description of quality assurance process and recall procedures.	Operating Practices — Product Responsibility
	KPI C2.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Operating Practices — Product Responsibility
C3	**Anti-corruption**	
	Information on the policies and compliance and material non-compliance with relevant standards, rules and regulations on bribery, extortion, fraud and money laundering.	Operating Practices — Anti-corruption
	KPI C3.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating Practices — Anti-corruption
	KPI C3.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operating Practices — Anti-corruption

D.	**Community Involvement**	
D1	**Community Investment**	
	Policies on community engagement to understand the community's needs where it operates and to ensure its activities take into consideration of communities' interests.	Community Involvement
	KPI D1.1 Focus areas of contribution.	Community Involvement
	KPI D1.2 Resources contributed to the focus area.	Community Involvement

DIRECTORS' REPORT

The board of directors of the Company (the "Director(s)" or the "Board") presents this Directors' Report (the "Report") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2014 are set out in the consolidated income statement on page 121 of this annual report. The Board has recommended the payment of a final dividend of 10 HK cents (2013: 3.5 HK cents) per share for the year ended 31st December 2014. Subject to the approval of shareholders of the Company (the "Shareholders") in the annual general meeting of the Company to be held on 29th May 2015 (the "2015 AGM"), approximately HK$153,181,000 will be payable on or before 25th June 2015 to the Shareholders whose names appear on the register of members of the Company on 10th June 2015. The proposed final dividend together with the interim dividend of 3 HK cents per share, total dividends per share for the year 2014 are 13 HK cents (2013: 5.5 HK cents).

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES

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

BORROWINGS

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

RESERVES

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

SHARE CAPITAL

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

DONATIONS

Donations made by the Group during the year amounted to approximately HK$230,000 (2013: HK$201,000).

FIVE-YEAR FINANCIAL SUMMARY

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Wang Wei
Mr. Wu Shuxiong

Independent Non-executive Directors

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

In accordance with bye-law 99 of the Company's bye-laws, every Director shall be subject to retirement by rotation at least once every three years and a retiring Director shall be eligible for re-election at such annual general meeting of the Company. Pursuant to bye-law 99 of the Company's bye-laws, Messrs. Xu Zhengjun, Tsui Yiu Wa, Alec and Alexander Reid Hamilton shall retire from office at the forthcoming annual general meeting of the Company and be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Sun Jiakang, being the Executive Director, has entered into a letter of appointment with the Company on 23rd September 2013 for a term commencing from 23rd September 2013, the date of his appointment to the conclusion of the 2015 annual general meeting of the Company. Each of Mr. Zhang Liang, Mr. He Jiale and Mr. Xu Zhengjun, being the Executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Each of Mr. Wang Wei and Mr. Wu Shuxiong, being the Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company. Each of Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton, being the Independent Non-executive Director, has entered into a letter of appointment with the Company on 30th May 2014 for a term commencing from 30th May 2014 to the conclusion of the 2016 annual general meeting of the Company.

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

DIRECTORS' REPORT

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

DIRECTORS' INTERESTS IN CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

* for identification purpose only

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

CONNECTED TRANSACTIONS

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

A. Continuing Connected Transactions

1. (a) Supply Continuing Connected Transactions

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

(b) Purchase Continuing Connected Transactions

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

* *for identification purpose only*

DIRECTORS' REPORT

(c) *Financial Services Continuing Connected Transactions*

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

(d) *Fuel Oil Continuing Connected Transactions*

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

* *for identification purpose only*

(e) Management Services Continuing Connected Transactions

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

(f) Tenancy Continuing Connected Transactions

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

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

DIRECTORS' REPORT

Caps with COSCO Group

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

DIRECTORS' REPORT

The amount of Supply Continuing Connected Transactions, the Purchase Continuing Connected Transactions, the Financial Services Continuing Connected Transactions, the Fuel Oil Continuing Connected Transactions, the Management Services Continuing Connected Transactions and the Tenancy Continuing Connected Transactions for the financial year ended 31st December 2014 were as follows:

Aggregate amount receivable by the Group for transactions contemplated under the Master Supply Agreement	HK$1,032,787,082
Aggregate amount payable by the Group for transactions contemplated under the Master Purchase Agreement	HK$64,372,729
Amount of daily cash balance(s) of all cash deposit accounts of the member(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services and entrusted loan services) payable by the Group to COSCO Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Financial Services Master Agreement	Not exceeded RMB900,000,000
Amount of daily outstanding balance(s) of all loan accounts of the members(s) of the Group maintained with COSCO Finance (together with interests accrued thereon) and all service fees and handling charges for the loan services payable by the Group to COSCO Finance for loan transactions contemplated under the Financial Services Master Agreement	Nil
Aggregate amount payable and receivable by the Group for transactions contemplated under the Fuel Oil Master Agreement	US$386,570,404
Aggregate amount payable by the Group to COSCO Group for transactions contemplated under the Management Services Master Agreement	HK$14,778,402
Aggregate amount payable by the Group to COSCO Group (being the annual aggregate maximum amount of rent and other fees and charges payable by the Group to COSCO Group) for transactions contemplated under the Master Tenancy Agreement	HK$26,111,232

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

DIRECTORS' REPORT

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

On 15th June 2010, each of COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd. ("COSCO Kansai (Zhuhai)") (collectively "COSCO Kansai Companies", all being non-wholly owned subsidiaries of the Company) entered into a technology transfer agreement with Kansai Paint Co., Ltd. (關西塗料株式會社), a substantial shareholder of COSCO Kansai Companies, being a connected person of the Company ("Japan Kansai"), whereby Japan Kansai has agreed, inter alia, to provide necessary technology and know-how in relation to the production of container coatings, marine coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Tianjin) and COSCO Kansai (Shanghai), and to provide necessary technology and know-how in relation to the production of container coatings and heavy-duty anti-corrosion coatings to COSCO Kansai (Zhuhai) (collectively the "Technology Transfer Agreements") in return for fees to be paid by the respective COSCO Kansai Companies ("Kansai Technology Transfer Continuing Connected Transactions"). The Technology Transfer Agreements will remain in effect until the expiry of the joint venture contract(s) for the relevant COSCO Kansai Companies. The aggregate amount of the Kansai Technology Transfer Continuing Connected Transactions for each of the financial years ending 31st December 2014, 2015 and 2016 would not exceed the relevant cap amounts set out in the table headed "Caps with Japan Kansai Group" (the "Kansai Technology Caps").

(b) ***Kansai Supply Continuing Connected Transactions***

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

(c) ***Kansai Purchase Continuing Connected Transactions***

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

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

* *for identification purpose only*

Caps with Japan Kansai Group

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

The amount of the Kansai Technology Transfer Continuing Connected Transactions, Kansai Supply Continuing Connected Transactions and the Kansai Purchase Continuing Connected Transactions for the financial year ended 31st December 2014 were as follows:

	RMB
Aggregate amount payable by COSCO Kansai Companies for transactions contemplated under the Technology Transfer Agreement	4,298,698
Aggregate amount receivable by the Group for transactions contemplated under the Master Kansai Supply Agreement	2,091,934
Aggregate amount payable by the Group for transactions contemplated under the Master Kansai Purchase Agreement	2,285,817

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

DIRECTORS' REPORT

The Independent Non-executive Directors had reviewed (1) the Supply Continuing Connected Transactions; (2) the Purchase Continuing Connected Transactions; (3) the Financial Services Continuing Connected Transactions; (4) the Fuel Oil Continuing Connected Transactions; (5) the Management Services Continuing Connected Transactions; (6) the Tenancy Continuing Connected Transactions; (7) the Kansai Technology Transfer Continuing Connected Transactions; (8) the Kansai Supply Continuing Connected Transactions; and (9) the Kansai Purchase Continuing Connected Transactions (collectively the "Group's Continuing Connected Transactions") and were of the opinion that the Group's Continuing Connected Transactions for the financial year ended 31st December 2014 had been entered into:

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

(ii) on normal commercial terms or better; and

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

For the purposes of Rule 14A.56 of the Listing Rules in relation to the Group's Continuing Connected Transactions, the Board engaged the auditor of the Company to report on the Group's Continuing Connected Transactions for the year ended 31st December 2014 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the Group's Continuing Connected Transactions for the year ended 31st December 2014 in accordance with Rule 14A.56 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

B. Connected Transactions

Acquisition of 51% Equity Interests in Yuan Hua Technical & Supply Corporation ("Yuan Hua")

On 6th August 2014, Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company ("Yuantong"), and China Ocean Shipping Company Americas, Inc. ("COSCO Americas") entered into a share purchase agreement (the "Share Purchase Agreement") whereby Yuantong agreed to acquire 51% of the issued share capital of Yuan Hua from COSCO Americas for a consideration of US$472,800 (the "Acquisition"). COSCO Americas is a subsidiary of COSCO, the ultimate controlling shareholder of the Company, and is therefore an associate of COSCO and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company which was exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Acquisition were disclosed in the announcements of the Company dated 6th August 2014. Completion of the Acquisition took place on the date of signing the Share Purchase Agreement. Upon completion of the Acquisition, Yuan Hua becomes a subsidiary of the Company.

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

RELATED PARTY TRANSACTIONS

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

SHARE OPTIONS

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

1. Purpose of the Share Option Scheme

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

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

2. Participants of the Share Option Scheme

(a) any director of the Group;

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

(c) any employee of the Group;

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

(e) any business associate of the Group; and

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

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

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

As the Share Option Scheme expired on 16th May 2012, no further share option can be granted under the Share Option Scheme. As at the date of the Report, a total of 37,820,000 shares representing 2.47% of the issued share capital of the Company may be issued upon exercise of all share options which had been granted and yet to be exercised under the Share Option Scheme.

DIRECTORS' REPORT

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

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

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

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

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

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

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

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

8. Basis of determining the exercise price

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

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

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

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

9. Remaining life of the Share Option Scheme

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

DIRECTORS' REPORT

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

Category	Exercise Price (HK$)	Outstanding as at 1st January 2014	Granted during the year	Category changed during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2014	Approximate percentage of total issued share capital of the Company	Notes
Director									
Mr. Sun Jiakang	1.37	800,000	–	–	(800,000)	–	–	–	(1),(4)
Continuous contract	1.37	6,006,000	–	–	(6,006,000)	–	–	–	(1),(4)
employees of the Group	1.21	600,000	–	–	–	–	600,000	0.039%	(2),(4)
and joint venture(s)	3.666	13,860,000	–	–	–	(580,000)	13,280,000	0.867%	(3),(4)
Other participants	1.37	17,668,000	–	–	(11,218,000)	(6,450,000)	–	–	(1),(4)
	1.21	550,000	–	–	–	–	550,000	0.036%	(2),(4)
	3.666	23,390,000	–	–	–	–	23,390,000	1.527%	(3),(4)

Notes:

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

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

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

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

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

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

(6) During the year, the weighted average closing price of the share of the Company immediately before the dates on which the share options were exercised was HK$3.10.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December 2014, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

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

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

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

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

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

(a) Share options

Name of Director	Name of associated corporation	Exercise price (HK$)	Outstanding as at 1st January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31st December 2014	Approximate percentage of total issued share capital of associated corporation	Exercisable period	Notes
Mr. Sun Jiakang	COSCO Pacific	13.75	700,000	–	–	(700,000)	–	–	1.12.2004 – 30.11.2014	(1),(2)

Notes:

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

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

DIRECTORS' REPORT

(b) Share appreciation rights

Name of Director	Name of associated corporation	Exercise price (HK$)	Outstanding as at 1st January 2014	Units granted during the year	Units exercised during the year	Units lapsed during the year	Outstanding as at 31st December 2014	Approximate percentage of total issued share capital H share of associated corporation	Notes
Mr. Sun Jiakang	China COSCO Holdings Company Limited ("China COSCO")	3.195	375,000	–	–	–	375,000	0.015%	(1),(4)
		3.588	500,000	–	–	–	500,000	0.019%	(2),(4)
		9.540	480,000	–	–	–	480,000	0.019%	(3),(4)
Mr. Zhang Liang	China COSCO	9.540	580,000	–	–	–	580,000	0.022%	(3),(4)
Mr. Wang Wei	China COSCO	3.195	75,000	–	–	–	75,000	0.003%	(1),(4)
		3.588	65,000	–	–	–	65,000	0.003%	(2),(4)
		9.540	60,000	–	–	–	60,000	0.002%	(3),(4)
Mr. Wu Shuxiong	China COSCO	3.195	375,000	–	–	–	375,000	0.015%	(1),(4)
		3.588	500,000	–	–	–	500,000	0.019%	(2),(4)
		9.540	480,000	–	–	–	480,000	0.019%	(3),(4)
Mr. He Jiale	China COSCO	3.195	375,000	–	–	–	375,000	0.015%	(1),(4)
		3.588	500,000	–	–	–	500,000	0.019%	(2),(4)
		9.540	480,000	–	–	–	480,000	0.019%	(3),(4)
Mr. Xu Zhengjun	China COSCO	3.195	225,000	–	–	–	225,000	0.009%	(1),(4)
		3.588	280,000	–	–	–	280,000	0.011%	(2),(4)
		9.540	260,000	–	–	–	260,000	0.010%	(3),(4)

