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

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

(Stock Code: 1919)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS:

- Revenues of the Group for 2012 were RMB88,329,138,000, representing an increase of RMB3,689,960,000 (or 4.4%) as compared to 2011.
- Loss attributable to equity holders of the Company for 2012 was RMB9,559,164,000 as compared to loss attributable to equity holders of the Company of RMB10,495,295,000 in 2011.
- The basic and diluted loss per share for 2012 amounted to RMB0.9357 and RMB0.9357 respectively.
- The Board resolved not to propose any dividend as the Company recorded loss.

The board of directors (the "Board") of China COSCO Holdings Company Limited ("China COSCO" or the "Company") hereby announces the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") as below.

FINANCIAL INFORMATION

Financial information extracted from the Consolidated Financial Statements of the Group for the year ended 31 December 2012 prepared in accordance with HKFRSs

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**2012** *RMB'000*	**2011** *RMB'000*
Revenues	3	88,329,138	84,639,178
Cost of services and inventories sold	5	(90,546,817)	(89,586,526)
Gross loss		(2,217,679)	(4,947,348)
Other (expenses)/income, net	4	(66,212)	192,664
Selling, administrative and general expenses	5	(5,237,137)	(5,541,328)
Operating loss		(7,521,028)	(10,296,012)
Finance income	6	855,515	916,380
Finance costs	6	(2,479,957)	(1,733,691)
Net related exchange gain	6	37,469	1,199,103
Net finance (costs)/income	6	(1,586,973)	381,792
		(9,108,001)	(9,914,220)
Share of profits less losses of			
- jointly controlled entities		710,170	714,750
- associates		1,000,486	1,345,241
Loss before income tax		(7,397,345)	(7,854,229)
Income tax expenses	7	(740,096)	(1,031,036)
Loss for the year		(8,137,441)	(8,885,265)
(Loss)/profit attributable to:			
Equity holders of the Company		(9,559,164)	(10,495,295)
Non-controlling interests		1,421,723	1,610,030
		(8,137,441)	(8,885,265)
		RMB	*RMB*
Loss per share for loss attributable to the equity holders of the Company			
- basic	9(a)	(0.9357)	(1.0273)
- diluted	9(b)	(0.9357)	(1.0273)

		2012 *RMB'000*	**2011** *RMB'000*
Dividends	8	—	—

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	RMB'000	*RMB'000*
Loss for the year	(8,137,441)	(8,885,265)
Other comprehensive income/(loss)		
Available-for-sale financial assets		
- fair value gains/(losses), net of tax	19,615	(158,958)
Share of other comprehensive income/(loss) of jointly controlled entities and associates	57,936	(43,057)
Release of reserves upon disposal of a jointly controlled entity	—	(44,738)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary	—	(77,471)
Currency translation differences	(16,762)	(1,738,014)
Other comprehensive income/(loss) for the year, net of tax	60,789	(2,062,238)
Total comprehensive loss for the year	(8,076,652)	(10,947,503)
Total comprehensive (loss)/income for the year attributable to:		
- Equity holders of the Company	(9,560,230)	(12,098,996)
- Non-controlling interests	1,483,578	1,151,493
Total comprehensive loss for the year	(8,076,652)	(10,947,503)

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	**2012** *RMB'000*	**2011** *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		80,643,400	73,029,686
Investment properties		475,591	478,702
Leasehold land and land use rights		2,567,434	2,672,798
Intangible assets		202,497	196,051
Jointly controlled entities		5,255,508	4,978,206
Associates		11,360,852	11,164,646
Available-for-sale financial assets		499,121	481,725
Derivative financial assets		—	87,884
Deferred income tax assets		238,281	503,302
Restricted bank deposits		71,280	417,108
Loans to a jointly controlled entity and an associate		226,146	182,285
Other non-current assets		554,056	507,388
Total non-current assets		102,094,166	94,699,781
Current assets			
Inventories		2,731,404	3,387,032
Trade and other receivables	10	13,563,548	11,898,915
Derivative financial assets		53,823	—
Restricted bank deposits		428,175	510,432
Cash and cash equivalents		46,336,793	46,962,725
Total current assets		63,113,743	62,759,104
Total assets		165,207,909	157,458,885

	Note	As at 31 December 2012 RMB'000	2011 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		10,216,274	10,216,274
Reserves		14,920,612	24,479,012
		25,136,886	34,695,286
Non-controlling interests		16,560,635	15,475,167
Total equity		41,697,521	50,170,453
LIABILITIES			
Non-current liabilities			
Long-term borrowings		79,085,828	55,313,702
Provisions and other liabilities		1,593,684	1,402,583
Deferred income tax liabilities		2,417,596	2,489,582
Other non-current liabilities		—	89,576
Total non-current liabilities		83,097,108	59,295,443
Current liabilities			
Trade and other payables	11	24,213,333	23,798,925
Short-term borrowings		5,253,237	2,850,888
Current portion of long-term borrowings		8,865,186	18,861,850
Current portion of provisions and other liabilities		1,292,327	1,560,547
Tax payable		789,197	920,779
Total current liabilities		40,413,280	47,992,989
Total liabilities		123,510,388	107,288,432
Total equity and liabilities		165,207,909	157,458,885
Net current assets		22,700,463	14,766,115
Total assets less current liabilities		124,794,629	109,465,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

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

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 27 March 2013.

2 Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The preparation of the Consolidated Financial Statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) Amendments to standards which are effective in 2012 and adopted by the Group

HKICPA has issued some amendments to standards which are mandatory and adopted by the Group for the accounting periods on or after 1 January 2012. The adoption of those amendments does not have any significant impact to the Group's results for the year ended 31 December 2012 and the Group's financial position as at 31 December 2012.

(ii) **New and revised standards and amendments to standards that are relevant to the Group but not yet effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group**

New and revised standards and amendments to standards		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Financial statements presentation regarding other comprehensive income	1 July 2012
HKFRSs 10, 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

HKICPA has issued the following improvements to HKFRS/HKAS:

		Effective for accounting periods beginning on or after
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

The Group will apply the new and revised standards and amendments and improvements to standards from 1 January 2013 or later periods. The Group has already commenced an assessment of the related impact to the Group. Except for certain changes in presentation and disclosures of consolidated financial information, it is anticipated that the adoption of new and revised standards, amendments to standards and improvements are not expected to have any significant effect on the consolidated financial statements or result in any significant changes in the Group's significant accounting policies.

3 Revenues and segment information

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

	2012	**2011**
	RMB'000	*RMB'000*
Container shipping (note a)	47,446,808	40,248,387
Dry bulk shipping (note b)	14,976,519	22,298,770
Logistics	20,311,971	17,192,511
Container terminal operations	2,322,654	1,746,694
Container leasing, management and sale (note c)	1,225,516	932,057
Turnover	86,283,468	82,418,419
Crew service income	354,921	340,171
Others	1,690,749	1,880,588
Total revenues	88,329,138	84,639,178

Notes:

(a) Turnover from container shipping under time charterhire agreements was RMB 284,550,000 for the year ended 31 December 2012 (2011: RMB343,297,000).

(b) Turnover from dry bulk shipping under time charterhire agreements was RMB 4,549,506,000 for the year ended 31 December 2012 (2011: RMB9,284,328,000).

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

	2012	**2011**
	RMB'000	*RMB'000*
Operating lease rentals	949,649	809,422
Finance lease income	7,026	4,805
Proceeds from sale of resaleable containers	268,841	117,830
	1,225,516	932,057

Operating segments

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

— Container shipping and related business

— Dry bulk shipping and related business

— Logistics

— Container terminal operations and related business

— Container leasing, management, sale and related business

— Corporate and other operations that primarily comprise container manufacturing, investment holding, management services and financing

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, restricted bank deposits, other non-current assets, inventories, receivables, and cash and cash equivalents. Segment liabilities consist primarily of long-term borrowings, short-term borrowings, provisions and other liabilities, other non-current liabilities and payables.

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

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

	Year ended 31 December 2012							
	Container shipping and related business	**Dry bulk shipping and related business**	**Logistics**	**Container terminal operations and related business**	**Container leasing, management, sale and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	48,446,037	16,090,944	20,391,451	2,586,602	2,121,573	16,936	(1,324,405)	88,329,138
Inter-segment revenues	(20,842)	(64,078)	(79,480)	(263,948)	(896,057)	—	1,324,405	—
Revenues (from external customers)	48,425,195	16,026,866	20,311,971	2,322,654	1,225,516	16,936	—	88,329,138
Segment (loss)/profit	(1,528,555)	(7,774,469)	595,072	678,992	985,848	(477,916)	—	(7,521,028)
Finance income								855,515
Finance costs								(2,479,957)
Net related exchange gain								37,469
Share of profits less losses of								
- jointly controlled entities	(1,614)	40,432	62,681	608,671	—	—	—	710,170
- associates	2,758	(1,197)	111,751	408,143	—	479,031	—	1,000,486
Loss before income tax								(7,397,345)
Income tax expenses								(740,096)
Loss for the year								(8,137,441)
Depreciation and amortisation	1,275,216	1,302,381	188,939	382,392	663,055	15,404	—	3,827,387
Provision/ (reversal of provision) for impairment of trade and other receivables, net	5,654	31,719	131,992	(38)	(3,749)	—	—	165,578
Amortised amount of transaction costs on long-term borrowings	36,598	16,937	—	—	14,349	12,021	—	79,905
Additions to non-current assets	5,148,286	1,787,030	281,071	2,733,925	2,352,444	18,638	—	12,321,394

