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)

2013

ANNUAL REPORT

Important notice

The board of directors (the “Board”), the supervisory committee (the “Supervisory Committee”), the directors (the “Directors”), the supervisors (the “Supervisors”) and senior management of China COSCO Holdings Company Limited (the “Company” or “China COSCO”, together with its subsidiaries, the “Group”) declare that there are no false information, misleading statements or material omissions in this annual report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

All Directors attended the Board meeting held on 27 March 2014.

Ruihua Certified Public Accountants, LLP. and PricewaterhouseCoopers have issued standard and unqualified auditor’s reports for the Company.

The authorised person of the Company, Mr. Ma Zehua (Chairman), Mr. Jiang Lijun (executive Director and President), and Mr. Tang Runjiang (chief financial officer) who is in charge of accounting and head of the accounting department, declare that they confirm the truthfulness, accuracy and completeness of the financial reports in this report.

Proposals for profit distribution and reserves capitalization during the reporting period considered by the Board:

Pursuant to the audited financial statements of China COSCO for the year 2013, which were prepared in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards, the net profit attributable to owners of the parent of China COSCO for 2013 was RMB235,470,000.

In 2011 and 2012, affected by factors such as supply and demand imbalance in global shipping markets, the Company recorded substantial losses in its operating results which led to negative accumulated undistributed profits. Despite the profits recorded in 2013, the Company failed to turn the negative accumulated undistributed profits into positive. After due consideration, the Board recommended that no profit will be distributed for the year under review so that the profits can be used to fund working capital and improve the financial position of the Group.

The proposals will be submitted to the 2013 shareholder’s general meeting for consideration.

Forward-looking statements

None of the forward-looking statements or opinions contained in this annual report constitutes a commitment by the Company to the investors. Investors are advised to be aware of the investment risks.

Material risk warning

Despite the losses recorded in the years 2011 and 2012, the Group managed to turn around such losses to profits through its efforts in 2013. The Company has submitted an application to the Shanghai Stock Exchange for the withdrawal of the delisting risk warning (i.e. “*ST”) pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.

In 2014, the international shipping industry will continue to face uncertainties. Oversupply of shipping capacity continues to be acute and oil prices remain high, both having negative impact on the operations of the Group.

Looking into 2014, the Group will continue to adhere to its guiding principle of “increasing revenue, adjusting structure, improving management and controlling costs” and will strive to improve its operation results.

Contents

Company's Basic Information

Company Profile

I. Company's Information

Legal Chinese name	中國遠洋控股股份有限公司
Legal Chinese name abbreviation	中國遠洋
Legal English name	China COSCO Holdings Company Limited
Legal English name abbreviation	China COSCO
Legal representative	MA Zehua

II. Contact Persons and Methods

	Secretary to Board of Directors	Representative of securities affairs
Name	GUO Huawei	XIAO Junguang, MING Dong
Contact address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.
Telephone	(022) 66270898	(022) 66270898
Facsimile	(022) 66270899	(022) 66270899
E-mail	guohuawei@chinacosco.com	xiaojunguang@chinacosco.com; mingdong@chinacosco.com

III. Basic Profile

Registered address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.
Postal code	300461
Place of business	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.
Postal code	300461
Company's website	www.chinacosco.com
Company's email	investor@chinacosco.com
Reference for change during the reporting period	Change of Registered Address Announcement dated 19 June 2013 (Issue reference number: Lin 2013-024)

IV. Information Disclosure and Place of Collection

Designated newspapers for disclosure of the Company's information	Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily
Website designated by the China Securities Regulatory Commission ("CSRC") for publishing the A share annual report	www.sse.com.cn (Website for publishing the H share annual report: www.hkexnews.hk)
Place of collection of annual report	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.

Company's Basic Information

V. Shares of the Company (the "Shares")

Shares of the Company

Type of share	**Place of listing**	**Stock abbreviation**	**Stock code**	**Stock abbreviation before changes**
A Shares	Shanghai Stock Exchange	China COSCO	601919	N/A
H Shares	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")	China COSCO	1919	N/A

VI. Changes in Registration of the Company during the Reporting Period

(1) Basic information

Date of registration	5 January 2007
Registered address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.
Registration number of business license for enterprise legal person	100000400011790
Taxation registration number	Jin Di Shui Zi No.120116710933243
Entity number	710933243

(2) Related information of the first business registration of the Company

Please refer to 2007 to 2012 Annual Report for the details of the first business registration of the Company.

(3) Changes in principal businesses of the Company since its listing

The Company was listed on Shanghai Stock Exchange in 2007 and is principally engaged in container shipping, terminals and container leasing. The Company commenced engaging in logistics business in 2006 and dry bulk cargo shipping business in 2007. The Company disposed of its logistics business in 2013. At present, the principal businesses of the Company include container shipping, dry bulk cargo shipping, terminals and container leasing.

(4) Changes in controlling shareholder of the Company since its listing

There was no change in controlling shareholder of the Company.

Ⅶ. Other Information

Domestic auditor engaged by the Company	Name	Ruihua Certified Public Accountants, LLP.
	Office address	3-9/F,West Tower of China Overseas Property Plaza, Building 7, No. 8,Yongdingmen Xibinhe Road, Dongcheng District, Beijing
	Signing accountant	Wang Hui and Wang You Juan
International auditor engaged by the Company	Name	PricewaterhouseCoopers
	Address	22nd Floor, Prince's Building, Central, Hong Kong
	Signing accountant	Hoi Iok Kei
Place of business in Hong Kong	49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong	
Major bankers	Bank of China, Agricultural Bank of China, China Merchants Bank	
Other information	Legal advisers as to Hong Kong law Paul Hastings 21/F-22/F, Bank of China Tower, 1 Garden Road, Hong Kong	
	Legal advisers as to PRC law Commerce and Finance Law Offices 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Beijing	
	Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36th Floor, China Insurance Building,166 Lujiazui Road East, Pudong New District, Shanghai	
	Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	

Chairman's Statement

Chairman's Statement

Dear Shareholders

First of all, on behalf of the Board and management of China COSCO, I would like to express my sincere gratitude to all our shareholders and investors for their continuous attention and support to China COSCO. Meanwhile, I would also like to thank all of our staff, onshore and offshore, for their dedication, hard work and devoted efforts over the past year for the business development of China COSCO.

In 2013, China COSCO achieved a turnaround for its overall results and recorded net profits attributable to equity holders of the Company of RMB235,470,000.00. Net profits (after deduction of non-recurring items) attributable to equity holders of the Company arising from continuing operations amounted to RMB-2,960,159,000, representing a decrease in loss of RMB7,273,232,000 or 71.1% as compared to the corresponding period of last year.

During the year under review, the annual average index value on China Containerised Freight Index ("CCFI") was 1,081.8, representing a decrease of 7.61% as compared to the previous year. The Baltic Dry Index ("BDI") reached 1,206, representing an increase of 31.1% in terms of average value year-to-date. However, the index had been below 1,000 in the first three quarters. Oversupply in the international shipping industry did not see any substantial improvement with freight rates hovering at a low level, and market competition had been intensive. Moreover, fuel prices remained high during the year, placing tremendous pressures on the operators. Facing such difficulties, China COSCO strictly adhered to its guiding principles of "increasing revenue and lowering costs", focused on its principal businesses and spared no efforts to reduce loss, successfully and significantly minimizing the loss of our principal business of shipping by RMB2.593 billion as compared to 2012, representing a decrease of 34.69%. In the meantime, we realised profits by disposal of assets.

As for our business segments, China COSCO Bulk Shipping (Group) Co., Ltd. ("China COSCO Bulk Group") closely followed the market trend and optimised its customer structure in 2013. It adopted new marketing models and maintained its transportation capacity on a timely basis to reduce the number of vessels under its control and chartered-in vessels. COSCO Container Lines Company Limited ("COSCON") adjusted its allocation of container capacity and strived to resume the rates to their normal level. COSCON actively expanded its business to emerging markets such as Southeast Asia, South America and Africa as well as the domestic market of China. As a result of these measures, the loss incurred by our major business of shipping was reduced. COSCO Pacific Limited ("COSCO Pacific") concentrated its resources on developing its terminal and container leasing business. By exploration of untapped potentials and seizing market opportunities, its revenue continued to grow.

In 2013, China COSCO adhered to its "achieving further perfection" management philosophy and strengthened its efforts in respect of marketing, business synergy, comprehensive budget management, trade receivables management, centralized procurement and supplier management. Strict cost control was also implemented and in the meantime management was enhanced. In addition, cost control was strictly implemented on each area and certain results were achieved. In 2013, the fuel costs incurred by the shipping business of China COSCO reduced by RMB3.314 billion or 17.9%. Particularly, COSCON managed to reduce fuel consumption by 6.2% as compared to 2012 with fuel costs lowering by 14.6% year-on-year while maintaining an operation growth of 8.5%. China COSCO Bulk Group managed to reduce fuel costs by 24.8%, with average unit price of fuel and fuel consumption lowered by 9.6% and 16.9%, respectively, as compared to the corresponding last year.

Chairman's Statement

In 2013, China COSCO emphasized on improving services and making innovation. COSCON announced five customer service commitants worldwide with "enhancing customer care and experience" as the core so as to constantly improve its service quality. According to Drewry's Schedule Reliability Insights in 2013, among the world's top 20 carriers, COSCON once ranked No. 2. Furthermore, China COSCO actively seized the new opportunities brought by the internet and e-commerce and established a domestic container transportation e-commerce platform, leading to a brandnew "O2O" (online to offline) marketing model. It is groundbreaking for online container booking and payment e-commerce platform in China's domestic container transportation industry. COSCON further developed its customer base, focused on innovative service approaches and marketing strategies and established designated teams for different freight categories and projects according to the market characteristics and specific shipping requirements of different freight categories. Such measures were conducive to efficient deployment of resources and provision of custom-made and professional shipping solutions to customers, rendering greater power to COSCON to secure sources of freight. COSCO Pacific strived to move forward its "four changes" programme in respect of its terminal business and innovative development of its leasing business.

Meanwhile, the Group was committed to the "United Nations Global Compact" and actively involved in fulfilling its corporate social responsibilities by promoting low-carbon environmental protection and green shipping. The Group was also actively involved in international humanitarian activities and has participated in several rescue operations.

Looking forward into 2014, some signs of recovery of the global economy will be seen despite a number of uncertainties. According to the World Economic Outlook published by the International Monetary Fund (IMF) in January 2014, the global growth forecast was raised to 3.7% in 2014 compared to 3% in 2013. Developed economies such as the United States, United Kingdom and Japan will be gradually strengthened while the Euro zone economy will emerge from contraction. However, some emerging economies will face downturn pressure. China's economy will continue to go through its transitional period with the possibility of maintaining its high growth. According to the World Trade Organization ("WTO"), it is forecasted that the global trade growth should accelerate to 4.5% in 2014.

Due to the above, it is expected that the overall demand of the international shipping market will continue its moderate growth but oversupply cannot be resolved in the near future. Recovery of the shipping industry is expected to be slow. As for container shipping, according to Clarkson, it is estimated that the market will grow by 6% and container capacity by 4.6%, indicating the slightly alleviated oversupply problem. However, the structural imbalance in the market will continue to be a prominent problem. As the trend of increasing ship size and forming alliance among liners grows more prominent, market competition among allied liners will be more intensive. As for dry bulk shipping, according to estimation of Simpson Shipping Consultants ("SSY"), following the passing of the peak in delivery of transportation capacity, the growth of scale of capacity will slow down. With steady growth of demand by China and decreasing economic risk of the global economy, it is expected that the dry bulk shipping market will see recovery. However, due to the existing size of accumulated growth of capacity, the prospect of such recovery remains uncertain.

A new round of technological and industrial revolutions is speeding up in the world's arena. As a PRC enterprise who strives to participate and win the competition in the global shipping market, in 2014, China COSCO will continue to emphasize on the development of its core competency and adhere to the guiding principles of "increasing revenue, controlling costs, refining management and maintaining safety". Container shipping and dry bulk shipping businesses will be the focus, and China COSCO will further enhance market research and analysis, strengthen building of credibility, optimise its fleet structure and form cooperative alliance with other liners so as to achieve greater results for its principal business of shipping and constantly improve the profit contributed by the terminal, container leasing and other related businesses. In addition, the Company will further enhance market research and analysis, strengthen building of capacity and adopt various effective measures to strictly control its costs, prevent risks and ensure the stable and healthy growth of its businesses.

As for container shipping, we will continue to optimise our fleet structure and disassemble and retire old vessels. New and efficient vessels will also be built. Our global marketing network will be enhanced with emerging markets as the focus. The Group will make more efforts to control costs and improve its resource allocation ability and efficiency. Cooperative alliance with other liners will be pursued to form a new cooperation and alliance mechanism. On 1 March 2014, an alliance under the name of CKYHE was formed by COSCON with K Line, Yang Ming, Hanjin and Evergreen. Moreover, it will further improve its customer portfolio, innovate its services, develop its e-customer service to a more strategic level and actively explore new development areas with domestic e-commerce shipping platform as the backbone. In short, we will move forward our e-commerce programme. Customer experience and enhancement of operation efficiency are also our focus for 2014.

As for dry bulk shipping, we will continue to pursue our philosophy of operational prudence, adhere to our "large-scale customer" strategy and increase the proportion of freight business from stable customers. We will work further on market assessment, refine our operations in response to market changes and fully leverage on synergy gained with external parties by moving forward horizontal strategic alliance. One of the management directions will be "managing from the source" in a bid to improve our cost control ability. The pace of adjustment and optimisation of structure will be sped up to enhance our overall competitiveness, and the programmes in respect of dissembling old vessels and building new vessels will be more coordinated to timely maintain a young fleet.

As for terminal business, we will continue to focus on the development strategy of "four changes" and actively explore and evaluate potential investment opportunities. As for our container leasing business, we will determine our container replenishment programme according to market demand, expand our container fleet, optimise our lease portfolio and provide our customers with a comprehensive range of container leasing services.

2014 will be a year of intensified adjustment of the global economy as well as a year of deepened reform of China's economy. China COSCO will seize the presence and focus on the future. We will grasp the historical development opportunities brought by the full scale reform after the Third Plenary Session of the 18th CPC Central Committee. Reform and innovation will be the driving force behind the reengineering and innovation of our system and mechanism to fully tap the strategic opportunities arising from the transformation and upgrade of China's economy. Efforts on risk prevention control will also be made. We aim to achieve maximum efficiency, corporate value and shareholders' return.

Ma Zehua

27 March 2014

Summary of Accounting Data

Results for the year ended 31 December 2013 prepared under the Hong Kong Financial Reporting Standards

	Year ended 31 December 2013 (RMB'000)	Year ended 31 December 2012 (RMB'000) (Restated)	Changes
Revenue	**66,137,861**	68,267,510	-3.1%
Loss before income tax expenses	**(1,513,596)**	(8,591,161)	-82.4%
Loss attributable to equity holders of the Company	**235,470**	(9,559,138)	-102.5%
Basic and diluted loss per share (RMB)	**0.0230**	(0.9357)	-102.5%
Final dividend per share (RMB)	**—**	—	—
Final dividend payout ratio	**—**	—	—
Total assets	**161,862,107**	165,259,530	-2.1%
Total liabilities	**119,748,300**	123,559,329	-3.1%
Non-controlling interests	**17,891,222**	16,558,603	8.1%
Equity attributable to the equity holders of the Company	**24,222,585**	25,141,598	-3.7%
Net debt to equity ratio	**114.4%**	112.3%	1.9%
Gross loss margin	**-1.3%**	-5.7%	-77.2%

Management Discussion and Analysis

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

In 2013, the international shipping market did not see substantial improvement of imbalance of supply and demand, with container and dry bulk shipping sectors remaining depressed. The Group's principal business of shipping continued to record loss. Facing such difficulties, the Group undertook various measures to increase revenue and reduce costs and managed to significantly reduce the operating loss as compared to last year. In addition, the Group successfully turned around its loss of 2012 through disposal of equity interests in COSCO Logistics Co., Ltd. ("COSCO Logistics"), COSCO Container Industries Limited, COSCO (Qingdao) Asset Management Co., Ltd. (青島遠洋資產管理有限公司) ("Qingdao Management") and Shanghai Tianhongli Asset Management Co. Ltd. (上海天宏力資產管理有限公司) ("Shanghai Tianhongli").

In 2013, the Group's operating revenue amounted to RMB66,137,861,000, representing a decrease of RMB2,129,649,000 as compared to RMB68,267,510,000 in 2012. Net profit attributable to equity holders of the Company of RMB235,470,000 was realized, representing an increase of RMB9,794,608,000 or 102.5% as compared to RMB-9,559,138,000 in 2012.

Management Discussion and Analysis

(I) Analysis of principal businesses

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

Unit: RMB'000

Items	Current year	Last year (Restated)	Change (%)
Revenues	**66,137,861**	68,267,510	-3
Cost of services and inventories sold	**(67,030,192)**	(72,136,470)	-7
Selling, administrative and general expenses	**(4,175,907)**	(4,273,997)	-2
Net finance costs	**(1,312,769)**	(1,620,627)	-19
Net cash flow from operating activities	**(2,316,602)**	(5,204,169)	56
Net cash flow from investing activities	**810,671**	(9,281,912)	109
Net cash flow from financing activities	**4,114,655**	13,855,783	-70

2. Revenues

(1) Analysis of reasons for changes in revenues

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

In 2013, the Group's operating revenue amounted to RMB66,137,861,000, representing a decrease of RMB2,129,649,000 or 3.1% as compared to RMB68,267,510,000 for last year. In particular:

Container shipping business

The operating revenue from container shipping and related business amounted to RMB48,312,032,000, representing a decrease of RMB307,849,000 or 0.6% as compared to last year. In 2013, container shipping volume amounted to 8,701,579 TEUs, representing an increase of 8.5%. Average container freight rate amounted to RMB4,481.86 per TEU, representing a decrease of 10.42% as compared to last year. Average container freight rate in US dollar amounted to US$723 per TEU, representing a decrease of 8.8%. During the Reporting Period, due to continuing weak market demand, together with gradual delivery of large vessels, oversupply continued to trouble the international shipping industry. Freight rates continued to be low while the shipping market remained harsh. In response to these difficulties, the Group adopted various measures to adjust its shipping capacity and actively explored business opportunities in emerging markets such as Southeast Asia, South America and Africa and domestic trade market of China to try to mitigate the risks associated with the fluctuation of traditional U.S. and European markets, and the changes of shipping routes and energy structure within these markets. Although the average container freight revenue for the year is lower, its influence on our overall operation is positive.

As at 31 December 2013, 14 new container vessels were delivered for operation with an aggregate capacity of 96,074 TEUs. As at 31 December 2013, the Group operated 173 container vessels with a total capacity of 786,252 TEUs and the shipping capacity operated by the Group increased by 8.6% as compared to last year (excluding the chartered-out capacity of 15 container vessels with 91,894 TEUs).

As at 31 December 2013, the Group had four container vessel orders, representing a total of 53,400 TEUs. No new vessel order was placed with the Group in 2013.

Dry bulk shipping business

Revenue generated from the dry bulk shipping and related business amounted to RMB14,062,340,000, representing a decrease of RMB2,019,622,000, or 12.6%, as compared to last year, which was mainly due to lower shipping capacity. In 2013, the Group implemented the retirement scheme of its old vessels according to the State's policy and its own capacity adjustment plans, while at the same time strictly controlled the number of chartered-in vessels. The annual average capacity was 29.32 million dead weight tons ("DWT"), representing a decrease of 5.83 million DWT, or approximately 16.6% as compared to last year's 35.15 million DWT.

During the year under review, the shipping volume of the dry bulk shipping business reached 210.0743 million tons, representing a decrease of 6.45% as compared to last year. Completed shipment turnover was 998.6 billion ton-nautical miles, representing a decrease of 11.80% as compared to last year, of which the shipping volume of coal, mineral ore, foodstuff and other cargoes amounted to 82.1171 million tons, 87.5011 million tons, 22.250 million tons and 18.2061 million tons, respectively, representing a decrease of 0.61%, 10.03%, 8.98% and 10.03% as compared to last year, respectively.

As at 31 December 2013, the Group operated 319 dry bulk vessels of 28.0485 million DWT. As at 31 December 2013, the Group had 12 dry bulk vessel orders of 1.19 million DWT. During 2013, the Group newly placed orders for four dry bulk vessels of 64,000 tons.

		2013	2012	Change (%)
Shipping volumes by routes (tons)	International shipping	**178,390,114**	194,883,131	-8.46
	PRC coastal shipping	**31,684,196**	29,677,552	6.76
Shipping volumes by cargo type (tons)	Coal	**82,117,092**	82,624,323	-0.61
	Mineral ore	**87,501,131**	97,257,639	-10.03
	Foodstuff	**22,249,976**	24,444,028	-8.98
	Others	**18,206,111**	20,234,693	-10.03
Shipment turnover (thousand ton-nautical miles)		**998,621,609**	1,132,222,950	-11.80

During the year ended 31 December 2013, the Group retired and disposed of a total of 39 container vessels and dry bulk vessels of 2,116,397 DWT.

Terminal and related business

Revenue from the terminal and related business amounted to RMB2,566,983,000, representing an increase of RMB243,768,000, or 10.5%, as compared to last year. The throughput of Piraeus Terminal in Greece, Xiamen Ocean Gate Container Terminal and Guangzhou South China Oceangate Terminal were 2,519,664 TEUs (2012: 2,108,090 TEUs), 609,393 TEUs (2012: 271,449 TEUs) and 4,449,311 TEUs (2012: 4,230,574 TEUs) respectively, and resulted in an increase in revenue as compared to last year.