Notes:

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

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

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

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

DIRECTORS' REPORT

Save as disclosed above and in the section headed "SHARE OPTIONS", none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange as at 31st December 2014.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2014, the following persons and entities, other than Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Name of Shareholder	Capacity	Nature of interest	Total number of ordinary shares of the Company held (Long positions)	Approximate percentage of total issued share capital of the Company
COSCO	Interest of controlled corporation	Corporate interest	984,944,286	64.29%
COSCO Hong Kong	Interest of controlled corporation	Corporate interest	984,944,286	64.29%
True Smart International Limited ("True Smart")	Beneficial Owner	Beneficial interest	984,944,286	64.29%

Note:

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

Save as disclosed above, as at 31st December 2014, the Company has not been notified by any person or entity who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

INDEPENDENT AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment at the 2015 AGM.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

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

DIRECTORS' REPORT

The audit committee of the Company (the "Audit Committee") consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The main duties of Audit Committee include reviewing the accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited consolidated financial statements of the Group for the year ended 31st December 2014. The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

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

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31st December 2014, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

By Order of the Board

XU Zhengjun
Managing Director

Hong Kong, 19th March 2015

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

We have audited the consolidated financial statements of COSCO International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 119 to 201, which comprise the consolidated and company statements of financial position as at 31st December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19th March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	**105,478**	103,127
Property, plant and equipment	7	**262,181**	145,892
Prepaid premium for land leases	8	**35,100**	36,315
Investment properties	9	**44,847**	41,924
Investments in joint ventures	11	**493,107**	432,465
Investments in associates	12	**82,520**	91,969
Available-for-sale financial assets	14	**70,524**	49,048
Deferred income tax assets	15(a)	**69,445**	65,520
Non-current deposits	21	**25,348**	38,153
		1,188,550	1,004,413
Current assets			
Completed properties held for sale	16	**192**	192
Inventories	17	**369,198**	446,800
Trade and other receivables	18	**1,960,207**	1,672,431
Available-for-sale financial assets	14	**28,970**	34,954
Financial assets at fair value through profit or loss	20	**1,086**	1,109
Current income tax recoverable		**8,682**	401
Restricted bank deposits	21	**14,120**	62,782
Current deposits and cash and cash equivalents	21	**6,094,329**	6,226,881
		8,476,784	8,445,550
Total assets		**9,665,334**	9,449,963
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	**153,181**	151,378
Reserves	23	**7,432,675**	7,270,808
Proposed dividend	23	**153,181**	52,982
		7,739,037	7,475,168
Non-controlling interests		**369,451**	313,925
Total equity		**8,108,488**	7,789,093
LIABILITIES			
Non-current liability			
Deferred income tax liabilities	15(b)	**39,027**	32,497
Current liabilities			
Trade and other payables	24	**1,470,613**	1,546,465
Current income tax liabilities		**21,145**	22,122
Short-term borrowings	25	**26,061**	59,786
		1,517,819	1,628,373
Total liabilities		**1,556,846**	1,660,870
Total equity and liabilities		**9,665,334**	9,449,963
Net current assets		**6,958,965**	6,817,177
Total assets less current liabilities		**8,147,515**	7,821,590

He Jiale
Director

Xu Zhengjun
Director

The notes on pages 126 to 201 form an integral part of these audited consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Intangible assets	6	**708**	—
Property, plant and equipment	7	**656**	571
Investments in subsidiaries	10(a)	**286,981**	249,891
Investment in a joint venture	11	**143,688**	143,688
Amount due from a subsidiary	10(b)	**40,000**	—
		472,033	394,150
Current assets			
Amounts due from subsidiaries	10(b)	**1,179,048**	1,273,242
Other receivables	18	**18,708**	74,197
Current deposits and cash and cash equivalents	21	**4,713,985**	4,540,136
		5,911,741	5,887,575
Total assets		**6,383,774**	6,281,725
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	22	**153,181**	151,378
Reserves	23	**5,542,971**	5,640,016
Proposed dividend	23	**153,181**	52,982
Total equity		**5,849,333**	5,844,376
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	10(b)	**516,022**	420,042
Other payables	24	**18,210**	17,098
Current income tax liabilities		**209**	209
Total liabilities		**534,441**	437,349
Total equity and liabilities		**6,383,774**	6,281,725
Net current assets		**5,377,300**	5,450,226
Total assets less current liabilities		**5,849,333**	5,844,376

He Jiale
Director

Xu Zhengjun
Director

The notes on pages 126 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**7,588,213**	9,308,434
Cost of sales	27	**(6,783,721)**	(8,614,169)
Gross profit		**804,492**	694,265
Other income and gains	26	**39,988**	53,941
Selling, administrative and general expenses	27	**(577,505)**	(506,511)
Other expenses and losses	27	**(21,129)**	(22,626)
Operating profit		**245,846**	219,069
Finance income	30	**142,977**	94,155
Finance costs	30	**(2,964)**	(4,156)
Finance income — net	30	**140,013**	89,999
Share of profits of joint ventures	11	**65,218**	9,549
Share of profits of associates	12	**17,016**	13,028
Profit before income tax		**468,093**	331,645
Income tax expenses	31	**(73,331)**	(58,547)
Profit for the year		**394,762**	273,098
Profit attributable to:			
Equity holders of the Company	32	**358,970**	241,610
Non-controlling interests		**35,792**	31,488
		394,762	273,098
Earnings per share attributable to equity holders of the Company during the year			
— basic, HK cents	33(a)	**23.70**	15.96
— diluted, HK cents	33(b)	**23.33**	15.81

The notes on pages 126 to 201 form an integral part of these audited consolidated financial statements.

	Note	2014 HK$'000	2013 HK$'000
Dividends	34	**198,606**	83,257

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2014

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

The notes on pages 126 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2014

	Note	Attributable to equity holders of the Company					
		Share capital HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1st January 2014		151,378	1,213,263	6,110,527	7,475,168	313,925	7,789,093
Profit for the year		–	–	358,970	358,970	35,792	394,762
Other comprehensive income/(losses)							
Currency differences on translation of:							
— subsidiaries	23	–	(6,253)	–	(6,253)	–	(6,253)
— joint ventures	23	–	(52)	–	(52)	–	(52)
— associates	23	–	(18)	–	(18)	–	(18)
— non-controlling interests		–	–	–	–	(902)	(902)
Share of currency translation differences of:							
— a joint venture	23	–	(4,497)	–	(4,497)	–	(4,497)
— an associate	23	–	(44)	–	(44)	–	(44)
Share of cash flow hedges of an associate, net of tax	23	–	(26,012)	–	(26,012)	–	(26,012)
Fair value gains on available-for-sale financial assets, net	23	–	15,492	–	15,492	–	15,492
Total comprehensive (losses)/income for the year ended 31st December 2014		–	(21,384)	358,970	337,586	34,890	372,476
Transactions with owners							
Proceeds from shares issued upon exercise of share options	22(d), 23	1,803	22,890	–	24,693	–	24,693
Transfer between reserves	23	–	(15,846)	15,846	–	–	–
Acquisition of non-controlling interests		–	–	–	–	1,519	1,519
Capital contribution by non-controlling interests		–	–	–	–	21,749	21,749
Dividends paid	23	–	–	(98,410)	(98,410)	(2,632)	(101,042)
Total transactions with owners		1,803	7,044	(82,564)	(73,717)	20,636	(53,081)
Balance at 31st December 2014		153,181	1,198,923	6,386,933	7,739,037	369,451	8,108,488

The notes on pages 126 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2014

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

The notes on pages 126 to 201 form an integral part of these audited consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	35	**(74,872)**	396,794
Income tax paid		**(80,102)**	(36,133)
Net cash (used in)/generated from operating activities		**(154,974)**	360,661
Cash flows from investing activities			
Increase in cash investments with maturity over three months		**(389,709)**	(2,809,446)
Decrease/(increase) in restricted bank deposits		**48,272**	(19,592)
Interest received		**142,977**	94,155
Advance of loan to a joint venture		**–**	(178,397)
Loan repayment by a joint venture		**54,292**	267,596
Dividends received from investments		**2,367**	2,340
Dividends received from a joint venture		**27**	37
Dividends received from an associate		**391**	513
Net proceeds from sale of property, plant and equipment		**583**	332
Purchases of intangible assets		**(2,468)**	(350)
Purchases of property, plant and equipment		**(142,357)**	(10,423)
Purchase of leasehold land		**–**	(29,516)
Net cash (used in)/generated from acquisition of subsidiary	38(b)	**(81)**	3,621
Net cash used in investing activities		**(285,706)**	(2,679,130)
Cash flows from financing activities			
Drawdown of bank loans		**26,063**	59,344
Repayment of bank loans		**(59,595)**	(46,900)
Proceeds from shares issued upon exercise of share options	22(d)	**24,693**	211
Capital contribution by non-controlling interests		**21,749**	30,166
Finance costs paid		**(2,964)**	(4,156)
Dividends paid to the Company's equity holders		**(98,410)**	(121,099)
Dividends paid to non-controlling interests		**(2,632)**	(2,558)
Net cash used in financing activities		**(91,096)**	(84,992)
Net decrease in cash and cash equivalents		**(531,776)**	(2,403,461)
Cash and cash equivalents at the beginning of the year		**1,698,679**	4,079,100
Exchange (losses)/gains on cash and cash equivalents		**(2,190)**	23,040
Cash and cash equivalents at the end of the year	21(f)	**1,164,713**	1,698,679

The notes on pages 126 to 201 form an integral part of these audited consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

These consolidated financial statements have been approved for issue by the board of directors on 19th March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

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

		Effective for accounting periods beginning on or after
Amendment to HKAS 32	Offsetting Financial Assets and Financial Liabilities	1st January 2014
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets	1st January 2014
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1st January 2014
HK(IFRIC) Interpretation 21	Levies	1st January 2014

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

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

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

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

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

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

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

(b) Consolidation

(i) Subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iii) Disposal of subsidiaries

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

(c) Joint arrangements

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates

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

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

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

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

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

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

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

(e) Intangible assets

(i) Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible assets (Continued)

(ii) Computer software

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

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

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

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

(f) Properties

(i) Investment properties

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Properties (Continued)

(i) Investment properties (Continued)

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

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

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

(ii) Completed properties held for sale

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

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

(iii) Prepaid premium for land leases

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

(g) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

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

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

No amortisation is provided for freehold land.

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories

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

(j) Financial assets

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

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

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

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

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

(k) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of financial assets (Continued)

(ii) Assets classified as available-for-sale

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

(l) Derivative financial instruments and hedging activities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

(m) Operating leases

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

(n) Trade and other receivables

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

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

(o) Cash and cash equivalents

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

(p) Trade and other payables

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

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

(q) Provisions

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions (Continued)

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

(r) Contingent liabilities

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

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

(s) Current and deferred income tax

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(iii) Group companies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

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

(u) Borrowings and borrowing costs

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

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

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

(v) Employee benefits

(i) Pensions and retirement benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits (Continued)

(ii) Share-based compensation

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

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

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

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

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

(iii) Termination benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue and income recognition

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

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

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

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

(ii) Commission income

(1) Agency commission income

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

(2) Insurance brokerage commission income

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

(iii) Sale of completed properties held for sale

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

(iv) Rental income

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

(v) Dividend income

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

(vi) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Segment reporting

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

(y) Dividend distribution

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

(z) Share capital

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

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

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Market risk

(1) Foreign currency risk

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign currency risk (Continued)

Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises. As at 31st December 2014 and 2013, the Group had not entered into significant forward foreign exchange contracts to mitigate the currency exposure.