	Year ended 31 December 2011							
	Container shipping and related business	Dry bulk shipping and related business	Logistics	Container terminal operations and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	41,436,683	23,361,685	17,270,621	2,138,503	1,785,996	11,827	(1,366,137)	84,639,178
Inter-segment revenues	(30,707)	(11,572)	(78,110)	(391,809)	(853,939)	—	1,366,137	—
Revenues (from external customers)	41,405,976	23,350,113	17,192,511	1,746,694	932,057	11,827	—	84,639,178
Segment (loss)/profit	(6,358,892)	(5,424,666)	626,524	492,741	805,801	(437,520)	—	(10,296,012)
Finance income								916,380
Finance costs								(1,733,691)
Net related exchange gain								1,199,103
Share of profits less losses of								
- jointly controlled entities	(7,954)	41,012	57,584	624,108	—	—	—	714,750
- associates	4,594	7,534	87,935	384,191	—	860,987	—	1,345,241
Loss before income tax								(7,854,229)
Income tax expenses								(1,031,036)
Loss for the year								(8,885,265)
Depreciation and amortisation	1,267,868	1,241,828	160,736	325,836	577,448	15,483	—	3,589,199
Provision/ (reversal of provision) for impairment of trade and other receivables, net	68,442	40,950	10,496	22	(2,189)	—	—	117,721
Amortised amount of transaction costs on long-term borrowings	35,361	16,970	—	—	6,762	6,908	—	66,001
							—	
Additions to non-current assets	2,024,667	2,257,828	328,199	6,023,461	2,806,844	130,888	—	13,571,887

	As at 31 December 2012							
	Container shipping and related business	Dry bulk shipping and related business	Logistics	Container terminal operations and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet								
Segment assets	51,066,355	44,594,159	11,416,717	15,587,183	13,003,500	34,429,181	(22,469,094)	147,628,001
Jointly controlled entities	438,751	622,840	425,699	3,768,218	—	—	—	5,255,508
Associates	31,870	104,622	524,679	4,816,188	—	5,883,493	—	11,360,852
Loans to jointly controlled entities and associates	—	—	—	226,146	—	—	—	226,146
Available-for-sale financial assets	70,321	108,876	162,786	157,138	—	—	—	499,121
Unallocated assets								238,281
Total assets								165,207,909
Segment liabilities	49,037,519	35,263,409	6,323,066	9,901,177	7,142,566	35,104,952	(22,469,094)	120,303,595
Unallocated liabilities								3,206,793
Total liabilities								123,510,388

	As at 31 December 2011							
	Container shipping and related business	Dry bulk shipping and related business	Logistics	Container terminal operations and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet								
Segment assets	47,792,937	51,049,787	11,355,964	13,897,053	10,861,514	41,321,058	(36,129,783)	140,148,530
Jointly controlled entities	461,868	738,184	390,158	3,387,996	—	—	—	4,978,206
Associates	30,025	109,515	458,361	4,868,395	—	5,698,350	—	11,164,646
Loans to jointly controlled entities and associates	—	—	—	182,285	—	—	—	182,285
Available-for-sale financial assets	58,173	144,511	171,926	107,115	—	—	—	481,725
Unallocated assets								503,493
Total assets								157,458,885
Segment liabilities	43,501,724	47,988,557	6,682,057	8,541,381	5,712,511	27,581,624	(36,129,783)	103,878,071
Unallocated liabilities								3,410,361
Total liabilities								107,288,432

Geographical information

(a) Revenues

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

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

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

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

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

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

	2012	2011
	RMB'000	*RMB'000*
Container shipping and related business		
- America	14,948,551	12,283,093
- Europe	12,309,427	9,589,310
- Asia Pacific	7,594,778	6,665,410
- China domestic	11,866,155	11,294,373
- Other international market	1,706,284	1,573,790
Dry bulk shipping and related business		
- International shipping	14,200,598	21,340,071
- PRC coastal shipping	1,826,268	2,010,042
Logistics, container terminal operations and related business, corporate and other operations		
- Europe	913,207	699,866
- Asia Pacific	197,298	199,058
- China domestic	21,541,056	18,052,108
Unallocated	1,225,516	932,057
Total	88,329,138	84,639,178

(b) Non-current assets

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

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

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

	As at 31 December 2012	As at 31 December 2011
	RMB'000	*RMB'000*
China domestic	34,555,873	32,959,497
Non-China domestic	3,792,008	3,013,998
Unallocated	62,621,528	56,951,225
Total	100,969,409	92,924,720

4 Other (expenses)/income, net

	2012	2011
	RMB'000	*RMB'000*
Dividend income from listed and unlisted investments	17,905	20,273
Government subsidies	903,622	374,431
Gain/(loss) on disposal of property, plant and equipment, net		
- container vessels	59,196	4,662
- dry bulk vessels	82,312	161,336
- containers	(2,360)	(16,317)
- others	8,756	17,917
Gain on disposal of a subsidiary	—	5
Loss on disposal of available-for-sale financial assets	—	(464)
Gain on disposal of jointly controlled entities and associates	13	83,202
Gain on release of exchange reserve upon conversion from a jointly controlled entity to a subsidiary	—	76,474
Net loss on derivatives at fair value through profit or loss		
- FFA	—	(4,838)
Reversal of provision for impairment of trade and other receivables	23,169	33,330
Provision for impairment of trade and other receivables	(188,747)	(151,051)
Net exchange gain/(loss)	26,940	(439,866)
Compensation expense	(1,084,099)	(416,191)
Compensation income	66,300	292,637
Donations	(6,884)	(11,355)
Gain on fair value change on share appreciation rights	29,064	130,452
Others	(1,399)	38,027
Total	(66,212)	192,664

5 Expenses by nature

	2012	2011
	RMB'000	*RMB'000*
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
- Equipment and cargo transportation costs	16,824,773	15,402,798
- Voyage costs	22,772,489	21,259,071
- Vessel costs	19,510,819	24,877,403
- Provision for onerous contracts for the year	1,372,227	1,426,411
- Others	834,538	834,110
Freight forwarding and shipping agency costs	20,144,014	19,302,233
Terminal operating and other direct costs	1,694,699	1,409,379
Cost of inventories sold	6,135,121	3,882,304
Container depreciation and other direct costs	852,281	732,541
Business tax	405,856	460,276
Total	90,546,817	89,586,526
Selling, administrative and general expenses		
Administrative staff costs	3,421,261	3,623,067
Depreciation and amortisation	298,256	316,098
Rental expense	203,965	193,605
Office expense	186,781	216,511
Transportation and travelling expense	187,143	201,490
Entertainment expense	227,150	228,075
Legal and professional fees	116,910	107,345
Auditors' remuneration	48,321	49,762
Telecommunication and utilities	98,709	91,464
Repair and maintenance expense	72,669	67,222
Others	375,972	446,689
Total	5,237,137	5,541,328

6 Finance income and costs

	2012	2011
	RMB'000	*RMB'000*
Finance income		
Interest income from:		
- deposits with COSCO Finance	318,102	161,165
- loans to a jointly controlled entity and an associate	9,287	9,552
- banks	528,126	745,663
	855,515	916,380
Finance costs		
Interest expenses on:		
- bank loans	(1,487,344)	(981,730)
- other loans wholly repayable within five years	(44,682)	(21,464)
- loans with COSCO Finance	(8,229)	(5,578)
- finance lease obligations	(8,216)	(9,353)
- notes	(875,391)	(672,267)
Fair value loss on derivative financial instruments	(33,979)	(36,063)
Fair value adjustment of notes attributable to interest rate risk	17,674	39,724
	(16,305)	3,661
	(2,440,167)	(1,686,731)
Amortised amount of transaction costs on long-term borrowings	(79,905)	(66,001)
Amortised amount of discount on issue of notes	(953)	(1,028)
Other incidental borrowing costs and charges	(79,846)	(69,157)
Less: amount capitalised in construction in progress	120,914	89,226
	(2,479,957)	(1,733,691)
Net related exchange gain	37,469	1,199,103
Net finance (costs) / income	(1,586,973)	381,792

7

Income tax expenses

	2012	2011
	RMB'000	*RMB'000*
Current income tax (note)		
- PRC enterprise income tax	444,623	384,135
- Hong Kong profits tax	4,922	4,405
- Overseas taxation	93,330	74,431
Under provision in prior years	3,322	1,675
	546,197	464,646
Deferred income tax	193,899	566,390
	740,096	1,031,036

Note:

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 46% (2011: 12% to 46%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 25% (2011: 12% to 24%).

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

8 Dividends

The Board of Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2012 and the year ended 31 December 2011.

9 Loss per share

(a) Basic

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

	2012	2011
Loss attributable to equity holders of the Company (RMB)	(9,559,164,000)	(10,495,295,000)
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic loss per share (RMB)	(0.9357)	(1.0273)

(b) Diluted

Diluted loss per share is calculated based on the loss attributable to equity holders of the Company after adjusting the effect for assumed issuance of shares on exercise of share options of a subsidiary and the number of ordinary shares in issue during the year.

	2012	2011
Loss attributable to equity holders of the Company (RMB)	(9,559,164,000)	(10,495,295,000)
Adjustment on the effect of dilution	(66,318)	(210,675)
	(9,559,230,318)	(10,495,505,675)
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Diluted loss per share (RMB)	(0.9357)	(1.0273)

10 Trade and other receivables

	Group 2012 RMB'000	Group 2011 RMB'000
Trade receivables (note a)		
- third parties	8,469,497	5,749,772
- fellow subsidiaries	135,775	111,897
- jointly controlled entities	24,081	27,245
- associates	9,858	14,289
- other related companies	51,196	49,463
	8,690,407	5,952,666
Bills receivables (note a)	260,372	361,280
	8,950,779	6,313,946
Prepayments, deposits and other receivables		
- third parties	3,780,505	4,473,429
- fellow subsidiaries (note b)	325,705	286,287
- jointly controlled entities (note b)	250,071	402,109
- associates (note b)	105,834	259,687
- other related companies (note b)	137,356	149,385
	4,599,471	5,570,897
Current portion of financial lease receivables	13,298	14,072
Total	13,563,548	11,898,915

Notes:

(a) Trading balances with related parties are unsecured, interest free and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of shipping and logistics business receivables. As at 31 December 2012, the ageing analysis of trade and bills receivables is as follows:

	2012	**2011**
	RMB'000	*RMB'000*
1-3 months	8,642,215	5,907,524
4-6 months	358,783	321,360
7-12 months	86,723	66,673
Over 1 year	158,431	176,945
Trade and bills receivables, gross	9,246,152	6,472,502
Less: impairment of		
1-3 months	(162,936)	(29,700)
4-6 months	(2,521)	(1,877)
7-12 months	(8,922)	(9,229)
Over 1 year	(120,994)	(117,750)
Provision for impairment	(295,373)	(158,556)
	8,950,779	6,313,946