Breakdown of terminal throughputs

Terminal throughputs (TEUs)	**2013**	2012	Corresponding change (%)
Bohai Rim Region	**23,534,240**	21,747,801	8.2
Yangtze River Delta	**9,513,006**	8,219,406	15.7
Southeast Coastal Region and others	**3,288,999**	1,831,564	79.6
Pearl River Delta region	**16,884,699**	16,581,080	1.8
Overseas	**8,063,947**	7,305,374	10.4
Total throughput	**61,284,891**	55,685,225	10.1

Container leasing business

Revenue from container leasing business was RMB1,177,774,000, representing a decrease of RMB47,742,000 or 3.9% on a year-on-year basis.

(2) Major customers

In 2013, sales to the top five customers of the Group and their respective percentages are as follows:

Unit: RMB

Total sales to top five customers	1,832,919,214.74
Total revenue of the Group for the year	61,934,136,540.26
Percentage of the total revenue of the Group for the year (%)	2.96%

3. Costs

(1) Cost analysis

Unit: RMB'000

By business segments

Business segment	Components of cost	Current year	Percentage of total cost for the current year (%)	Last year (Restated)	Percentage of total costfor last year (%)	Change (%)
Container shipping and related business	Equipment and cargo transportation costs	17,757,865	26.5	16,824,773	23.3	5.6
	Voyage costs	13,539,742	20.2	15,240,237	21.1	-11.2
	Vessel costs	8,094,777	12.1	7,245,184	10.0	11.7
	Others	8,156,139	12.2	7,890,933	10.9	3.4
	Subtotal	47,548,523	70.9	47,201,127	65.4	0.7
Dry bulk shipping and related business	Voyage costs	5,472,239	8.2	7,533,725	10.4	-27.4
	Vessel costs	9,125,320	13.6	12,265,635	17.0	-25.6
	Others	1,775,035	2.6	2,201,942	3.1	-19.4
	Subtotal	16,372,594	24.4	22,001,302	30.5	-25.6
Container terminal and related business	Container terminal and related business cost	1,924,398	2.9	1,694,699	2.3	13.6
Container leasing business	Container leasing business cost	1,061,272	1.6	978,779	1.4	8.4
Tax		123,405	0.2	260,563	0.4	-52.6
Total costs of operations		67,030,192	100.0	72,136,470	100.0	-7.1

In 2013, the operating costs of the Group amounted to RMB67,030,192,000, representing a decrease of RMB5,106,278,000, or 7.08% as compared to RMB72,136,470,000 of 2012, of which:

The operating costs of container shipping and related business amounted to RMB47,548,523,000, representing an increase of RMB347,396,000, or 0.7%, as compared to last year. During the year, due to the combined effect of increased capacity and shipping volume, and correspondingly higher container charges and cargo charges, costs slightly increased. Fuel cost expenses decreased by RMB1,804,718,000 to RMB10,581,664,000, or 14.57%, as a result of lower international oil prices and a 6.24% reduction in oil consumption. Fuel costs accounted for 22.25% of the operating costs of container and related business (2012: 26.16%).

Total operational costs of dry bulk shipping and related business amounted to RMB16,372,594,000, representing a decrease of RMB5,628,708,000, or 25.6%, as compared to last year. Of which, the capacity of chartered-in vessels further reduced during the year whereas the charter cost amounted to RMB5,228,348,000, representing a decrease of RMB3,082,125,000, or 37.1%, as compared to last year, being the main reason for the decrease in costs during the year. In addition, the reversal of provisions for onerous contracts during the year amounted to RMB1,415,474,000, as compared to the reversal of RMB1,349,122,000 last year.

The operating costs of terminal and related business amounted to RMB1,924,398,000, representing an increase of RMB229,699,000, or 13.6%, as compared to last 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 costs of container leasing business amounted to RMB1,061,272,000, representing an increase of RMB82,493,000, or 8.4%, as compared to last 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 year, resulting in a corresponding increase in operational cost.

(2) Major suppliers

In 2013, purchases from the top five suppliers of the Group and their respective percentages prior to A Share auditing are as follows:

Unit: RMB

Total purchases from top five suppliers	6,965,356,733.14
Total purchases of the Group for the year	61,425,538,057.56
Percentage of the total purchases of the Group for the year	11.34%

4. Expenses

Other net income/(expenses) and other gains

The net amount of other income/(expenses) and other gains of the Group in 2013 was RMB3,765,266,000 as compared to RMB26,757,000 in 2012, representing an increase of RMB3,738,509,000 as compared to 2012. The main reason for the increase was attributable to the gains of RMB3,690,633,000 from the disposal of equity interests in Shanghai Tianhongli and Qingdao Management by the Group.

Selling, administrative and general expenses

In 2013, the administrative and general expenses of the Group amounted to RMB4,175,907,000, representing a decrease of RMB98,090,000, or 2.30%, as compared to 2012, which was mainly attributable to the decrease in the expenses of items such as staff costs and office management.

Finance income

The finance income of the Group was mainly interest income from bank deposits. In 2013, the finance income of the Group amounted to RMB1,022,769,000, representing an increase of RMB228,957,000 or 28.84%, as compared to 2012. The main reason was due to an increase in bank deposits during the current year, resulting in a corresponding increase in interest income as compared to last year.

Finance expenses

In 2013, the Group incurred finance expenses of RMB3,212,282,000, representing an increase of RMB761,374,000, or 31.06%, as compared to 2012. Increase in interest expenses was mainly due to further increase in the amount of borrowings, resulting in a corresponding increase in interest expenses.

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates in aggregate amounted to RMB1,102,145,000 in 2013, representing a decrease of RMB43,521,000 as compared to RMB1,145,666,000 in 2012, which was attributable to reduced profits in some joint venture terminal companies.

Income tax expenses

Income tax expenses of the Group in 2013 amounted to RMB299,472,000, representing a decrease of RMB219,614,000, or 42.31%, as compared to 2012. COSCO Pacific, a subsidiary, successively implemented the scrip dividend scheme. Since the Group chose scrip dividends to which it was entitled in most cases, income tax expenses recognized decreased accordingly.

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

(1) Breakdown of R&D expenses

Unit: RMB'000

R&D expenses in the current year	26,986
Capitalised R&D expenses in the current year	0
Total R&D expenses	26,986
Percentage of total R&D expenses over net assets (%)	0.06
Percentage of total R&D expenses over operating revenue (%)	0.04

(2) Description

In 2013, China COSCO adopted a more operation-driven approach and adhered to the principles of cost reduction, energy and consumption saving, environmental protection and continuous improvement of management quality, focusing on development of the technology regarding deceleration of main engines of vessels, application of the internet of things and container ship transportation management software. Studies on the improvement of terminal LED lighting system and topics such as the competitive landscapes of the dry bulk and container markets were conducted during the year. We completed the research and development of the China COSCO internal control and management information system with internal resources.

6. Cash flow

As at 31 December 2013, cash and cash equivalents of the Group amounted to RMB48,206,390,000, representing an increase of RMB1,845,097,000, or 4.0%, as compared to 31 December 2012. The net outflow in 2012 was RMB623,955,000.

Among the net cash outflow in 2013 referred to above, the net cash outflow from operating activities amounted to RMB2,316,602,000, representing a decrease of RMB2,887,567,000 as compared to the net cash outflow of RMB5,204,169,000 in 2012, mainly because the amount of losses had narrowed on a year-on-year basis.

The net cash generated from investing activities amounted to RMB810,671,000 in 2013, and the net outflow was RMB9,281,912,000 in 2012. During the period, the Group disposed of a subsidiary and an associate and received net cash in the amount of RMB14,443,258,000. Available-for-sale financial assets and wealth management products were purchased during the year, incurring net expenses of RMB4,283,572,000.

In 2013, the Group's net cash generated from financing activities amounted to RMB4,114,655,000, representing a decrease of RMB9,741,128,000, as compared to last year. During the year, the cash received from borrowings (including bonds and notes) by the Group decreased by RMB14,955,208,000 or 36.70% as compared to last year, cash payments for repayment of borrowings decreased by RMB6,757,265,000 or 27.79% as compared to last year.

7. Others

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

During the year, the net profit attributable to the owners of the Company amounted to RMB235,470,000, representing an increase of RMB9,794,608,000, or 102.46%, as compared to a loss of RMB-9,559,138,000 in last year. As of the end of April 2013, the Group completed the disposal of 100% equity interest in COSCO Logistics and recorded a gain of RMB1,845,721,000. As of the end of June 2013, the Group's subsidiary COSCO Pacific disposed of 100% equity interest in COSCO Container Industries Limited and recorded a gain of RMB2,437,968,000, of which RMB1,053,273,000 was profit attributable to the owners of the Company. In November, the disposals of Shanghai Tianhongli and Qingdao Management resulted in gains of RMB3,690,633,000.

With decreases in the size of charter-in vessels and expenses of the dry bulk shipping business, net profit attributable to equity holders of the Company reduced losses by RMB4,554,754,000 (excluding gains on disposal of COSCO (Qingdao) Assets Management Co., Ltd) as compared to the previous year.

(2) Progress of implementation of development strategies and operation plans

Container shipping business

During the year, in respect of its container shipping business, the Group adjusted allocation of capacity to its East and West main routes and emerging markets to mitigate the volatility risks of the traditional market. The Group carefully monitored its capacity for Asia-Europe routes and reduced capacity allocated during the peak season by 12% as compared to last year. In response to the pace of economic recovery of the U.S., the capacity of Trans-Pacific routes increase moderately by 3.7% during the peak season and in the meantime, the Group allocated more capacity to emerging markets such as Southeast Asia, South America and Africa, of which the capacity for the Asia Pacific region increased by 26% and Southeast Asia by 76%. Professional marketing approaches were implemented to actively explore high-value sources of cargoes. The volume of refrigerated shipping containers handled during the year increased by 9% as compared to last year. “Customer care and experience” was the theme of our services and five customer service pledges were launched worldwide. A global ocean shipping operating centre was established during the year to leverage on our internal coordination to further improve our resource allocation capability and vessel operating efficiency. New opportunities arising from the Internet and e-commerce were seized to fully utilise our advantage in information. A domestic trade shipping e-commerce platform was established to move forward to the new O2O (online to offline) marketing model. We put “zero growth in unit cost of containers” as our target to reduce operating costs and strengthen alliance cooperation through strengthened negotiations with suppliers, further development of domestic trade by river transportation, refueling oil at lower price terminals (if reasonably feasible), adding vessels and slowing down the speed of vessels and control of fuel consumptions by technological and management means. The Group and its business partners maintained close collaboration on approximately 30 shipping routes with approximately 200 vessels and shipping capacity of nearly 1.4 million TEUs, continuously expanding the route coverage, improving delivery and service frequency, enhancing the overall quality of our shipping routes, providing better service to customers and effectively reducing costs and operating risks.

The container shipping volume of the Group was estimated to achieve 8.9 million TEUs in 2013, with actual delivery of 8.7 million TEUs.

Dry bulk shipping business

China COSCO Bulk, a subsidiary of the Company, followed the working directions of “loss-cutting, retaining resources, adjustment and innovation”, and adhered to the principles of “precise, detailed, strict and practical”, striving to increase revenue, reduce costs and improve management to further enhance its operating and management quality in dry bulk shipping business.

During the year, the Company continued to be oriented by market research, accurately seized opportunities and stabilized its revenue. We strengthened flexible operation “bit by bit” and fully utilized the time differences, freight rate spreads and regional differences between different markets to identify the best profit-making points. Based on the changes in the trading landscape, we strived to break through traditional route and regional constraints to clearly identify key freight canvassing areas with targeted cargo shipment solicitation. We have also further optimized our shipping routes and are gradually building recurring and stable shuttle routes with less empty cargo and higher efficiency. We worked on structural adjustment, optimisation and innovation, continued to optimize market structure, customer structure and supply structure, and have established an effective communication mechanism for closer relationship with customers. By focusing on innovative service approaches and marketing strategies and making reference to market characteristics and shipping requirements in different cargo categories, we have established teams for relevant cargo categories and project teams to effectively mobilize internal resources and provide customers with personalized professional transportation solutions. We also strengthened structural adjustment to our fleet and advanced smooth implementation of our plans of dissembling old vessels and building new vessels, hence reinforcing our core competiveness.

The expected dry bulk shipping turnover of the Group for 2013 was 869.6 billion ton-nautical miles, while the actual completed turnover is 998.6 billion ton-nautical miles, which has exceeded the target of our operation plan.

Terminal business

COSCO Pacific emphasizes a terminal investment strategy of keeping balanced layout, with terminal portfolio covering four major port clusters in mainland China, Hong Kong and Taiwan as well as overseas port hubs. It has established certain brands in the market with increasing influence in the industry. As at 31 December 2013, COSCO Pacific operated and managed 117 berths at 21 ports worldwide (17 in mainland China, Hong Kong and Taiwan and 4 overseas), of which 104 container berths had an annual handling capacity of 62,750,000 TEUs, representing approximately 9.0% global market shares in terms of total throughput. During the year, COSCO Pacific continued to expand its operating terminals through acquisition of terminal assets to increase handling capacity. Meanwhile, it upgraded terminal infrastructures to improve the efficiency of the operating terminals so as to enhance their competitiveness and drive business growth. The expected additional annual operating capacity for 2013 is 2,800,000 TEUs and the actual additional handling capacity is 2,450,000 TEUs.

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

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

(III) Analysis of assets and liabilities

As at 31 December 2013, the total assets of the Group amounted to RMB161,862,107,000, representing a decrease of RMB3,397,423,000 as compared to RMB165,259,530,000 at the beginning of the year. Total liabilities amounted to RMB119,748,300,000, representing a decrease of RMB3,811,029,000 as compared to RMB123,559,329,000 at the beginning of the year. Equity attributable to equity holders of the Group amounted to RMB24,222,585,000, representing a decrease of RMB919,013,000 as compared to RMB25,141,598,000 at the beginning of the year.

As at 31 December 2013, the total amount of outstanding borrowings of the Group was RMB96,395,377,000, representing an increase of RMB3,191,126,000 as compared to RMB93,204,251,000 at the beginning of the year. As at 31 December 2013, net current assets amounted to RMB16,440,696,000, representing a decrease of RMB6,257,633,000 as compared to the beginning of the year. The net debt (representing total borrowings less cash and cash equivalents) as at 31 December 2013 amounted to RMB48,188,987,000, representing an increase of RMB1,346,029,000 as compared to RMB46,842,958,000 at the beginning of the year. As at 31 December 2013, the net liabilities to equity ratio (gearing ratio) was 114.4% as compared to 112.3% as at 31 December 2012.

The interest coverage ratio in 2013 was 0.51 times as compared to -2.53 times in 2012. Certain property, plant and equipment of the Group with net book value of RMB33,098,947,000 (31 December 2012: RMB28,380,747,000) were pledged to banks and financial institutions as collaterals for borrowings in the total amount of RMB20,244,211,000 (31 December 2012: RMB17,028,675,000), representing 40.66% of the total value of the property, plant and equipment (31 December 2012: 35.19%).

Debt analysis

Categories	**As at 31 December 2013 RMB'000**	As at 31 December 2012 RMB'000 (Restated)
Short-term borrowings	**2,765,570**	5,253,237
Long-term borrowings		
Less than 1 year	**25,278,450**	8,865,186
1 to 2 years	**20,205,381**	29,321,009
3 to 5 years	**24,130,210**	24,951,680
Over 5 years	**24,015,766**	24,813,139
Sub-total	**93,629,807**	87,951,014
Total	**96,395,377**	93,204,251

Classification by categories of borrowings

The secured borrowings of the Group amounted to RMB20,244,211,000 and unsecured borrowings amounted to RMB76,151,166,000, representing 21.0% and 79.0% respectively in the total borrowings.

Classification by categories of borrowings

The borrowings of the Group denominated in US dollars amounted to RMB71,549,255,000, borrowings denominated in RMB amounted to RMB23,167,771,000, and borrowings denominated in other currencies amounted to RMB1,678,351,000, representing 74.2%, 24.0% and 1.8% respectively in the total borrowings. Save for the issued medium-term notes and bonds, most of the borrowings of the Company bear floating interest rate.

Company guarantee and contingent liabilities

As at 31 December 2013, the Group had provided a guarantee on a banking facility granted to an associate in the amount of RMB128,608,000 (31 December 2012: RMB154,141,000). Details of the Group's contingent liabilities are disclosed in note 38.

(IV) Analysis of core competitive edge

1. Overall strength of principal businesses leading the world

   China COSCO is the capital platform of the China Ocean Shipping (Group) Company ("COSCO") and its subsidiaries (collectively, the "COSCO Group") and provides a wide range of services covering the shipping value chain, including container shipping, dry bulk cargo shipping, terminals and container leasing services to international and domestic customers through its subsidiaries. Its container fleet ranked first in China and fifth in the world; the size of its dry bulk cargo fleet was one of the largest in the global market. The container throughputs of the terminals invested by COSCO Pacific ranked fifth in the world.

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 network, it continues to enhance its integrated capability in shipping.

   For container shipping business, as at 31 December 2013, the self-operating capacity of COSCON comprised 173 container vessels with the total capacity of 786,252 TEUs. With 178 ports for calling vessels in 60 countries and regions, it operated 84 international routes, 30 international branch routes, 22 coastal routes in China and 77 branch routes in the Pearl River Delta and the Yangtze River. COSCON has almost 500 domestic and overseas sales and service outlets. Such wide coverage of sales and service network enabled the provision of quality "door-to-door" services to our customers.

   For the dry bulk cargo shipping business, as at 31 December 2013, the China COSCO Bulk Group owned and controlled a total of 319 vessels with approximately 28,050,000 DWT. Among them, 203 were self-owned vessels with approximately 17,790,000 DWT. The routes covered more than 1,000 ports in more than 100 countries and regions worldwide. A large capacity in scale and well-established outlets were more conducive to the design and scheduling of vessel routes so that customized services could be offered to customers. Under the circumstances where the cost was fixed, the advantage in scale was even more apparent.

"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 the Group is attributable to its services and brand recognition. The controlling shareholder of the Company (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 domestic and overseas markets and customer - relationship maintenance with enhanced cooperation for mutual benefit to ensure the stable increase of cargo sources. It has put emphasis on the emerging markets and new customers and has improved the composition of markets, cargo flow, cargo sources and customers.

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. On 1 March 2014, the COSCO Group, "K" LINE, Yang Ming Line, Hanjin Shipping and Evergreen Marine officially formed a new shipping alliance named CKYHE Alliance which will jointly operate several Asian - Scandinavian routes and Asia - Mediterranean routes with effect from mid-April 2013. COSCON and China Shipping Container Lines also cooperated in operation of domestic and foreign trade routes.

4. Continuous improving the business synergy and capitalising on the integrated advantages of China COSCO

China COSCO has reduced costs and consumption, optimized integration of internal resources, controlled entire transportation chain and identified competitive edges by leveraging its business synergy to ensure maximisation of the overall interest of China COSCO. Its close business ties with enterprises of shipping, terminal, freight forwarding and container leasing industries are essential for the development of its complete business chain. Through strengthening internal close collaboration between COSCON and COSCO Pacific and among companies under China COSCO Bulk Group, we provide customers with efficient quality services and forge world-class transportation services.

China COSCO has been successful in capitalising on its internal synergistic effects to bring win-win and multiwin results. Like terminals invested by COSCO Pacific, COSCON has given route support so far as possible and COSCO Pacific has provided quality terminal services. Through the positive interaction of container transportation and terminal operation, a mutually beneficial win-win situation was achieved and the benefits of China COSCO were eventually maximised.

(V) Investment analysis

1. Analysis of external equity investment

In 2013, the total external equity investment of the Group amounted to RMB620,476,120.78, representing an increase of RMB110,620,981.61, or 21.70%, as compared to RMB509,855,139.17 in 2012. The Group made additional investments of RMB12,192,294.91 to United Container Ltd, a joint venture of the Group. The Group also invested in two new companies as follows:

Invested companies	Principal business	Proportion of the equity interest held in the invested companies (%)	Investment Costs
Taicang International Container Terminal Company Limited	Cargo port	39.04	324,223,039.90
Qingdao Port International Co., Ltd.	Cargo port	2.4	284,060,785.97

(1) Equity held in other listed companies

Unit: RMB

Stock code	Short name of securities	Initial investment cost	Percentage of equity in the company (%)	Book value as at the end of the year	Gain/loss for the year	Change in owner's equity during the year	Accounting item	Sources of shares
600837	Haitong Securities	7,291,668.00	0.05	55,125,411.52	584,368.32	3,907,963.14	Available-for-sale financial assets	Acquired by promotion
600821	Tianjin Quanye Bazaar	99,300.00	0.02	411,982.20		47,924.46	Available-for-sale financial assets	Original legal person shares purchased
000597	Northeast Pharmaceutical	200,000.00	0.01	865,161.22		84,770.84	Available-for-sale financial assets	Original legal person shares purchased
601328	Bank of Communications	676,413.00	0.00	1,961,640.96	122,602.56	-421,446.30	Available-for-sale financial assets	Original legal person shares purchased
000792:SH	Qinghai Salt Lake	7,500,000.00	0.07	17,799,816.58	340,462.72	-8,035,452.16	Available-for-sale financial assets	Swap
005880:KS	KOREA LINE CORP	80,232,737.98	0.52	18,516,271.37	-31,513,452.50	415,530.66	Available-for-sale financial assets	Other
Total		96,000,118.98	/	94,680,283.85	-30,466,018.90	-4,000,709.36	/	/

(2) Equity held in non-listed financial enterprises

Name of object held	Initial investment cost (RMB)	Number of shares held (shares)	Percentage of equity in the company (%)	Book value as at the end of the year (RMB)	Gain/loss for the year (RMB)	Changes in owner's equity during the year (RMB)	Accounting item	Source of shares
COSCO Finance Co., Ltd.	352,040,000.00	500,000,000.00	31.25	713,688,019.47	102,690,612.99		Long-term equity investments	Original legal person shares purchased
Bank of Jiangsu Co., Ltd.	400,000.00	400,000	0.0044	400,000.00			Long-term equity investments	Acquired by promotion
Total	352,440,000.00	500,400,000.00	/	714,088,019.47	102,690,612.99		/	/

(3) *Trading of shares of other listed companies*

During the year, the Group originally held shares in Shanghai International Port (600018), Jiangsu Lianyungang Port (601008), Hainan Strait Shipping (002320) and COSCO Shipping (600428) through COSCO Logistics, all of which were transferred together with the disposal of COSCO Logistics.