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

At 31st December 2014, if Hong Kong dollars had weakened/strengthened by 1% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$39,670,000 (2013: HK$38,807,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables.

Foreign currency risk arising from operations whose functional currency is Renminbi

At 31st December 2014, if Renminbi had weakened/strengthened by 5% against the US dollars with all other variables held constant, post-tax profit for the year would have been HK$10,235,000 (2013: HK$10,848,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US dollars-denominated trade and other receivables, deposits and cash and cash equivalents and foreign exchange losses/gains on translation of US dollars-denominated trade and other payables and short-term borrowings.

(2) Interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance income (representing interest income on the Interest Bearing Assets less interest expenses on Interest Bearing Liabilities) will result in a net increase/decrease in the Group's post-tax profit by HK$29,130,000 (2013: HK$19,867,000).

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Price risk

The Group's fuel oil trading business is conducted on an indent basis where the purchase and selling prices of majority of the transactions are fixed in advance and thus the Group's exposure to fuel oil price risk is not significant. Management manages its exposure by entering into derivative contracts to hedge against the price fluctuation when the need arises. As at 31st December 2014 and 2013, there were no outstanding derivative financial instruments entered into by the Group.

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

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

	Impact on post-tax profit		Impact on investment revaluation reserve	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
5% change in market price	**54**	55	**4,887**	4,112

(ii) Credit risk

Credit risk mainly arises from trade and other receivables, balances due from group and related companies and deposits with financial institutions. The Group has limited its credit exposure from bank balances and deposits by restricting its selection of financial institutions with acceptable credit rating, as rated by external credit agencies, and over 90% of the Group's bank balances as at 31st December 2014 were placed with state-owned and listed banks. Management considers these balances are subject to low credit risk. New customers are assessed and rated based on the credit quality of the customers, taking into account their financial position, past experience and other factors before standard payment and delivery terms and conditions are offered. The utilisation of credit limits granted to existing customers is regularly monitored and individual risk limits are revised accordingly.

(iii) Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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

	Less than 1 year HK$'000	**Between 2 and 3 years** HK$'000
Group		
At 31st December 2014		
Trade and other payables	**1,444,151**	**–**
Short-term borrowings	**26,210**	**–**
At 31st December 2013		
Trade and other payables	1,483,018	14,296
Short-term borrowings	60,329	–
Company		
At 31st December 2014		
Amounts due to subsidiaries	**516,022**	**–**
Other payables	**18,210**	**–**
At 31st December 2013		
Amounts due to subsidiaries	420,042	–
Other payables	17,098	–

(b) Capital risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the Group's total borrowings divided by total assets. The Group's strategy, which was unchanged from 2013, is to maintain a low gearing ratio. The gearing ratios at 31st December 2014 and 2013 were as follows:

	2014 **HK$'000**	2013 HK$'000
Total borrowings	**26,061**	59,786
Total assets	**9,665,334**	9,449,963
Gearing ratio	**0.3%**	0.6%

(c) Fair value estimation

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

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

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

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

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

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

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

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

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

(f) Valuation process

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Allowances for bad and doubtful debts

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

(b) Allowances for inventory

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

(c) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31st December 2014, the carrying amount of goodwill was HK$100,649,000. Details of the recoverable amount calculation are disclosed in note 6.

(d) Fair value estimates on acquisition of subsidiaries

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

(e) Estimate of fair value of investment properties

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

The fair value of investment properties as at 31st December 2014 is based on valuations determined by independent professional qualified valuer. Details of the judgement and assumptions have been disclosed in note 9.

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

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

(g) Estimate of cost provisions

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

(h) Income taxes

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

(i) Relocation of a production plant of coating business

In 2012, the Group was committed to relocate a production plant in the PRC in 2015 in order to meet a provincial town planning requirement. This has resulted in a provision for employee severance payment of HK$12,656,000 as at 31st December 2014. A high degree of management judgement is required in assessing the adequacy of the provision, which will be subject to reassessment at the end of each reporting period. In addition, the useful lives of certain non-movable property, plant and equipment were adjusted, which has resulted in an accelerated depreciation of HK$7,098,000 in 2014.

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

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

(k) Joint arrangements

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

NOTES TO THE FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(k) Joint arrangements (Continued)

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

5 REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

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

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Year ended and as at 31st December 2013									
	Shipping services									
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Marine fuel and other products HK$'000	Total HK$'000	General trading HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Profit and loss items:										
Segment revenue	1,323,348	889,332	103,243	89,745	5,838,514	8,244,182	1,248,062	–	(183,810)	9,308,434
Inter-segment revenue	–	(810)	–	(292)	(182,553)	(183,655)	(155)	–	183,810	–
Revenue from external customers	1,323,348	888,522	103,243	89,453	5,655,961	8,060,527	1,247,907	–	–	9,308,434
Segment operating profit	86,314	31,085	65,718	63,367	9,115	255,599	13,737	2,749	–	272,085
Finance income	12,560	2,412	6,656	1,099	150	22,877	1,331	–	–	24,208
Finance costs	(698)	(1,721)	(24)	(156)	(5,475)	(8,074)	(8,678)	–	–	(16,752)
Share of profits/(losses) of joint ventures	10,600	(1,371)	320	–	–	9,549	–	–	–	9,549
Share of (losses)/profits of associates	–	–	(46)	–	13,703	13,657	(629)	–	–	13,028
Segment profit before income tax	108,776	30,405	72,624	64,310	17,493	293,608	5,761	2,749	–	302,118
Income tax expenses	(21,870)	(6,386)	(12,600)	(11,305)	(185)	(52,346)	(1,670)	–	–	(54,016)
Segment profit after income tax	86,906	24,019	60,024	53,005	17,308	241,262	4,091	2,749	–	248,102
Balance sheet items:										
Total segment assets	1,981,203	755,354	384,132	186,932	581,939	3,889,560	1,004,723	83,352	(169,409)	4,808,226
Total segment assets include:										
– Joint ventures	417,003	12,565	2,897	–	–	432,465	–	–	–	432,465
– Associates	–	–	2,097	–	83,159	85,256	6,713	–	–	91,969
Total segment liabilities	738,537	413,632	116,917	80,333	386,839	1,736,258	780,701	–	(169,409)	2,347,550
Other items:										
Depreciation and amortisation, net of amount capitalised	20,719	1,288	648	95	–	22,750	2,565	–	–	25,315
Reversal of provision for impairment of inventories, net of provision	6,064	–	–	–	–	6,064	–	–	–	6,064
Provision for impairment of trade receivables, net of reversal	4,246	688	–	–	–	4,934	–	–	–	4,934
Provision for impairment of other receivables	–	40	–	–	–	40	17,498	–	–	17,538
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	37,722	8,489	81	76	–	46,368	536	–	–	46,904

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK$795,040,000 (2013: HK$711,972,000) and HK$6,793,173,000 (2013: HK$8,596,462,000) respectively.

The total of non-current assets, other than available-for-sale financial assets and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$672,509,000 (2013: HK$615,452,000) and HK$376,072,000 (2013: HK$274,393,000) respectively.

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

6 INTANGIBLE ASSETS

	Group			Company
	Goodwill HK$'000	Computer software HK$'000	Total HK$'000	Computer software HK$'000
Cost:				
At 1st January 2014	**105,400**	**8,615**	**114,015**	**—**
Additions	**—**	**2,468**	**2,468**	**720**
Acquisition of a subsidiary	**2,084**	**—**	**2,084**	**—**
Currency translation differences	**(851)**	**(17)**	**(868)**	**—**
Disposal	**—**	**(41)**	**(41)**	**—**
At 31st December 2014	**106,633**	**11,025**	**117,658**	**720**

6 INTANGIBLE ASSETS (Continued)

	Group			Company
	Goodwill HK$'000	Computer software HK$'000	Total HK$'000	Computer software HK$'000
Accumulated amortisation and impairment:				
At 1st January 2014	**5,984**	**4,904**	**10,888**	**—**
Currency translation differences	**—**	**(7)**	**(7)**	**—**
Amortisation (note 27)	**—**	**1,340**	**1,340**	**12**
Disposal	**—**	**(41)**	**(41)**	**—**
At 31st December 2014	**5,984**	**6,196**	**12,180**	**12**
Net book amount	**100,649**	**4,829**	**105,478**	**708**

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

NOTES TO THE FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

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

	2014 HK$'000	2013 HK$'000
Agency service in respect of shipbuilding, ship trading and bareboat charter business ("Ship trade business")	**48,674**	48,720
Provision of insurance brokerage services ("Insurance business")	**35,046**	35,046
Trading of marine equipment and spare parts ("Supply business")	**16,929**	15,650
	100,649	99,416

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

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

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

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

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

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

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

7 PROPERTY, PLANT AND EQUIPMENT

	Group					
	Properties	**Machinery, equipment and motor vehicles**	**Leasehold improvement**	**Furniture and fixtures**	**Construction in progress**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2013						
Cost	166,975	89,992	16,528	37,413	66	310,974
Accumulated depreciation, amortisation and impairment	(52,761)	(57,628)	(14,898)	(28,969)	—	(154,256)
Net book amount	114,214	32,364	1,630	8,444	66	156,718
Year ended 31st December 2013						
Opening net book amount	114,214	32,364	1,630	8,444	66	156,718
Additions	—	3,099	—	4,234	3,090	10,423
Acquisition of a subsidiary (note 38(b))	—	262	119	18	—	399
Transfer between categories	—	66	—	—	(66)	—
Currency translation differences	1,379	923	28	235	50	2,615
Depreciation and amortisation (note 27(a))	(11,105)	(7,266)	(1,505)	(4,384)	—	(24,260)
Disposals	—	(3)	—	—	—	(3)
Closing net book amount	104,488	29,445	272	8,547	3,140	145,892
At 31st December 2013						
Cost	170,122	93,260	16,754	41,801	3,140	325,077
Accumulated depreciation, amortisation and impairment	(65,634)	(63,815)	(16,482)	(33,254)	—	(179,185)
Net book amount	104,488	29,445	272	8,547	3,140	145,892
Year ended 31st December 2014						
Opening net book amount	**104,488**	**29,445**	**272**	**8,547**	**3,140**	**145,892**
Additions	**630**	**5,424**	**2,031**	**3,566**	**130,706**	**142,357**
Currency translation differences	**(1,594)**	**(167)**	**(12)**	**(37)**	**456**	**(1,354)**
Depreciation and amortisation (note 27(a))	**(11,203)**	**(7,893)**	**(57)**	**(5,387)**	**—**	**(24,540)**
Disposals	**—**	**(118)**	**—**	**(56)**	**—**	**(174)**
Closing net book amount	**92,321**	**26,691**	**2,234**	**6,633**	**134,302**	**262,181**
At 31st December 2014						
Cost	**168,946**	**91,710**	**18,760**	**38,117**	**134,302**	**451,835**
Accumulated depreciation, amortisation and impairment	**(76,625)**	**(65,019)**	**(16,526)**	**(31,484)**	**—**	**(189,654)**
Net book amount	**92,321**	**26,691**	**2,234**	**6,633**	**134,302**	**262,181**

NOTES TO THE FINANCIAL STATEMENTS

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Company			
	Machinery, equipment and motor vehicles	**Leasehold improvement**	**Furniture and fixtures**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2013				
Cost	3,901	9,110	824	13,835
Accumulated depreciation and impairment	(3,375)	(8,913)	(767)	(13,055)
Net book amount	526	197	57	780
Year ended 31st December 2013				
Opening net book amount	526	197	57	780
Additions	65	–	–	65
Depreciation	(202)	(40)	(29)	(271)
Disposals	(3)	–	–	(3)
Closing net book amount	386	157	28	571
At 31st December 2013				
Cost	3,941	9,110	824	13,875
Accumulated depreciation and impairment	(3,555)	(8,953)	(796)	(13,304)
Net book amount	386	157	28	571
Year ended 31st December 2014				
Opening net book amount	**386**	**157**	**28**	**571**
Additions	**498**	**–**	**–**	**498**
Depreciation	**(221)**	**(40)**	**(21)**	**(282)**
Disposals	**(131)**	**–**	**–**	**(131)**
Closing net book amount	**532**	**117**	**7**	**656**
At 31st December 2014				
Cost	**3,750**	**9,110**	**792**	**13,652**
Accumulated depreciation and impairment	**(3,218)**	**(8,993)**	**(785)**	**(12,996)**
Net book amount	**532**	**117**	**7**	**656**