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

11 Trade and other payables

	Group	
	2012	**2011**
	RMB'000	*RMB'000*
Trade payables (note a)		
- third parties	6,632,112	5,751,287
- fellow subsidiaries	1,320,173	1,351,055
- jointly controlled entities	177,520	120,686
- associates	3,587	4,105
- other related companies	13,751	29,183
	8,147,143	7,256,316
Bills payables (note a)	1,741,482	1,382,349
	9,888,625	8,638,665
Advances from customers	2,011,647	3,332,678
Other payables and accruals	11,106,742	11,110,346
Construction payable to fellow subsidiaries	89,357	269,174
Due to related companies (note b)		
- COSCO	—	2,379
- fellow subsidiaries	181,843	116,776
- jointly controlled entities	217,636	213,457
- associates	22,828	34,794
- other related companies	694,655	80,656
	1,116,962	448,062
Total	24,213,333	23,798,925

Notes:

(a) As at 31 December 2012, the ageing analysis of trade and bills payables is as follows:

	2012	2011
	RMB'000	*RMB'000*
1-6 months	9,317,094	8,070,837
7-12 months	190,083	184,927
1-2 years	201,247	187,808
2-3 years	69,723	122,289
Above 3 years	110,478	72,804
	9,888,625	8,638,665

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

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

12 Significant subsequent events

(a) On 31 January 2013, COSCO Pacific Finance (2013) Company Limited, a wholly owned subsidiary of COSCO Pacific, issued the notes with principal amount of US$300,000,000 (equivalent to approximately RMB1,883,850,000). The notes are guaranteed by COSCO Pacific, carry a fixed interest yield of 4.375% per annum and will mature in 2023. The net proceeds from the issuance of the notes will be used primarily for the capital investment for the expansion of the Group's terminal and container leasing business, the repayment of the Group's existing indebtedness and general corporate purposes.

(b) The Company announced the proposed disposal of 100% equity interests (the "Proposed Disposal") in COSCO Logistics Co., Ltd by the Company to COSCO on 11 March 2013 and 27 March 2013. The Proposed Disposal is subject to Shareholders' approval on the Extraordinary General Meeting of the Company on 26 April 2013.

13 Contingent liabilities

During the year, the Group was involved in a number of claims and lawsuits, including but not limited to, the claims and lawsuits arising from loss of goods in certain of its logistics business, damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts and non-payment of fees of Piraeus Container Terminal.

As at 31 December 2012, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2012.

The financial figures above in respect of the announcement of the Group's annual results for the year ended 31 December 2012 (the "Announcement") have been agreed by the Company's international auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2012. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the Announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Discussion and Analysis of the Board Regarding the Operation of the Company During the Reporting period

2012 was a challenging year for China COSCO. The international shipping market remained over-supplied. The Company implemented measures to boost incomes and reduce expenses, such as reforming marketing system, strengthening coordination among internal departments, centralizing procurement and enhancing benchmarking management. The above measures have yet to be proven successful. We are disappointed to record a significant loss in 2012 as a result of oversupply in the market, low freight rate, high cost and imbalanced fleet composition.

In 2012, the Group's revenue was RMB88,329,138,000, representing an increase of 4.4% as compared with the corresponding period last year, and the profit attributable to equity holders of the parent company amounted to RMB-9,559,164,000, while that of the corresponding period last year was RMB-10,495,295,000.

(I) Analysis of major businesses

1. Table of movement analysis for the related items in the consolidated income statement and cash flow statement

Unit: RMB'000

Items	Current period	Corresponding period of last year	Changes *(%)*
Revenues	88,329,138	84,639,178	4.4
Cost of services and inventories sold	(90,546,817)	(89,586,526)	1.1
Selling, administrative and general expenses	(5,237,137)	(5,541,328)	-5.5
Finance income	855,515	916,380	-6.6
Finance costs	(2,479,957)	(1,733,691)	43.0
Net related exchange gain	37,469	1,199,103	-96.9
Net cash used in operating activities	(5,206,347)	(4,875,968)	6.8
Net cash used in investing activities	(9,281,711)	(5,695,800)	63.0
Net cash generated from financing activities	13,855,783	11,706,955	18.4
R&D expenses	35,913	26,819	33.9

2. Revenues

(1) Analysis of reasons for the changes in revenues

The amounts set out in the following financial analysis and descriptions in the Directors' Report are in RMB unless otherwise specified.

In 2012, the Group's operating revenue amounted to RMB88,329,138,000, representing an increase of RMB3,689,960,000 or 4.4% as compared to RMB84,639,178,000 in the corresponding period of the previous year. Among which:

Container shipping

Revenue from container shipping and related business amounted to RMB48,425,195,000, representing an increase of RMB7,019,219,000, or 17.0%, as compared to the corresponding period of the previous year. In 2012, container shipping volume amounted to 8,016,241 TEUs, representing an increase of 16.0% as compared to the corresponding period of the previous year. Average container freight rate amounted to RMB5,003.30 per TEU, representing an increase of 4.2% as compared to the corresponding period of the previous year. The increase in revenue from container shipping and related business was attributable to the increase in capacity and average freight rate. Higher capacity and average freight rate of Asia-Europe and trans-Pacific routes as compared to the corresponding period of the previous year boosted the increase in their revenue by 30.7% and 21.5%, respectively.

As at 31 December 2012, 14 new container vessels were delivered for operation with an aggregate capacity of 94,986 TEUs. As at 31 December 2012, the Group operated 174 container vessels with a total capacity of 756,979 TEUs. Excluding the chartered-out capacity, the shipping capacity operated by the Group increased by 13.3% as compared to last year. There was no new vessel order placed in 2012.

As at 31 December 2012, the Group had 18 container vessel orders, representing a total of 149,330 TEUs.

Shipping volumes by routes

Routes	Year ended 31 December 2012 (TEUs)	2011 (TEUs)	Changes (%)
Trans-Pacific	1,761,817	1,604,708	9.8
Asia-Europe (including the Mediterranean region)	1,792,021	1,475,582	21.4
Intra-Asia (including Australia)	1,984,118	1,712,177	15.9
Other international (including Trans-Atlantic routes)	322,332	269,798	19.5
PRC	2,155,953	1,847,776	16.7
Total	8,016,241	6,910,041	16.0

Revenues by routes (RMB)

Routes	Year ended 31 December 2012 (RMB'000)	2011 (RMB'000)	Changes (%)
Trans-Pacific	14,863,446	12,229,736	21.5
Asia-Europe (including the Mediterranean region)	12,066,778	9,229,445	30.7
Intra-Asia (including Australia)	7,318,189	6,401,974	14.3
Other international (including Trans-Atlantic routes)	1,700,576	1,566,446	8.6
PRC	4,158,679	3,751,478	10.9
Subtotal	40,107,668	33,179,079	20.9
Chartering	284,550	343,298	-17.1
Related business	8,032,977	7,883,599	1.9
Total	48,425,195	41,405,976	17.0

Dry bulk shipping

Revenue from the dry bulk shipping and related business amounted to RMB16,026,866,000, representing a decrease of RMB7,323,247,000, or 31.4%, as compared to the corresponding period of the previous year. In 2012, the average level of the BDI was merely 920 points, representing a drop of 40.6% as compared to 1,549 points in 2011. In addition, the shipping capacity decreased from 374 vessels as at the end of 2011 to 332 vessels. The further decline of freight rates and the decrease in shipping capacity, has resulted in a significant decrease in the revenue from dry bulk shipping and related business as compared to the corresponding period of the previous year.

During the year under review, the shipping volume of the dry bulk shipping business reached 224.56 million tons, representing a decrease of 14.55% as compared with the corresponding period last year. Dry bulk shipment turnover was 1.13 trillion ton-nautical miles, representing a decrease of 14.31% as compared with the corresponding period last year, of which the shipping volume of coal, iron ore and other cargoes amounted to 82.62 million tons, 97.26 million tons and 44.68 million tons respectively, representing a decrease of 9.29%, 16.62% and 18.9% as compared with the corresponding period last year, respectively.

As at 31 December 2012, the Group operated 332 dry bulk vessels (30,073,395 DWT). As at 31 December 2012, the Group had 16 dry bulk vessel orders, representing a total of 1,510,000 DWT.

		January to December of 2012	**January to December of 2011**	**Changes** %
Shipping volumes by routes (tons)	International shipping	194,883,131	227,471,259	-14.33
	PRC coastal shipping	29,677,552	35,333,004	-16.01
Shipping volumes by cargo type (tons)	Coal	82,624,323	91,085,087	-9.29
	Iron ore	97,257,639	116,638,031	-16.62
	Food	24,444,028	27,487,823	-11.07
	Others	20,234,693	27,593,322	-26.67
shipment turnover (thousand ton-nautical miles)		1,132,222,950	1,321,310,596	-14.31

Logistics

Revenue from logistics business amounted to RMB20,311,971,000, representing an increase of RMB3,119,460,000, or 18.1%, as compared to the corresponding period of the previous year. The increase was mainly attributable to the increase in revenue from third party logistics. Of which, the revenue from logistics business increased by RMB2,459,857,000 to RMB5,419,084,000 due to the expansion of supply chain logistics business. Business volume of the logistics business is set out in below table.

	2012	**2011**	**Changes** %
Home appliance logistics ('000)	84,758	80,560	5.2
Chemical logistics (tons)	4,397,078	3,038,409	44.7
Project logistics (RMB million)	1,913	1,270	49.9
Shipping agency business (vessels)	90,404	94,621	-4.5
Ocean-freight bulk cargoes forwarding ('000 tons)	212,993	204,616	4.1
Ocean-freight containers forwarding (TEUs)	2,437,342	2,478,911	-1.7
Air-freight forwarding (tons)	121,137	111,185	8.9

Terminal and related business

Revenue from the terminal and related business amounted to RMB2,322,654,000, representing an increase of RMB575,960,000, or 33.0%, as compared to the corresponding period of the previous year. The throughput of Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal were 2,108,090 TEUs (2011: 1,188,148TEUs) and 4,230,574 TEUs respectively (2011: 3,914,348 TEUs), and resulted in an increase in revenue of RMB193,540,000 and RMB 138,886,000 as compared to the corresponding period of the previous year, respectively.