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

(1) *Entrusted wealth management*

Partner Name	Entrusted wealth management product type	Entrusted wealth management amount	Entrusted wealth management start date	Entrusted wealth management end date	Remuneration determination method	Estimated profit	Actual principal amount recovered	Actual profit obtained	Going through legal procedures	Impairment provision amount provided	Related transactions or not	Litigation	Source of funds and indicate whether the funds are raised funds	Relationship
Bank of China	Bank financing	RMB1 billion	2013-12-13	2014-3-12	Expected income	RMB12.1917 million			Yes		No	No	No	
Ping An Trust	Trust	RMB2 billion	2013-12-31	2014-3-26	Expected income	RMB33.2630 million			Yes		No	No	No	
Ping An Trust	Trust	RMB1 billion	2013-9-11	2014-3-27	Expected income	RMB32.9233 million			Yes		No	No	No	
Ping An Trust	Trust	RMB2 billion	2013-9-11	2013-12-24	Expected income		RMB2 billion	RMB33.6575 million	Yes		No	No	No	
CITIC Securities	Collective asset management plan	RMB200 million	2013-9-11	2013-12-9	Expected income		RMB200 million	RMB 2.5205 million	Yes		No	No	No	
China Fortune Trust	Trust	RMB300 million			Expected income		RMB300 million	RMB 4.2427 million	Yes		No	No	No	
Bankof Communications	Bank financing	RMB1.5 billion	2013-9-11	2013-12-25	Expected income		RMB1.5 billion	RMB21.7910 million	Yes		No	No	No	
Industrial Bank	Bank financing	RMB1 billion	2013-9-11	2013-12-25	Expected income		RMB1 billion	RMB15.3904 million	Yes		No	No	No	
SPDBank	Bank financing	RMB1 billion	2013-9-12	2013-12-11	Expected income		RMB1 billion	RMB11.5995 million	Yes		No	No	No	
CITIC Bank	Bank financing	RMB1 billion	2013-9-12	2013-12-19	Expected income		RMB1 billion	RMB12.6406 million	Yes		No	No	No	
Total	/	RMB11 billion	/	/	/	RMB78.378million	RMB7 billion	RMB101.8422 million	/		/	/	/	

(2) Other wealth management and derivative investments

Type of investment	Source of investment	Party to contract	Investment amount	Duration	Type of instrument	Estimated profit	Profit/loss of investment	Litigation
Fuel hedging transaction		Bank of China, CICC, Citibank, HSBC, JPMorgan Chase Bank, Deutsche Bank	130,000 tons (fuel trading volume)	Within one year	Fuel swap		10,075,087.34	No
Interest rate hedging transaction		HSBC	US$200 million	10 years	Interest rate swap		51,923,285.90	No
Exchange rate hedging transaction		BOC Hong Kong	US$100 million	6 months	Foreign exchange forward			No

3. Use of proceeds from raised funds

Not applicable.

4. Analysis of principal subsidiaries and companies with equity interest

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

COSCON, a wholly-owned subsidiary of the Company, is mainly engaged in international and domestic container shipping services and related businesses. Its registered capital is RMB11,088,763,082.00. As at 31 December 2013, its total assets and total equity amounted to RMB57,079,328,339.43 and RMB6,155,671,686.08, respectively. Total equity attributable to owners of the parent company amounted to RMB5,880,579,854.90 (31 December 2012: RMB2,553,936,793.91). Revenue, operating profit and net profit in 2013 were RMB42,535,241,641.46, RMB-1,090,422,986.97 and RMB-1,386,995,867.07, respectively. Net profit attributable to owners of the parent company amounted to RMB-1,426,094,567.07 (2012: RMB-2,279,553,520.16).

China COSCO Bulk Group, a wholly-owned subsidiary of the Company established in 2012, wholly owns equity interests of three professional dry bulk shipping companies, namely COSCO Bulk Carrier Co., Ltd. ("COSCO Bulk", together with its subsidiaries, the "COSCO Bulk Group"), 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 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 2013, its total assets and total equity amounted to RMB38,999,917,340.29 and RMB7,784,611,574.80, respectively. Total equity attributable to owners of the parent company amounted to RMB7,518,997,435.20 (31 December 2012: RMB9,707,013,519.58). Revenue, operating profit and net profit in 2013 were RMB14,071,706,991.07, RMB-1,048,568,807.01 and RMB-1,656,950,800.82, respectively. Net profit attributable to owners of the parent company amounted to RMB-1,677,834,884.52 (2012: RMB-8,075,976,817.13).

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 Hong Kong Stock Exchange. As at 31 December 2013, COSCO Pacific is owned as to 43.92% by China COSCO. As at 31 December 2013, the authorized share capital of COSCO Pacific was HK$400,000,000 and its issued share capital and paid-up capital was HK$291,232,552.80. As at 31 December 2013, total asset and total equity of COSCO Pacific amounted to RMB46,048,318,799.69 and RMB29,514,157,286.08, respectively. Total equity attributable to equity holders of the parent company amounted to RMB27,701,010,706.67 (31 December 2012: RMB24,839,054,505.84). Revenue, operating profit and net profit in 2013 were RMB5,019,279,659.42, RMB5,111,725,563.93 and RMB4,442,296,835.97, respectively. Net profit attributable to owners of the parent company amounted to RMB4,351,826,194.79 (2012: RMB2,156,090,594.57).

5. Projects financed by funds not raised through financing activities

Project Name	Amount	Progress	Amount invested for the year	Accumulated investment mode	Revenue
Construction of 8 new dry bulk vessels of 200,000 tons	US$612.8 million	Payment of 80%	0	RMB490.24 million	6 vessels have been delivered and the remaining vessels are under construction
Construction of 8 new container vessels of 13,350 TEUs	US$1,334.4 million	Payment of 80%	RMB567.12 million	RMB1,067.52 million	4 vessels have been delivered and the remaining vessels are under construction
Construction of 4 new Huanan coastal special vessels of 65,000 tons	RMB792 million	Payment of 95%	RMB118.8 million	RMB752.4 million	3 vessels have been delivered and the remaining vessels are under construction

II. Discussion and analysis of the Board concerning the future development of the Group

(I) Competition in the industry and development trend

Container market

Competition

Since the financial crisis, traditional seasonal characteristics of the container shipping market are no longer obvious, while price movement had become increasingly unpredictable during the year. This was mainly due to the general trend of ongoing oversupply under which the law of supply and demand in high and low seasons has significantly less influence on freight rates. This, coupled with frequent changes in the competition and cooperation in the liner market, have led to decreased expectation of cargo volume growth in terms of both supply and demand, making freight price recovery more difficult. In 2014, with accelerated mergers and acquisitions and increased alliances and cooperations, it is expected that container shipping routes and capacity allocation will continue to be optimized and the resource utilization rate will be further enhanced, which will effectively reduce operating costs and business risks and will promote the rational recovery of an orderly market.

Market outlook

In 2014, the environment of the container shipping market has improved, the gap of overall supply and demand has been narrowed, although the supply and demand market condition remains unoptimistic. According to Clarkson, it is expected that global container fleet capacity will increase by 4.6% in 2014, which is 0.2 percentage point lower as compared to 2013. In 2014, the lower in demand for global container shipments will increase to 6.0% as compared to 5.0% in 2013. In addition, structural contradictions for market capacities are still prominent. According to the forecast by Clarkson, the new capacity delivered with large vessels of more than 12,000 TEUs accounted for 41.0% of the new capacity delivered of all container vessels in 2014, a 5% increase as compared to 2013 representing a year-on-year increase of 9.4%.

In 2014, eastern-and-western major routes of the container shipping market will continue to be affected by the capacity of large vessels and the situation is not optimistic. It is expected the US economy will be recovering in 2014. The European economy may still maintain its sluggish condition. Besides, the imbalance between supply and demand in respect of Pacific routes is relatively less serious than the Asia-Europe routes. Therefore, the trend of Pacific routes is expected to continue to improve in 2014 and is anticipated to be better than the Asia-Europe routes. With the deepening of the economic restructuring in China and the trend that emerging markets will continue to outperform developed economies, it is expected that general performance of routes in Asia, Africa and South America will be better than the East and West main routes despite a limited recovery due to downturn of trunk capacities.

Development trend

Given a prolonged slump of the industry, more and more container shipping companies choose to strengthen cooperation, enhance management, improve business structure, pursue quality service and improve shipping technologies, which have become significantly more important measures for container shipping companies to enhance their competitiveness. In the short term, the industry's largest uncertainty lies mainly in two aspects: firstly, it is the intensity of global economic recovery and the geographical differences which will have an impact on the landscape of container shipping market as well as supply and demand relationship; secondly, alliance of liners will become a trend and a "Greater League" pattern will gradually come into shape after the second quarter of 2014, which will have a significant impact on the landscape of market competition and cooperation.

Dry bulk market

Competition

Cargo owners and ship owners have become important forces of the shipping market to change the competitive landscape of the market. Large cargo owners entered the shipping sector by placing new orders for vessel construction or establishing joint venture companies, and exerted influence in the dry bulk market during a certain period.

To enhance service quality, shipping companies have adopted various measures to improve the traditional operating model. Firstly, they grabbed opportunities to construct vessels when prices were relatively low, made large investments in ordering energy-saving and highly efficient new vessel types, upgrading the fleet structure and expanding the capacity. Secondly, they have strengthened the studies and judgment on the market and effectively captured market opportunities; further developed customer demand, some shipping companies sought to sign long-term contracts with customers. Third, they placed more emphasis on service quality such as breaking service homogenization, avoiding “price war”, providing customization and whole-process solution.

Market outlook

In respect of supply and demand, according to the forecast of SSY, global dry bulk demand will increase by 5.8% in 2014 on a year-on-year basis. The scale of the global dry bulk fleet will increase by 4.7% on a year-on-year basis, with faster growth in demand than in supply. With improved balance between supply and demand, a pickup in market sentiment is expected. The international dry bulk market will show a slowly increasing trend in 2014, with overall performance expected to be better than in 2013.

Development trend

The development trend of the dry bulk fleet is reflected in the aspects of energy saving, environmental-friendly and large-scale franchised operations. The advancement of energy saving and environmental protection technology for vessels has compelled ship owners to order new energy-saving vessels so as to gain an edge in the competitive landscape of the future shipping market through “replacing old vessels by new ones”.

The financial trend of dry bulk shipping operations is apparent and is mainly reflected in three aspects: Firstly, the trend that financial institutions, such as finance lease companies and private equity funds, participated in shipbuilding in the capacity of owners is apparent; secondly, financial investors are still very active in the FFA trading market and the percentage of ship owners in the FFA market is still less than 20%, while financial investors and cargo owners each account for around 40%; thirdly, since the dry bulk market was most volatile around the financial crisis, a large number of companies underwent reorganization. Being an active equity investment force, financial institutions are enthusiastic about equity investments in dry bulk shipping companies.

The service of providing “professional integrated solutions” remains the basis for future development. By changing from simple price competition to competition on differentiated services and innovative services, customers are provided with higher quality service at lower cost, while market competition has been enhanced to a new level. Ship owners will only be able to continue to survive and develop by leveraging strong brand advantages, well-established customer relationship and tenacious ability to resist risks.

Port Segment

Competition landscape

Merger and acquisition activities continue to be active in the terminal industry. Some regional terminal operators are active in expanding their business coverage so as to establish global presence. Investment opportunities in emerging markets have caught much attention. On 25 January 2013, CMHI announced that it had entered into a share purchase agreement with the French shipping group, the CMA CGM Group, the world's third largest container shipping company, pursuant to which CMHI would acquire 49% equity interest in Terminal Link, a wholly owned subsidiary of CMA CGM, at a consideration of €400 million payable in cash. In 2013, APM Terminals completed acquisition of 37.5% equity interest in Russia's Global Ports Group at a consideration of approximately 5 billion Danish Krone.

Market outlook

In 2014, environment of the global port industry is expected to improve moderately. According to Drewry, the annual growth rate of port container throughput is estimated to be 4.3%, about one percentage point higher than that of 2013. In particular, North America is expected to record a moderately faster growth in throughput, while ports in Northwestern Europe will record the first recovery growth in general since the financial crisis. Meanwhile, Far East, Eastern Europe, Americas and Africa will record relatively high growth rates. The trend of sluggish growth in the throughout of the global port industry over the past four years is also expected to be reversed for the first time. Affected by the domestic economic restructuring, output of ports in China is expected to maintain steady and moderate growth.

Development trend

With such trends as the deepening of shipping alliances and the development of large-scale vessels this year, competition among ports will become more intense. Meanwhile, merger and acquisition activities of terminals will remain active.

(II) Development strategy

The Group will actively develop the shipping business with a market-oriented approach with a focus on economic efficiency. It will utilize advantages on total cost and differentiated competition strategies to regulate and optimize the fleet structure, consolidate organizational structure and business processes, proceed with innovative operations and expedite development to increase the market competitiveness of the shipping industry and enhance the capability of sustainable development. While serving the national economic construction, the Group will leverage on its overall advantages and its role as the State's main fleet to actively participate in international competition, adapt to the green shipping development trend, focus on the application of energy saving and environmental protection technology and increase the profit level of the shipping business. The Group will also carry out the terminal business through COSCO Pacific and form and improve the global terminal network under the brand of COSCO with a focus on domestic ports as soon as possible. Besides, it will expedite the change from owning terminals to controlling terminals, from strategic investment to operational management and from single terminal to diversified terminals to strengthen the industrialization of COSCO ports. For the container leasing business, the Group will grasp market opportunities to grow the international business and expand the domestic market so as to devote full efforts to developing itself into a world-class leasing enterprise.

(III) Operation plan

Container shipping business

The Group will continue to optimize the fleet structure, take advantage of the government's subsidy policy of retiring the old and building the new vessels, reduce vessel costs and maintain the leading position of the second group in terms of capacity scale. The Group will build a stronger alliance with a cost-oriented approach while also paying attention to services. Besides optimizing route products, the Group will accelerate the construction of its own feeder network.

The Group will make a balanced layout of markets by expansion to the north and the south and increasing market shares in the regions, with focus on the development of emerging markets such as Southeast Asia, Russia, the Black Sea, East Africa, West Africa and South America. Efforts will be made to strengthen value marketing, improve customer structure, adjust model for servicing big customers and enhance freight revenue. Meanwhile, we will improve the recovery of demurrage fee and strengthen collection of commercial local charges to further increase non-route revenue.

We will actively explore the sales model of shipping e-commerce and deepen the business model of O2O (Online to Offline) through close integration of online sales and offline services. Effort will be made on enhancing service innovation, implementing centralized customer service, building standardized service procedures and upgrading electronic customer services to a strategic level, so as to optimize customer experience, improve internal efficiency and control cost of customer service.

Management of purchase from vendors will be strengthened and the Group will maintain continuous evaluation of service commitment of suppliers. We will seek space for cost reduction and improve the structure and route of cargo flow, so as to control the change cost from sales origins. We will accelerate container turnover and strengthen cost control of equipment. We will further promote enlargement of vessel fleets and decelerated vessel speed along with energy-saving technologies, increase refueling in ports with low oil prices, and apply global vessel tracking system to strengthen monitoring of daily fuel consumption to reduce fuel costs.

In 2014, the Group's container shipping business is expected to achieve a 4-5% increase in cargo volume as compared with 2013.

Dry bulk shipping

By using innovations and reforms as driving forces, China COSCO Bulk Group will carry out restructuring, transformation and upgrading, with focus on solving outstanding issues that obstruct corporate development and ensuring safe production, striving to achieve steady increase in the proportion of basic supply and significant increase in efficiency, thus enhancing the sustainable development capabilities of the enterprise.

The following strategies are proposed to be adopted in 2014:

1) Driven by reform and innovation which are in turn induced by problems, further improve and refine the institution, mechanism and system for management.

2) Adhere to careful management to further increase efficiency of achieving capacity, enhance judgment level and refine market operation.

3) Refine management from the origin to improve cost control capability. Seize the two strategic opportunities to reduce shipbuilding cost and capture future competitive advantage.

4) Accelerate structure adjustment and optimization to improve comprehensive competitiveness. Adhering to the principle of "Combining fleet structure adjustment with adjustment to supplier structure and customer structure", co-ordinate and arrange for implementation plans of rebuilding old vessels of professional models, so as to optimize the structure of transportation capacity. Meanwhile, layout of global networks will be further improved to build a commercial operation model for modern international dry bulk cargo transportation with integrated operation, one-stop marketing and differentiated services, hence ensuring proportion of basic supply to achieve the desired level.

In 2014, China COSCO Bulk Group is expected to achieve a turnover of 685.6 billion ton-nautical miles.

Terminal business

Marketing will remain our work focus and effort will be put on continuous improvement of management to attract quality customers by means of quality services. Long-term strategic plans for terminals will be fully established and the Group will propel terminal projects and develop terminal diversification. It is expected that additional capacity will be 3,000,000 TEUs in 2014.

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

Capital commitment	Contract arrangement	Time schedule	Financing method	Funding source arrangement	Cost of fund and usage description
RMB16.504 billion	Not applicable	2014	Debt financing	Bank loans, existing funds, others	Not applicable

(V) Potential risks

1. Risk of Macroeconomic Environment

The current international economic environment is still complicated. The world economy has entered into a prolonged low growth period. The downward pressure on some emerging economies are relatively high. The economy of China is still in the transformation period. Therefore, the Group's operations are still facing uncertainties in the economic environment. The Group will further strengthen the research and judgment on the macroeconomic trend, industry development trend, demand conditions of both domestic and international markets, and prepare tackling measures and proposals in advance to practicably organize production and operation well and prevent operational risk.

2. Risk of Market Competition Landscape

Affected by the macroeconomic environment, although the overall demand in the international shipping market will continue to have moderate growth, the oversupply in shipping capacities will have little change within the short-term, the recovery of the shipping market is expected to be a relatively slow. Meanwhile, there are new changes in the competition landscape of shipping: (i) the development trend of fleets in scale, large size and networking has been formed, there are more and closer cooperations among alliance members, resulting in intensified competition in the industry; and (ii) crowding out effect in the industry is getting more obvious as owners of goods and institutions such as banks compete for business across sectors. These have increased industry risk and created great difficulties for the Group's operations. The Company will continue to further capture and use the market adjustment opportunities to optimize the industry structure, adjust the fleet structure timely, develop emerging markets actively and increase market competitiveness.

3. Risk of Costs

Fuel cost is the most important part of the Company's costs, as current international oil prices are still at a high level and, in return, high oil prices will continue to bring vast cost pressure on the Company's operations. Besides, purchasing costs for vessel lubricants and vessel spare parts also remain at high levels. The Group will continue to strengthen the efforts in cost management, further enhance and improve the centralized purchases for fuel, lubricants and spare parts to reduce the purchasing costs. Meanwhile, we shall adhere to speed reduction in a scientific manner to reduce fuel consumption effectively.

4. Risk of Production Safety

In recent years, the Group has been increasing efforts in safety management. The overall safety environment remains stable, however, production safety incidents occurred occasionally and resulted in personal injuries and property losses, hence the pressure of production safety remain high. Currently, the Group is in a difficult period in terms of business operation, we cannot afford more safety problems at work place. The Group will further strengthen the production safety responsibility system, increase safety training, ensure investments in safety measures and strive to assure the normal order in the Group's production and operation.

III. Profit distribution or capitalization of surplus reserves proposals

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

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

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

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

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

3. Profit Distribution Decision-making System and Procedures: The profit distribution proposal of the Company shall be formulated and reviewed by the Board and submitted to the general meeting of shareholders 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 Group, disclosure should be made in a timely manner regarding the Board of Directors' explanation and the Independent Directors' expressed opinions. Upon consideration by the Board of Directors, it shall be submitted to the general meeting of shareholders for review and the Board of Directors shall provide explanation at the general meeting of shareholders.

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 of adjustments and other factors as required for making the decisions. The Independent Directors shall express their opinions clearly. When considering the particulars of the profit distribution proposal at the general meeting of shareholders, the Company shall communicate with the shareholders, especially the minority shareholders, through various channels (including but not limited to hotlines, mailbox of Secretary to the Board 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 general meetings of shareholders. 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 general meeting of shareholders.

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

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

After review by shareholders at the 2012 annual general meeting, in view of the losses incurred in 2012, the Company did not distribute any cash dividend during 2013.

Pursuant to the audited financial statements of China COSCO for the year 2013, which were prepared in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards, the net profit attributable to equity holders of China COSCO for 2013 was RMB235,470,000. The financial information of the Group prepared in accordance with the PRC GAAP and Hong Kong Financial Reporting Standards has no difference as to the Group's net profit for the year ended 31 December 2013 and net assets as at 31 December 2013.

In 2011 and 2012, under the impact of factors such as the supply and demand imbalance in the international shipping market, the operating results of the Group incurred relatively more losses and resulted in negative value in the undistributed profits. Although the Company achieved profits in 2013, yet the negative value of undistributed profits had not been reversed. After consideration by the Board, it was proposed that profits realized in the current year would not be distributed but would be used as supplemental working capital to improve the financial conditions.

(II) In circumstances where no cash dividends distribution proposal has been made when the Reporting Period is profitable with positive undistributed profit in the parent company, the Company shall disclose in detail the reasons and the usage and application of the undistributed profit

Reasons for no cash dividends distribution proposal has been made while the Company recorded profits and positive undistributed profits in the Reporting Period
In 2011 and 2012, under the impact of factors such as the supply and demand imbalance in the international shipping market, the operating results of the Group incurred relatively more losses and resulted in negative value in the undistributed profits.