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Freehold properties held outside Hong Kong	**26,620**	28,043
Leasehold properties held in Hong Kong		
— on leases of over 50 years	**3,651**	3,686
— on leases of between 10 and 50 years	**1,527**	1,665
Leasehold properties held outside Hong Kong		
— on leases of between 10 and 50 years	**52,720**	54,446
— on leases of less than 10 years	**7,803**	16,648
	92,321	104,488

8 PREPAID PREMIUM FOR LAND LEASES

	Group	
	2014	2013
	HK$'000	HK$'000
At 1st January	**36,315**	7,064
Currency translation differences	**(129)**	682
Addition	**—**	29,516
Amortisation (note 27)	**(1,086)**	(947)
At 31st December	**35,100**	36,315

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

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

	Group	
	2014	2013
	HK$'000	HK$'000
Held outside Hong Kong		
— on leases of between 10 and 50 years	**34,735**	35,583
— on leases of less than 10 years	**365**	732
	35,100	36,315

NOTES TO THE FINANCIAL STATEMENTS

9 INVESTMENT PROPERTIES

	Group		
	Completed commercial properties Hong Kong	**Completed residential properties PRC**	**Total**
	HK$'000	HK$'000	HK$'000
Opening balance as at 1st January 2014	**20,800**	**21,124**	**41,924**
Currency translation differences	**—**	**4**	**4**
Fair value gains (note 26)	**1,500**	**1,419**	**2,919**
Closing balance as at 31st December 2014	**22,300**	**22,547**	**44,847**
Opening balance as at 1st January 2013	19,100	19,347	38,447
Currency translation differences	—	8	8
Fair value gains (note 26)	1,700	1,769	3,469
Closing balance as at 31st December 2013	20,800	21,124	41,924

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

	Group	
	2014	2013
	HK$'000	HK$'000
Held in Hong Kong		
— on leases of over 50 years	**22,300**	20,800
Held outside Hong Kong		
— on leases of between 10 and 50 years	**22,547**	21,124
	44,847	41,924

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by DTZ Debenham Tie Leung Limited, an independent qualified valuer not related to the Group, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued, at 31st December 2014 and 2013. For all investment properties, their current use equates to the highest and best use.

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

9 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

At each financial year end, the finance department:

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

Valuation techniques

Fair value measurements using significant unobservable inputs

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

10 SUBSIDIARIES

(a) Investments in subsidiaries

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**286,981**	249,891

(b) Amounts due from/to subsidiaries

	Company	
	2014	2013
	HK$'000	HK$'000
Amounts due from subsidiaries	**1,219,048**	1,273,242
Less: amount due after one year, included under non-current assets	**40,000**	—
Amount due from subsidiaries, included under current assets	**1,179,048**	1,273,242

Current portion of amounts due from subsidiaries as at 31st December 2014 are unsecured, interest-free and repayable on demand, except for certain amounts totalling HK$527,350,000 (2013: HK$567,262,000) which are unsecured, interest bearing at 2.2% p.a. (2013: from 2% p.a. to 2.2% p.a.) and repayable in 2015 (2013: repayable in 2014). Non-current portion of amount due from a subsidiary is unsecured, interest bearing at around 2% p.a. and repayable in 2016.

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

Particulars of principal subsidiaries which, in the opinion of the directors, principally affect the results and/or assets and liabilities of the Group as at 31st December 2014 are set out in note 40 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**432,465**	416,886	**143,688**	143,688
Currency translation differences (note 23)	**(52)**	486	**—**	—
Share of profits	**65,218**	9,549	**—**	—
Share of other comprehensive (losses)/income (note 23)	**(4,497)**	5,581	**—**	—
Dividends received	**(27)**	(37)	**—**	—
At 31st December	**493,107**	432,465	**143,688**	143,688

Particulars of the joint ventures of the Group as at 31st December 2014 are set out in note 41 to the financial statements.

Summarised financial information for a material joint venture of the Group

Set out below are the summarised financial information for Jotun COSCO, a material joint venture, which is accounted for using the equity method.

Summarised statement of financial position

	2014	2013
	HK$'000	HK$'000
Non-current assets	**552,803**	509,766
Current assets		
Cash and cash equivalents	**122,557**	209,975
Other current assets	**1,303,134**	966,365
Total current assets	**1,425,691**	1,176,340
Current liabilities		
Financial liabilities (excluding trade and other payables and provisions)	**38,028**	134,504
Other current liabilities	**998,681**	721,225
Total current liabilities	**1,036,709**	855,729
Non-current liability		
Deferred income tax liabilities	**1,491**	10,565
Net assets	**940,294**	819,812

11 INVESTMENTS IN JOINT VENTURES (Continued)

Summarised statement of comprehensive income

	2014 HK$'000	2013 HK$'000
Revenue	**2,281,359**	2,066,771
Depreciation and amortisation	**12,026**	7,918
Interest income	**1,674**	3,824
Interest expense	**2,920**	3,599
Profit/(loss) before income tax	**164,880**	(18,670)
Income tax (charge)/credit	**(35,404)**	39,870
Profit for the year	**129,476**	21,200
Other comprehensive (losses)/income	**(8,994)**	11,162
Total comprehensive income	**120,482**	32,362

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

Reconciliation of summarised financial information

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

	2014 HK$'000	2013 HK$'000
Opening net assets at 1st January	**819,812**	787,450
Profit for the year	**129,476**	21,200
Other comprehensive (losses)/income		
Currency translation differences	**(8,994)**	11,162
Closing net assets at 31st December	**940,294**	819,812
Interest in joint venture (50%)	**470,147**	409,906
Goodwill	**7,097**	7,097
Carrying amount	**477,244**	417,003

NOTES TO THE FINANCIAL STATEMENTS

12 INVESTMENTS IN ASSOCIATES

	Group	
	2014	2013
	HK$'000	HK$'000
At 1st January	**91,969**	79,015
Currency translation differences (note 23)	**(18)**	303
Share of profits	**17,016**	13,028
Share of other comprehensive (losses)/income (note 23)	**(26,056)**	136
Dividends received	**(391)**	(513)
At 31st December	**82,520**	91,969

Particulars of the associates of the Group as at 31st December 2014 are set out in note 41 to the financial statements.

13 FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group			
	Loans and receivables	**Assets at fair value through profit or loss**	**Available-for-sale**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Assets as per consolidated statement of financial position				
At 31st December 2014				
Available-for-sale financial assets (note 14)	**—**	**—**	**99,494**	**99,494**
Trade and other receivables excluding prepayments (note 18)	**1,950,492**	**—**	**—**	**1,950,492**
Financial assets at fair value through profit or loss (note 20)	**—**	**1,086**	**—**	**1,086**
Restricted bank deposits, deposits and cash and cash equivalents (note 21)	**6,133,797**	**—**	**—**	**6,133,797**
Total	**8,084,289**	**1,086**	**99,494**	**8,184,869**
At 31st December 2013				
Available-for-sale financial assets (note 14)	—	—	84,002	84,002
Trade and other receivables excluding prepayments (note 18)	1,670,858	—	—	1,670,858
Financial assets at fair value through profit or loss (note 20)	—	1,109	—	1,109
Restricted bank deposits, deposits and cash and cash equivalents (note 21)	6,327,816	—	—	6,327,816
Total	7,998,674	1,109	84,002	8,083,785

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Group Financial liabilities at amortised cost HK$'000
Liabilities as per consolidated statement of financial position	
At 31st December 2014	
Trade and other payables excluding non-financial liabilities	**1,444,151**
Short-term borrowings (note 25)	**26,061**
Total	**1,470,212**
At 31st December 2013	
Trade and other payables excluding non-financial liabilities	1,497,314
Short-term borrowings (note 25)	59,786
Total	1,557,100

	Company Loans and receivables HK$'000
Assets as per statement of financial position	
At 31st December 2014	
Amounts due from subsidiaries (note 10(b))	**1,219,048**
Other receivables excluding prepayments (note 18)	**17,701**
Current deposits and cash and cash equivalents (note 21)	**4,713,985**
Total	**5,950,734**
At 31st December 2013	
Amounts due from subsidiaries (note 10(b))	1,273,242
Other receivables excluding prepayments (note 18)	73,479
Current deposits and cash and cash equivalents (note 21)	4,540,136
Total	5,886,857

NOTES TO THE FINANCIAL STATEMENTS

13 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Company Financial liabilities at amortised cost HK$'000
Liabilities as per statement of financial position	
At 31st December 2014	
Amounts due to subsidiaries	**516,022**
Other payables (note 24)	**18,210**
Total	**534,232**
At 31st December 2013	
Amounts due to subsidiaries	420,042
Other payables (note 24)	17,098
Total	437,140

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014 **HK$'000**	2013 HK$'000
At 1st January	**84,002**	96,654
Fair value gains/(losses) recognised in other comprehensive income, net (note 23)	**15,492**	(12,652)
At 31st December	**99,494**	84,002
Less: current portion	**28,970**	34,954
Non-current portion	**70,524**	49,048

There were no impairment provisions on available-for-sale financial assets as at 31st December 2014 and 2013.

Available-for-sale financial assets include the following:

	Group	
	2014 **HK$'000**	2013 HK$'000
Unlisted securities	**1,759**	1,759
Market value of listed equity securities in Hong Kong	**97,735**	82,243
	99,494	84,002

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Renminbi	**1,759**	1,759
Hong Kong dollars	**97,735**	82,243
	99,494	84,002

15 DEFERRED INCOME TAX

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

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

	Group	
	2014	2013
	HK$'000	HK$'000
At 1st January	**33,023**	35,355
Currency translation differences	**74**	1,023
Acquisition of a subsidiary (note 38(b))	**–**	(855)
Transferred to current income tax liabilities	**142**	138
Charged to the consolidated income statement, net (note 31)	**(2,821)**	(2,638)
At 31st December	**30,418**	33,023

Deferred income tax assets are recognised for tax losses carried-forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2014, the Group has unrecognised tax losses of HK$63,584,000 (2013: HK$59,786,000) to carry forward against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED INCOME TAX (Continued)

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

	Group 2014 HK$'000	Group 2013 HK$'000
Deferred income tax assets:		
— to be recovered after more than 12 months	**55,641**	51,318
— to be recovered within 12 months	**13,804**	14,202
	69,445	65,520
Deferred income tax liabilities:		
— to be settled after more than 12 months	**(39,027)**	(32,497)
— to be settled within 12 months	**—**	—
	(39,027)	(32,497)
	30,418	33,023

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

(a) Deferred income tax assets

	Group Accrued liabilities HK$'000	 Impairment losses HK$'000	 Others HK$'000	 Total HK$'000
At 1st January 2013	44,727	15,933	1,384	62,044
Currency translation differences	1,333	567	60	1,960
(Charged)/credited to the consolidated income statement	(4,284)	4,159	1,641	1,516
At 31st December 2013	41,776	20,659	3,085	65,520
At 1st January 2014	**41,776**	**20,659**	**3,085**	**65,520**
Currency translation differences	**(140)**	**(66)**	**(4)**	**(210)**
Credited to the consolidated income statement	**1,102**	**1,330**	**1,703**	**4,135**
At 31st December 2014	**42,738**	**21,923**	**4,784**	**69,445**

15 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities

	Group			
	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2013	(454)	(7,360)	(18,875)	(26,689)
Currency translation differences	1	(231)	(707)	(937)
Acquisition of a subsidiary (note 38(b))	—	—	(855)	(855)
Transfer to current income tax liabilities	—	—	138	138
Charged to the consolidated income statement	—	(504)	(3,650)	(4,154)
At 31st December 2013	(453)	(8,095)	(23,949)	(32,497)
At 1st January 2014	**(453)**	**(8,095)**	**(23,949)**	**(32,497)**
Currency translation differences	**1**	**26**	**257**	**284**
Transfer to current income tax liabilities	**—**	**—**	**142**	**142**
Charged to the consolidated income statement	**(517)**	**(695)**	**(5,744)**	**(6,956)**
At 31st December 2014	**(969)**	**(8,764)**	**(29,294)**	**(39,027)**

As at 31st December 2014, deferred income tax liabilities of HK$29,294,000 (2013: HK$23,949,000) have been recorded for the withholding tax that would be payable on profits of certain subsidiaries, joint ventures and associate to be repatriated and distributed by way of dividends.