Breakdown of terminal throughputs

Terminal throughputs (TEUs)	2012	2011	Changes %
Bohai Rim Region	21,747,801	19,080,645	14.0
Yangtze River Delta	8,219,406	7,599,938	8.2
Pearl River Delta and Southeast Coastal regions	18,412,644	17,305,507	6.4
Overseas	7,305,374	6,709,807	8.9
Total throughputs	55,685,225	50,695,897	9.8

Container leasing business

Revenue from the container leasing business amounted to RMB1,225,516,000, representing an increase of RMB293,459,000, or 31.5%. The revenue from container leasing as a result of container fleet expansion increased by RMB140,227,000 to RMB949,649,000. During the year, the number of returned containers sold upon expiry of lease amounted to 32,000 TEUs (2011: 10,000 TEUs), leading to an increase of RMB151,011,000 in revenue.

(2) Major customers

In 2012, the revenues and percentage of total revenues to top five customers of the Group are as follows:

	Unit: RMB
Total revenues to top five customers	2,965,755,000
Total revenues of the Company for the year	88,329,138,000
Percentage to the total revenues of the Company for the year	3.4%

3. Cost of services and inventories sold

(1) Costs analyzing table

Unit: RMB'000

Costs by businesses

Business	Component of costs	Current period	Percentage over total costs for the current period (%)	Corresponding period of last year	Percentage over total costs for the corresponding period of last year (%)	Changes in amount over last year (%)
Container shipping and related business	Equipment and cargo transportation costs	16,824,773	18.6	15,402,798	17.2	9.2
	Voyage costs	15,240,237	16.8	13,828,595	15.4	10.2
	Vessel costs	7,251,352	8.0	7,180,350	8.0	1.0
	Others	7,715,417	8.5	7,497,485	8.4	2.9
	Subtotal	47,031,779	51.9	43,909,228	49.0	7.1
Dry bulk shipping and related business	Voyage costs	7,532,252	8.3	7,430,476	8.3	1.4
	Vessel costs	12,259,467	13.6	17,361,341	19.4	-29.4
	Others	2,201,942	2.4	2,706,099	3.0	-18.6
	Subtotal	21,993,661	24.3	27,497,916	30.7	-20.0
Logistics	Third party logistics	8,642,850	9.5	5,791,982	6.4	50.2
	Shipping agency	273,355	0.3	243,368	0.3	12.3
	Freight forwarding	9,132,013	10.1	9,131,757	10.2	0.0
	Others	410,516	0.5	340,736	0.4	20.5
	Subtotal	18,458,734	20.4	15,507,843	17.3	19.0
Container terminal and related business	Operational costs of container terminal and related business	1,694,699	1.9	1,409,379	1.6	20.2
Container leasing business	Operational costs of container leasing business	959,697	1.1	798,619	0.9	20.2
Other businesses	Other operational costs	2,391	0.0	3,265	0.0	-26.8
Tax		405,856	0.4	460,276	0.5	-11.8
Total operational costs		90,546,817	100.00	89,586,526	100.00	1.1

In 2012, the operational cost of the Group amounted to RMB90,546,817,000, representing an increase of RMB960,291,000, or 1.1%, which remained at the same level as compared to RMB89,586,826,000 of 2011. Of which:

The operational cost of container shipping and related business amounted to RMB47,031,779,000, representing an increase of RMB3,122,551,000, or 7.1%, as compared to the corresponding period of the previous year. During the year, due to the increase in oil consumption for expanded shipping volume as well as higher oil prices, the bunker costs during the year amounted to RMB12,386,382,000, representing an increase of RMB1,239,052,000 or 11.1% as compared to the corresponding period of the previous year. The bunker costs accounted for 26.3% of the operational costs of container shipping and related business (2011: 25.4%). Cargo and transshipment charges increased correspondingly along with the increase in shipping volume.

Total operational cost of dry bulk shipping and related business amounted to RMB21,993,661,000, representing a decrease of RMB5,504,255,000, or 20.0%, as compared to the corresponding period of the previous year. Of which, the capacity of chartered-in vessels further reduced during the period whereas the charter cost amounted to RMB8,310,470,000, representing a decreased of RMB5,209,702,000, or 38.5%, as compared to the corresponding period of the previous year. These were the major reasons for the decrease in costs during the period. In addition, the reversal of provisions for onerous contracts during the period amounted to RMB1,349,120,000, representing an increase of RMB185,145,000 as compared to the reversal of RMB1,163,975,000 as in the corresponding period of the previous year.

The operational cost of the logistics business amounted to RMB18,458,734,000, representing an increase of RMB2,950,891,000 or 19.0% as compared to the corresponding period of the previous year. The increase was mainly attributable to the increase in cost of third party logistics. Of which, the operational costs of the supply chain logistics business increased by RMB2,452,914,000 to RMB5,338,400,000 due to its business expansion.

The operational cost of terminal and related business amounted to RMB1,694,699,000, representing an increase of RMB285,320,000 or 20.2% as compared to the corresponding period of the previous year. The increase of operational cost was attributable to the increase in business volume of controlling terminals and the commencement of operation of Xiamen Ocean Gate Container Terminal in May 2012.

The operational cost of container leasing business amounted to RMB959,697,000, representing an increase of RMB161,078,000 or 20.2% as compared to the corresponding period of the previous year. The increase was mainly due to the expansion of container fleets and the increase of returned containers sold upon expiry of lease during the period.

(2) Major suppliers

In 2012, the amount of purchases and percentage of total purchases from top five suppliers of the Group are as follows:

Unit: RMB

Total amount of purchases from top five suppliers	19,736,373,000
Total purchases of the Company for the year	90,546,817,000
Percentage to the total purchases for the year	21.8%

4. Expenses

Sales, administrative and general expenses

In 2012, the sales, administrative and general expenses of the Group amounted to RMB5,237,137,000, representing a decrease of RMB304,191,000 or 5.5% as compared to the corresponding period of the previous year. Of which, the staff costs amounted to RMB3,421,261,000, representing a decrease of RMB201,806,000, or 5.6%, as compared to RMB3,623,067,000 in the corresponding period of the previous year. Other office expenses also decreased as compared to the corresponding period of the previous year.

Finance expenses

In 2012, the finance expenses of the Group amounted to RMB2,479,957,000, representing an increase of RMB746,266,000 as compared to RMB1,733,691,000 of the corresponding period of the previous year. The increase was mainly due to the increases in borrowings and loan interest rate.

Income tax expenses

In 2012, income tax expenses of the Group amounted to RMB740,096,000, representing a decrease of RMB290,940,000 as compared to RMB1,031,036,000 in 2011. During the period, deferred income tax expenses amounted to RMB193,899,000, representing a decrease of RMB372,491,000 as compared to the corresponding period of the previous year.

5. R&D expenses

(1) Breakdown of R&D expenses

	Unit: RMB
R&D expenses for the current period	32,929,000
Capitalized R&D expenses for the current period	2,984,000
Total R&D expenses	35,913,000
Percentage of total R&D expenses over net assets attributable to the Parent Company (%)	0.14
Percentage of total R&D expenses over operating revenue (%)	0.04

(2) Description

In 2012, China COSCO developed the relevant technology for the Public Platform of Real-time Barge Monitoring and Management (駁船動態監控管理公共平台) and refrigerated containers, improved the Bulk Shipping Management System (BMS) and upgraded the Administrative System for Bulk Cargo Transportation on Roads (公路大件運輸決策系統). The Company also integrated the information of container transportation chain and studied the Technology Applications for Supply Chain Control (供應鏈控制塔技術應用). The research and development of loading and unloading products for cryogenic fluid has been launched, and the loading and unloading technology and equipment for cryogenic fluid has been recognized as a national patent and utility model.

In addition, China COSCO also started the research and development of Domestic Trading Service Platform to better serve its customers and launched various projects to strengthen its businesses such as the Development of Super Heavy Truck with Low Chassis.

6. Cash flow

As at 31 December 2012, cash and cash equivalents of the Group amounted to RMB46,336,793,000, representing a decrease of RMB625,932,000, or 1.3%, as compared to RMB46,962,725,000 as at 31 December 2011. As compared to 2011, the net increase in cash and cash equivalents declined by RMB905,437,000.

The net cash outflow from operating activities amounted to RMB5,206,347,000 in 2012, representing an increase of RMB330,379,000, or 6.8%, as compared to the net cash outflow of RMB4,875,968,000 in 2011.

The net cash outflow from investing activities amounted to RMB9,281,711,000 in 2012, representing an increase of RMB3,585,911,000, or 63.0%, as compared to the net cash outflow of RMB5,695,800,000 in 2011. Of which, progress payment for the construction of new vessels in 2012 increased as compared to the corresponding period of 2011, resulted in an increase of RMB2,847,523,000, or 33.3%, in cash paid for the purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets as compared to the corresponding period of the previous year. Net cash received from the disposal of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets decreased by RMB1,112,138,000, or 71.4%, as compared to the previous year, mainly attributable to COSCO Pacific sale and leaseback 111,189 TEU generating cash RMB1,278,724,000 during 2011.

In 2012, the net cash inflow from financing activities amounted to RMB13,855,783,000, representing an increase of RMB2,148,828,000, or 18.4%, as compared to the net cash inflow of RMB11,706,955,000 in 2011. During the period, subsidiaries of the Group entered into new long-term loans and a wholly-owned overseas subsidiary issued 10-year bonds with a principal amount of US$1,000,000,000 to institutional and professional investors, resulting in the increase in net cash inflow from financing activities as compared to the corresponding period of the previous year.