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

Unit: RMB

Year of Distriution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit attributable to shareholders of listed companies in consolidated financial statements of the bonus distribution year	Ratio to net profit attributable to shareholders of listed companies in consolidated financial statements (%)
2013	–	–	–	–	235,470,000	
2012	–	–	–	–	-9,559,138,000	
2011	–	–	–	–	-10,495,295,000	

(IV) Fulfillment of social responsibility

(1) Performance of social responsibility

1. China COSCO has actively participated in various domestic and international activities related to sustainable development and communicated with relevant enterprises and authorities related to the implementation of the United Nations Global Compact and sustainable development during various conferences or activities. On 30 August 2013, Mr. Ma Zehua, Chairman of China COSCO, attended a sustainability executive roundtable of Chinese enterprises with overseas operations at which he explained how China COSCO tackled the challenges it faced during the course of "Going Out" and shared his views on exploration of the way forward for sustainable development in overseas with the United Nations Development Programme, the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Commerce.

2. During 2013, China COSCO continued to deepen its energy-saving and emission-reduction programmes. Attaching great importance to energy saving and emission reduction, it put theories into practice to facilitate its comprehensive and coordinated sustainable development. Its new technologies and measures for energy saving and emission reduction were successful in ensuring the green and sustainable development of China COSCO. China COSCO engaged itself in actions that met the principles under the United Nations Global Compact and fulfilled its commitments to the community by actively building an environment-friendly enterprise that protects the environmental and saves marine resources. It continued to move forward its energy conservation programmes by effectively reducing fuel consumption and emission, implementing the emission reduction accountability system, mobilising its staff to embrace green operations and requesting the management to strictly follow this requirement. In 2013,

the subsidiaries under China COSCO continued to refine and implement their proposals monitoring the speed of their vessels. The schedules and time windows of some lines were adjusted and such speed control proposals were implemented by phases to reduce fuel consumption to the largest extent possible. In addition, daily monitor of fuel consumption by each subsidiaries was reinforced in a bid to cut down fuel consumption.

3. China COSCO fully embraced its social responsibility as an international corporation in humanitarian actions. It would render assistance to the vessels of other liners when their property and people were in danger. People always come first. Such acts fully demonstrate our outstanding professionalism and the unselfish hearts and devotion of China COSCO's seamen.

    (1) On 8 March 2014, after losing contact with Malaysia Airlines flight MH370, upon receipt of the request by the China Maritime Search and Rescue Centre, Mr. Ma Zehua, Chairman of China COSCO, immediately asked all China COSCO's vessels in the neigbouring waters to take orders by the relevant rescue bodies to join the search. At 8:30 am on 9 March, COSCO Taishun seagoing vessel was the first to arrive at the waters and immediately commenced searching for the plane. Since then, all China COSCO's vessels going through these waters and subsequent extended waters have engaged in search and rescue along the route.

    (2) On 27 August 2013, COSCO Bulk Carrier Co., Ltd.'s vessel "Fu Anhai" sailing along West African Coast received navigation warnings and rescue requests from Norwegian and Libyan rescue centres. The ship immediately sailed to the location for rescue and nine crew members were rescued.

    (3) In the early morning of 4 September 2013, COSCON's ship COSCO Asia received a signal of distress of a yacht forwarded by MRCC Almeria near the waters in west to the Mediterranean Sea. It immediately changed its route and rushed to the location to help rescue. The yacht was successfully saved. The professionalism and skills demonstrated by the crew were highly recognised and praised by the Spanish Maritime Safety and Rescue Agency.

4. In 2013, China COSCO and its subsidiaries received various honours for their performance of social responsibilities. In March 2013, China COSCO was ranked first in the "China CSR 100 Ranking" jointly organised by Fortune Magazine (Chinese edition) and InnoCSR Co., Ltd. for three consecutive years. COSCO Pacific was awarded the "Hong Kong Outstanding Enterprise Award" by Economic Digest. Shenzhen Ocean Shipping Company Limited won the title of "National Foreign Invested Enterprise – Double Outstanding Enterprise" and "National Foreign Invested Enterprise – Enterprise Promoting Harmonious Employment Relationship Award" (For details, please refer to the 2013 China COSCO Sustainable Development Report (中國遠洋2013年可持續發展報告).)

I. Material litigation, arbitration and matters commonly questioned by media

(i) Material litigation, arbitration and matters that have been disclosed in temporary announcements with no subsequent change

Not applicable.

(ii) Material litigation and arbitration that have not been disclosed in temporary announcements or have subsequent change

During the reporting period:

Unit: RMB

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Expected liabilities and amount involved	Status	Judgment and effects	Execution of judgment
SOMPOL TRADING LIMITED	COSCO Bulk	Nil	Early return of a vessel	The vessel JIN ZHOU was leased by COSCO Bulk on a long term fixed charter. During the period of the charter, the ship-owner refused to execute the instruction for the IWL trading voyage given by COSCO Bulk. As such, COSCO Bulk ceased to pay the charter fee, while the ship-owner terminated the voyage accordingly. COSCO Bulk terminated the contract due to the breach of contract by the ship-owner. The ship-owner claimed for the loss from COSCO Bulk.	US$18 million		Settlement reached by both parties on 21 May 2012. The arbitration was completed.	COSCO Bulk had to compensate SOMPOL for US$14.5 million in three installments within a year. Each party bears its own counsel fees and arbitration fees.	Execution will be completed upon payment of final installment of US$4.8 million to be made on 21 May 2013.
COSCO Container Lines Company Limited	Wenzhou Sort and Livestock Products Foreign Trade Company (溫州市土畜產品對外貿易公司)	Nil	Claim for demurrage charges	Case closed	US$11.79 million (Equivalent to approximately RMB72.26 million)		In 2012, according to the final judgment of the court, the defendant shall pay the compensation of RMB1.9 million to the Company. Final judgment has been delivered.		The Company received full payment of compensation in 2013 and the execution has completed.

Significant Events

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Expected liabilities and amount involved	Status	Judgment and effects	Execution of judgment
Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK")	COSCO Pacific and Piraeus Container Terminal S.A. ("PCT")		Litigation	ADK filed a lawsuit to the Court of First Instance of Athens according to Article 677 of the Greek Code of Civil Procedure regarding the engineering fee under the Greek Civil Court. The merit of ADK was that COSCO Pacific and PCT failed to pay for the relevant civil construction works conducted by ADK pursuant to their instruction. In this case, ADK required COSCO Pacific and PCT to pay the service fee according to the terms of the engagement letter and did not ask for compensation on the default of contract. ADK required COSCO Pacific and PCT to pay the professional fees for services provided by ADK in the relevant period regarding the following works: (i) preparation of the design of terminal and tendering documents of terminal construction; (ii) provision of construction management services and other relevant works after winning the bid; and (iii) previous supervision and coordination of outsourcing units, namely P. Karpouzoglou and ATLANTIS (Note: In the opinion of the Greek lawyer, PCT had paid for the work in item (iii) on 20 October 2010).	Approximately EUR5.8 million (Equivalent to approximately RMB48.70 million)		The first hearing was held on 30 November 2010. The Court of First Instance of Athens has made a judgement and dismissed all claims against COSCO Pacific and PCT in the above petition, and determined that the plaintiff (ADK) shall pay a total of EUR30,000 (Equivalent to approximately US$41,500) as part of the legal expenses to COSCO Pacific and PCT. The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek law. The hearing of this appeal was originally set to take place before the Court of Appeals of Athens on 13 November 2012, and was postponed to 26 November 2013 due to the strike of the Greece's Association of Judges.	The litigation has not ended and it is currently unable to accurately predict the outcome.	The litigation has not ended and no judgment has been reached.

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Expected liabilities and amount involved	Status	Judgment and effects	Execution of judgment
							Subsequently, the Court of Appeal of Athens further postponed the hearing until 21 October 2014 based on the application of ADK. According to the Procedure of Greek Civil Action, the hearing cannot be further postponed unless for any reason the relevant court does not proceed with the hearing on 21 October 2014.		

(iii) Matters commonly questioned by media but have not be disclosed in temporary announcements with no subsequent change

Not applicable.

II. Misappropriation and repayment of funds during the reporting period

Not applicable.

III. Bankruptcy and restructuring

Not applicable.

IV. Transactions of assets and merger of companies

(i) Acquisition, disposal of assets and merger of companies disclosed in temporary announcements with no subsequent change:

Description and type	Index
COSCO Pacific (China) Investments Co., Ltd., a subsidiary of the Company, acquired 39.04% equity interest in Taicang International Container Terminal Company Limited from China Ocean Shipping (Group) Company	Connected Transaction Announcement of the Company dated 24 January 2013 (issue reference number: 2013-01)
Disposal of the entire equity interest in COSCO Logistics to China Ocean Shipping (Group) Company	Connection Transaction Announcement of the Company dated 28 March 2013 (Issue reference number 2013-010)
Transfer by COSCO Pacific of the entire equity and debt interest in COSCO Container Industries Limited held by COSCO Pacific	Connection Transaction Announcement of the Company dated 21 May 2013 (Issue reference number 2013-021)
Disposal by Qingdao Ocean Shipping Co., Ltd., a wholly-owned subsidiary of the Company, of 81% equity interest in COSCO (Qingdao) Asset Management Co., Ltd. held by COSCO Qingdao	Connection Transaction Announcement of the Company dated 30 August 2013 (Issue reference number 2013-30)
Disposal by COSCON of 81% equity interest in Shanghai Tianhongli Asset Management Co. Ltd. held by COSCON	Connection Transaction Announcement of the Company dated 30 August 2013 (Issue reference number 2013-30)

(II) Events that have not been disclosed in temporary announcements or have subsequent change

Not applicable.

V. Stock option scheme of the Company and its implications

Pursuant to the approval of the shareholders' meeting of the Company held on 9 June 2005, the Company adopted a share appreciation rights plan for the members of the Board (other than independent non-executive directors), supervisors (other than independent supervisors), secretary to the Board, senior management of the Company and its subsidiaries COSCON and COSCO Logistics as well as those who are approved by the Board of the Company. No shares will be issued under this scheme. The stock appreciation rights were granted in units representing one H share of the Company per unit.

The exercise period of the share appreciation right is 10 years from the date of grant. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant, the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights granted in 2005, 2006 and 2007 by the Company are exercisable at HK$3.195, HK$3.588 and HK$9.540 per unit, respectively.

During the reporting period, the Company did not adjust the grant price and the exercise price of the share appreciation rights granted in 2005, 2006 and 2007, and no share appreciation right of the Company was exercised and no new share appreciation right was granted.

VI. Material contracts and their performance

(i) Custody, underwriting and leasing and their performance

1. Custody management

Unit: RMB

Principal	Trustee	Entrusted asset	Amount of entrusted asset	Inception date	Termination date	Revenue	Determination of revenue	Effect of custody revenue on the Company	Connected transaction in nature	Relationship
China Ocean Shipping (Group) Company	China COSCO Holdings Company Limited	The management of non-listing direct wholly-owned enterprises of the principal	N/A	1 January 2012	31 December 2013	RMB18.73 million in 2012	Custody agreement	N/A	Yes	Controlling shareholder

2. Underwriting

Not applicable.

3. Leasing

Lessor	Leasor	Condition of leased assets	Value of leased assets	Inception date	Expiry date	Revenue as at the expiry date	Determination basis of revenue	Effect of leasing revenue on the Company	Connected transaction in nature	Relationship
Qingdao Ocean Shipping Co., Ltd.	Bank of Hebei Joint Stock Company Limited	Good	56,506,920	28 March 2011	27 June 2017	8,422,440.58	On accrual basis according to the contract		No	

(ii) Other material contracts

Contract Name	Name of parties	Signing Date	Underlying value of contract	Carrying amount of assets	Assessed value	Name of valuer	Valuation date	Pricing principle	Final transaction price	impact on operating results
"Supplemental Agreement" of the "Technical Cooperation Framework Agreement for Automation of Terminal (Phrase I) Project"	Xiamen Ocean Gate Container Terminal Co., Ltd. (the Purchaser) and Shanghai Zhenhua Heavy Industries Co., Ltd. (the Vendor)	12 March 2013 (Framework Agreement signed by Shanghai Zhenhua Heavy Industries, Xiamen Haicang Group and COSCO Pacific in October 2012)	US$66.23 million (amount for framework agreement was RMB650,000,000)	As of the end of 2013, 50% has been paid, with a carrying value of US$33.115 million	Nil	Nil	Nil	Nil	US$66.23 million	Currently not

Significant Events

VII. Undertakings

(i) Undertakings of listed companies, shareholders holding more than 5% of the shares, controlling shareholders and beneficial controllers during or as at the reporting period

Background of the undertaking	Type of the undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
Undertaking in relation to the initial public offering	Resolution of horizontal competition	COSCO	**1. Container shipping business** On 9 June 2005, COSCO entered into "Non-competition Undertakings" with the Company, and undertook to the Company that: (1) the Group will be the sole entity to be engaged in marine container comprehensive shipping business ("Restricted Container Shipping Business") both in the PRC and overseas with self-owned or chartered container vessels among the subsidiaries of COSCO; and (2) it will procure its members (excluding members of the Group) not to be directly or indirectly engaged in the Restricted Container Shipping Business (whether as shareholder, partner, lender or other capacities, and whether for profits, payments or other benefits).	Long-term effective	On-going undertaking	Yes		

Background of the undertaking	Type of the undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
			2. Container leasing business In respect of container leasing business, COSCO had undertaken to COSCO Pacific during the initial listing of COSCO Pacific on the Hong Kong Stock Exchange in 1994 that COSCO and its subsidiaries shall: (1) not be engaged in any business in any place in the world that may compete with the container leasing business of COSCO Pacific and its subsidiaries; (2) under any circumstances, when COSCO needs containers, it will first consider to lease from the container leasing companies, and under such circumstances, COSCO will grant COSCO Pacific and its subsidiaries the priority to negotiate container leasing business with COSCO, and may consider purchase of containers for own use only when COSCO fails to lease containers from the container leasing companies; (3) commence negotiations with COSCO Pacific and its subsidiaries as mentioned in the preceding paragraph at average market lease values, and to agree at annual rental adjustments in the existing and future contracts, and will enter into all contracts and rental adjustments based on the average rental values of four of the top ten independent container leasing companies; and (4) renew any existing contracts entered into with COSCO Pacific and its subsidiaries for further ten years, and will enter into new contracts for a term of ten years.					

Background of the undertaking	Type of the undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
Undertaking relating to substantial asset restructuring	Settle industry competition	COSCO	So far as COSCO remains as the controlling shareholder of China COSCO, other than the existing dry bulk cargo fleet, COSCO and its subsidiaries shall not adopt any actions and measures to conduct any business which competes or may compete with China COSCO and its subsidiaries, and shall not infringe the lawful interests of China COSCO and its subsidiaries. Upon completion of the non-public offering, there shall be no new competitions between COSCO and its subsidiaries with China COSCO and its subsidiaries. At the same time, COSCO has undertaken to give China COSCO the right of first refusal to acquire the assets and/or equity rights relating to dry bulk shipping business to be disposed of by China COSCO or its subsidiaries.	Long-term effective	On-going undertaking	Yes		

(ii) Explanations of the Company on whether the profit forecast on assets or projects was met and its reasons in the scenario that there is profit forecast on the Company's assets or projects and the reporting period is within the period of such profit forecast

Not applicable.

VIII. Punishment and rectification of the Company or its directors, supervisors and its senior management, or shareholders holding 5% or above of the shares, beneficial controller or acquirer

On 7 November 2013, China COSCO received a notice from its controlling shareholder, COSCO, that Xu Minjie, the then executive director of the Company, was under investigation by the relevant authorities. Immediately after that, China COSCO issued two announcements on 8 and 9 November 2013 in succession: the incident did not have any material adverse impact on the Company and all business and operation activities of the Company were normal; Xu Minjie resigned as a director for personal reasons and confirmed he had no disagreement with the Board of the Company and the Company and there were no other matters relating to his resignation that should be brought to the attention of shareholders of the Company.

IX. Suspension and termination of listing

Not applicable.

X. Convertible bonds

Not applicable.

XI. Other significant events

For details of other significant events, please refer to temporary announcements of the Company.

Changes in Equity and Shareholders Information

(I) Changes in Equity

I Changes in Equity

1. Changes in shares

Unit: Share

	Before		Change (+/-)					After	
	Number of shares	Percentage of shareholding (%)	New issue	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	Number of shares	Percentage of shareholding (%)
1. Shares subject to selling restrictions	159,724,067	1.56	–	–	–	–	–	159,724,067	1.56
i. State-owned shares	159,724,067	1.56	–	–	–	–	–	159,724,067	1.56
2. Outstanding tradable shares	10,056,550,290	98.44	–	–	–	–	–	10,056,550,290	98.44
i. RMB ordinary shares	7,475,950,290	73.18	–	–	–	–	–	7,475,950,290	73.18
ii. Overseas listed foreign shares	2,580,600,000	25.26	–	–	–	–	–	2,580,600,000	25.26
3. Total	10,216,274,357	100	–	–	–	–	–	10,216,274,357	100

Transfer regarding changes in Shares

Not applicable.

Effects of changes in Shares on financial data of the current year and current period, such as earning per share and net asset per share

Not applicable.

Other information which the Company considers necessary or required to be disclosed by any securities regulatory authorities

Not applicable.

2. Changes in Shares subject to selling restrictions

Not applicable.

(II) Issue and listing of securities

1. Issue of securities in the last three years immediately before the end of the reporting period

Not applicable.

2. Changes in total number and structure of shares of the Company and changes in assets and liabilities structure of the Company

There was no change in total number and structure of Shares of the Company.

3. Existing internal employee shares

Not applicable.

(III) Shareholder and actual controller

1. Number of Shareholders and their shareholding

Unit: Share

Total number of shareholders at the end of the reporting period	318,262	Total number of shareholders at the end of 30 days prior to the date of this annual report	311,422

Shareholdings of the top 10 Shareholders

Name of shareholder	Nature of shareholders	Percentage of shareholding (%)	Total number of shares held	Increase/ decrease during the reporting period	Number of shares subject to selling restrictions	Number of shares pledged or frozen
China Ocean Shipping (Group) Company	State-owned legal person	52.01	5,313,082,844	0	0	Nil
HKSCC NOMINEES LIMITED	Other	25.11	2,565,231,088	477,199	0	Unknown
National Council for Social Security Fund (Subsidiary Shareholder)	State-owned	1.75	178,386,745	0	159,724,067	Unknown
CITIC Securities Company Limited	Other	1.19	121,485,901	7,288,554	0	Unknown
China National Nuclear Corporation	Other	0.70	72,000,000	0	0	Unknown
Sinochem Corporation	Other	0.39	40,000,000	0	0	Unknown
Minmetals Capital Holdings Limited	Other	0.30	31,000,000	0	0	Unknown
China Energy Conservation and Environmental Protection Group	Other	0.23	23,500,000	0	0	Unknown
Beijing Capital Guarantee & Investment Co., Ltd.	Other	0.20	20,000,000	0	0	Unknown
Zhuhai Port Holdings Group Co., Ltd.	Other	0.17	17,400,000	0	0	Unknown
China National Machinery Industry Corporation	Other	0.15	15,000,000	0	0	Unknown

Changes in Equity and Shareholders Information

Shareholdings of the top 10 holders of Shares not subject to selling restrictions

Name of shareholder	Number of Shares not subject to selling restrictions	Type of Shares
China Ocean Shipping (Group) Company	5,313,082,844	RMB ordinary Shares
HKSCC NOMINEES LIMITED	2,565,231,088	Overseas listed foreign Shares
CITIC Securities Company Limited	121,485,901	RMB ordinary Shares
China National Nuclear Corporation	72,000,000	RMB ordinary Shares
Sinochem Corporation	40,000,000	RMB ordinary Shares
Minmetals Capital Holdings Limited	31,000,000	RMB ordinary Shares
China Energy Conservation and Environmental Protection Group	23,500,000	RMB ordinary Shares
Beijing Capital Guarantee & Investment Co., Ltd.	20,000,000	RMB ordinary Shares
National Council for Social Security Fund (Subsidiary Shareholder)	18,662,678	RMB ordinary Shares
Zhuhai Port Holdings Group Co., Ltd.	17,400,000	RMB ordinary Shares
China National Machinery Industry Corporation	15,000,000	RMB ordinary Shares
Related parties or persons acting in concert of the above shareholders	Unknown	

Note: As at 31 December 2013, China Ocean Shipping (Group) Company held 81,179,500 H Shares through its subsidiaries, representing 3.15% of the total issued H Shares. Such 81,179,500 H Shares were included in the shareholdings of HKSCC NOMINEE LIMITED. China Ocean Shipping (Group) Company and its subsidiaries held 52.80% of the total Shares in aggregate.

The number of Shares held by the top ten Shareholders holding Shares subject to selling restrictions and the respective selling restrictions

Unit: Share

Name of holders of Share subject to selling restrictions	Number of Shares subject to selling restrictions	Tradable shares subject to selling restrictions: Trading date	Tradable shares subject to selling restrictions: Number of additional tradable Shares	Selling restrictions
National Council for Social Security Fund (Subsidiary Shareholder)	159,724,067	26 June 2013	159,724,067	Restriction upon transfer
Related parties or persons acting in concert of the above shareholders			N/A	

2. Strategic investors or ordinary legal persons becoming top ten Shareholders as a result of participating in the placing of new Shares

Not applicable.