16 COMPLETED PROPERTIES HELD FOR SALE

	Group	
	2014 HK$'000	2013 HK$'000
Land cost	**56**	56
Development cost	**136**	136
	192	192

NOTES TO THE FINANCIAL STATEMENTS

16 COMPLETED PROPERTIES HELD FOR SALE (Continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Held outside Hong Kong		
— on leases of over 50 years	**192**	192

17 INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**61,763**	58,919
Work in progress	**2,939**	2,817
Finished goods	**304,496**	385,064
	369,198	446,800

The cost of inventories recognised as expense and included in cost of sales amounted to HK$6,783,721,000 (2013: HK$8,614,169,000) (note 27).

During the year, the Group recognised inventories impairment provision of HK$14,161,000 (2013: HK$12,179,000) and reversed inventories impairment provision of HK$12,183,000 (2013: HK$18,243,000).

As at 31st December 2014, inventories of HK$42,960,000 (2013: HK$41,064,000) were carried at net realisable value.

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Trade receivables				
— fellow subsidiaries (note (i))	**99,687**	151,769	**—**	—
— associated companies of COSCO (note (i))	**129,168**	134,802	**—**	—
— joint ventures (note (i))	**378**	869	**—**	—
— non-controlling interests (note (i))	**613**	1,026	**—**	—
— third parties	**757,045**	739,814	**—**	—
	986,891	1,028,280	**—**	—
Less: provision for impairment (note (c))	**44,279**	67,926	**—**	—
Trade receivables — net	**942,612**	960,354	**—**	—
Bills receivables				
— associated companies of COSCO (note (i))	**8,464**	70,222	**—**	—
— non-controlling interests (note (i))	**136**	127	**—**	—
— third parties	**170,157**	121,265	**—**	—
Prepayments	**9,715**	1,573	**1,007**	718
Deposits and other receivables				
— fellow subsidiaries (note (i))	**27,101**	19,675	**—**	—
— associated companies of COSCO (note (i))	**1,104**	1,050	**—**	—
— joint ventures (note (i))	**372**	317	**—**	—
— an associate (note (i))	**19**	—	**—**	—
— third parties	**800,349**	443,414	**17,669**	19,170
Amounts due from fellow subsidiaries (note (i))	**178**	157	**32**	32
Loan to a joint venture (note (f))	**—**	54,277	**—**	54,277
	1,960,207	1,672,431	**18,708**	74,197

Notes:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) As at 31st December 2014, trade receivables of HK$80,191,000 (2013: HK$94,091,000) were impaired. Taking into account the financial difficulties of the debtors, default and delinquency in payments, business relationship and transaction volumes with the debtors, it was assessed that only a portion of these receivables is expected to be recoverable. The amount of the provision for these receivables was HK$44,279,000 as at 31st December 2014 (2013: HK$67,926,000). The ageing analysis of these receivables is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Current–90 days	**1,180**	2,144
91–180 days	**11,704**	812
Over 180 days	**67,307**	91,135
	80,191	94,091

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

	Group	
	2014 HK$'000	2013 HK$'000
At 1st January	**67,926**	61,224
Currency translation differences	**(387)**	1,768
Provision for impairment	**15,490**	33,099
Reversal of unused provision	**(38,750)**	(28,165)
At 31st December	**44,279**	67,926

(d) Trade receivables that are less than three months past due are not considered impaired. As at 31st December 2014, trade receivables of HK$180,134,000 (2013: HK$174,305,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis on past due days of these receivables is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Up to 90 days	**128,323**	113,820
91–180 days	**26,825**	33,468
Over 180 days	**24,986**	27,017
	180,134	174,305

(e) Trade receivables of HK$34,933,000 as at 31st December 2013 were collateralised to secure short-term borrowings (note 25).

(f) Loan to a joint venture as at 31st December 2013 was unsecured, interest bearing at 1.5% above London Interbank Offered Rate and repayable in April 2014.

18 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(g) As at 31st December 2014, other receivables of HK$73,881,000 (2013: HK$40,549,000) were impaired and the amount of impairment provision for these receivables was HK$37,570,000 (2013: HK$19,490,000). Except for these receivables and trade receivables mentioned above, the other classes within trade and other receivables do not contain impaired assets.

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

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Renminbi	**1,252,647**	1,102,872	**26**	7
Hong Kong dollars	**30,000**	16,038	**1,530**	1,315
United States dollars	**363,782**	321,833	**17,152**	72,875
Others	**313,778**	231,688	**—**	—
	1,960,207	1,672,431	**18,708**	74,197

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

(j) The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. As at 31st December 2014, other receivable of HK$34,609,000 (2013: HK$34,728,000) is secured by the guarantee of a fellow subsidiary. Other than this, the Group does not hold any collateral as security.

19 DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to the risk of fuel oil price fluctuation which arises when sales contracts of fixed prices for sale of fuel oil and purchase contracts of floating prices for purchase of fuel oil are entered. During the year ended 31st December 2014 and as at 31st December 2013, no derivative financial instruments were entered into by the Group to hedge against the risk of fuel oil price fluctuation.

During the year ended 31st December 2013, fair value losses of HK$247,000 recognised in the hedging reserve were reclassified to the consolidated income statement as part of cost of inventories sold upon maturity of the derivative financial instruments.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014 HK$'000	2013 HK$'000
Market value of listed equity securities in Hong Kong	**1,086**	1,109

NOTES TO THE FINANCIAL STATEMENTS

21 RESTRICTED BANK DEPOSITS, DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Non-current deposits with a fellow subsidiary (note (a))	**25,348**	38,153	**—**	—
Restricted bank deposits (note (b))	**14,120**	62,782	**—**	—
Current deposits with a fellow subsidiary (note (a))	**818,261**	451,197	**—**	—
Short-term bank deposits	**4,907,185**	5,070,146	**4,711,860**	4,538,738
Cash at bank and in hand	**368,883**	705,538	**2,125**	1,398
Current deposits and cash and cash equivalents	**6,094,329**	6,226,881	**4,713,985**	4,540,136
Total deposits and cash and cash equivalents	**6,133,797**	6,327,816	**4,713,985**	4,540,136

Notes:

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

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

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

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Renminbi	**959,652**	1,134,027	**20**	22
Hong Kong dollars	**106,545**	66,944	**22,844**	1,255
United States dollars	**4,977,132**	5,056,538	**4,691,121**	4,538,859
Others	**90,468**	70,307	**—**	—
	6,133,797	6,327,816	**4,713,985**	4,540,136

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

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

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

Notes: (Continued)

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

	Group	
	2014	2013
	HK$'000	HK$'000
Total deposits and cash and cash equivalents	**6,133,797**	6,327,816
Less: restricted bank deposits	**14,120**	62,782
cash investments with maturity more than three months from date of placement	**4,954,964**	4,566,355
Cash and cash equivalents	**1,164,713**	1,698,679

22 SHARE CAPITAL

	2014		2013	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Shares of HK$0.10 each	**3,000,000,000**	**300,000**	3,000,000,000	300,000
Issued and fully paid:				
At 1st January	**1,513,781,429**	**151,378**	1,513,627,429	151,363
Shares issued upon exercise of share options (note (d))	**18,024,000**	**1,803**	154,000	15
At 31st December	**1,531,805,429**	**153,181**	1,513,781,429	151,378

Share options

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

NOTES TO THE FINANCIAL STATEMENTS

22 SHARE CAPITAL (Continued)

Share options (Continued)

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

			Number of share options							Vested %	
Category	Note	Exercise price HK$	Outstanding as at 1st January 2014	Granted during the year	Changed category during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st December 2014	as at 31st December 2014	as at 31st December 2013
Directors	(a)	1.37	**800,000**	**–**	**–**	**(800,000)**	**–**	**–**	**–**	**100**	100
Continuous contract employees	(a)	1.37	**6,006,000**	**–**	**–**	**(6,006,000)**	**–**	**–**	**–**	**100**	100
	(b)	1.21	**600,000**	**–**	**–**	**–**	**–**	**–**	**600,000**	**100**	100
	(c)	3.666	**13,860,000**	**–**	**–**	**–**	**–**	**(580,000)**	**13,280,000**	**100**	100
Others	(a)	1.37	**17,668,000**	**–**	**–**	**(11,218,000)**	**–**	**(6,450,000)**	**–**	**100**	100
	(b)	1.21	**550,000**	**–**	**–**	**–**	**–**	**–**	**550,000**	**100**	100
	(c)	3.666	**23,390,000**	**–**	**–**	**–**	**–**	**–**	**23,390,000**	**100**	100
			62,874,000	**–**	**–**	**(18,024,000)**	**–**	**(7,030,000)**	**37,820,000**		

Notes:

(a) On 2nd December 2004, the directors and employees of the Group were granted 32,650,000 share options at an exercise price of HK$1.37 per share. In addition, 23,250,000 share options were granted to employees of COSCO Group. These share options were all vested upon the date of grant and are exercisable at any time from 29th December 2004 to 28th December 2014. During the year, 18,024,000 (2013: 154,000) share options were exercised and 6,450,000 (2013: 2,400,000) share options were cancelled and lapsed.

(b) On 10th May 2005, the employees of the Group were granted 2,400,000 share options at an exercise price of HK$1.21 per share. These share options were all vested upon the date of grant and are exercisable at any time from 6th June 2005 to 5th June 2015. No share options were exercised in 2014 and 2013.

(c) On 9th March 2007, the Company granted share options to subscribe for 43,850,000 shares of the Company at an exercise price of HK$3.666 per share. These share options are exercisable at any time from 9th March 2009 to 8th March 2015 in the stipulated proportion namely: (i) no share options shall be exercisable within the first two years from 9th March 2007; (ii) up to a maximum of 30% of the share options can be exercised from 9th March 2009 onwards; (iii) up to a maximum of 70% of the share options can be exercised from 9th March 2010 onwards and (iv) all share options can be exercised from 9th March 2011 onwards. During the year, no (2013: nil) share options were exercised and 580,000 (2013: 900,000) share options were cancelled and lapsed.

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

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

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

There was no employee share option benefit expense recognised in 2014 and 2013 as a result of the above equity-settled share based transactions on the basis of the fair value of share options granted.

22 SHARE CAPITAL (Continued)

Share options (Continued)

Notes: (Continued)

(d) During the year, 18,024,000 (2013: 154,000) share options were exercised and a summary of share options exercised analysed by exercise month, is set out below:

	Number of share options exercised	
	2014	2013
Exercise month		
January	**—**	104,000
April	**80,000**	—
July	**140,000**	—
August	**150,000**	—
September	**50,000**	—
October	**220,000**	50,000
November	**616,000**	—
December	**16,768,000**	—
	18,024,000	154,000

Exercise of share options yielded proceeds as follows:

	2014 **HK$'000**	2013 HK$'000
Ordinary share capital — at par	**1,803**	15
Share premium	**22,890**	196
Proceeds	**24,693**	211

The weighted average closing price of the Company's shares on the dates when the share options were exercised was HK$3.05 (2013: HK$3.49).