7. Others

(1) Details of major changes in the income structure and source of the Company

In 2012, profitability of the logistics business, terminal and related business and container leasing business remained stable, and operating losses in the container shipping market decreased significantly as compared to last year as a result of the recovery of freight rate and rising shipping capacity. The operating loss of container shipping and related business amounted to RMB1,528,555,000, representing a decrease of RMB4,830,337,000 in loss as compared to the operating loss of RMB6,358,892,000 in the corresponding period of the previous year. However, the dry bulk shipping market was sluggish. In 2012, the annual average Baltic Dry Index (BDI) was 920 points, representing a decrease of 40.6% as compared to 1,549 points in 2011. Influenced by the significant reduction in freight rates, the income from the dry bulk shipping and related business decreased by RMB7,323,247,000, or 31.4%, as compared to 2011. Though the operational cost decreased by RMB4,660,885,000, or 16.9%, as compared to the corresponding period of the previous year, the operating loss still recorded an increase of RMB2,349,803,000 as compared to the corresponding period of the previous year to an operating loss of RMB7,774,469,000. The operation efficiency of the dry bulk business further declined as compared to the corresponding period of 2011.

(2) Progress of the implementation of development strategy and operation plan

Container shipping business

During the reporting period, the container shipping business of Company took full advantage on its domestic advantages and focused on the domestic market. The Company further enhanced business cooperation. COSCO Container Lines Company Limited ("COSCON") and its business partners maintained close collaboration on approximately 30 shipping routes with approximately 200 vessels with shipping capacity of nearly 1.30 million TEUs, which expanded the routes coverage, reduced the cost and mitigated the operational risks. As for the advantage in information system, COSCON has established a sound IRIS-2 information system with its efforts over the years, and its SAP financial management system and Vessel Global Monitoring System became more sophisticated, which provided secured systems for the operation of the Company.

The container shipping volume of the Group achieved 8.02 million TEUs in 2012, outstripping the target of 7.3 million TEUs.

Dry bulk shipping business

In respect of the dry bulk shipping, China COSCO Bulk Shipping (Group) Co., Ltd., a subsidiary of the Company, has established a large fleet and focuses on the development in China, which is the market with the fastest growth and highest potential in the world. The Company continued to improve the operation and management of dry bulk shipping and capitalized on its professional operation advantages by focusing on the fleet assets and operation of vessels. It optimized the seaman team by team expansion.

The dry bulk shipment turnover of the Group achieved 1.13 trillion ton-nautical miles in 2012, outstripping the target of 884.6 billion ton-nautical miles.

Logistics business

In respect of the logistic business, the Group continued to leverage on the brand advantage of COSCO Logistics to improve the comprehensive competitiveness of the logistics business.

Terminal business

The Company has expanded the terminal business to cover the major domestic ports and certain overseas terminals and developed its brand in the market. Our influence in the market continued to increase. Profitability also maintained stable growth.

Expected additional operation capacities in 2012 was 5,150,000 TEUs while the actual additional operation capacities was 4,850,000 TEUs.

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

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

(III)Analysis of asset and liability

As at 31 December 2012, total assets of the Group was RMB165,207,909,000, representing an increase of RMB7,749,024,000 as compared to RMB157,458,885,000 at the beginning of the year. The total liabilities was RMB123,510,388,000, representing an increase of RMB16,221,956,000 as compared to RMB107,288,432,000 at the beginning of the year. The equity interest attributable to the equity holders of the Company was RMB25,136,886,000, representing a decrease of RMB9,558,400,000 as compared to RMB34,695,286,000 at the beginning of the year.

As at 31 December 2012, total outstanding loans of the Group was RMB93,204,251,000, representing an increase of RMB16,177,811,000 as compared to RMB77,026,440,000 at the beginning of the year. As at 31 December 2012, net current assets amounted to RMB22,700,463,000, representing an increase of RMB7,934,348,000 as compared to RMB14,766,115,000 at the beginning of the year. As at 31 December 2012, net debt amounted to RMB46,867,458,000, representing an increase of RMB16,803,743,000 as compared to RMB30,063,715,000 at the beginning of the year. As at 31 December 2012, net debt to equity ratio was 112.4% as compared to 59.9% as at 31 December 2011. Interest coverage of the Group in 2012 was -2.03 times, as compared to -3.66 times in 2011. The Group has pledged certain property, plant and equipment with net book value of RMB28,380,747,000 (31 December 2011: RMB22,846,932,000) to banks and financial institutions as collaterals for total borrowings of RMB17,028,675,000 (31 December 2011: RMB14,704,974,000), representing 35.2% (31 December 2011: 31.3%) of the total value of property, plant and equipment.

Debt analysis

By category	**2012**	**2011**
	RMB'000	*RMB'000*
Short-term borrowings	5,253,237	2,850,888
Long-term borrowings		
Within one year	8,865,186	18,861,850
In the second year	29,321,009	11,250,620
In the third to fifth year	24,951,680	26,676,764
After the fifth year	24,813,139	17,386,318
Subtotal	87,951,014	74,175,552
Total	93,204,251	77,026,440

Breakdown of borrowings by category:

The secured borrowings of the Group amounted to RMB17,028,675,000, while unsecured borrowings amounted to RMB76,175,576,000, representing 18.3% and 81.7% of the total borrowings, respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB65,509,758,000, borrowings denominated in RMB amounting to RMB26,450,741,000 and borrowings denominated in other currencies amounting to RMB1,243,752,000, representing 70.3%, 28.4% and 1.3% of the total borrowings, respectively.

Corporate guarantee and contingent liabilities

As at 31 December 2012, the Group had provided a guarantee on a banking facility granted to an associate in the amount of RMB154,141,000 (31 December 2011: RMB177,684,000). Details of the Group's contingent liabilities are disclosed in note 13.

(IV)Analysis of core competitive edge

1. Analysis of competitive advantages

(1) Overall strength of major businesses leading the world

China COSCO is the capital platform of the COSCO Group and provides a wide range of services covering the whole shipping value chain, including containers shipping, dry bulk cargo shipping, logistics, terminals and container leasing services to international and domestic customers, through its subsidiaries. Its container fleet ranked first in China and fourth among the word, its dry bulk cargo fleet was the top in the global market. The container throughputs in the ports invested by COSCO Pacific Limited ("COSCO Pacific") around the world ranked fifth globally. COSCO Logistics has been the first among the top 100 PRC logistics enterprises for five consecutive years.

(2) Worldwide recognition of COSCO brand with global service network

As the capital platform of the COSCO Group, China COSCO maintained its presence in China and expanded to the global market. With its advantages in market experience and international business, it continued to enhance its integrated capability in shipping. For container business, as at 31 December 2012, the fleet of COSCON comprised 174 vessels with the total capacity of 756,979 TEUs. With 162 ports for calling vessels in 49 countries and regions, it operated 84 international routes, 23 international branch routes, 23 costal routes in China and 79 branch routes in the Pearl River Delta and the Yangtze River. COSCON has over 400 domestic and overseas sales and service outlets. With such wide coverage of sales and service network, the Group was able to provide "door-to-door" services to our customers.

"COSCO" brand has become an important intangible asset of COSCO. Vessels and containers containing the "COSCO" trademark are operating around the world and the trademark carries a symbolic representation of COSCO.

(3) Consolidated customer base and extensive strategic cooperation

The broad customer base of China COSCO is attributable to its services and brand recognition. The COSCO Group has put a great emphasis on the establishment of relationship and strategic cooperation with major customers by the signing of major and long term contracts. It has strengthened the expansion of overseas markets with enhanced cooperation for mutual benefit to ensure the stable increase of cargo sources. It has put emphasis on the emerging markets and new customers and has improved the composition of markets, cargo flow, cargo sources and customers.

The COSCO Group has put a great emphasis on the cooperation with competitors in the industry and has also exerted its efforts in cooperating with foreign invested companies and overseas ports and terminals. In 2008, the COSCO Group entered into concession agreement with Piraeus Port Authority S.A in Greece for the concession of containers terminal of the Piraeus Ports for a term of 35 years. The COSCO Group took over the containers terminal of Piraeus Ports in Greece on 1 October 2009 and started to make profits since September 2010. In October 2012, COSCON and China Shipping Container Lines Co., Ltd jointly commenced to operate shipping routes in the PRC container market targerting the shipping routes in Northeast, routes from Western China to Fujian and routes in Shantou.

(4) Continuous improving the business synergy and capitalising on the integration advantage of Chins COSCO

China COSCO has reduced costs and consumption, optimized integration of internal resources, controlled entire transportation chain and identified new competitive edges by leveraging it business synergy to maximise the overall interest of China COSCO. Its close business ties with enterprises of shipping, logistics, terminal, freight forwarding and container leasing industries are essential for the development of its complete business chain. Internal co-operation among COSCON, COSCO Logistics and COSCO Pacific as well as subsidiaries of China COSCO Bulk Group have been strengthened to provide customers with effective and high quality services and develop the world-class transportation services.

China COSCO has been successful in capitalising on its internal synergistic effects to bring win-win and multi-win results. During the negotiation with the CKYH alliance in respect of the calling vessels at terminals along cooperation routes, China COSCO has strived to call its vessels, and has coordinated with its partners for calling their vessels, at terminals invested by COSCO Pacific.

(V) Investment Analysis

1. Analysis of external equity investment

As at 31 December 2012, the total external equity investment of the Group amounted to RMB509,855,139.17, representing an increase of 289,555,936.75, or 131.4%, as compared to the corresponding period of 2011. The Group contributed additional investments of RMB31,659,560.00, RMB1,461,948.20 and RMB187,610,256.27 to Shenzhen Yantian Port Holdings Co., Ltd., Modern COSCO Logistics Co., Ltd.(Korea) (現代中遠物流有限公司(韓國)) and Ningbo Yuandong Terminals Limited, respectively. The Group also invested in three new companies as follows:

Invested companies	**Principal business**	**Proportion of the equity interest held in the invested companies (%)**	**Investment Costs**
China Beihai Shipping Agency Co., Ltd (中國北海外輪代理有限公司)	Other ancillary activities of marine transportation	35	1,984,400.00
Xiamen Haicang Free Port Zone Container Inspection Co., Ltd.	Cargo port	22.4	3,188,884.70
Zhenglong Investment Co., Ltd (政龍投資有限公司)	Cargo port	33.33	283,950,000.00

The subsidiary of the Group is interested in Haitong Securities, which is an A-share company listed on the Shanghai Stock Exchange with a total of 8,228,000,000 shares. As at 25 May 2011, the Group held 5,060,668 shares in Haitong Securities, accounting for 0.062% of the share capital. In 2011, Haitong Securities convened the shareholders' general meeting and approved its proposal to issue its H share in Hong Kong upon the approval of the SASAC (Guo Zi Chan Quan [2011] No. 1197). According to the Provisional Measures on the Administration of the Reduction of the State-owned Shares for Financing Social Security Funds (減持國有 股籌集社會保障資金管理暫行辦法) (Guo Fa [2001] No. 22), state-owned shareholders shall reduce certain amount of state-owned shares for financing social security funds at nil consideration in the case of issuing H share. As at July 2012, the Group transferred 190,932 shares to the social security funds at nil consideration, subsequent to which the Group held 4,869,736 shares in Haitong Securities.