(IV) Controlling shareholder and actual controller

(1) Specific description of controlling shareholder

1. Legal person

Unit: Yuan Currency: RMB

Name	China Ocean Shipping (Group) Company
Person in charge or legal representative	MA Zehua
Date of incorporation	27 April 1961
Registration number	10000143-0
Registered capital	RMB4,103,367,000
Principal business operations or management activities	China Ocean Shipping (Group) Company is one of the mega-size state-owned enterprises under the State-owned Assets Supervision and Administration Commission of the State Council. Apart from the business operated by our Group, the main business currently operated by COSCO Group also includes operations of oil tankers and other liquefied bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, financial services, ship trading service and the provision of seaman and ship management services, etc.
Interests in listed companies in the PRC and overseas	COSCO Group is interested in COSCO Shipping and China Merchants Bank, which are companies listed in the PRC, and COSCO Singapore, COSCO International Holdings Limited and COSCO Pacific, which are companies listed overseas

2. Natural person

Not applicable

3. Specific description of non-existing of actual controller of the Company

Not applicable

4. References of changes and date of changes in actual controller during the reporting period

Not applicable.

(2) Actual controller

1. Legal person

Unit: Yuan Currency: RMB

Name	State-owned Assets Supervision and Administration Commission of the State Council
Person in charge or legal representative	N/A
Date of incorporation	N/A
Registration number	N/A
Registered capital	N/A
Principal business operations or management activities	N/A
Operating results	N/A
Financial position	N/A
Cash flow and future development strategies	N/A
Interest in listed companies in the PRC and overseas during the reporting period	N/A

2. Natural person

Not applicable.

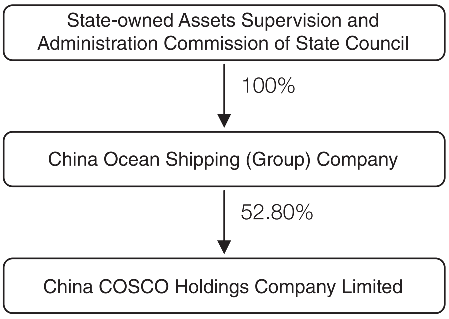
3. Specific description of non-existing of actual controller of the Company

Not applicable.

4. References of changes and date of changes in actual controller during the reporting period

   Not applicable.

5. The structure of equity and control between the Company and actual controller



6. Companies controlled by actual controller through trust or other asset management

   Not applicable.

(V) Convertible corporate bonds

Not applicable.

Directors, Supervisors, Senior Management

Major work experiences of directors, supervisors and senior management of the Company (during 2013 and up to the date of this annual report) in the recent five years are as follows:

MA Zehua (馬澤華)

Mr. MA, aged 61, is currently the Chairman and a non-executive Director. Mr. Ma is the chairman of the board of directors of COSCO and has assumed the role of its party secretary since 2013. Mr. Ma is also the chairman of the board of directors of COSCO (Hong Kong) Group Limited and Hainan Boao COSCO Co., Ltd., the PRC representative chairman of the management committee of Chinese-Polish Joint Stock Shipping Company and the director of China Bohai Bank. Mr. Ma was the president of COSCO Maritime (UK) Limited, the general manager of the development department and the assistant president of COSCO, the president and party secretary of China Ocean Shipping Company Americas, Inc. He also assumed various positions such as the deputy general manager of Guangzhou Ocean Shipping Company, the president and the party secretary of Qingdao Ocean Shipping Company, the vice president and a member of the CPC subcommittee of COSCO, the secretary of the CPC subcommittee and vice president of China Shipping (Group) Company and the director, general manager and deputy secretary of the CPC subcommittee of COSCO. Mr. Ma has extensive experience in operation and management of domestic and overseas shipping companies and is an expert in international shipping industry. Mr. Ma graduated from Shanghai Maritime University majoring in international law. He obtained his master degree from Shanghai Maritime University and is a senior economist. Mr. Ma was the representative of the Twelfth Session of the National People's Congress of the PRC and the representative of foreign affairs committee.

LI Yunpeng (李雲鵬)

Mr. LI, aged 55, is currently the Vice Chairman and an executive Director. Mr. Li is a director of COSCO and has assumed the role of its general manager since 2013. Mr. Li is also the chairman of the board of directors and a non-executive director of COSCO Pacific, the chairman of the board of directors of COSCO Pacific Investment Holdings Limited, COSCO Investment Limited, COSCO Corporation (Singapore) Limited and Chinese-Tanzanian Joint Shipping Co., Ltd., respectively. Mr. Li was the deputy department head, the department head and the director officer of the executive division of Tianjin Ocean Shipping Company Limited. He also assumed various positions in COSCO such as the deputy general manager of the executive division, the general manager of the supervision division, the general manager of the human resources division, the assistant president, the head of the CPC discipline inspection committee and the deputy general manager. Mr. Li has over 30 years' experience in the shipping industry and has extensive experience in corporate management, internal control and human resources. Mr. Li graduated from Tianjin University with a master degree of shipping and marine engineering and is a senior engineer.

SUN Yueying (孫月英)

Ms. SUN, aged 55, is currently a non-executive Director. Ms. Sun has served as the chief accountant of COSCO since 2000 and is currently the chairman of the board of directors of COSCO Shipyard Group Co., Ltd., COSCO Finance Company Limited, COSCO Japan Co., Ltd. and COSCO International Ship Trading Company Limited, respectively. She also serves as the director of China Merchant Bank Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 3968), and China Merchants Securities. Ms. Sun assumed various positions such as the deputy director of the finance department of Tianjin Ocean Shipping Company Limited, the finance manager of COSCO Japan Co., Ltd., the deputy general manager and the general manager of the financial and capital division and the deputy chief accountant of COSCO. Ms. Sun has over 30 years' experience in the shipping industry and has extensive experience in corporate finance management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting and obtained her executive master degree of business management from the University of International Business and Economics. She is also a certified public accountant and a senior accountant.

SUN Jiakang (孫家康)

Mr. SUN, aged 54, is currently an executive Director. Mr. Sun is the secretary to the board of directors COSCO and has served as its deputy general manager since 2011, the chief legal counsel since 2012 and the spokesperson since 2013. He is also the chairman of the board of directors of a number of companies, including COSCO Europe GmbH, COSCO Americas, Inc., COSCO Oceania Pty Limited, COSCO Africa (Pty) Ltd and China Marine Bunker Supply Company, and the chairman of the board of directors and an executive director of COSCO International Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 517). Mr. Sun was the manager of the third division and the second division of the container lines headquarters, the general manager of the transportation division and the assistant to the president of COSCO. He also assumed various positions such as the vice chairman of the board of directors, the executive director and the general manager of COSCO Pacific, the vice president of COSCO (Hong Kong) Group Limited and the managing director of COSCON. Mr. Sun has over 30 years' experience in the shipping industry and has extensive experience in corporate finance management. Mr. Sun graduated from Preston University with a doctor degree and Dalian Maritime University with a master degree, respectively. He is also a senior engineer.

YE Weilong (葉偉龍)

Mr. YE, aged 51, is currently a non-executive Director. Mr. Ye has served as the deputy general manager of COSCO since 2011 and is currently the chairman of the board of directors of China COSCO Bulk Shipping (Group) Co., Ltd., COSCO Shipping Company Limited and COSCO West Asia Fze, respectively. Mr. Ye assumed various positions such as the assistant to general manager, the deputy general manager and the general manager of Shanghai Ocean International Freight Company, the general manager of COSCO Shanghai International Freight Co., Ltd., the general manager of COSCO International Freight Co., Ltd., the deputy general manager of COSCON, the general manager of COSCO Freight Co., Ltd. and the managing director of COSCO Logistics. Mr. Ye has extensive experience in corporate operation management, international shipping and modern logistics strategic operation management. He graduated from Dalian Maritime University with a doctor degree and obtained his master degrees in business administration from Shanghai Maritime University and Maastricht School of Management in the Netherlands. Mr. Ye is a senior economist.

JIANG Lijun (姜立軍)

Mr. JIANG, aged 58, is currently an executive Director and the president of the Company. Mr. Jiang assumed various positions such as the deputy general manager of COSCO Pacific, the deputy general manager of Florens Container Co., Ltd., and the head of finance department and the deputy head of the operation department of COSCO Japan Co., Ltd. He was also the deputy chief accountant of COSCON, the chief executive officer of COSCO Shipping Co., Ltd., the president and the vice chairman of the board of directors of COSCO Corporation (Singapore) Limited and the president of COSCO Holdings (Singapore) Limited. Mr. Jiang has more than 30 years' of experience in shipping business and has extensive experience in the operation and management of domestic and overseas enterprises. Mr. Jiang has obtained a master degree of business administration and is an accountant.

TEO Siong Seng (張松聲)

Mr. TEO, aged 59, is currently an independent non-executive Director, the managing director of Pacific International Lines (Pte) Ltd., the president and chief executive officer of Singamas Container Holdings Limited (stock code: 00716), vice chairman of CSIC Pacific Private Ltd. (a joint venture of China Shipbuilding Industry Corporation and Pacific International Lines (Pte) Ltd.), the former president of the Singapore Chinese Chamber of Commerce & Industry, a nominated member of parliament of the Singapore Government, the director of Business China (Singapore) (an organisation founded by the Singapore Chinese Chamber of Commerce & Industry and sponsored by senior minister Mr. Lee Kuan Yew), the chairman of executive committee of Singapore Maritime Academy. He is a council member of Singapore-Tianjin Economic and Trade Council, Singapore-Zhejiang Economic and Trade Council, Singapore-Shandong Economic and Trade Council, Singapore-Guangdong Collaboration Council, Singapore-Liaoning Economic and Trade Council and Malaysia-Singapore Economic Council, as well as a member of Singapore-India Chief Executive Officer Forum.

Directors, Supervisors, Senior Management

FAN Hsu Lai Tai, Rita (范徐麗泰)

Dr. FAN, aged 68, is currently an independent non-executive Director. Dr. Fan Hsu Lai Tai, Rita was a member of the Legislative Council of Hong Kong, a member of the Executive Council of Hong Kong, the president of the Legislative Council of Hong Kong, a member of the Preliminary Working Committee for the Preparatory Committee of Hong Kong, a member of the Preparatory Committee of Hong Kong, the chairman of the board of Civil Education of Hong Kong, the chairman of the Education Commission of Hong Kong and the representative of the Ninth and Tenth Sessions of the National People's Congress and a member of the Standing Committee of the Eleventh Session of the National People's Congress. Dr. Fan was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by Hong Kong Government. She is currently a member of the Standing Committee of the Twelfth Session of the National People's Congress and an independent non-executive director of China Overseas Land & Investment Limited , China Shenhua Energy Company Limited and COSCO Pacific, all of which are companies listed on the Hong Kong Stock Exchange.

KWONG Che Keung, Gordon (鄺志強)

Mr. KWONG, aged 64, is currently an independent non-executive Director. He is a senior fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Kwong was a partner of PricewaterhouseCoopers, an independent member of the council of the Hong Kong Stock Exchange and had also acted as the convener of both the listing committee and the compliance committee of the Hong Kong Stock Exchange. Mr. Kwong is currently an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange including China Power International Development Limited, NWS Holdings Limited, Henderson Land Development Company Limited, Chow Tai Fook Jewellery Group Limited, Citic Telecom International HC, Global Digital Creations Holdings Limited, OP Financial Investments Limited, Agile Property Holdings Limited and Henderson Investment Limited.

Peter Guy BOWIE (鮑毅)

Mr. BOWIE, aged 67, is currently an independent non-executive Director. He served as the chairman of Deloitte Canada and was a member of its management committee. Mr. Peter Guy Bowie was also a member of the board and governance committee of Deloitte International. Mr. Bowie was the chief executive officer, a senior partner and a member of the board and management committee of Deloitte China. He is currently an independent director of Magna International Inc. and Uranium One Inc. Mr. Bowie has extensive experience in corporate governance, risk control and business operations.

SONG Dawei (宋大偉)

Mr. SONG, aged 58, is currently a Supervisor and the chairman of the Supervisory Committee. Mr. Song is a director and a member of the CPC committee of COSCO and has served as the head of its CPC Discipline Inspection Committee since 2011. Mr. Song was the director of Industrial Production Committee of Fuxin City, the deputy director of the Economic and Trade Commission of Liaoning Province, the deputy director of the General Office and the deputy secretary-general of Liaoning Provincial Government. He also served as the director of the Research Center of the Restructuring Economic Systems and the director of the Research Department of Social Development, Comprehensive Research Department of the State Council of the PRC. Mr. Song graduated from the Department of National Economy at the School of Economics and Management of Liaoning University with a master degree of economics.

WEI Qing (魏卿)

Mr. WEI, aged 58, is currently a Supervisor. Mr. Wei was the general manager of the president business office of COSCO, president of Five Star Shipping & Agency Company Pty., Ltd. and chief representative of COSCO in Australia, president and secretary of the CPC of COSCO Oceania Pty Limited, secretary of the CPC and deputy managing director of COSCO Bulk, and deputy secretary of the CPC, secretary of the CPC and deputy general manager of China COSCO Bulk Group. Mr. Wei has over 30 years of experience in shipping business and extensive experience in corporate management and internal control. Mr. Wei graduated from Dalian Maritime University majoring in transportation planning and management with a master's degree in engineering. He is a senior economist and senior political engineer.

LUO Jiulian (駱九連)

Mr. LUO, aged 59, is currently a Supervisor. Mr. Luo was the deputy director of CPC subcommittee office of COSCO, the deputy secretary of discipline committee and chairman of labour union of COSCO International Freight Company, and the vice chairman of discipline inspection committee of CPC subcommittee, director of supervisory office, and general manager of the supervision division of COSCO, secretary of the CPC and deputy general manager of Dalian Ocean Shipping Company and secretary of the CPC and deputy general manager of COSCO Shipbuilding Industry Company. Mr. Luo has over 20 years of experience in the shipping industry with extensive experience in corporate management and internal control work. Mr. Luo graduated from Central Party School of CPC majoring in economics and management and is a postgraduate student.

MENG Yan (孟焰)

Mr. MENG, aged 58, is currently an independent Supervisor. Mr. Meng has been working at the Central University of Finance and Economics since 1982 and was the deputy director and the director of its Accounting Department. He is currently the dean, a professor and a tutor of doctorate students of the Faculty of Accounting of Central University of Finance and Economics, the executive member of the Accounting Society of China and the China Society for Finance and Accounting. Mr. Meng is also a committee member of the Professional Education Supervisory Committee for the Business Administration Subjects of Higher Education of the Ministry of Education and a committee member of the National Master of Accountancy Education Supervisory Committee. Mr. Meng graduated from the Research Institute for Fiscal Science of the Ministry of Finance and obtained a doctorate degree in economics (accounting). He has been entitled to the governmental special allowance from the State Council of the PRC since 1997.

GAO Ping(高平)

Mr. GAO, aged 58, is currently a Supervisor. Mr. GAO has been the director, the secretary of the committee of CPC and deputy general manager of COSCON since 2011. He was the ship mate, deputy manager, manager and general manager of the human resource division of COSCO Shanghai, the deputy general manager and general manager of the crew management division, the assistant general manager and deputy general manager of COSCO (Hong Kong) Shipping Co., Ltd., the director of the organization division and the general manager of the human resource division of COSCO, and the supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to COSCO. He has over 30 years of experience in the shipping industry with extensive experience in vessel management, corporate management and human resources management. Mr. Gao graduated from University of International Business and Economics with an EMBA degree and is a senior engineer and a senior administrative officer.

ZHANG Jianping (張建平)

Mr. ZHANG, aged 48, is currently an independent Supervisor. He is a professor of the International Business School and the director of the Capital Market and Investment and Financing Research Center of the University of International Business and Economics. Mr. Zhang assumed various positions such as the director of the Department of Teaching and Research, the dean and the vice president of the International Business School of the University of International Business and Economics. He is currently an independent director of SDIC

Zhonglu Company Limited and Zhejiang Huafon Spandex Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 002064), respectively. Mr. Zhang graduated from the University of International Business and Economics with a doctor degree of transnational business management.

XU Zunwu (許遵武)

Mr. XU, aged 56, is currently the deputy general manager of the Company and the vice chairman and managing director of China COSCO Bulk Group. He previously held positions as the deputy general manager of COSCO Guangzhou, the deputy general manager of COSCO Bulk, deputy general manager and managing director of COSCO (Hong Kong) Shipping Co., Ltd., vice president of COSCO Hong Kong, managing director of COSCO (Hong Kong) Shipping Co., Ltd, the general manager of COSCO Shenzhen, the managing director of COSCO Bulk. Mr. Xu has over 30 years of experience in the maritime industry and has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University majoring in ocean shipping. He is a senior economist.

WAN Min (萬敏)

Mr. WAN, aged 45, is currently the deputy general manager of the Company, the managing director of COSCON and a non-executive director of COSCO Pacific. He was the general manager of Asia-Pacific Trade and American Trade and the deputy general manager of COSCON, the general manager of COSCO International Freight, the president of COSCO Americas Inc. Mr. Wan has over 20 years of corporate management experience in the shipping industry and has extensive experience in corporate management and ocean shipping. Mr. Wan graduated from Shanghai Jiao Tong University with a master's degree in business administration and is an engineer.

WANG Xingru (王興如)

Mr. WANG, aged 48, is currently the deputy general manager of the Company and concurrently the vice chairman of the board of directors and the executive managing director of COSCO Pacific. He was the deputy managing director of COSCO Co-Development (Tianjin) Co., Ltd., the deputy general manager of COSCO Industry Company and the general manager of COSCO Shipyard Group Co., Ltd. Mr. Wang has over 20 years of operation and management experience in shipping related industries and has demonstrated excellent experience in enterprise operation and management and assets operation. Mr. Wang graduated from Shandong Industrial University, majoring in machinery manufacturing and holds a master's degree in engineering. He is also a senior engineer with outstanding academic results.

TANG Runjiang (唐潤江)

Mr. TANG, aged 45, is currently the chief financial officer of the Company. Mr. Tang was the deputy department head of the accounting management department of the treasury division, department head of the accounting department of the treasury division (finance division), deputy general manager of finance division and deputy general manager of the finance department of COSCO, deputy chief accountant and chief accountant of COSCO Bulk. and the general manager of the finance division of COSCO. Mr. Tang has over 20 years of experience in finance, accounting and financial management. Mr. Tang graduated from the Central University of Finance and Economics with a bachelor's degree in economics majoring in industrial accounting.

GUO Huawei (郭華偉)

Mr. GUO, aged 48, is currently the secretary to the Board and the joint company secretary of the Company. Mr. Guo was the deputy department head (in charge of the work) of the enterprises restructure department of the management division, the deputy general manager and the deputy general manager (in charge of the work) of the asset management division of COSCO, the general manager of the investor relationship department and the strategic development department of COSCO Corporation (Singapore) Limited. Mr. Guo has extensive experience in the shipping industry and in asset management. Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He is a PhD student and a senior economist.

WANG Xiaodong (王曉東)

Mr. WANG, aged 55, is currently the assistant to the general manager of the Company. Mr. Wang was the deputy general manager of Trade Division of COSCO, the general manager of China Marine Bunker Supply Company, the deputy general manager of COSCO International Trading Company, the general manager of COSCO Industry Company, the deputy general manager and the managing director of COSCO International Holdings Ltd. He has 30 years of experience in the shipping industry and has extensive experience in operating and managing domestic and foreign enterprises and listed companies. He obtained a master's degree in business administration and is a senior engineer.

HUNG Man, Michelle (洪雯)

Ms. HUNG, aged 44, is currently a joint company secretary of the Company. She has been appointed as the General Counsel and the Company Secretary of COSCO Pacific, since November 1996 and March 2001, respectively. Ms. Hung is responsible for all legal, corporate governance, compliance, company secretarial and related matters for COSCO Pacific. She is also a member of the Corporate Governance Committee and Risk Management Committee of COSCO Pacific. Ms. Hung obtained a Bachelor of Laws degree (Hons) from The University of Hong Kong. She is a practicing solicitor in Hong Kong and qualified in England and Wales. Ms. Hung was named among the top 25 "in-house high flyers" and "the best in Asia" for three consecutive years (2006-08) by the renowned Asian Legal Business Magazine.

Corporate Governance Report

I. Corporate Governance

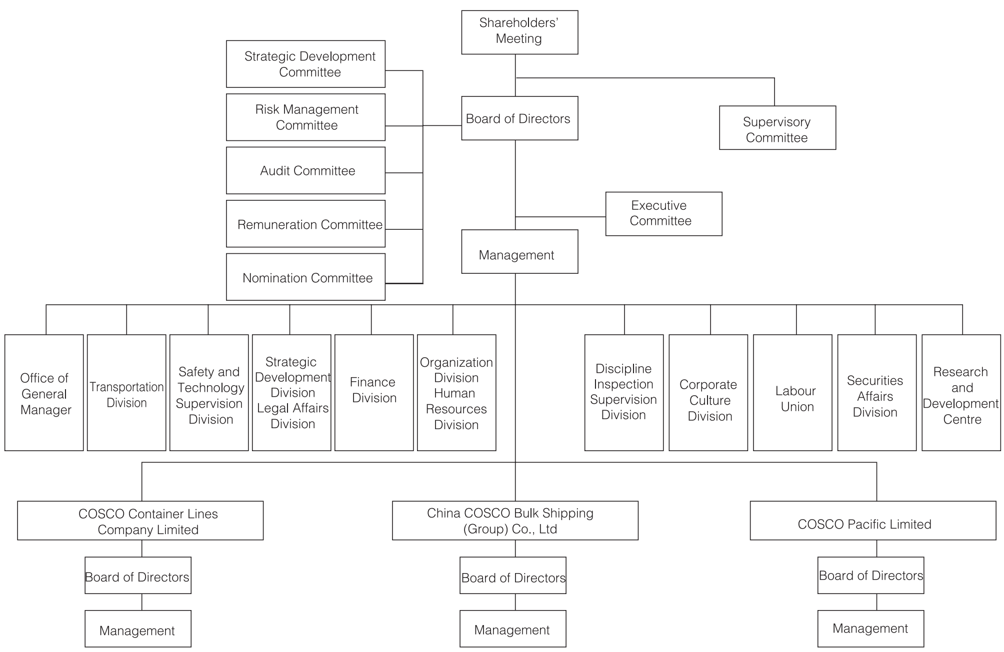
The Company attaches high importance to its development in a regulated manner by improving its corporate governance. The corporate governance of the Company is supervised by the Shareholders' general meeting, the Board and the Supervisory Committee. The Shareholders' general meeting and the Board are well organized and regulated, and information has been disclosed in a timely, accurate and fair manner. Comprehensive and effective internal control system and connected transactions management systern are also in place. The Company has actively strengthened its investor relationship management. In order to protect the rights of investors to know and to make recommendations, the Company maintains effective communication channels for investors. Circulation and documentation of confidential information of the Company are strictly restricted to prevent insider dealing. The Company also promotes its corporate governance by taking effective measures to provide relevant training to its employees.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong 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 the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors and Supervisors, they have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

III. Corporate Governance Structure

Corporate Structure of China COSCO Holdings Company Limited



IV. Report on the Company's compliance with the Corporate Governance Code

The Company has 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 as set out in Appendix 14 to the Listing Rules.