NOTES TO THE FINANCIAL STATEMENTS

23 RESERVES

	Group									
	Share premium HK$'000	**Employee share-based compensation reserve** HK$'000	**Statutory reserves (note (b))** HK$'000	**Contributed surplus (note (c))** HK$'000	**Exchange reserve** HK$'000	**Property revaluation reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Hedging reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
Balance at 1st January 2014	**142,182**	**46,520**	**107,008**	**676,218**	**173,361**	**7,799**	**58,830**	**1,345**	**6,110,527**	**7,323,790**
Transfer to statutory reserves (note (b))	**–**	**–**	**4,280**	**–**	**–**	**–**	**–**	**–**	**(4,280)**	**–**
Transfer to retained profits upon the lapse and cancellation of share options	**–**	**(772)**	**–**	**–**	**–**	**–**	**–**	**–**	**772**	**–**
Reserve realised upon liquidation of a joint venture	**–**	**–**	**(19,354)**	**–**	**–**	**–**	**–**	**–**	**19,354**	**–**
Currency differences on translation of :										
– subsidiaries	**–**	**–**	**–**	**–**	**(6,253)**	**–**	**–**	**–**	**–**	**(6,253)**
– joint ventures (note 11)	**–**	**–**	**–**	**–**	**(52)**	**–**	**–**	**–**	**–**	**(52)**
– associates (note 12)	**–**	**–**	**–**	**–**	**(18)**	**–**	**–**	**–**	**–**	**(18)**
Share of reserves of a joint venture (note 11)	**–**	**–**	**–**	**–**	**(4,497)**	**–**	**–**	**–**	**–**	**(4,497)**
Share of reserves of an associate (note 12)	**–**	**–**	**–**	**–**	**(44)**	**–**	**–**	**(26,012)**	**–**	**(26,056)**
Issue of shares upon exercise of share options	**22,890**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**22,890**
Fair value gains on available-for-sale financial assets, net (note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**15,492**	**–**	**–**	**15,492**
Profit for the year (note (a))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**358,970**	**358,970**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(98,410)**	**(98,410)**
Balance at 31st December 2014	**165,072**	**45,748**	**91,934**	**676,218**	**162,497**	**7,799**	**74,322**	**(24,667)**	**6,386,933**	**7,585,856**
Representing:										
Reserves	**165,072**	**45,748**	**91,934**	**676,218**	**162,497**	**7,799**	**74,322**	**(24,667)**	**6,233,752**	**7,432,675**
2014 proposed final dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**153,181**	**153,181**
	165,072	**45,748**	**91,934**	**676,218**	**162,497**	**7,799**	**74,322**	**(24,667)**	**6,386,933**	**7,585,856**
Balance at 1st January 2013	141,986	47,696	104,466	676,218	140,304	7,799	71,482	1,425	5,991,382	7,182,758
Transfer to statutory reserves (note (b))	–	–	2,542	–	–	–	–	–	(2,542)	–
Transfer to retained profits upon the lapse and cancellation of share options	–	(1,176)	–	–	–	–	–	–	1,176	–
Currency differences on translation of :										
– subsidiaries	–	–	–	–	26,471	–	–	–	–	26,471
– joint ventures (note 11)	–	–	–	–	486	–	–	–	–	486
– associates (note 12)	–	–	–	–	303	–	–	–	–	303
Share of reserves of a joint venture (note 11)	–	–	–	–	5,581	–	–	–	–	5,581
Share of reserves of an associate (note 12)	–	–	–	–	216	–	–	(80)	–	136
Issue of shares upon exercise of share options	196	–	–	–	–	–	–	–	–	196
Fair value losses on available-for-sale financial assets (note 14)	–	–	–	–	–	–	(12,652)	–	–	(12,652)
Profit for the year (note (a))	–	–	–	–	–	–	–	–	241,610	241,610
Dividends paid	–	–	–	–	–	–	–	–	(121,099)	(121,099)
Balance at 31st December 2013	142,182	46,520	107,008	676,218	173,361	7,799	58,830	1,345	6,110,527	7,323,790
Representing:										
Reserves	142,182	46,520	107,008	676,218	173,361	7,799	58,830	1,345	6,057,545	7,270,808
2013 proposed final dividend	–	–	–	–	–	–	–	–	52,982	52,982
	142,182	46,520	107,008	676,218	173,361	7,799	58,830	1,345	6,110,527	7,323,790

23 RESERVES (Continued)

	Company				
	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Contributed surplus (note (c)) HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1st January 2014	**142,182**	**46,520**	**676,218**	**4,828,078**	**5,692,998**
Transfer to retained profits upon the lapse and cancellation of share options	**—**	**(772)**	**—**	**772**	**—**
Issue of shares upon exercise of share options	**22,890**	**—**	**—**	**—**	**22,890**
Profit for the year	**—**	**—**	**—**	**78,674**	**78,674**
Dividends paid	**—**	**—**	**—**	**(98,410)**	**(98,410)**
Balance at 31st December 2014	**165,072**	**45,748**	**676,218**	**4,809,114**	**5,696,152**
Representing:					
Reserves	**165,072**	**45,748**	**676,218**	**4,655,933**	**5,542,971**
2014 proposed final dividend	**—**	**—**	**—**	**153,181**	**153,181**
	165,072	**45,748**	**676,218**	**4,809,114**	**5,696,152**
Balance at 1st January 2013	141,986	47,696	676,218	4,909,839	5,775,739
Transfer to retained profits upon the lapse and cancellation of share options	—	(1,176)	—	1,176	—
Issue of shares upon exercise of share options	196	—	—	—	196
Profit for the year	—	—	—	38,162	38,162
Dividends paid	—	—	—	(121,099)	(121,099)
Balance at 31st December 2013	142,182	46,520	676,218	4,828,078	5,692,998
Representing:					
Reserves	142,182	46,520	676,218	4,775,096	5,640,016
2013 proposed final dividend	—	—	—	52,982	52,982
	142,182	46,520	676,218	4,828,078	5,692,998

Notes:

(a) Profit for the year of HK$358,970,000 (2013: HK$241,610,000) includes net profits of HK$65,218,000 (2013: HK$9,549,000) attributable to joint ventures and HK$17,016,000 (2013: HK$13,028,000) attributable to associates.

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

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

NOTES TO THE FINANCIAL STATEMENTS

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables				
— fellow subsidiaries (note (b))	**24,502**	11,575	**—**	—
— associated companies of COSCO (note (b))	**21**	36	**—**	—
— joint ventures (note (b))	**1,118**	323	**—**	—
— associates (note (b))	**850**	6,068	**—**	—
— non-controlling interests (note (b))	**1,070**	452	**—**	—
— third parties	**419,243**	467,456	**—**	—
	446,804	485,910	**—**	—
Bills payables				
— third parties	**148,195**	195,315	**—**	—
Advances from customers and other payables				
— fellow subsidiaries (note (b))	**241,498**	209,017	**—**	—
— associated companies of COSCO (note (b))	**53,234**	65,994	**—**	—
— joint ventures (note (b))	**96**	96	**—**	—
— a holding company (note (b))	**145**	147	**—**	—
— non-controlling interests (note (b))	**2,951**	2,798	**—**	—
— third parties	**492,913**	459,528	**1,336**	651
Accrued liabilities	**44,871**	45,283	**16,874**	16,447
Commission income received in advance	**—**	22,444	**—**	—
Amounts due to fellow subsidiaries (note (b))	**5,900**	1,414	**—**	—
Dividend payable to non-controlling interests	**34,006**	58,519	**—**	—
	1,470,613	1,546,465	**18,210**	17,098

24 TRADE AND OTHER PAYABLES (Continued)

Notes:

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

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

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

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**748,551**	595,776	**460**	432
Hong Kong dollars	**129,795**	94,020	**17,200**	16,666
United States dollars	**407,714**	694,414	**550**	—
Others	**184,553**	162,255	**—**	—
	1,470,613	1,546,465	**18,210**	17,098

25 SHORT-TERM BORROWINGS

	Group	
	2014	2013
	HK$'000	HK$'000
Bank loans, repayable within one year		
— secured (note 18e)	**—**	28,615
— unsecured	**26,061**	31,171
	26,061	59,786

NOTES TO THE FINANCIAL STATEMENTS

25 SHORT-TERM BORROWINGS (Continued)

Notes:

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

	Group	
	2014 **HK$'000**	2013 HK$'000
Renminbi	**—**	28,615
United States dollars	**26,061**	31,171
	26,061	59,786

(b) The effective interest rates of short-term borrowings during the year ended 31st December 2014 and 2013 are as follows:

	2014	2013
Renminbi	**3.72%**	3.72%
United States dollars	**2.73%**	1.66%

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

26 OTHER INCOME AND GAINS

	2014 **HK$'000**	2013 HK$'000
Gains on disposal of property, plant and equipment	**409**	329
Rental income	**1,502**	1,502
Fair value gains on investment properties (note 9)	**2,919**	3,469
Reversal of provision for impairment of inventories, net of provision	**—**	6,064
Reversal of provision for impairment of trade receivables, net of provision	**23,260**	—
Dividend income from listed and unlisted investments	**2,367**	2,340
Fair value gains on financial assets at fair value through profit or loss	**—**	409
Net exchange gains	**2,199**	28,107
Others	**7,332**	11,721
	39,988	53,941

27 EXPENSES BY NATURE

	2014 HK$'000	2013 HK$'000
Cost of sales		
Cost of inventories sold (note 17)	**6,783,721**	8,614,169
Selling, administrative and general expenses		
Selling expenses	**217,460**	163,047
Depreciation and amortisation of property, plant and equipment (note 27(a))	**5,580**	6,636
Amortisation of intangible assets (note 6)	**1,340**	1,456
Amortisation of prepaid premium for land leases (note 8)	**1,086**	947
Operating lease rental expenses (note 27(b))	**28,953**	28,457
Administrative staff costs	**180,010**	163,759
Auditors' remuneration	**5,569**	5,491
Others	**137,507**	136,718
	577,505	506,511
Other expenses and losses		
Direct operating expenses for generating rental income	**149**	154
Provision for impairment of inventories, net of reversal	**1,978**	—
Provision for impairment of trade receivables, net of reversal	**—**	4,934
Provision for impairment of other receivables	**18,979**	17,538
Fair value losses on financial assets at fair value through profit or loss	**23**	—
	21,129	22,626

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

	2014 HK$'000	2013 HK$'000
Charge for the year (note 7)	**24,540**	24,260
Charged to cost of sales	**(16,145)**	(15,269)
Charged to selling expenses	**(1,790)**	(1,277)
Capitalised in inventories	**(1,025)**	(1,078)
	5,580	6,636

(b) Operating lease rental expenses

	2014 HK$'000	2013 HK$'000
Land and buildings	**28,953**	28,457

NOTES TO THE FINANCIAL STATEMENTS

28 EMPLOYEE BENEFIT EXPENSES

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

	2014 HK$'000	2013 HK$'000
Wages, salaries and other short-term benefits, including directors' emoluments (note 29(a))	**279,922**	248,460
Retirement benefits costs — defined contribution scheme (note)	**22,783**	20,952
Termination benefits	**206**	136
	302,911	269,548
Included in:		
Cost of sales	**33,900**	30,916
Selling, administrative and general expenses	**269,011**	238,632
	302,911	269,548

Note:

There were no forfeited contributions (2013: nil) utilised during the year and no forfeited contributions were available at the year-end to reduce future contributions. There were no contributions (2013: nil) payable to the fund at the year-end.

29 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Directors' emoluments

Details of the emoluments of directors who were also the key management personnel of the Company for the year ended 31st December 2014 are as follows:

Name of directors	**Fees HK$'000**	**Basic salaries, allowances and benefits-in-kind HK$'000**	**Total HK$'000**
Mr. Zhang Liang	**—**	**5,000**	**5,000**
Mr. Xu Zhengjun	**—**	**2,400**	**2,400**
Mr. Tsui Yiu Wa, Alec	**260**	**—**	**260**
Mr. Jiang, Simon X.	**260**	**—**	**260**
Mr. Alexander Reid Hamilton	**260**	**—**	**260**
	780	**7,400**	**8,180**

29 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(a) Directors' emoluments (Continued)

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

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

As at 31st December 2014, directors of the Company had no outstanding share options (2013: 800,000) to subscribe for shares of the Company (refer to note 22 for details).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2013: two) directors whose emoluments are reflected in the above analysis. The emoluments of the remaining three (2013: three) individuals during the year are as follows:

	2014 HK$'000	2013 HK$'000
Basic salaries, allowances and benefits-in-kind	**3,218**	3,254
Discretionary bonuses	**862**	1,033
Retirement benefits costs — defined contribution scheme	**50**	45
	4,130	4,332

The emoluments of the individuals fell within the following bands:

	Number of individuals	
Emolument band	**2014**	2013
HK$1,000,001 — HK$1,500,000	**3**	2
HK$1,500,001 — HK$2,000,000	**—**	1

NOTES TO THE FINANCIAL STATEMENTS

29 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

(c) Emoluments of senior management

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

	Number of individuals	
Emolument band	**2014**	2013
Below HK$1,000,000	**2**	2
HK$1,000,001 — HK$1,500,000	**4**	5

30 FINANCE INCOME — NET

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

31 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2013: 25%) except for a subsidiary, which was taxed at a reduced rate of 15% (2013: 15%) based on different local preferential policies on income tax and approval by relevant tax authorities.