2. Analysis of principal subsidiaries and joint stock companies

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

COSCO Container Lines Company Limited ("COSCON"), a wholly-owned subsidiary of China COSCO, is mainly engaged in international and domestic container shipping services and related businesses. Its registered capital is RMB6,088,763,082.00. As at 31 December 2012, its total asset and total equity amounted to RMB52,010,867,495.75 and RMB2,798,543,624.46, respectively. Total equity attributable to equity holders of the parent company amounted to RMB2,549,224,705.12 (31 December 2011: RMB4,793,234,069.30). Revenue, operating profit and net profit in 2012 were RMB43,168,523,309.58, RMB-2,511,097,909.03 and RMB-2,243,941,715.58, respectively. Net profit attributable to equity holders of the parent company amounted to RMB-2,279,578,290.04 (2011: RMB-6,077,678,591.30).

China COSCO Bulk Shipping (Group) Co., Ltd. ("China COSCO Bulk Group"), a wholly-owned subsidiary of China COSCO established in 2011, wholly owns equity interests of three professional dry bulk shipping companies, namely COSCO Bulk Carrier Co., Ltd., COSCO (Hong Kong) Shipping Co., Ltd. (and Shenzhen Ocean Shipping Company Limited) and Qingdao Ocean Shipping Co.,Ltd., which were originally held by China COSCO, after reorganization. As at 29 March 2012, the 6th meeting of the third session of the Board of Directors considered and approved the resolution for the loan transfer of RMB14.27 billion receivable from the China COSCO Bulk Group as capital injection. The transfer was completed during the period. China COSCO Bulk Group mainly provides customers with cargo transportation service of dry bulk cargo such as grain, minerals, coal, chemical fertilizer, steel, timber, agricultural products and cement. Its current registered capital is RMB25,968,025,394.50. As at 31 December 2012, its total asset and total equity amounted to RMB45,622,492,739.06 and RMB9,976,362,142.98, respectively. Total equity attributable to equity holders of the parent company amounted to RMB9,707,013,519.58 (31 December 2011: RMB3,562,402,545.07). Revenue, operating profit and net profit in 2012 were RMB16,097,808,595.26, RMB-6,105,788,231.35 and RMB-8,061,078,827.13, respectively. Net profit attributable to equity holders of the parent company amounted to RMB-8,075,976,817.13 (2011: RMB-6,851,243,463.17).

COSCO Logistics Co., Ltd., a wholly-owned subsidiary of China COSCO, positions itself as an "integrated logistics service provider" aiming at becoming the "best logistics service provider and shipping agency". Its subsidiaries mainly engage in shipping agency and related extension business, freight forwarding business (mainly including sea-freight and air-freight business), third party logistics business (mainly including project logistics business and product logistics business), transportation business and supporting business including warehouse and storage business. Its registered capital is RMB3,183,029,850. As at 31 December 2012, its total asset and total equity amounted to RMB12,708,226,682.02 and RMB6,259,838,392.97, respectively. Total equity attributable to equity holders of the parent company amounted to RMB5,901,272,286.78 (31 December 2011: RMB5,359,485,456.10). Revenue, operating profit and net profit in 2012 were RMB9,275,402,703.00, RMB796,358,828.17 and RMB608,283,512.15, respectively. Net profit attributable to equity holders of the parent company amounted to RMB528,742,466.66 (2011: RMB527,664,806.32).

COSCO Pacific Limited ("COSCO Pacific") and its subsidiaries are principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, container manufacturing, and their related businesses. COSCO Pacific is a company incorporated in Bermuda with limited liability whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 31 December 2012, COSCO Pacific is owned as to 43.21% by China COSCO. As at 31 December 2012, the authorized share capital of COSCO Pacific was HK$400,000,000 and its issued share capital and paid-up capital was HK$278,605,200.20. As at 31 December 2012, total asset and total equity of COSCO Pacific amounted to RMB46,291,412,868.92 and RMB26,494,485,527.92, respectively. Total equity attributable to equity holders of the parent company amounted to RMB24,839,054,505.84 (31 December 2011: RMB22,844,499,725.18). Revenue, operating profit and net profit in 2012 were RMB4,738,498,015.60, RMB2,389,073,289.98 and RMB2,233,549,060.14, respectively. Net profit attributable to equity holders of the parent company amounted to RMB2,156,090,594.57 (2011: RMB2,506,590,627.22).

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

(I) Competition in the industry and development trend

Container shipping segment

Competition

Since the financial crisis, competition landscape of the container shipping industry experienced tremendous change. Firstly, the scale of container fleets kept expanding. Secondly, importance of container hubs increased due to the concentration of ports of call. Thirdly, liner industry is more concentrated. In addition, liner companies adopted various innovative competition strategies, including adjusting the distribution of large vessel capacity, increasing number of vessles while reducing speeds, suspension, reforming sales methods, expanding or diversifying value-added services and customized services, strengthening synergy with upstream and downstream industries, optimising asset portfolio and adjusting business models to cater for the industrial chain. With the efforts of the whole industry, overall operating environment of the container shipping industry in 2012 significantly improved.

Market outlook

The container market for 2013 remains challenging. According to the forecast by Clarkson, the capacity of global container fleet will increase by 7.0% in 2013, up by 1.1 percentage points over 2012. In 2013, the growth rate of the global demand for container shipping will increase from 3.4% in 2012 to 6.1%. Despite the unsolved excessive shipping capacity, the gap between the demand and supply was narrowed. Although the demand and supply of market capacity remains imbalanced, it is expected that the market freight rates in 2013 are unlikely to drop significantly.

Development trend

The concentration of container market will become flexible in line with the change in market condition and the balance between supply and demand. Extended application of new technologies will reduce costs for liner companies. However, fuel and other operation expenses will remain high. The greatest uncertainty of the industry is whether the economic recovery of Europe and the US will continue and whether the container shipping business will maintain its high market concentration upon the improvement of its results.

Dry bulk shipping segment

Competition

The competition landscape of the dry bulk market has undergone significant changes. The leading position of traditional shipowners has been threatened by the business diversification of shipowners. The buyers base has been enlarged.

The major competitors in dry bulk market include shipowners and cargo owners. Cargo owners, such as overseas large mines, traders and domestic large energy enterprises, control part of the shipping capacity by leveraging on their advantages and has invested in shipbuilding. The model of shipper as shipowners or cargo owners as shipowners has gained importance in the shipping market and the competition in traditional shipping market has been changed accordingly.

Market outlook

In respect of the growth of supply and demand, the gap between supply and demand of capacity in 2013 will be narrower than that of 2012. In 2013, the growth of dry bulk shipping demand will remain slow. According to Clarksons, the demand of dry bulk commodity shipping will increase by 5%, representing a decrease of 1 percentage point. In addition, the growth of of dry bulk shipping capacity supply will significantly decrease from 10% of 2012 to around 7% of 2013, which will relieve the serve oversupply of shipping capacity. The market performance in 2013 may slightly improve from that of 2012. However, affected by the delivery rush over the years,the oversupply in dry bulk market remains unsolved.

Development trend

Dry bulk vessels fleet will adopt vessels for energy saving and environmental-friendly franchised operation. Shipowners will have to build energy saving vessels due to the high bunker costs. The high concentration of cargos will result in the development of large-scale vessels and franchised operation of dry bulk vessels fleet.

Innovation of shipping business model will continue. As the downturn of shipping market continues, shipping companies will maintain close cooperation to overcome difficulties and build up alliances and joint ventures in different forms. Efforts will be made to minimise operational risks, fulfil the demand of users, reduce costs, and achieve economy of scale.

"Professional integrated logistics solution" has become the basis for future development. Aside from pricing competition, the segment will also encounter competition on differentiated services and innovative services with a view to providing customers with high quality services at low costs. As such, the market competition will be enhanced to a new level.

Port Segment

Competition

The four largest container port operators in the world maintained their leading positions in terms of the number of ports, distribution and profitability. Apart from reinforcing their existing port markets in Europe and the US, business of these operators grew rapidly in emerging markets such as Asia, Africa and South America. Certain emerging port operators are focusing on their expansion in the global port market and have remarkable development potential.

Market outlook

In 2013, the prospect of global ports will have a huge difference. The performance of European ports is expected to remain sluggish due to the impacts of the economic slowdown. Meanwhile, as the US economy will recover, the throughputs of ports in the US will sightly increase than in 2012. In Asia, the general economic development will be satisfactory and the growth of ports will be more significant than ports in the North America and Europe. The growth of ports in Shanghai, Hong Kong, Singapore and Shenzhen will be steady, remaining the largest container ports in the global market. Certain ports of emerging markets will also grow rapidly.

In 2013, domestic throughputs in the ports will grow steadily at a slower rate than thatin 2011. In the second half of 2012, the Chinse government has implemented certain policies and measures to maintain steady growth timely and launch various large infrastructure projects to stimulate economic growth, resulting in steady growth in exports and faster growth in imports and laying a good foundation for the steady growth in 2013.

Development trend

As competition between ports will intensify, major ports around the world will carry out expansion and renovation in order to secure their leading position among regional ports in the future. Due to the significant slowdown of the global economic growth, port operators will focus their development on emerging markets with rapid growth.

Logistics segment

Competition

Competition among domestic logistics companies will intensify as the growth of the logistics industry continues. Coupled with the enhancement and support measures of the PRC government, the development of the logistics industry will accelerate.

Market outlook

In 2013, the logistics industry will maintain its rapid growth, though not as fast as the development pace prior to 2011. In 2013, the cost of the logistics industry of China is expected to reduce.