Code provision A.2.1 of the Corporate Governance Code requires separation of the role of chairman and chief executive of a listed issuer. Mr. Wei Jiafu had assumed the role of both the Chairman and the chief executive officer of the Company from 1 January 2013 to 16 July 2013. 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. After the retirement of Mr. Wei Jiafu as the Chairman and the chief executive officer of the Company, Mr. Ma Zehua was appointed as the Chairman, and the Company did not appoint any chief executive officer.

Save for the above-mentioned deviation, to the knowledge of the Directors, there is no information that would reasonably indicate that the Company has not complied with the Corporate Governance Code at any time during the year ended 31 December 2013.

A. Directors

A1. Board of directors

Principle of the Code • The board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Its decisions shall be in the interests of the issuer. • The board should regularly review the contributions required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.
The current best situation in the governance of China COSCO • The Board fully represents the Shareholders' interests and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association. The Board monitors and implements the Company's operation management, so as to achieve a steady return of long term results. • Directors attend Board meetings as scheduled and carefully review materials of the meetings. The attendance of all Directors reaches 100%. Independent non-executive Directors regularly inspect the management of connected transactions of the Company.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• To convene at least four regular meetings of the board, about once in each quarter. Each of the regular Board meetings shall be attended by the majority of eligible directors in person. Regular board meetings do not include meetings by way of written resolutions for the approval of the Board • To disclose the attendance of each director, by name, at the board and general meetings pursuant to the mandatory disclosure requirements under the Corporate Governance Report	Yes	• In 2013, the Company convened 12 Board meetings, including 5 physical meetings and 7 meetings by written resolutions. Each of the Board meetings was attended by all Directors. Attendance of Board members in 2013 was 100% and is listed as follows: (Number of attendance/ Number of meetings to be attended) Board meetings / Attendance / General meetings / Attendance MA Zehua 12/12 100% 3/3 100% LI Yunpeng 12/12 100% 3/3 100% SUN Yueying 12/12 100% 3/3 100% SUN Jiakang 12/12 100% 3/3 100% YE Weilong 12/12 100% 3/3 100% JIANG Lijun 12/12 100% 3/3 100% TEO Siong Seng 12/12 100% 3/3 100% FAN HSU Lai Tai, Rita 12/12 100% 3/3 100% KWONG Che Keung, Gordon 12/12 100% 3/3 100% Peter Guy BOWIE 12/12 100% 3/3 100% WEI Jiafu(1) 12/12 100% 2/2 100% XU Minjie(2) 12/12 100% 3/3 100% (1) Mr. WEI Jiafu resigned from the position as the Chairman on 16 July 2013; (2) Mr. XU Minjie resigned from the position as an executive Director on 8 November 2013.
• All directors are given an opportunity to include matters in the agenda for regular board meetings	Yes	• Relevant notice will be given to the Directors and sufficient time will be given for them to suggest proposals to be included in the agenda of Board meetings. All Directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.

Code provisions	Compliance	Procedures of Corporate Governance
• Notice of at least 14 days should be given of a regular board meeting	Yes	• Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time pursuant to the Articles of Association.
• Minutes of meetings should be kept by a duly appointed secretary of the meeting, and are available for inspection by directors at any reasonable time	Yes	• The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by Directors at any time.
• The minutes of the meetings should record in sufficient detail the matters considered by the board and the decisions reached	Yes	• Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by directors in the meetings, and confirmed by the Directors.
• Directors should be entitled to seek independent advice in accordance with the agreed procedures at the issuer's expense	Yes	• In respect of matters requiring opinions from professional institutions, the Company has appointed professional institutions upon Director's request to provide independent opinions at the expense of the Company.
• In the event that substantial shareholders or directors have conflict of interests in a material matter, connected directors are required to abstain from voting	Yes	• The Company has made provisions in respect of abstaining from voting of connected directors in the Articles of Association and the Rules of Procedures of the Board of Directors. During the year, when considering matters such as "the disposal of 100% equity interest in COSCO Logistics, the disposal of all issued shares of COSCO Container Industries by COSCO Pacific, the disposal of 81% equity interest in COSCO (Qingdao) Asset Management Co., Ltd. and the disposal of 81% equity interest in Shanghai Tianhongli Asset Management Co. Ltd.", the relevant connected directors abstained from voting.
• To arrange appropriate insurance cover in respect of legal actions against directors	Yes	• The Company has maintained liability insurance for the Directors, Supervisors and members of senior management.

A2. Chairman and the chief executive officer

Principle of the Code
• Clear division of responsibilities between chairman of the board and the chief executive officer, to ensure the balance of power and authority.
The current best situation in the governance of China COSCO
• The Company has clearly specified the duties of the Chairman and the chief executive officer, and separated the functions of the Board and management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Works of the General Manager, so as to ensure that the balance of power and authority, and ensure the independence of Board decisions, thereby ensuring the independence of the daily operation activities of management.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and the chief executive officer should be separate, and should be clearly established and set out in writing	No	• Mr. Wei Jiafu had assumed the role of both the Chairman and the chief executive officer of the Company from 1 January 2013 to 16 July 2013. 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. After the retirement of Mr. Wei Jiafu as the Chairman and the chief executive officer of the Company, Mr. Ma Zehua was appointed as the Chairman, and the Company did not appoint any chief executive officer.
• The chairman should ensure that all directors are properly briefed on issues arising at board meeting	Yes	• In respect of matters to be considered by the Board, adequate information has been provided to the Directors with sufficient communication before the meeting, and special meetings have been convened upon the request of the directors to report on the matters concerned. Detailed explanations would be made in the meeting by the Chairman or management of the Company on the motions where necessary.
• The chairman should ensure that the directors receive adequate information in a timely manner	Yes	• The Chairman has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the Directors each month and the management of the Company has presented the key data of performance to members of the Board each month, so that the Directors may obtain timely and adequate information.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should be primarily responsible for drawing up and approving the agenda of board meetings	Yes	• Agenda of Board meetings are negotiated by the Chairman with the executive Directors and the Board secretary and are decided after taking into consideration of all the matters proposed by each Director.
• The chairman should take primary responsibilities for ensuring that good corporate governance practices and procedures are established	Yes	• The Chairman assumes an important role in the promotion of the development of the Company's corporate governance, delegates the Board secretary to set up a good corporate governance system and procedure, supervises management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make full and active contribution to the board's affairs	Yes	• The Chairman has encouraged all Directors to be involved in the affairs of the Board and make effective contribution to the Board and requested the Board to act in the best interests of the Company.
• The chairman should at least annually hold meetings with the non-executive directors without the executive directors present	Yes	• The Chairman has convened meetings with non-executive directors before the start of each on-site Board meeting.
• The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders	Yes	• The Chairman has placed great emphasis on the effective communication between the Company and the Shareholders, attended and presided over Shareholders' general meetings and continued to promote and improve investor relationship, and has dedicated himself to realizing maximum returns of Shareholders.
• The chairman should facilitate the effective contribution of directors to the board, and ensure the executive directors and non-executive directors maintain constructive relations with each other	Yes	• The Chairman has placed great emphasis on the contributions of directors to the Board, and made efforts to ensure the executive directors and non-executive directors maintain constructive relations with each other.

A3. Board composition

Principle of the Code
• The Board should have a balance of skills and experience appropriate to the requirements of the business of the issuer. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.
The current best situation in the governance of China COSCO • The Board comprises ten members, including three executive directors, three non-executive directors and four independent non-executive directors, with independent directors representing over one third of the members of the Board. • The independent non-executive Directors have expertise and experience in areas such as shipping, corporate management, finance and laws and are able to make independent judgments, which ensures the decisions of the Board are made prudently and comprehensively. • There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive directors should be identified in all corporate communications	Yes	• The Company has disclosed members of the Board according to the category of the Directors in all corporate communications.
• Maintain on the website of the Company an updated list of members of the Board, identifying their role, function and independency	Yes	• The Company has posted the list of Board members and their biographies on its website, setting out their role, function and independency.

A4. Appointments, re-election and removal

Principle of the Code
• The procedures for the appointment of new directors shall be formal, considered and transparent. There shall be plans in place for orderly succession for appointments to the board. All directors shall be subject to re-election at regular intervals. The issuer must explain the reasons for the resignation or removal of any director.
The current best situation in the governance of China COSCO
• The Company has set up a nomination committee under the Board. The nomination committee shall make proposals on the appointment, re-election, removal and relevant procedures of the candidates of directors, present the proposals for the Board's consideration, which will finally be determined by the shareholders' meeting. The resignation of a director and the reason for such resignation shall be disclosed in a timely manner.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The appointment of non-executive directors should have specific terms of office, and shall be subject to re-election	Yes	• As provided in the Articles of Association, Directors (including non-executive Directors) have been elected at the Shareholders' general meeting for a term of three years, and are elected by cumulative voting at Shareholders' general meeting upon expiry of the three-year term.
• Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first shareholders' general meeting after their appointment	Yes	• The Directors appointed to fill in temporary vacancies are re-appointed after election by shareholders in the next Shareholders' general meeting.
• Each director should retire by rotation at least once in every three years	Yes	• Up to date, the Directors are subject to re-election by the Shareholders' general meeting according to their sessions. The members of the Board may change for each session.
• In the case the term of office of an independent non-executive director has exceeded nine years, any proposal of re-appointment of such independent non-executive director shall be in the form of independent resolution and considered and approved by the shareholders	Yes	• Article 108 under Chapter 10 of the Articles of Association specifies that the term of office of an independent director shall not exceed six years. It is the Company's practice to hold re-election when such term expires.

A5. Nomination committee

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should establish a nomination committee, which comprises a majority of independent non-executive directors	Yes	• The Board has set up a nomination committee, of which the chairman is an independent non-executive Director and the members include one executive Director and one independent non-executive Director.
• The issuer should set out written terms of reference of the nomination committee	Yes	• The Company has set out the Operation Rules of the nomination committee, specifying the powers and duties of the nomination committee, and published its terms of reference on the Company's website.
• The nomination committee should make available its terms of reference explaining its roles and the authority delegated by the board		
• The issuer should provide the nomination committee with sufficient resources to discharge its duties. If necessary, the nomination committee may seek independent professional advice at the expense of the Company	Yes	• The Company has actively assisted the nomination committee in performing their work, so as to ensure they are adequately resourced to discharge their duties. For matters that require advice from professional institutions, the Company has engaged the professional institutions for independent advice at its own expense.
• Where the board proposes a resolution to elect an individual as an independent non-executive director, the circular accompanying the notice of the relevant general meeting should specify the reason for such election	Yes	• There has been no change of the independent non-executive Directors in 2013.

Code provisions	Compliance	Procedures of Corporate Governance
• The nomination committee should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report	Yes	• The Company has formulated the Board Diversity Policy. At the same time, the Company has made corresponding amendments to the relevant rules of the Operation Rules for the Nomination Committee of the Board of Directors according to the Board Diversity Policy.

A6. Responsibilities of directors

Principle of the Code • Each director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.
The current best situation in the governance of China COSCO • The Company has set up the Rules of Procedures of the Board of Directors, Guidelines of the Works of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the Directors, so as to ensure that all Directors fully understand their roles and responsibilities. • The Board secretary is responsible to ensure that all Directors receive the Company's latest business development and renewed statutory information.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• Each newly appointed director should receive induction on the first occasion of his appointment, to ensure that he has a proper understanding of the business and operations of the issuer and that he is fully aware of his responsibilities under applicable legal requirements and regulatory policies	Yes	• Upon the appointment of a new Director, the Company has provided related information to the new Director in a timely manner and arranged training for the Director, including introduction of the Company's business, responsibilities of Directors, the Company's rules and regulations and domestic and overseas laws, regulations and regulatory requirements.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• Functions of non-executive directors	Yes	• The Company's non-executive Directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinions on the decisions of the Board.
• The director should ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	• All Directors have diligently discharged their duties. The attendance of Directors at the meetings of the Board and various special committees in 2013 has achieved 100%, indicating that the Directors have spent sufficient time on the Company's business.
• The board of directors should formulate written rules for the dealing of shares of the Company by employees and such rules shall not be more lenient than the Model Code	Yes	• According to the relevant requirements of the Model Code, the Company shall give notice of blackout period to Directors, Supervisors and senior management within the specified period prior to the issue of annual, interim and quarterly reports to restrict them from dealing in the Shares within the specified period.
• All directors should participate in a programme of continuous professional development. The Company shall be responsible to organize relevant training programme at the expense of the Company	Yes	• All Directors have the opportunities to attend professional training programmes arranged by the Company during their terms of appointment at the expense of the Company. The Company has provided assistance to Directors to participate in the relevant training programmes organized by the Hong Kong Stock Exchange, Shanghai Stock Exchange and other regulatory authorities. The Company has also engaged legal consultants and staff from regulatory authorities in Hong Kong and the PRC to provide training programmes.
• The directors should upon their appointments (and thereafter) disclose their positions and other major commitments in other entities	Yes	• Each of the Directors has upon the acceptance of appointment provided the Company with its positions and other major commitments in other companies and updated the Company if any changes arise.

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive directors and other non-executive directors should ensure their regular attendance and active participation in Board meetings, the meetings of the committees that they serve and shareholders' general meetings	Yes	• All Directors (including independent non-executive Directors and other non-executive Directors) have actively attended Board meetings, meetings of the special committees and general meetings.
• The non-executive directors should provide independent and constructive opinions with grounds to the Company in formulating strategies and policies	Yes	• All non-executive Directors have been able to provide independent and constructive opinions with grounds to the Company in formulating strategies and policies.

A7. Supply of and access to information

Principle of the Code • Directors shall be provided in a timely manner with appropriate information in such form and of such quality as will enable them make informed decisions and to discharge their duties and obligations.
The best situation in the governance of China COSCO • The Board secretary is responsible for the provision of all information to the Directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Compliance procedures of the Corporate Governance Code - Code provisions

Code Provisions	Compliance	Procedures of Corporate Governance
• The documents of the meetings of the board/committees shall be sent to the directors at least three days before the date of the meetings	Yes	• All documents of the past meetings of the Board and special committees were sent to each of the Directors at least three days before the meetings.
• Management is responsible for the provision of adequate information in a timely manner to the board and its subordinate committees, so as to enable the board to make informed decisions. Each director shall have separate and independent access to the senior management of the company for further inquiries	Yes	• Management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The Directors have been able to communicate with management of the Company by themselves to obtain further information required.
• All directors are entitled to access the board papers and related materials, where queries are raised by directors, steps must be taken to respond as promptly and fully as possible	Yes	• The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all Directors at any time. The Company has arranged related personnel to give timely response in respect of the questions raised by the Directors.

B. Remuneration of Directors and senior management and assessment by the board of directors

B1. The level and make-up of remuneration and disclosure

Principle of the Code

- The Company shall set up formal and transparent procedures for setting policy on executive directors' remuneration for fixing the remuneration packages for all directors. No director shall be involved in deciding his own remuneration.

The best situation in the governance of China COSCO

- The Company has set up a remuneration committee. The terms of reference of the Remuneration Committee includes determination and review of the remuneration policies and plans of the directors and managers of the Company.
- In 2013, the remuneration committee convened one meeting to carry out assessment on the senior management and nominated Directors and Supervisors seconded to other companies, and approved the remuneration plan of the senior management for 2012.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should consult the chairman or the Chief Executive Officer in respect of the remuneration of other executive directors	Yes	• The remuneration committee has fully communicated with the Chairman and the President in respect of the remuneration of the Directors, Supervisors and senior management.
• Functions of the remuneration committee	Yes	• The Company has established the Operation Rules for the Remuneration Committee of China COSCO Holdings Company Limited, clearly setting out the duties of the remuneration committee.
• The terms of reference of the remuneration committee should be published on the issuer's website	Yes	• The terms of reference of the remuneration committee have been published on the Company's website.
• The remuneration committee should be adequately resourced to discharge its duties	Yes	• The Company's human resources department and the general office have actively cooperated with the remuneration committee to perform their works in the discharge of their duties.
• Issuers should disclose the details of the remuneration of senior management according to the ranking of remuneration in its annual report	Yes	• The Company has disclosed the remuneration of all Directors, Supervisors and senior management in its annual reports and accounts.
Recommended Best Practices		
• A significant portion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance	Yes	• The remuneration of the executive Directors and senior management are in general linked with the performance of the Company and their individual performance.
• The issuer should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports	Yes	• The Company has disclosed the remuneration and names of the Directors, Supervisors and senior management in the annual reports and accounts.
• The directors should evaluate its performance regularly	Yes	• The Board has carried out such evaluation annually.

C. Accountability and Audit

C1. Financing reporting

Principle of the Code • The board should present a clear and comprehensive assessment of the issuer's performance, position and prospects.
The best situation in the governance of China COSCO • All regular financial reports issued to Shareholders were in compliance with the regulatory requirements of both the Hong Kong Stock Exchange and Shanghai Stock Exchange, and continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Management should provide such explanation and information for the board to make an informed assessment on the relevant matters	Yes	• Management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• Management should provide the members of the board of directors with the latest information regarding the financial position and prospects of the Company monthly	Yes	• Management of the Company has submitted the main performance data to the members of the Board on a monthly basis.
• The directors should acknowledge their responsibilities for preparing the accounts and auditors shall make statement about their reporting responsibilities in the report	Yes	• The Directors have repeated their declarations of responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. The auditors' reports have specified the reporting responsibilities of the auditors.

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should discuss and analyze the performance of the Company in the annual report and illustrate the foundation for creating or retaining value in the long run and the strategies to achieve targets of the Company	Yes	• The Company has disclosed the foundation for creating or retaining value in the long run and the strategies to achieve targets.
• The board should make a balanced, clear and understandable assessment on the Company's performance in its regular reports, announcements involving price sensitive and other discloseable financial information	Yes	• In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
• The issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter • Once the issuer decides to announce and publish its quarterly financial results, it shall continue to adopt quarterly reporting	Yes	• In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within one month after the end of the first and third quarter, and the information disclosed are sufficient for the Shareholders to assess the Company's performance, financial position and prospects.

C2. Internal controls

Principle of the Code • The board shall ensure that the issuer maintains sound and effective internal controls to safeguard the shareholder's investment and the issuer's assets.
The best situation in the governance of China COSCO • The Company has established an internal control system, to review the relevant financial, operational and regulatory control procedures from time to time and update and refine the internal control system according to the actual situation from time to time, so as to protect the Company's assets and the Shareholders' interests. • In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the China and Hong Kong accounting standards, and provided independent and objective appraisals and suggestions by way of audit reports.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should at least annually conduct a review of effectiveness of its internal control systems (including the financial control, operational control and compliance control and risk management functions)	Yes	• The Company has placed strong emphasis on its internal control, and has established an internal control system and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's financial controller has reported to the audit committee and the Board on the internal control each year for the appraisals by all directors.
Recommended Best Practices		
• Companies should disclose a narrative statement in the corporate governance report, specifying how they have complied with the code provisions on internal control during the reporting period	Yes	• The Company has disclosed how it complied with the code provisions on internal control during the reporting period in accordance with the relevant requirements of the corporate governance report.
• The issuer should ensure their disclosures provide meaningful information	Yes	• In all the announcements made to Shareholders, the Company has ensured that the information disclosed was meaningful and has warranted that there were no false records, misleading statements or material omissions in the information, and assumed individual and related responsibilities on the truthfulness, accuracy and completeness of the contents.

C3. Audit Committee

Principle of the Code
• The audit committee shall have clear terms of reference, including arrangements as to how it will apply the financial reporting and internal control principles, and shall maintain an appropriate relationship with the company's auditors.
The best situation in the governance of China COSCO • The Board has set up an audit committee, chaired by Mr. KWONG Che Keung, Gordon, an independent non-executive Director. Other members include Ms. SUN Yueying (a non-executive Director) and Mr. Teo Siong Seng (an independent non-executive Director), all of whom have professional skills and experience on financial management and are non-executive Directors (including two independent non-executive Directors). One independent non-executive Director with professional qualification and professional experience in financial management has also been appointed. • The audit committee is mainly responsible for the supervision of the internal system set up of the Company and its subsidiaries and its implementation, audit on the financial information and disclosures of the Company and its subsidiaries, review on the internal control system (including financial control and risk management) of the Company and its subsidiaries, planning of material connected transactions and communications, supervisions and verifications on the Company's internal and external audits. • In 2013, the audit committee convened four meetings, wherein the management and the chief financial officer of the Company reported the Company's financial situation and material issues relating to internal control.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee should be kept by a duly appointed secretary, and confirmed by all the members of the committee	Yes	• The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The Board secretary shall be responsible for making detailed records in the minutes of meetings of the Audit committee on the matters considered in the meetings and submitting such records to the relevant management, departments and intermediary agencies present in the meetings for amendment and confirmation. After being confirmed by all the members of the audit committee present in the meetings, such records shall be signed by the chairman.
• The former partner of the existing auditors should not be a member of the audit committee	Yes	• The chairman of the audit committee Mr. KWONG Che Keung, Gordon and members of the audit committee Mr. Teo Siong Seng and Ms. SUN Yueying are not former partners of the auditors.