31 INCOME TAX EXPENSES (Continued)

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

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

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

	2014 HK$'000	2013 HK$'000
Profit before income tax (excluding share of profits of joint ventures and associates)	**385,859**	309,068
Calculated at a tax rate of 16.5% (2013: 16.5%)	**63,667**	50,996
Effect of different tax rates in the PRC and other overseas countries	**12,618**	6,488
Income not subject to income tax	**(24,331)**	(16,994)
Expenses not deductible for tax purposes	**13,409**	13,413
Tax losses not recognised	**1,639**	1,509
Utilisation of previously unrecognised tax losses	**(25)**	—
Over-provision in prior years	**(102)**	(392)
Withholding tax on profits of subsidiaries, joint ventures and associate	**5,744**	3,650
Other temporary differences	**253**	315
Withholding tax on interest income	**1,607**	1,607
Land appreciation tax on PRC investment properties	**546**	381
Special tax credit	**(1,694)**	(2,426)
Income tax expenses	**73,331**	58,547

NOTES TO THE FINANCIAL STATEMENTS

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$78,674,000 (2013: HK$38,162,000).

33 EARNINGS PER SHARE

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

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

(b) Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect of outstanding share options.

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

34 DIVIDENDS

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

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

35 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash (used in)/generated from operations

	2014 HK$'000	2013 HK$'000
Operating profit	**245,846**	219,069
Amortisation of intangible assets	**1,340**	1,456
Depreciation and amortisation of property, plant and equipment, net of amount capitalised	**23,515**	23,182
Gains on disposal of property, plant and equipment	**(409)**	(329)
Amortisation of prepaid premium for land leases	**1,086**	947
Fair value gains on investment properties	**(2,919)**	(3,469)
Fair value losses/(gains) on financial assets at fair value through profit or loss	**23**	(409)
Provision/(reversal of provision) for impairment of inventories, net	**1,978**	(6,064)
(Reversal of provision)/provision for impairment of trade receivables, net	**(23,260)**	4,934
Provision for impairment of other receivables	**18,979**	17,538
Dividend income	**(2,367)**	(2,340)
Operating profit before working capital changes	**263,812**	254,515
Decrease in inventories	**74,608**	61,306
(Increase)/decrease in trade receivables, bills receivables, prepayments, deposits and other receivables	**(340,946)**	565,895
Increase in amounts due from fellow subsidiaries	**(21)**	(4)
Decrease in trade payables, bills payables, advances from customers, other payables, accrued liabilities and commission income received in advance	**(47,812)**	(456,779)
Increase in amounts due to fellow subsidiaries	**4,486**	687
Decrease in dividend payable to non-controlling interests	**(28,999)**	(28,826)
Cash (used in)/generated from operations	**(74,872)**	396,794

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL GUARANTEE CONTRACTS

As at 31st December 2014, the Group and the Company had financial guarantees issued in favour of banks as security for general banking facilities granted to an associate and a joint venture, and financial guarantee issued in favour of the shareholder of a joint venture as counter guarantee in relation to general banking facilities granted to the joint venture.

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

		Group and Company	
	Year of maturity	**2014** **HK$'000**	2013 HK$'000
General banking facilities of:			
— a joint venture	2015	**38,776**	38,769
— an associate	2015	**205,511**	205,477
Counter guarantee	2015	**22,490**	22,486
		266,777	266,732

As at 31st December 2014, the credit risk and liquidity risk exposure relating to the above financial guarantee contracts are considered as low.

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

37 COMMITMENTS

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

	Group		Company
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**
Authorised but not contracted for	**108,979**	298,828	**4,147**
Contracted but not provided	**61,604**	9,018	**—**
	170,583	307,846	**4,147**

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

	Group and Company	
	2014 **HK$'000**	2013 HK$'000
Contracted but not provided	**23,821**	17,466

37 COMMITMENTS (Continued)

(c) As at 31st December 2013, the Company had capital commitments of HK$37,064,000 relating to the share of outstanding capital contribution to a non-wholly owned subsidiary (note 39(f)).

(d) The aggregate future minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Within one year	**24,780**	17,936	**9,058**	9,058
In the second to fifth years inclusive	**27,879**	32,334	**9,058**	18,116
	52,659	50,270	**18,116**	27,174

The Group's operating leases were for terms ranging from one to three years.

(e) The aggregate future minimum rental receivables under non-cancellable operating leases are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Within one year	**1,198**	557
In the second to fifth years inclusive	**167**	286
	1,365	843

The Group's operating leases were for terms ranging from one to two years.

38 BUSINESS COMBINATIONS

(a) On 6th August 2014, the Group acquired 51% equity interests in Yuan Hua Technical & Supply Corporation ("Yuan Hua") at a cash consideration of US$472,800 from China Ocean Shipping Company Americas, Inc., a fellow subsidiary. Yuan Hua is incorporated and registered in the State of Delaware, United States. Its principal businesses include material supply for arriving vessels at the port, spare parts supply and delivery, and support for repair service and technical support.

NOTES TO THE FINANCIAL STATEMENTS

38 BUSINESS COMBINATIONS (Continued)

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

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

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

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

	Fair values HK$'000
Plant and equipment (note 7)	399
Trade receivables	30,566
Deposits, prepayments and other receivables	870
Cash and cash equivalents	15,480
Trade payables	(867)
Advances from customers and other payables	(13,391)
Accrued liabilities	(799)
Current income tax liabilities	(2,936)
Dividend payable	(22,889)
Deferred income tax liabilities	(855)
Total identifiable net assets	5,578

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

38 BUSINESS COMBINATIONS (Continued)

(b) (Continued)
Notes:

(i) Revenue and profit contribution

The revenue and profit contributed by the acquiree since the date of acquisition and up to 31st December 2013 were HK$49,298,000 and HK$1,704,000. If the acquisition had occurred on 1st January 2013, the Group's revenue and profit attributable to equity holders of the Company for the year ended 31st December 2013 would have been HK$9,338,605,000 and HK$242,955,000 respectively.

(ii) Acquired receivables

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

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

39 MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"), a company incorporated in Hong Kong, which owns 64.29% of the Company's shares as at 31st December 2014. The remaining 35.71% of the Company's shares is widely held. The parent of COSCO Hong Kong is COSCO.

COSCO itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO, its subsidiaries (other than the Group) and associates, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, and other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the years 2014 and 2013, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions carried out in the normal course of the Group's business during the year:

NOTES TO THE FINANCIAL STATEMENTS

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, associated companies of COSCO and other related parties

	Note	2014 HK$'000	2013 HK$'000
Sale of coatings to:	(i)		
— fellow subsidiaries		**13,199**	12,532
— associated companies of COSCO		**463,616**	430,286
— non-controlling interests		**2,642**	3,347
Sale of marine equipment and spare parts to:	(ii)		
— fellow subsidiaries		**838,019**	723,588
— associated companies of COSCO		**3,643**	3,569
— joint ventures		**2,096**	1,629
Commission income in relation to the provision of ship trading agency services to:	(iii)		
— fellow subsidiaries		**114,169**	105,559
— associated companies of COSCO		**369**	—
— a joint venture		**17,330**	—
Commission income in relation to the provision of insurance brokerage services to:	(iv)		
— fellow subsidiaries		**53,391**	56,492
— associated companies of COSCO		**1,097**	990
— holding companies		**125**	124
— a joint venture		**12**	—
Sale of marine fuel to:	(v)		
— fellow subsidiaries		**1,807,216**	2,927,918
— associated companies of COSCO		**12**	23
Sale of ship supplies and other products to:	(vi)		
— fellow subsidiaries		**5,197**	5,520
— associated companies of COSCO		**311**	90
Interest income from a fellow subsidiary (note 21(a))	(vii)	**13,896**	8,057
Interest income from a joint venture (note 18(f))		**234**	722

Notes:

(i) Sale of coatings to fellow subsidiaries, associated companies of COSCO and non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(ii) Sale of marine equipment and spare parts to fellow subsidiaries, associated companies of COSCO and joint ventures was conducted on terms as set out in the agreements governing these transactions.

(iii) Certain subsidiaries of the Company acted as agent of COSCO and its subsidiaries relating to (a) sale and purchase of new and second hand vessels, (b) bareboat charter businesses, and (c) sale and purchase of marine equipment for new shipbuilding projects. According to the terms of the relevant engagement/commission agreements, the Group received commission income from vendors, ship-owners and equipment makers with respect to the transactions mentioned above. The commissions were charged based on terms as set out in the agreements governing these transactions.

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Sale of goods and provision of services to fellow subsidiaries, associated companies of COSCO and other related parties (Continued)

Notes: (Continued)

(iv) Commission income in relation to the provision of insurance brokerage services to fellow subsidiaries, associated companies of COSCO, holding companies and a joint venture was calculated on terms as set out in the agreements governing these transactions.

(v) Sale of marine fuel to fellow subsidiaries and associated companies of COSCO was conducted on terms as set out in the agreements governing these transactions.

(vi) Sale of ship supplies and other products to fellow subsidiaries and associated companies of COSCO was conducted on terms as set out in the agreements governing these transactions.

(vii) Interest income was received from cash deposits placed with a fellow subsidiary and was calculated at prevailing market rates.

(b) Purchase of goods and services from fellow subsidiaries, associated companies of COSCO and other related parties

	Note	2014 HK$'000	2013 HK$'000
Rental expenses paid to fellow subsidiaries	(i)	**26,105**	25,606
Commission expenses in relation to the sale of coatings paid to:	(ii)		
— fellow subsidiaries		**4,460**	5,626
— associated companies of COSCO		**137**	485
— non-controlling interests		**775**	583
Commission expenses in relation to the provision of ship trading agency services paid to:	(iii)		
— fellow subsidiaries		**202**	301
— a joint venture		**8,083**	864
— an associate		**1,075**	323
Commission expenses in relation to the sale of marine equipment paid to an associated company of COSCO	(iv)	**1,525**	1,563
Purchase of marine equipment from an associated company of COSCO	(iv)	**26,247**	20,651
Purchase of raw materials from non-controlling interests	(v)	**2,112**	1,707
Transportation costs paid to fellow subsidiaries	(vi)	**22,849**	15,409
Purchase of marine fuel from:	(vii)		
— fellow subsidiaries		**1,172,538**	2,192,829
— associated companies of COSCO		**17,609**	27,243
— an associate		**850**	177,569
Technology usage fee paid to non-controlling interests	(viii)	**5,429**	5,748
Management service fees paid to a holding company and fellow subsidiaries	(ix)	**14,778**	12,826

NOTES TO THE FINANCIAL STATEMENTS

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Purchase of goods and services from fellow subsidiaries, associated companies of COSCO and other related parties (Continued)

Notes:

(i) During the year, the Group leased certain office premises in Hong Kong from the wholly-owned subsidiaries of COSCO Hong Kong at an average monthly rent of HK$1,608,000 (2013: HK$1,578,000). The Group also leased other properties in the PRC and other overseas countries from fellow subsidiaries on terms as set out in the agreements governing these transactions.

(ii) Commission paid was based on a certain percentage of sales amounts in accordance with terms as set out in the agreements governing these transactions.

(iii) Commission expenses paid to fellow subsidiaries, a joint venture and an associate were based on terms as set out in the agreements governing these transactions.

(iv) An associated company of COSCO was appointed as agent to provide agency services in relation to the sale of marine equipment in the PRC and to purchase marine equipment from suppliers. Commission paid was based on a certain percentage of sales procured by the associated company of COSCO.

(v) Purchase of raw materials from non-controlling interests was conducted on terms as set out in the agreements governing these transactions.

(vi) Transportation costs paid to fellow subsidiaries was based on terms as set out in the agreements governing these transactions.

(vii) Purchase of marine fuel from fellow subsidiaries, associated companies of COSCO and an associate was conducted on terms as set out in the agreements governing these transactions.

(viii) Technology usage fee paid to non-controlling interests was made based on a certain percentage of the net sales amount in accordance with terms as set out in the agreements governing these transactions.

(ix) Management service fees were paid to COSCO Hong Kong and fellow subsidiaries in relation to their provision of administrative services, manpower resources, technical support and other ancillary support to the Group and sharing of office premises by the Group and were conducted on terms as set out in the agreements governing these transactions.

(c) On 29th June 2009, the Group executed corporate guarantee of US$5,000,000 (equivalent to approximately HK$38,753,000) in favour of a bank as security for general banking facilities of US$5,000,000 (equivalent to approximately HK$38,753,000) granted by the bank to Jotun COSCO. This guarantee was subsequently amended on 22nd March 2013 and remains effective as at 31st December 2014.

(d) On 20th October 2011, the Group executed corporate guarantee of US$2,900,000 (equivalent to approximately HK$22,477,000) in favour of Jotun A/S, the shareholder of Jotun COSCO, as counter guarantee in relation to general banking facilities granted to Jotun COSCO. This guarantee remains effective as at 31st December 2014.