Development trend

The future of the logistics niche market segments is full of opportunities. Home appliance logistics and air logistics will maintain steady development, while chemicals, e-commerce, cold-chain and railway markets will develop rapidly. Looking forward, e-commerce is expected to boost the development of the logistics industry.

(II) Development strategy

The Group will capitalize on the capacity of China COSCO, as a listed company, to develop its flagship fleet. Rational control over fleet size will be adopted while shipping capacity structure will be optimised for the healthy and sustainable development of the shipping business. The Group will also carry out the terminal business through COSCO Pacific and continue the improvement of the global terminal network under the brand of COSCO with a focus on the domestic ports. It will also strengthen the industrialization of COSCO ports.

(III) Operation plan

Container shipping business

The Group will adjust the routes structure and optimize the product design based on various factors including market condition and its strategic targets in order to resist and mitigate the fluctuations in the conventional market. It will allocate more shipping capacity to emerging markets and continue the construction of feeder service routes and pivotal ports to enhance the services of its global network. In addition, the Group will expand its port coverage and reduce the network operating cost by consolidating and expanding alliance cooperation to further maximize its competitive edges.

The Group will strengthen the marketing and sales and solidify the base of cargo source to restore the freight rate steadily. It will endeavour to maintain the balance between inflow and outflow of cargos, expand the base of high value cargos and improve the quality of cargo source. The Group will also expand its customer base by acquiring more global key accounts, basic customers, direct customers and FOB customers through specialized marketing. In addition, it will focus on the development of emerging markets and new customers so as to improve the structures of markets, cargo flow, cargo source and customers.

The Group will establish an integrated platform for value-added services to improve its land transportation capability. IT construction for value-added services will be pushed forward to improve its data management. It will also strengthen the development of supplier management system to further regulate the qualification and assessment mechanism of suppliers and reduce cost, so as to improve the service quality of the suppliers.

The procedural control will be enhanced to ensure the all liners run on schedule, so as to consolidate and strengthen the leading position of the Company among major shipping companies around the world in terms of punctuality. Slot management will be implemented to secure the quality of customer service. The Company will fully leverage on the innovation of service through its information system to improve the differentiated competitiveness of the Company and expanded the e-commerce business so to provide customers with more comprehensive and convenient services.

The shipping volume of the Group's container shipping in 2013 is expected to be 8.90 million TEUs.

Dry bulk shipping business

To cut losses and maintain the sustainability of operation under adverse conditions, the Group will focus on reducing loss, preparing for further expansion, adjustment and innovation in 2013. With the emphasis on reducing losses, the Group will improve its efficiency for maintaining steady growth and strengthening its capacity for future development. It will adjust and optimize its key segments and structure to ensure efficient operation. Further innovation will be carried out for its development mode, sales strategy and management system to reinforce its competitiveness.

The Group will streamline its operation management and refine its development measures in strict compliance with its practical implementation plans in order to significantly reduce its loss for the year.

1. to closely monitor the long-term market development and recent operation conditions, in particular the economic development of China, the US, Europe and Japan, in order to have better prediction of the future economic development; to estimate the future price and demand of commodities through market research on the operation of ports, steel makers, power plants and food suppliers; to better understand the market development through studies of the operation data of relevant upstream and downstream industries in shipping industry.

2. to expand the domestic and overseas sales networks and to strengthen the relationship with major suppliers under the philosophy of "value sales", i.e. to secure cargo and customers by excellent services; to provide customers with tailor-made value-added services to establish long-term stable business relationship; to carry out differentiated operation and identify strategic target customers for securing long-term contracts and more sources of cargo.

3. to strategically arrange the shipping routes to improve operation efficiency; to proactively allocate the shipping capacity in accordance with market changes; to rearrange the allocation of shipping capacity to meet different demand of different routes; to develop new shipping routes for different cargos; to further enhance the specialized coastal transportation service in order to gain more market share.

4. to implement low cost development strategy which focuses on fulfilling demands of major customers and realising sustainable development of the dry bulk shipping business of China COSCO; to promptly adjust the fleet structure so as to maintain the sustainable development of the Group.

5. to strictly control the scale of chartered-in vessels and operation risks based on market demand and the requirements of cargo owners in an efficient manner.

6. to reduce cost and improve efficiency through enhancement in management, corporate transformation and supervision.

The estimated turnover volume of the Group's dry bulk shipping business in 2013 is 869.6 billion tons-nautical miles.

Logistics business

1. Logistics business

The electronic product and chemical logistics businesses will be further expanded. Its business into upstream and downstream industries will also be diversified by providing value-added services and supply chain management services. The management of nuclear power projects will be centralized through system integration and enhancement in management. It also intends to develop logistics services for the aviation industry.

2. Shipping agency

The Group will further consolidate and expand its agency market. The Group will focus on the development of new port agency services and provide vessels and special vessels agency and related services at ports with necessary facilities.

3. Freight forwarding

The Group will expand its business beyond the existing sectors and regions. The Group will also modify its sales method and system and improve the synergy effect of the overseas and domestic business sectors by providing a wide range of logistics solutions. The Company will expand its core direct international customer base and establish strong and stable relationship with customers. It will also strengthen the management of logistics suppliers and sub-contractors and accelerate the establishment of overseas branches and sales teams.

4. Air-freight forwarding

The Group will focus on slot procurement, direct customers and core airports to enhance competitiveness and profitability.

Terminal business

The Group will continue to focus on sales and improve its operation management, in order to retain customers with high quality services. Long-term strategic planning of terminal projects will be implemented for further business diversification. The annual operation capacity in 2013 is expected to increase by 2,800,000 TEUs.

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

Capital commitment	Time	Financing method	Funding source
RMB14.998 billion	2013	Debt financing	Bank loans, existing capital and others

(V) Potential risks

1. Risks related to policies

China government may amend its policies, including monetary policies, fiscal policies, industrial policies and regional development policies, according to any changes in macro situation. Economic interests of enterprises will be inevitably affected by such amendments. As such, conflicts of economic interests between the government and enterprises may exist due to any promulgation and amendments on such policies and risks related to policies arise.

Owing to the risks related to policies, the planning of the Company will be affected; the business expansion will be restricted; the financing costs will increase but the investment yield will decrease; and the difficulty of market expansion will also increase.

The Company understood the effects brought by the changes of policies to the business development. It monitored and studied the risks related to policies in a timely manner, enhanced the precaution of the risks related to policies and managed such risks proactively. In order to minimize risks and prevent or reduce unnecessary losses, the Company forecasted risks related to policies, formulated corresponding measures and carried out various prevention measures.

2. Industrial risks

Shipping industry is a capital intensive industry with low returns, strong cyclical fluctuation and high operational risks. As a result, shipping companies may invest large amount of capital but earn low returns and incur high costs but record low income.

In 2013, the growth of global economy will slow down and the supply of capacity of fleets worldwide will remain increase and outpace the growth of the demand of fleets. The recovery of freight rate will remain slow and the profitability of shipping companies will face more challenges.

The operational costs increased continuously and the price of components that are necessary for shipping industry, including fuel, remained high. It is expected that the operational costs will remain high and the profitability of shipping companies will be affected.

Industrial risks cause impacts to the profitability of the Company and result in a large cyclical fluctuation of investment returns and the investment returns are affected. As such, industrial risks may lead to financial loss. The operation, sustainable growth and reputation of the Company may also be affected.

In order to cope with industrial risks, the Company enhanced its marketing and exerted efforts in minimizing losses and enhancing efficiency. In addition, the Company has established an internal control system based on the comprehensive risk management system. The Company has also monitored risks related to policies strictly and formulated procedures for three major and one significant policies, strategy planning and management and analysis of economic activities.

Furthermore, the Company intended to cope with the industrial risks by adapting the following measures: grasping opportunities while coping with challenges and striving for growth prudently. With an aim to prevent fluctuation caused by cyclical risk of shipping industry, the Company strived to grow prudently to ensure a stable operation and steady growth of the Company. Closely monitoring the changes in the industry, the Company improved its prediction to difficulties to be faced, extended the duration of its prediction and inproved the implementation of its measures. The Company has established a solid management philosophy so as to cope with the challenges resulted from the long term and slow growth in the market. In order to prevent from a volatile fluctuation in its operation, the Company has established a sound profitability model and coped with the cyclical fluctuation in the shipping industry.

3. Risks related to operating model

Industrial structure is closely related to the sustainable growth of the Company. The Company has focused on shipping and terminal businesses, which are in different segments of the same industrial chain. Although the shipping and terminal businesses may have different industrial cycles, the trend of cycles is nearly overlapped. As such, the risk prevention capability and the ability for sustainable growth of the Company are limited.

Owing to risks related to industrial structure, the Company may fail to cope with difficulties faced in its operation and losses resulted from the industry downturn. The reformation caused by the restructure of industrial structure will result in a large amount of investment in early stage, which may affect the investment returns of the major businesses and the profitability of the Company and cause financial loss and loss in customers. The strategic objectives of the Company may not be eventually achieved.

The Company aims to grow steadily and further refine the structure of its businesses, so as to cope with challenges brought by the cyclical fluctuation of the shipping industry. The Company further reformed the operation of its dry bulk business and integrated and refined the internal resources of China COSCO Bulk Shipping (Group) Co., Ltd. The Company also accelerated the integration of businesses of COSCON. In order to enhance the core competitive edge of COSOC Terminal, the Company has accelerated the integration of the resources of overseas terminals and expanded its terminal business.

4. Environmental protection risks

Environment pollution in the shipping industry mainly refers to incidents which vessels pollute the sea areas and will affect various aspects such as emergency risks, brand and reputation risks as well as risks of external relationships.

The environmental protection risks may have material effect on safety production, operation efficiency and social efficiency of the Company.

The Company placed emphasis and exerted more efforts on environmental protection. It amended relevant documents of the risk management systems pursuant to requirements of the applicable laws and regulations, strengthened its daily supervision to improve risk identification ability, and formulated contingency plans to mitigate risks, especially contingency plans for environmental pollution risks.