Code provisions	Compliance	Procedures of Corporate Governance
• The terms of references of the audit committee should be disclosed on the website	Yes	• The Terms of Reference of the Audit Committee has been published on the Company's website.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view	Yes	• The Board has no disagreements with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.
• The audit committee should be adequately resourced to discharge its duties	Yes	• The Company actively assisted the audit committee to perform its works. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.
• Employees of the issuer can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action	Yes	• The Company has formulated the Terms of Reference of the Audit Committee, which facilitates the setting up of channels for reporting possible improprieties in financial reporting, internal control or other matters so that the Company can carry out fair and independent investigation of these matters and take appropriate follow-up actions.
• The relationship of the issuer and external auditors should be monitored	Yes	• Mr. Kwong Che Keung, Gordon, a member of the audit committee acting as the principal representative between the Company and external auditors, is responsible for the monitoring and coordination of their relationship.
Recommended Best Practices		
• The Audit Committee should establish a reporting policy and system to encourage employees and other parties who deal with the Company (including customers and suppliers) to directly report any irregularities to the audit committee	Yes	• The Company has set up a system of reporting of the fraudulent cases to the directors of the Company, and formulated the "Rules of Procedures of Internal Reporting of Information Regarding Material Breach of China COSCO" which was approved by the board and the Audit Committee. The rules require that any violation shall be promptly and separately disclosed to provide details known to the Company.

D. Delegation by the Board

D1. Management Functions

Principle of the Code • The issuer shall have a formal schedule of matters specifically reserved to the board for its decisions and which may be delegated to management, and give directions to management on matters that must be approved by the board.
The best situation in the governance of China COSCO • The main powers of the Board include to convene shareholders' general meetings; to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies; to prepare the Company's annual financial budgets, final accounts and profit distribution plans; to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans; and implement resolutions of the general meetings. • The Board may delegate part of its powers to the special committees and management, and specify matters that must be approved by the Board.

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• When the board delegates aspects of its management and functions to management, it shall at the same time give clear directions as to the power of management	Yes	• Management is accountable to the Board. Its main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. Management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
• The issuer shall formalize the functions reserved to the board and those delegated to management, and shall review on a periodic basis	Yes	• In the Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to management.
• The issuer shall disclose the division of responsibilities between the board and management	Yes	• In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Works of the General Manager, the Company has specifically set out the division of responsibilities between the Board and management, and has made announcements to the public.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer shall have formal letters of appointment for directors, setting out the principal terms and conditions relative to their appointment	Yes	• Each of the new Directors has received a formal appointment letter, specifying the principle terms and conditions relative to such appointment.

D2. Board committees

Principle of the Code
• The establishment of the board committees shall have written terms of reference, which clearly specify the rights and duties of the committees.
The best situation in the governance of the Company
• The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive directors.
• Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

The attendance of the meetings of special committees (number of attendance in person/number of meetings to be attended)

Director	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
MA Zehua	—	—	—	—	—	1/1
LI Yunpeng	1/1			1/1		1/1
SUN Yueying	—	—	4/4	—	—	1/0
SUN Jiakang		1/1				1/1
YE Weilong	—	—	—	—	—	—
JIANG Lijun	1/1	—	—	—	2/2	1/0
TEO Siong Seng	—	—	4/4	—	2/2	—
FAN HSU Lai Tai, Rita	—	—	—	1/1	2/2	—
KWONG Che Keung, Gordon	—	—	4/4	1/1	—	—
Peter Guy BOWIE	1/1	1/1	—	—	—	—
WEI Jiafu	—	—	—	—	—	1/1
XU Minjie	—	1/1	—	—	—	1/1

Notes:

(1) Mr. MA Zehua was appointed as the chairman of the executive committee of the Company on 16 July 2013.

(2) Mr. LI Yunpeng was appointed as the vice chairman of the executive committee and resigned as a member of the remuneration committee of the Company on 16 July 2013.

(3) Mr. YE Weilong was appointed as a member of the executive committee and the remuneration committee of the Company on 16 July 2013.

(4) Mr. WEI Jiafu resigned as the Chairman, the chairman and a member of the executive committee of the Company on 16 July 2013.

(5) Mr. XU Minjie resigned from the position as an executive Director on 8 November 2013.

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The board shall prescribe sufficiently clear terms of reference of the committees, to enable such committees to discharge their functions properly	Yes	• The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. Each of the committees has specific working guidelines, setting out the rights and obligations of the committees.
• The terms of reference of the committees shall require them to report back to the board on their decisions and recommendations	Yes	• The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

D3. Corporate Governance Functions

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The terms of reference of the board of directors (or the committee performing this duty) shall include: to formulate and review the policies and practices of corporate governance of the issuer and make recommendations to the board of directors; to review and supervise the training and continuous professional development of directors and senior management; to review and supervise the polices and practices for the compliance of laws and regulatory rules of the issuer; to formulate manual for the review and supervision of the code of conduct and compliance of employees and directors; to review the compliance of the Code and the disclosure in the Corporate Governance Report	Yes	• The Company has amended the terms of reference of the audit committee, risk management committee, nomination committee and remuneration committee, arranged professional trainings for Directors, Supervisors and senior management, provided supervisory reports to directors, supervisors and senior management regularly or from time to time, and formulated and implemented the Rules on Internal Reporting Procedure of Material Violation of Laws and Regulations of China COSCO according to the revised Listing Rules.
• The board of directors shall perform the duties of corporate governance set out in the above terms of reference	Yes	• The Board has made corporate decisions and instructed the management to conduct daily management and operation in strict compliance with the Listing Rules, the Corporate Grovernance Code and the Articles of Association.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code
• The board shall endeavour to maintain an on-going dialogue with shareholders, and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The best situation in the governance of China COSCO • The Board endeavours to maintain communication with shareholders, and has taken annual general meetings and extraordinary general meeting as major opportunities to have contact with shareholders, and all shareholders of the Company are entitled to attend the meetings. • The Company issued notices and circulars of general meetings according to the "Articles of Association" and "Listing Rules", setting out details of business to be considered in the meetings and the voting procedures.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• In the general meetings, a separate resolution shall be proposed by the chairman of the meeting in respect of each substantially separate issue. Issuers shall avoid including different issues in one resolution	Yes	• Each actual independent matter submitted for consideration by the general meeting has been raised as individual resolution. The Company has not included different issues in one resolution in any of the past general meetings.
• The chairman of the board shall attend the annual general meeting and invite the chairman of specified committees to attend the meetings. The management of issuers shall ensure the external auditors to attend the annual general meeting	Yes	• The Chairman has attended the annual general meetings, extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and management to reply to the inquiries of Shareholders in the meetings. The external auditors of the Company have attended all past annual general meetings and extraordinary general meetings of the Company, and were well-prepared to answer the enquiries from Shareholders.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer shall arrange for the delivery of notice to shareholders at least 20 clear business days before the meeting in the case of an annual general meeting or at least 10 clear business days in the case of all other general meetings	Yes	• The Company has strictly complied with the requirements of the Articles of Association and dispatched the written notices at least 45 days before the annual general meetings or extraordinary general meetings, informing the details of business to be considered in the meetings, date, time and venue of the meetings to the Shareholders whose names appeared on the register.
• The board of directors shall establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness	Yes	• The Company has added relevant articles in the Articles of Association, further defining the specific procedures for Shareholders to express their opinions.

E2. Voting by poll

Principle of the Code
• The issuer shall regularly inform shareholders of the procedures of voting by poll, and ensure compliance with the requirements under the Listing Rules and the Articles of Association.
The best situation in the governance of China COSCO
• The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association. • The Company has confirmed the validity of all Shareholders present and voted in the meetings, appointed the Supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, and appointed lawyers to issue legal opinions on the procedures of annual general meeting and results of voting. Results of voting were announced on designated newspapers and the website.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman of the general meeting shall ensure the procedures of voting were explained in detail and answer the questions raised by shareholders about voting prior to the commencement of the meeting	Yes	• Prior to the commencement of the general meeting, the chairman of the meeting shall explain the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the past general meetings, there were arrangements in the procedures for raising questions by Shareholders.

F. Company Secretary

Principle of the Code • The company secretary is mainly responsible for providing assistance to directors, ensuring the effective communication between the members of the board of directors and acting in compliance with the policies formulated by the board of directors and procedures. The company secretary shall make recommendations to the board of directors on corporate governance through the chairman and/or chief executive and arrange training and professional development for the directors.
The best situation in the governance of China COSCO • Currently the Company has appointed company secretaries who are responsible for enhancing the corporate governance of the Company and providing assistance to directors for duty performance and organize information disclosure of the Company.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Company secretary is an employee of issuer and has acquired understanding of daily operation of the issuer	Yes	• The company secretaries are employees of the Company and have acquired understanding of the daily operation of the Company.
• The selection, appointment and dismissal of the company secretary are subject to the approval of the board of directors	Yes	• The appointment of the existing company secretaries were approved by the board of directors in the 5th meeting of the 3rd session of the board of directors.
• The company secretary shall report to the chairman of the board of directors and/or the chief executive officer	Yes	• The company secretaries report to the Chairman and the President.
• All directors shall have access to the advice and services of the company secretary to ensure the procedures of the board of directors and all applicable laws and regulations are followed	Yes	• The company secretaries have established an effective communication channel with all Directors, so as to assist the board of directors and the general manager to be in compliance with domestic and foreign laws and regulations, the Articles of Association and other relevant requirements when performing their duties.

Rights of Shareholders

Pursuant to the mandatory disclosure requirements in item O of Appendix 14 to the Listing Rules, listed companies should disclose in their corporate governance report information relating to shareholders rights, including (i) how shareholders can convene an extraordinary general meeting, (ii) the procedures by which enquiries may be put to the board and sufficient contact details to enable these engineers to be properly directed; and (iii) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

The Company has strictly complied with relevant domestic and foreign laws and regulations and has taken various measures to actively create conditions in accordance with requirements of the Articles of Association with a view of ensuring that rights of Shareholders can be well achieved.

According to the Articles of Association, the Board shall convene a general meeting within two months at the request of shareholders individually or jointly holding 10% or more shares. Shareholders individually or jointly holding over 10% of the shares of the Company for more than 90 consecutive days may convene and preside over a shareholders general meeting himself or themselves. Shareholders individually or jointly holding over 3% of the shares of the Company may submit proposals to the Company. Shareholders individually or jointly holding 3% or more of the shares of the Company may propose ex tempore motions no later than twenty days prior to the convening of the shareholders general meeting by submitting the same in writing to the convener who shall issue a supplementary notice of general meeting within two days upon receipt of the motions to announce the details of such motions. For details, please refer to Article 66, Article 68 and Article 92 of the Articles of Association. In addition, according to the provisions of Article 54 of the Articles of Association, shareholders of the Company have the right to supervise and manage the Company's business operations, raise suggestions or questions.

The Company values and welcomes Shareholders, investors and the public to make enquiries and suggestions to the Company. For contact information of the Company, please see the section headed "Company's Basic Information" in this annual report.

Remuneration of members of senior management by band

	2013
HK$0-HK$1,000,000 (equivalent to approximately RMB0 to RMB790,000)	3
HK$1,000,001-HK$1,500,000 (equivalent to approximately RMB790,000 to RMB1,180,000)	4
HK$3,000,001-HK$4,000,000 (equivalent to approximately RMB2,360,000 to RMB3,140,000)	1
HK$6,000,001-HK$7,000,000 (equivalent to approximately RMB4,720,000 to RMB5,500,000)	1
	9

Summary report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board

The Company has formulated the Terms of Reference of the Audit Committee, which have defined the duties and responsibilities of the audit committee, including its relationship with external accounting firm, the reviewing of financial information of the Company, the overseeing of the financial reporting system and internal control procedures of the Company, the reviewing of whether the investigations regarding the financial reporting, the internal control or other matters that are not in the ordinary course of business of the Company were conducted independently and fairly, and whether appropriate actions or remedial actions have been taken.

The chairman of the third session of auditor committee under the Board is Mr. Kwong Che Keung, Gordan (independent non-executive Director), and other members are Ms. Sun Yueying (non-executive Director) and Mr. Teo Siong Seng (independent non-executive Director).

During the reporting period, the audit committee held four meetings, mainly considering matters such as the annual reports, interim reports, quarterly reports, internal control system, internal audit, internal audit plan and appointment of auditors of the Company.

Summary report on the performance of the remuneration committee under the Board

The chairman of the third session of remuneration committee under the Board is Dr. Fan Hsu Lai Tai, Rita (independent non-executive Director), and other members are Mr. Kwong Chi Keung, Gordon (independent non-executive Director), Mr. Ye Weilong (Director) and Mr. Li Yunpeng (former member of the remuneration committee and a Director).

During the reporting period, the remuneration committee held 1 meeting, mainly considering the review of the grantees of stock appreciation rights in 2012, movement of stock appreciation rights in 2012, review of the senior management of China COSCO in 2012, compensation proposals for the senior management of China COSCO in 2012 and the performance of the remuneration committee in 2012. Meanwhile, the Board was also advised on the status of completion of operation objectives by the senior management.

Summary report on the performance of the nomination committee under the Board

The chairman of the third session of nomination committee under the Board is Mr. Teo Siong Seng (independent non-executive Director), and other members are Dr. Fan Hsu Lai Tai, Rita (independent non-executive Director) and Mr. Jiang Lijun (executive Director).

During the reporting period, the nomination committee held one meeting. Main businesses included considering and approving the development of "Board Member Diversification Policy of China COSCO Holdings Company Limited" and proposing to revise the work rules for the nomination committee accordingly.

Auditors' Remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and Ruihua Certified Public Accountants, LLP as the PRC auditor of the Company for 2013.

Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Group during the year amounted to RMB35,815,000, RMB8,881,000 and RMB6,502,000, respectively.

Nature of services	2013 (RMB'000)	2012 (RMB'000) (Restated)
Audit service	**35,815**	33,164
Audit related service	**8,881**	7,575
Non-audit services		
• Tax related services	**3,740**	2,993
• Circular related services	**760**	700
• Other advisory services	**2,002**	820

The Board is pleased to present the Directors' Report of the year 2013 together with the audited financial statements of the Group for the year ended 31 December 2013.

Principal Activities

The Group is engaged in providing container shipping, dry bulk shipping, managing and operating container terminals and container leasing businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2013 are set out in note 42 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2013 are set out on pages 134 to 136 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2013, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the consolidated financial statements. The distributable reserves of the Company as at 31 December 2013 were RMB1,971,086,435.29, being the amount determined in accordance with the China Accounting Standards.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 21 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the year are set out in notes 6 and 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 23 to the consolidated financial statements.

Pre-emptive Rights

The Articles of Association 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.

Directors' Report

Tax Relief

The Company is not aware of any tax relief available to Shareholders by reason of their holding of the Company's securities.

Share Capital

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year under review amounted to approximately RMB1,006,000.

Directors and Supervisors

The Directors during the year under review and up to the date of this annual report were as follows:

Name	Date of appointment as Directors	Date of resignation as Directors
Executive Directors		
LI Yunpeng	28 February 2012	N/A
SUN Jiakang	17 May 2011	N/A
XU Minjie	17 May 2011	8 November 2013
JIANG Lijun (President)	28 February 2012	N/A
Non-executive Directors		
WEI Jiafu (Chairman)	28 February 2005	16 July 2013
MA Zehua (Chairman)	12 October 2011	N/A
SUN Yueying	7 March 2005	N/A
YE Weilong	12 November 2012	N/A
Independent non-executive Directors		
TEO Siong Seng	6 June 2008	N/A
FAN HSU Lai Tai, Rita	17 May 2011	N/A
KWONG Che Keung, Gordon	17 May 2011	N/A
Peter Guy BOWIE	17 May 2011	N/A

The Supervisors during the year under review and up to the date of this annual report were as follows:

Name	Positions	Date of appointment as Supervisors	Date of cessation as Supervisors
MA Jianhua	Supervisor	17 May 2011	31 May 2013
LUO Jiulian	Supervisor	17 May 2011	N/A
MENG Yan	Independent Supervisor	17 May 2011	N/A
GAO Ping	Supervisor	6 January 2012	N/A
SONG Dawei	Chairman of Supervisory Committee	28 February 2012	N/A
ZHANG Jianping	Independent Supervisor	28 February 2012	N/A
WEI Qing	Supervisor	31 May 2013	N/A

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all the four independent non-executive Directors are considered to be independent.

Biographies of Directors, Supervisors and Members of the Senior Management

Biographies of Directors, Supervisors and members of senior management of the Company as at the date hereof are set out on pages 54 to 59 of this report.

Competing Interest

None of the Directors or Supervisors has interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connected transactions are as follows:

1. On 30 October 2012, COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司) ("COSCO Ports", together with its subsidiaries, "COSCO Ports Group"), a non-wholly-owned subsidiary of the Company through COSCO Pacific, entered into a finance leasing master agreement (the "Finance Leasing Master Agreement") with Florens Capital Management Company Limited ("Florens Capital Management", together with its subsidiaries, "Florens Capital Management Group"), a non-wholly-owned subsidiary of the Company through COSCO Pacific, in relation to the provision of finance leasing by relevant members of Florens Capital Management Group to members of COSCO Ports Group for a term of three years from 1 January 2013 to 31 December 2015.

   Florens Capital Management is owned as to 50% by COSCO, which is the controlling Shareholder of the Company. Accordingly, members of Florens Capital Management Group (including Florens Capital Management) are connected persons of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

2. On 30 October 2012, COSCO Ports and Piraeus Container Terminal S.A. ("PCT"), each a non-wholly-owned subsidiary of the Company through COSCO Pacific, entered into a shipping services master agreement (the "APM Shipping Services Master Agreement") with the entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by A.P. Moller — Maersk A/S ("APM") (collectively, the "Line") in relation to the provision of shipping related services by members of the COSCO Ports Group or PCT to the Line for a term of three years from 1 January 2013 to 31 December 2015.

   APM Terminals Invest Company Limited, which is a subsidiary of APM, is a substantial shareholder of a subsidiary of the Company. The Line are majority-owned by APM and are therefore associates of APM Terminals Invest Company Limited. Accordingly, the Line are connected persons of the Company under the Listing Rules by virtue of the relationship with the Company's subsidiary.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

3. On 30 October 2012, COSCO Ports and PCT entered into a shipping and terminal services master agreement ("COSCO Shipping Services and Terminal Services Master Agreement") with COSCO in relation to the (a) provision of shipping related services by members of COSCO Ports Group and PCT to members of COSCO Group (excluding the Group), and (b) provision of terminal related services by members of the COSCO Group (excluding the Group) to members of COSCO Ports Group for a term of three years from 1 January 2013 to 31 December 2015.

   As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

4. On 30 October 2012, COSCO Ports and Guangzhou South China Oceangate Container Terminal Company Limited (廣州南沙海港集裝箱碼頭有限公司) ("GZ South China"), a non-wholly owned subsidiary of the Company through COSCO Pacific, entered into a purchase master agreement (the "Nansha Diesel Oil Purchase Master Agreement") with 中國船舶燃料廣州有限公司 (China Marine Bunker Guangzhou Co., Ltd*) ("CM Supply") in relation to the purchase of diesel oil by GZ South China from CM Supply for a term of three years from 1 January 2013 to 31 December 2015.

   CM Supply is owned as to 50% by COSCO which is the controlling Shareholder of the Company. Accordingly, CM Supply is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

5. On 30 October 2012, COSCO Ports and GZ South China entered into a container terminal services master agreement (the "Nansha Container Terminal Services Master Agreement") with 廣州港集團有限公司 (Guangzhou Port Group Company Limited*) ("GZ Port Holding") in relation to the (a) provision of container terminal related services by GZ South China to members of the GZ Port Group, (b) provision of container terminal related services by members of the GZ Port Group to GZ South China, and (c) appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the vessels which use the high-frequency wireless communication services (甚高頻無線電通訊服務) at the Guangzhou port, or the agents of such vessels, the high-frequency communication fee (甚高頻通訊費) at a rate as prescribed by GZ Port Holding from time to time for a term of three years from 1 January 2013 to 31 December 2015.

As GZ Port Holding holds a 41% equity interest in GZ South China, which is a subsidiary of the Company, members of GZ Port Group (including GZ Port Holding) are connected persons of the Company under the Listing Rules by virtue of their relationship with the Company's subsidiary.

For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

6. On 30 October 2012, COSCO Ports and Yangzhou Yuanyang International Ports Co., Ltd. (揚州遠揚國際碼頭有限公司) ("Yangzhou Yuanyang"), a non-wholly owned subsidiary of the Company through COSCO Pacific, entered into a terminal services master agreement (the "Yangzhou Terminal Services Master Agreement") with 江蘇省揚州港務集團有限公司 (Jiangsu Province Yangzhou Port Group Co., Ltd*) ("Yangzhou Port Holding") in relation to the provision of terminal related services by members of the Yangzhou Port Holding and its subsidiaries, branches and associates (collectively, "Yangzhou Port Group") to Yangzhou Yuanyang for a term of three years from 1 January 2013 to 31 December 2015.

   As Yangzhou Port Holding holds 40% equity interest in Yangzhou Yuanyang, which is a subsidiary of the Company, members of Yangzhou Port Group (including Yangzhou Port Holding) are connected persons of the Company under the Listing Rules by virtue of their relationship with the Company's subsidiary.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 30 October 2012.

7. On 27 March 2013, the Company entered into an equity transfer agreement with COSCO pursuant to which the Company agreed to dispose of, and COSCO agreed to acquire, the entire issued share capital of COSCO Logistics.

   As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 27 March 2013.