(e) On 30th April 2012, the Group executed corporate guarantees of US$21,500,000 (equivalent to approximately HK$166,637,000) and US$5,000,000 (equivalent to approximately HK$38,753,000) respectively in favour of two banks as security for general banking facilities of US$108,000,000 (equivalent to approximately HK$837,062,000) and US$41,000,000 (equivalent to approximately HK$317,773,000) respectively granted by the banks to Double Rich. These guarantees remain effective as at 31st December 2014.

39 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(f) On 2nd May 2012, the Group and Kansai Paint (China) Investment Co., Ltd., a wholly-owned subsidiary of the Group's non-controlling interest, Kansai Paint Co., Ltd. ("Japan Kansai") entered into an agreement whereby a new company known as COSCO Kansai Paint (Shanghai) Co., Ltd. will be established for the purpose of operating coating business in the PRC. The new company with a registered capital of US$25,600,000 (equivalent to approximately HK$198,415,000) will be owned as to 63.07% equity interest by the Group and 36.93% equity interest by Japan Kansai. During the year, Japan Kansai contributed capital of HK$21,749,000 (2013: HK$30,166,000) to the new company.

(g) During the year ended 31st December 2013, the Group appointed a fellow subsidiary to enter into fuel oil swap contracts with total notional principal amounts of HK$131,664,000 to hedge against the risk of fuel oil price fluctuation.

(h) On 25th October 2013, COSCO International Trading Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement to purchase from COSCO Logistics Warehousing & Distribution Co., Ltd., a fellow subsidiary, certain quantity of steel with a market value of approximately RMB70,000,000 (equivalent to approximately HK$89,024,000). The total purchase consideration for the steel paid to COSCO Logistics Warehousing & Distribution Co., Ltd. was RMB69,204,928.50 (equivalent to approximately HK$86,620,000).

40 PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries of the Group as at 31st December 2014 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2014	2013
Capital Properties Limited#	Hong Kong, limited liability company	HK$2 ordinary share capital	Provision of nominee services	**100%**	100%
COSCO (Hong Kong) Insurance Brokers Limited	Hong Kong, limited liability company	HK$5,000,000 ordinary share capital	Provision of insurance brokerages and related services	**100%**	100%
COSCO International Land Limited	Hong Kong, limited liability company	HK$2 ordinary share capital	Investment holding	**100%**	100%
COSCO International Ship Trading and Supplying Services Limited	Hong Kong, limited liability company	HK$2 ordinary share capital	Investment holding	**100%**	100%
COSCO International Ship Trading Company Limited	Hong Kong, limited liability company	HK$500,000 ordinary share capital	Provision of agency services in ship trading business	**100%**	100%
New Legend Holdings Limited	Hong Kong, limited liability company	HK$1 ordinary share capital	Investment holding	**100%**	100%
Yuantong Marine Service Co. Limited	Hong Kong, limited liability company	HK$208,352,000 ordinary share capital	Trading of marine equipment and spare parts	**100%**	100%
COSCO (B.V.I.) Holdings Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
COSCO International Land (B.V.I.) Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Fragrant Sea Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Graceful Nice Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%

NOTES TO THE FINANCIAL STATEMENTS

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2014	2013
Hugo Marine Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Leadfull Investments Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
New Renown Limited#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Promise Keep Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Raycle Match Development Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Uppermost Corporation#	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
Winner Pacific Investment Ltd.	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	Investment holding	**100%**	100%
COSCO (Beijing) Marine Electronic Equipment Limited	PRC, wholly foreign-owned enterprise	RMB680,000	Trading of marine equipment and spare parts	**100%**	100%
COSCO International Trading Company Limited	PRC, wholly foreign-owned enterprise	RMB130,633,044	Trading of asphalt, ship equipment and accessories	**100%**	100%
COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$7,000,000	Production and sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd.#	PRC, Sino-foreign equity joint venture enterprise	US$5,000,000	Production and sale of coatings	**63.07%**	63.07%
COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$10,000,000	Production and sale of coatings	**64.71%**	64.71%
COSCO Kansai Paint (Shanghai) Co., Ltd.#	PRC, wholly foreign-owned enterprise	US$25,600,000*	Production and sale of coatings	**63.07%**	63.07%
COSCOSHIP Beijing Company Limited	PRC, wholly foreign-owned enterprise	US$1,300,000	Provision of agency services in ship trading business	**100%**	100%
Shenzhen COSCO Insurance Brokers Limited	PRC, Sino-foreign equity joint venture enterprise	RMB10,000,000	Provision of professional services of insurance brokerages	**55%**	55%
Yuantong Marine Trade (Shanghai) Co., Ltd.	PRC, wholly foreign-owned enterprise	US$500,000	Trading of marine equipment and spare parts	**100%**	100%
Sinfeng Marine Services Pte. Ltd.	Singapore, limited liability company	7,000,000 ordinary shares of US$1 each	Trading of marine fuel and other related products	**100%**	100%
Xing Yuan (Singapore) Pte. Ltd.	Singapore, limited liability company	100,000 ordinary shares of S$1 each	Trading of marine equipment and spare parts	**100%**	100%

40 PRINCIPAL SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2014	2013
Shin Chung Lin Corporation	Japan, limited liability company	600 ordinary shares of JPY50,000 each	Trading of marine equipment and spare parts	**100%**	100%
Hanyuan Technical Service Center GmbH	Germany, limited liability company	EUR102,259	Trading of marine equipment and spare parts	**100%**	100%
Yuan Hua Technical & Supply Corporation	United States of America, limited liability company	US$400,000	Material and spare parts supply and service support for vessels	**51%**	—

shares held directly by the Company

* The paid-up registered capital as at 31st December 2013 was US$18,020,992.60.

41 JOINT VENTURES AND ASSOCIATES

Particulars of joint ventures and associates of the Group as at 31st December 2014 are as follows:

Name	Place of incorporation/ operation and type of legal entity	Issued share capital/ registered capital	Principal activities	Attributable equity interest held 2014	2013
(a) Joint ventures					
Jotun COSCO Marine Coatings (HK) Limited	Hong Kong/PRC, limited liability company	HK$2,400 ordinary share capital	Investment holding and sale of coatings	**50%**	50%
Cosbulk International Trading Co. Ltd. (Tianjin)	PRC, Sino-foreign equity joint venture enterprise	RMB1,500,000	Vessel and equipment trade consultant	**49%**	49%
COSCO Dalian Ocean Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB600,000	Provision of marine electronic engineering services	**40%**	40%
Shanghai Ocean Radio Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$250,000	Trading of marine equipment and provision of repair and maintenance	**25%**	25%
Tianjin Marine Electronic Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$200,000	Provision of marine electronic engineering services	**25%**	25%
(b) Associates					
COSCO Guangzhou Shipstores Supply Co., Ltd.	PRC, limited liability company	RMB30,442,100	Supply and storage of related materials of cargo transportation	**20%**	20%
Coscoship (Qingdao) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	RMB3,000,000	Vessel engineering and technical support	**20%**	20%
German Lashing (Nanjing) Co., Ltd.	PRC, Sino-foreign equity joint venture enterprise	US$663,000	Manufacture, sale and provision of after-sale service of container software and related products	**20%**	20%
Shanghai Ocean Diamond Co. Ltd.	PRC, limited liability company	RMB1,000,000	International and domestic trade	**50%**	50%
Double Rich Limited	Hong Kong, limited liability company	HK$88,000,000 ordinary share capital	Trading of oil products and investment holding	**18%**	18%

LIST OF MAJOR PROPERTIES

As at 31st December 2014

Description	Existing use	Approximate area	Lease term	% of interest attributable to the Group
Properties held for own use				
(1) No. 42, Diwu Main Street, Economic Technology Development Zone, Tianjin, the PRC	Industrial	Site area 28,572.32 sq.m.	From 1st January 2012 to 31st December 2017	63.07
(2) No.5589–5689 Hutai Road, Shanghai, the PRC	Industrial	Site area 44,159 sq.m.	From 22nd December 1995 to 21st December 2015	63.07
(3) Economic Zone, Gaolan Port, Zhuhai, the PRC	Industrial	Site area 67,881.68 sq.m.	From 18th April 2006 to 17th April 2056	64.71
(4) No. 2, Industry Park, Jinshan District, Shanghai, the PRC	Industrial	Site area 61,097.30 sq.m.	From 5th July 2013 to 4th July 2063	63.07
(5) 207 Henderson Road, #01-03/#03-03 Henderson Industrial Park, Singapore 159550	Commercial	Saleable area 782 sq.m.	Freehold	100
Property held for investment				
(1) 19th Floor, Nan Dao Commercial Building, 359–361 Queen's Road Central, Hong Kong	Commercial	Gross floor area 320.51 sq.m.	999 years from 7th February 1852	100

Description	Existing use	Approximate area	% of interest attributable to the Group
Properties held for sale			
(1) No. 9 Basement 1, No. 188 Tongzhou Road, Shanghai, the PRC	Carparking	1 car parking space	100
(2) Room 201, No. 8 Building, No. 188 Tongzhou Road, Shanghai, the PRC	Residential	Gross floor area 228.29 sq.m.	100

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**7,588,213**	9,308,434	10,005,705	10,656,121	8,666,901
Operating profit	**245,846**	219,069	298,763	370,979	293,969
Finance income — net	**140,013**	89,999	123,948	91,808	1,127
Share of profits of joint ventures	**65,218**	9,549	37,996	50,152	79,725
Share of profits of associates	**17,016**	13,028	13,126	25,755	438,995
Loss on deemed disposal of partial interest in an associate	**—**	—	—	—	(768)
Gain on disposal of an associate	**—**	—	—	—	545,704
Profit before income tax	**468,093**	331,645	473,833	538,694	1,358,752
Income tax expenses	**(73,331)**	(58,547)	(70,926)	(90,963)	(65,793)
Profit for the year	**394,762**	273,098	402,907	447,731	1,292,959
Profit attributable to:					
Equity holders of the Company	**358,970**	241,610	363,006	390,339	1,268,600
Non-controlling interests	**35,792**	31,488	39,901	57,392	24,359
	394,762	273,098	402,907	447,731	1,292,959

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31st December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
ASSETS					
Non-current assets					
Intangible assets	**105,478**	103,127	97,071	98,542	91,733
Property, plant and equipment	**262,181**	145,892	156,718	162,217	159,082
Prepaid premium for land leases	**35,100**	36,315	7,064	7,482	7,478
Investment properties	**44,847**	41,924	38,447	35,777	32,543
Investments in joint ventures	**493,107**	432,465	416,886	376,877	320,401
Investments in associates	**82,520**	91,969	79,015	85,053	57,689
Available-for-sale financial assets	**70,524**	49,048	59,373	66,187	138,344
Deferred income tax assets	**69,445**	65,520	62,044	72,640	59,710
Non-current deposits	**25,348**	38,153	61,654	—	—
	1,188,550	1,004,413	978,272	904,775	866,980
Current assets	**8,476,784**	8,445,550	8,639,116	8,583,760	8,498,429
Total assets	**9,665,334**	9,449,963	9,617,388	9,488,535	9,365,409
CAPITAL AND RESERVES					
Share capital	**153,181**	151,378	151,363	151,363	151,107
Reserves	**7,585,856**	7,323,790	7,182,758	6,940,432	7,148,920
Total shareholders' equity	**7,739,037**	7,475,168	7,334,121	7,091,795	7,300,027
Non-controlling interests	**369,451**	313,925	246,023	187,119	230,201
Total equity	**8,108,488**	7,789,093	7,580,144	7,278,914	7,530,228
LIABILITIES					
Non-current liability					
Deferred income tax liabilities	**39,027**	32,497	26,689	20,358	13,216
Current liabilities					
Short-term borrowings	**26,061**	59,786	46,205	34,801	207,299
Other current liabilities	**1,491,758**	1,568,587	1,964,350	2,154,462	1,614,666
	1,517,819	1,628,373	2,010,555	2,189,263	1,821,965
Total liabilities	**1,556,846**	1,660,870	2,037,244	2,209,621	1,835,181
Total equity and liabilities	**9,665,334**	9,449,963	9,617,388	9,488,535	9,365,409
Net current assets	**6,958,965**	6,817,177	6,628,561	6,394,497	6,676,464
Total assets less current liabilities	**8,147,515**	7,821,590	7,606,833	7,299,272	7,543,444

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