5. Interest rate and exchange rate risks

In 2012, as the Group closely monitored the trends in financial market and changes in monetary policy, and maintained the existing loans at floating rates. The Group maintained its average interest rate of borrowings at a lower level.

With respect to exchange rate, the Group kept track of and conducted studies on the trends of various currencies so as to continue adjusting the currency structure between income and cost expenses, and between assets and liabilities. It also reduced the effects brought by the changes in foreign exchange between different currencies through natural hedges of different currencies.

6. Delisting risk of A shares

As the Company recorded loss for the consecutive two years in 2011 and 2012, according to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, Shanghai Stock Exchange will impose delisting risk warning on the A shares of the Company. Upon the implementation of delisting risk warning, the daily limit of the decrease and increase in price of A shares shall be 5%. The commencement date of the delisting risk warning will be Friday, 29 March 2013. The abbreviation name of A shares will renamed from "China COSCO" to "ST COSCO". The trading of A shares will be suspended for one day on 28 March 2013.

In 2013, the Company will further deepen reform to resolve its shortcomings and strive to turn its shipping business around. For container shipping business, it will restructure route arrangements and improve product design in accordance with market conditions. Marketing efforts will be stepped up and cargo source base will be consolidated with an aim to stabilise and restore freight rates. The Company will strengthen process control and secure route schedules to enhance service quality and customer satisfaction. Besides, it will tighten cost control, particularly on bunker cost. For bulk shipping business, the overall market research and forecast capability will be improved. It will steadily increase the proportion of basic cargo sources and refine route operations to fully capitalise on its potential for better performance. It will adjust vessel fleet capacity and structure at appropriate time to further reduce the charter cost for vessels with high costs. It will endeavour to reduce costs and expenses. To curb losses, it will adopt effective initiatives for ensuring the sustainable development of the Company. As for other businesses, it will continue to consolidate its existing advantages while improving profitability.

Facing the current difficulties, the Company will strive to explore and capture opportunities by analysing the current and future market trends. The Group will further strengthen its capability in capturing opportunities and enhance its risk prevention and control for a stable and sustainable development. In addition, capitalising on the resources of its controlling shareholder, China Ocean Shipping (Group) Company, China COSCO will make full use of its role as the capital platform for the controlling shareholders. The Company will implement all measures which are favourable to the improvement of its performance, its long term development and the basic interest of the shareholders after thorough study, discussion and approval according to standardised procedures.

According to the applicable regulations stipulated in Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the listing of A shares of the Company will be suspended if the Company continues to record loss in 2013. All investors are advised to be aware of investment risks.

III. Analysis and explanation of the Board of Directors on the reasons and impact of the change in accounting policy, accounting estimation or verification method

As the disposal fee for container steel scrap increased in the international market, the residual value of 20 feet container and 40 feet container for dry cargo increased from US$363 and US$774 to US$402 and US$874 respectively since 1 January 2012 upon the approval of the 6th meeting of the third session of the Board of Directors. With the changes in accounting estimation, China COSCO's consolidated net profit increased by RMB25,095,000 while net profit attributable to the owners of the parent company increased by RMB10,843,000.

IV. Profit distribution or capitalisation of surplus reserves

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

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

As at 12 November 2012, the resolution for the Amendments to Articles of Association of China COSCO Holdings Company Limited was considered and approved in the 2nd extraordinary general meeting of China COSCO for 2012. Pursuant to the amendments to Article 193, the profit distribution policy of the Company is as follows:

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

(2) Frequency: In principle, the Company distributes profit once per year. Under conditional circumstances, the board of directors of the Company may recommend the Company to distribute interim cash dividend according to the earnings and capital requirement of the Company.

(3) Decision-making system and procedures: The profit distribution proposal of the Company shall be formulated and reviewed by the board of directors and submitted to the shareholders' meeting for approval. Independent directors shall express their opinions clearly in regard to the profit distribution proposal. The Supervisory Committee shall supervise the implementation of the profit distribution proposal.

(4) In case of no proposal of profit distribution in cash being made at any profitable year with available distributable profit of the Company, the board of directors shall explain the reasons and the independent directors shall express their opinions clearly. Disclosure in this regard shall be made by independent directors in a timely manner. Upon consideration by the board of directors, it shall be submitted to the shareholders' meetings for review and the board of directors shall provide explanation at the shareholders' meeting.

(5) When determining the particulars of the cash dividend proposal of the Company, the board of directors shall study and discuss on, among others, the timing, conditions as well as the minimum ratio, conditions on adjustments and other factors as required for making the decisions. The independent directors shall express their opinions clearly. When considering the particulars of the profit distribution proposal at the shareholder's meeting, the Company shall communicate with the shareholders, especially the minority shareholders, through various channels (including but not limited to hotlines, mailbox to the Secretary of the board of directors and inviting minority investors to attend the meeting), in order to gather opinions from the minority shareholders and respond to their concerns in a timely manner.

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

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

The Company's board of directors must complete the distribution of dividends (in cash or in the form of shares) within two months after the resolution approving the relevant profit distribution proposal has been passed at a shareholders meeting.

Due to the loss in 2012, the Board of Directors does not recommend to distribute any cash dividends.

(II) Proposals or budgets for profit distribution and capitalisation of surplus reserves of the Company in the recent three years (including the reporting period)

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

Unit: RMB

Year	**Number of bonus shares for every 10 shares** *(Share)*	**Dividend for every 10 shares** *(RMB) (before tax)*	**Number of scrip shares for every 10 shares** *(Share)*	**Cash dividend** *(before tax)*	**Net profit attributable to shareholders of listed companies in consolidated financial statements**	**Ratio of cash dividends to net profit attributable to shareholders of listed companies in consolidated financial statements** *(%)*
2012					-9,559,164,008.83	
2011					-10,448,856,161.20	
2010		0.9		919,464,692.13	6,760,957,337.14	28.3

1. Due to the loss of China COSCO in 2012, no dividend was distributed.

2. Due to the loss of China COSCO in 2011, no dividend was distributed.

3. Net profit attributable to owners of the parent company according to the 2010 consolidated financial statements of China COSCO amounted to RMB6,760,957,337.14. Distributable profits to shareholders of China COSCO amounted to RMB3,248,772,967.05 after deducting the amount of 3,512,184,370.09 for making up the loss in previous years. The Company distributed final cash dividends of RMB919,464,692.13, representing 28.3% of the net distributable profit.

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 15 May 2013 to Friday, 14 June 2013, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of members of the Company on Tuesday, 14 May 2013 at 4:30 p.m. are entitled to attend the annual general meeting of the Company to be held on Friday, 14 June 2013.

Corporate Governance

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

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

Code provision A.2.1 in Appendix 14 to the Listing Rules requires separation of the role of chairman and chief executive of a listed issuer. Mr. Wei Jiafu currently assumes the role of both Chairman and Chief Executive Officer of the Company. The Board considers that segregation of the role of the Chairman and the Chief Executive Officer would involve a sharing of power and authority of the existing structure, while assuming both roles has a positive significance on the daily operation of the Company. Notwithstanding the above, the Board will review the current structure from time to time and shall make necessary arrangements when the Board considers appropriate.

Save for the above deviation, none of the directors of the Company (the "Directors") is aware of any information that would reasonably indicate that the Company had not been in compliance with the Code for any part of the period for the year ended 31 December 2012.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors and supervisors of the Company. Having made specific enquiries of all Directors and supervisors of the Company, each of them has confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2012.

Board Committees

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

Audit Committee

The audit committee of the Company (the "Audit Committee"), established in April 2005, comprises two independent non-executive Directors and one non-executive Director. It is chaired by Mr. Kwong Che Keung, Gordon and the other two members are Ms. Sun Yueying and Mr. Zhang Songsheng. All members of the committee are competent and experienced in understanding, analysing and reviewing the financial reports of listed companies.

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

Repurchase, Sale or Redemption of Shares of the Company

During the reporting period, neither the Company nor any of its subsidiaries had repurchased or sold and the Company did not redeem any listed securities of the Company.

Service Contracts

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

Pre-emptive Rights

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

Auditors

The Company has appointed PricewaterhouseCoopers and RSM China Certified Public Accountants, LLP. as the international and PRC auditors of the Company respectively for the year ended 31 December 2012. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS. Resolutions for the re-appointment of PricewaterhouseCoopers and RSM China Certified Public Accountants, LLP. as the international and PRC auditors of the Company respectively will be proposed at the forthcoming annual general meeting of the Company to be held on Friday, 14 June 2013.

Subsequent events that may have significant impact on the Group

As considered and approved at the 15th meeting of the third session of the Board, the Company proposed to transfer 100% equity interest in China COSCO Logistics Co., Ltd. to COSCO Group. Details of the proposed transfer are set out in the announcements published by the Company on 11 March 2013 and 27 March 2013. A circular containing further details of the proposed transfer will be despatched to the shareholders of the Company in due course.

On 31 January 2013, COSCO Pacific Finance (2013) Company Limited, a wholly owned subsidiary of COSCO Pacific, issued the notes with principal amount of US$300,000,000. The notes are guaranteed by COSCO Pacific, carry a fixed interest yield of 4.375% per annum and will mature in 2023. Details are set out in the announcement of the Company dated 31 January 2013.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

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

PUBLICATION OF ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinacosco.com). An annual report for the year ended 31 December 2012 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and will be available for review on the same websites in due course.

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

Beijing, the People's Republic of China
27 March 2013

As at the date of this announcement, the directors of the Company are Mr. WEI Jiafu[2] (Chairman), Mr. MA Zehua[1] (Vice Chairman), Mr. LI Yunpeng[2], Ms. SUN Yueying[2], Mr. SUN Jiakang[1], Mr. XU Minjie[1], Mr. Ye Weilong[2], Mr. JIANG Lijun[1] (President), Mr. TEO Siong Seng[3], Dr. FAN HSU Lai Tai, Rita[3], Mr. KWONG Che Keung, Gordon[3] and Mr. Peter Guy BOWIE[3].

[1] *Executive Director*

[2] *Non-executive Director*

[3] *Independent non-executive Director*

* *The Company is registered as a non-Hong Kong company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) under its Chinese name "中國遠洋控股股份有限公司" and its English name "China COSCO Holdings Company Limited".*