8. On 20 May 2013, the Company through COSCO Pacific (as the vendor) entered into a conditional sale and purchase agreement with Long Honour Investments Limited (as the purchaser) and COSCO (Hong Kong) Group Limited (as guarantor) pursuant to which COSCO Pacific agreed to dispose of, and Long Honour Investments Limited agreed to acquire the entire issued share capital of COSCO Container Industries Limited and the outstanding loans its owed to COSCO Pacific which are unsecured, interest-free and repayable on demand, and COSCO (Hong Kong) Group Limited agreed to guarantee the obligations of Long Honour Investments Limited under the sale and purchase agreement. COSCO Container Industries Limited holds 21.8% equity interest in China International Marine Containers (Group) Co., Ltd.

   Long Honour Investments Limited is an indirect wholly-owned subsidiary of COSCO, which is the controlling Shareholder of the Company. Accordingly, Long Honour Investments Limited is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 20 May 2013.

9 On 29 August 2013, the Company through Qingdao Ocean Shipping Co., Ltd., a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Yuehon Investment Limited pursuant to which Qingdao Ocean Shipping Co., Ltd. agreed to dispose of, and Yuehon Investment Limited agreed to acquire 81% equity interest of Qingdao Management.

Yuehon Investment Limited is an indirect wholly-owned subsidiary of COSCO, which is the controlling Shareholder of the Company. Accordingly, Yuehon Investment Limited is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

10. On 29 August 2013, the Company through COSCON, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Ling Hui Investments Limited pursuant to which COSCON agreed to dispose of, and Ling Hui Investments Limited agreed to acquire 81% equity interest of Shanghai Tianhongli.

    Ling Hui Investments Limited is an indirect wholly-owned subsidiary of COSCO, which is the controlling Shareholder of the Company. Accordingly, Ling Hui Investments Limited is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

11. On 29 August 2013, the Company and COSCO Finance Ltd. ("COSCO Finance") entered into a financial services agreement (the "Financial Services Agreement") in relation to the provision of certain financial services by COSCO Finance to the Group as the renewal of the financial services agreement which would have expired on 31 December 2013. The Financial Services Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Financial Services Agreement gives a non-renewal notice in writing to the other party.

    COSCO Finance is a non-wholly owned subsidiary of COSCO, which is the controlling Shareholder of the Company. Accordingly, COSCO Finance is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

12. On 29 August 2013, the Company and COSCO entered into a master vessel services agreement (the "Master Vessel Services Agreement") in relation to the mutual provision of certain vessel services between the Group and its associates and the COSCO Group (excluding the Group) and its associates as the combination and renewal of the master vessel services agreement and the master vessel management agreement which would have expired on 31 December 2013. The Master Vessel Services Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Vessel Services Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

13. On 29 August 2013, the Company and COSCO entered into a master general services agreement (the "Master General Services Agreement") in relation to the mutual provision of certain general services between the Group and its associates and the COSCO Group (excluding the Group) and its associates as the renewal of the master general services agreement which would have expired on 31 December 2013. The Master General Services Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master General Services Agreement gives a non-renewal notice in writing to the other party.

As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

14. On 29 August 2013, the Company and COSCO entered into a master shipping agency services agreement (the "Master Shipping Agency Services Agreement") in relation to the mutual provision of certain vessel services in domestic and overseas ports between the COSCO Group (excluding the Group) and its associates and the Group and its associates as the combination and renewal of the master overseas agency services agreement and the shipping agency master agreement which would have expired on 31 December 2013. The Master Shipping Agency Services Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Shipping Agency Services Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

15. On 29 August 2013, the Company and COSCO entered into a master seamen leasing agreement (the "Master Seamen Leasing Agreement") in relation to the mutual provision of seamen leasing services and certain other related and ancillary services between the Group and its associates and the COSCO Group (excluding the Group) and its associates as the renewal of the master seamen leasing agreement which would have expired on 31 December 2013. The Master Seaman Leasing Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Seamen Leasing Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

16. On 29 August 2013, the Company and COSCO entered into a master premise leasing agreement (the "Master Premises Leasing Agreement") in relation to the mutual leasing of certain premises between the Group and its associates and the COSCO Group (excluding the Group) and its associates as the renewal of the master premises leasing agreement which would have expired on 31 December 2013. The Master Premises Leasing Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Premises Leasing Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

17. On 29 August 2013, the Company and COSCO entered into a master container services agreement (the "Master Container Services Agreement") in relation to the provision of certain container services by COSCO Group (excluding the Group) and its associates to the group and its associates as the renewal of the master container services agreement which would have expired on 31 December 2013. The Master Container Services Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Container Services Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

18. On 29 August 2013, the Company and COSCO entered into a master port services agreement (the "Master Port Services Agreement") in relation to the provision of certain port services by the COSCO Group (excluding the Group) and its associates to the Group and its associates as the renewal of the master port services agreement which would have expired on 31 December 2013. The Master Port Services Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Master Port Services Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

19. On 29 August 2013, the Company and COSCO (on behalf of COSCO Oceania Chatering Pty. Ltd. ("COSCO Bulk Oceania"), COSCO Europe Bulk Shipping CimbH ("COSCO Bulk Europe"), COSCO Bulk Carrier Americas Inc. ("COSCO Bulk Americas"), COSCO (Singapore) Pte Ltd. ("COSCO Singapore"), Xiamen COSCO Carrier Corporation ("Xiamen COSCO"), Sino-Poland Joint Stock Shipping Company ("Sino-Poland"), Sino-Tanzania Joint Shipping Company ("Sino-Tanzania") and Shanghai Ocean Industrial Company ("Shanghai Ocean Industrial"), entered into the vessels leasing master agreement (the "Vessel Leasing Master Agreement") in relation to the mutual provision of time charter and bareboat charters between the Group and its associates on one side and COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland, Sino-Tanzania and Shanghai Ocean Industrial on the other side as the combination and renewal of the time charter master agreement and Qingdao bareboat leasing agreement which would have expired on 31 December 2013. The Vessels Leasing Master Agreement has a term from 1 January 2014 to 31 December 2016.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

20. On 29 August 2013, the Company and COSCO entered into the freight forwarding master agreement (the "Freight Forwarding Master Agreement") in relation to the (a) mutual provision of freight, slot booking, logistics and other related and ancillary services between the COSCO Group (excluding the Group) and its associates to the Group and its associates, and (b) provision of freight solicitation by the COSCO Group (excluding the Group) and its associates to the Group and its associates as the combination and renewal of the master solicitation activities agreement and the freight forwarding master agreement which would have expired on 31 December 2013. The Freight Forwarding Master Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Freight Forwarding Master Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

21. On 29 August 2013, the Company and COSCO entered into the entrusted management services master agreement (the "Entrusted Management Services Master Agreement") in relation to the provision of entrusted management services by the Group and its associates to COSCO Group (excluding the Group) and its associates as the renewal of the entrusted management services master agreement which would have expired on 31 December 2013. The Entrusted Management Services Master Agreement has a term from 1 January 2014 to 31 December 2016 which shall be automatically renewed for a further term of three years upon expiration of the current term, unless at any time during the current term any party to the Entrusted Management Services Master Agreement gives a non-renewal notice in writing to the other party.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

22. On 29 August 2013, the Company through its subsidiary COSCON entered into seven renewal letters with seven single-vessel companies of COSCO pursuant to which the term of seven sub-time charter agreements relating to sub-lease of seven vessels from COSCO to COSCON has been extended from 31 December 2013 to 30 November 2016.

    All seven single-vessel companies are wholly-owned subsidiaries of COSCO, which is the controlling Shareholder of the Company. Accordingly, seven single-vessel companies are connected persons of the Company under the Listing Rules.

    For further information relating to the above transactions, please refer to the announcement of the Company dated 29 August 2013.

23. On 29 August 2013, the Company through COSCON, a wholly-owned subsidiary of the Company, and COSCO renewed the annual caps of three sub-time charter agreements in relation to the sub-leases of three vessels from COSCO to COSCON for another three years until 31 December 2016. The three sub-time charter agreements will expire on 24 February 2017.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

24. On 29 August 2013, the Company and COSCO entered into a trademark license agreement (the "Trademark License Agreement"), pursuant to which COSCO has granted a non-exclusive license to the Company with the right to use certain trademarks at the same rate of RMB1.00 per annum for a term from 1 January 2014 to 31 December 2016.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

25. On 29 August 2013, the Company and COSCO entered into a consumer services master agreement (the "Consumer Services Master Agreement") in relation to the mutual provision of daily consumer services (including hotel, air tickets, conference services, business refreshment, catering for staff, etc.) between the Group and its associates and the COSCO Group (excluding the Group) and its associates for a term from 1 January 2014 to 31 December 2016.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

26. On 29 August 2013, the Company and COSCO (for and on behalf of COSCO Oceania Chartering Services Pty. Ltd., COSCO Europe Bulk Carrier Company Limited, COSCO Bulk Carrier Americas Company Limited, COSCO (Singapore) Pte Ltd., Xiamen COSCO Carrier Corporation, Sino-Poland Joint Stock Shipping Company and Sino-Tanzania Joint Shipping Company) entered into a voyage charter master agreement (the "Voyage Charter (including TCT) Master Agreement") as the renewal of the existing voyage charter (including TCT) master agreement which would have expired on 31 December 2013. The Voyage Charter (including TCT) Master Agreement has a term from 1 January 2014 to 31 December 2016.

    As COSCO is the controlling Shareholder of the Company, it is a connected person of the Company under the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

With respect to the related party transactions as disclosed in note 40 to the consolidated financial statements, those transactions which constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules have been disclosed above. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the above connected transactions and continuing connected transactions.

The following table sets out the relevant annual caps and the actual figures for the year ended 31 December 2013 in relation to the continuing connected transactions of the Group:

The annual caps and actual figures in respect of the non-exempt continuing connected transactions of the Group

	Transactions	Annual Cap for the year ended 31 December 2013 ('000)	Actual Figure for the year ended 31 December 2013 ('000)
1	Transactions under the Existing Financial Services Agreement		
(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO Pacific and its subsidiaries) with COSCO Finance	RMB18,000,000	RMB16,665,326
(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries)	RMB8,000,000	RMB1,602,051
2	Transactions under the Existing Master Vessel Services Agreement		
(a)	Purchase of vessel services from the COSCO Group and its associates	RMB25,500,000	RMB14,283,484
(b)	Provision of vessel services to the COSCO Group and its associates	RMB67,000	RMB17,299
3	Transactions under the Existing Master General Services Agreement		
(a)	Purchase of general services from the COSCO Group and its associates	RMB145,000	RMB47,930
(b)	Provision of general services to the COSCO Group and its associates	RMB25,000	RMB2,947
4	Transactions under the Existing Master Overseas Agency Services Agreement	RMB500,000	RMB129,418
5	Transactions under the Existing Master Seamen Leasing Agreement		
(a)	Purchase of services from the COSCO Group and its associates	RMB150,000	RMB18,558
(b)	Provision of services to the COSCO Group and its associates	RMB400,000	RMB87,011
6	Transactions under the Existing Master Premises Leasing Agreement		
(a)	Rent and other fees and charges payable to the COSCO Group and its associates	RMB140,000	RMB95,991
(b)	Rent and other fees and charges receivable from the COSCO Group and its associates	RMB8,000	RMB4,189
7	Transactions under the Existing Master Container Services Agreement	RMB260,000	RMB83,321
8	Transactions under the Existing Master Solicitation Activities Agreement	RMB450,000	RMB289,701

Transactions		Annual Cap for the year ended 31 December 2013 ('000)	Actual Figure for the year ended 31 December 2013 ('000)
9	Transactions under the Existing Master Port Services Agreement	RMB1,250,000	RMB825,403
10	Transactions under the Existing Time Charter Master Agreement		
(a)	Total charterhire payable to COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland and Sino-Tanzania	RMB1,400,000	RMB157,140
(b)	Total charterhire receivable from COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland and Sino-Tanzania	RMB1,000,000	RMB93,618
11	Transactions under the Existing Freight Forwarding Master Agreement		
(a)	Purchase of services from the COSCO Group and its associates	RMB250,000	RMB32,913
(b)	Provision of services to the COSCO Group and its associates	RMB400,000	RMB5,814
12	Sub-lease of time charters and sub-time charters		
(a)	Sub-lease of time charters from COSCO to COSCON	RMB550,000	RMB338,852
(b)	Sub-time charters from COSCO to COSCON	RMB150,000	RMB118,900
13	Bareboat charters with Shanghai Ocean Industrial	RMB50,000	RMB31,254
14	Transactions under the Finance Leasing Master Agreement	US$200,000	US$9,324
15	Transactions under the COSCO Shipping Services and Terminal Services Master Agreement		
(a)	Provision of shipping related services from COSCO Group to COSCO Ports Group and PCT	RMB160,999	—
(b)	Provision of terminal related services from the COSCO Ports Group to the COSCO Group	RMB69,200	RMB2,332
16	Transactions under the Nansha Diesel Oil Purchase Master Agreement	RMB90,000	RMB6,897
17	Transactions under the APM Shipping Services Master Agreement	RMB905,651	RMB293,422
18	Transactions under the Nansha Container Terminal Services Master Agreement		
(a)	Provision of containers terminal related services by GZ South China to GZ Port Group	RMB62,350	RMB9,717
(b)	Provision of container terminal related services by GZ Port Group to GZ South China	RMB292,370	RMB59,652
(c)	Appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding vessels which use high-frequency wireless communication services		
(i)	High-frequency communication fee payable by GZ South China to GZ Port Group	RMB6,000	RMB826
(ii)	Handling fee payable to GZ South China in respect of charging of high-frequency communication fee	RMB200	—
19	Transactions under the Yangzhou Terminal Services Master Agreement	RMB225,400	RMB72,031

Review of Continuing Connected Transactions for the year 2013

The independent non-executive Directors have reviewed the above continuing connected transactions (other than transactions under the master agreements set out as items 14 to 19 in the above table) and confirm that these transactions have been entered into:

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

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

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

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set forth as items 14 to 19 in the above table (other than Dr. FAN HSU Lai Tai, Rita who has not reviewed the continuing connected transactions set forth as items 14 to 19 in the above table as she is a Director and a director of COSCO Pacific) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of COSCO Pacific group;

(2) on terms no less favourable to COSCO Pacific group than terms available from/to independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of COSCO Pacific as a whole.

For the purpose of Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions (other than transactions under the master agreements set out as items 14 to 19 in the above table) as identified by management for the year ended 31 December 2013 (the "Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

For the purpose of Rule 14A.38 of the Listing Rules, the board of directors of COSCO Pacific engaged the auditor of COSCO Pacific to report on the above continuing connected transactions set forth as items 14 to 19 in the above table and as identified by management for the year ended 31 December 2013 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO Pacific has issued its unqualified letter containing its findings and conclusions in respect of these transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by COSCO Pacific to the Hong Kong Stock Exchange.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2013, so far as was known to the Directors, Shareholders who had interests or short positions in the Shares and underlying shares of the Company which fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was:

		Number of H-Shares/Percentage of total issued share capital of the H-Shares						
Name	Capacity and nature of interest	Long position	(approx) %	Short position	(approx) %	Lending pool	(approx) %	Note
BlackRock Group	Interest of controlled corporation	140,931,595	5.46	107,063,500	4.14			(1)

Note:

(1) The long position in such 140,931,595 shares are associated with shares held by the following associated corporations of BlackRock Group: Trident Merger, LLC, BlackRock Investment Management, LLC., BlackRock Holdco 2 Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Advisors Holdings Inc., BlackRock International Holdings Inc., BR Jersey International LP, BlackRock Cayco Ltd., BlackRock Trident Holding Company Limited, BlackRock Japan Holdings GK, BlackRock Japan Co Ltd, BlackRock (Institutional) Canada Ltd, BlackRock Holdings Canada Limited, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty Ltd, BlackRock Investment Management (Australia) Limited, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock (Netherlands) B.V., Blackrock Advisors (UK) Limited, BlackRock International Limited, BlackRock Luxembourg Holdco S.a.r.l., BlackRock Investment Management Ireland Holdings Ltd, BlackRock Asset Management Ireland Limited, BlackRock (Luxembourg) S.A., BlackRock Investment Management (UK) Ltd and BlackRock Fund Managers Ltd. The short position in 107,063,500 shares are associated with shares held by the following associated corporations of BlackRock Group: BlackRock Holdco 2 Inc., BlackRock Financial Management, Inc., BlackRock Holdco 4 LLC, BlackRock Holdco 6 LLC, BlackRock Delaware Holdings, Inc., BlackRock Institutional Trust Company, N.A., BlackRock Advisors Holdings Inc., BlackRock Capital Holdings, Inc., BlackRock Advisors, LLC, BlackRock International Holdings Inc., BR Jersey International LP, BlackRock Group Limited, BlackRock Luxembourg Holdco S.a.r.l. and BlackRock (Luxembourg) S.A.

Save as disclosed above, as at 31 December 2013, so far as was known to the Directors, there was no person (other than a Director, Supervisor or chief executive officer of the Company) who had any other interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at 31 December 2013, so far as was known to the Directors, the Shareholder having interest in 5% or more of the total issued share capital of the Company (including A Shares and H Shares) was:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	%	Short position	%	Lending Pool	%
COSCO	Beneficial owner	A shares: 5,313,082,844 H Shares: 81,179,500 Total: 5,394,262,344	52.80	–	–	–	–

Share Appreciation Rights Plan

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of Directors, Supervisors and senior management of the Company with the Company's operating results and market value of the Shares. The issuance of share appreciation rights does not involve any issuance of new Shares, nor does it have any dilutive effect on the Shareholders.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including nine Directors and three Supervisors at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including eight Directors and three Supervisors at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including seven Directors and four Supervisors at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. As of 31 December 2013, the Company did not grant any share appreciation rights after the grant on 4 June 2007.

Movements of the share appreciation rights, which were granted to Directors, Supervisors or senior management pursuant to the Share Appreciation Rights Plan during the year of 2013 are set out below:

				Number of units of share appreciation rights							
Name of director/ supervisor/ senior management	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2013	Transfer (to)/from other category during the period	Granted during the period	Exercised during the period	Lapsed duing the period	Outstanding as at 31 December 2013	Approximate % of issued share capital of the Company's H shares as at 31 December 2013	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195 HK$3.588 HK$9.540	680,000 900,000 880,000	(680,000) (900,000) (880,000)	– – –	– – –	– – –	– – –	0.000% 0.000% 0.000%	(1) (4) (2) (4) (3) (4)
LI Yunpeng	Beneficial owner	Personal	HK$3.195 HK$3.588 HK$9.540	450,000 600,000 580,000	– – –	– – –	– – –	– – –	450,000 600,000 580,000	0.017% 0.023% 0.022%	(1) (4) (2) (4) (3) (4)
SUN Yueying	Beneficial owner	Personal	HK$3.195 HK$3.588 HK$9.540	450,000 600,000 580,000	– – –	– – –	– – –	– – –	450,000 600,000 580,000	0.017% 0.023% 0.022%	(1) (2) (3)
SUN Jiakang	Beneficial owner	Personal	HK$3.195 HK$3.588 HK$9.540	375,000 500,000 480,000	– – –	– – –	– – –	– – –	375,000 500,000 480,000	0.015% 0.019% 0.019%	(1) (2) (3)
XU Minjie	Beneficial owner	Personal	HK$3.195 HK$3.588	75,000 90,000	(75,000) (90,000)	–	–	–	– –	0.000% 0.000%	(1) (8) (2) (8)
YE Weilong	Beneficial owner	Personal	HK$9.540	480,000	–	–	–	–	480,000	0.019%	(3)
GAO Ping	Beneficial owner	Personal	HK$3.195 HK$3.588 HK$9.540	100,000 90,000 85,000	– – –	– – –	– – –	– – –	100,000 90,000 85,000	0.004% 0.003% 0.003%	(1) (2) (3)

				Number of units of share appreciation rights							
Name of director/ supervisor/ senior management	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2013	Transfer (to)/from other category during the period	Granted during the period	Exercised during the period	Lapsed duing the period	Outstanding as at 31 December 2013	Approximate % of issued share capital of the Company's H shares as at 31 December 2013	Note
MA Jianhua	Beneficial owner	Personal	HK$9.540	480,000	(480,000)	–	–		–	0.000%	(3) (6) (7)
WAN Min	Beneficial owner	Personal	HK$3.195	75,000	–	–	–	–	75,000	0.003%	(1)
			HK$3.588	280,000	–	–	–	–	280,000	0.011%	(2)
			HK$9.540	260,000	–	–	–		260,000	0.010%	(3)
ZHANG Jiqing	Beneficial owner	Personal	HK$3.195	100,000	(100,000)	–	–	–	–	0.000%	(1) (5) (7)
			HK$3.588	90,000	(90,000)	–	–	–	–	0.000%	(2) (5) (7)
			HK$9.540	75,000	(75,000)	–	–	–	–	0.000%	(3) (5) (7)
FENG Jinhua	Beneficial owner	Personal	HK$3.195	100,000	(100,000)	–	–	–	–	0.000%	(1) (9)
			HK$3.588	90,000	(90,000)	–	–	–	–	0.000%	(2) (9)
			HK$9.540	85,000	(85,000)	–	–	–	–	0.000%	(3) (9)
TANG Runjiang	Beneficial owner	Personal	HK$3.195	–	75,000	–	–	–	75,000	0.003%	(1) (9)
			HK$3.588	–	65,000	–	–	–	65,000	0.003%	(2) (9)
Other continuous contract employees	Beneficial owner	Personal	HK$3.195	8,230,750	430,000	–	–	–	8,660,750	0.336%	(1)
			HK$3.588	9,915,000	610,000	–	–	–	10,525,000	0.408%	(2)
			HK$9.540	13,560,000	(4,420,000)	–	–	–	9,140,000	0.354%	(3)
Others	Beneficial owner	Personal	HK$3.195	4,575,000	450,000	–	–	–	5,025,000	0.195%	(1)
			HK$3.588	5,915,000	495,000	–	–	–	6,410,000	0.248%	(2)
			HK$9.540	6,755,000	5,940,000	–	–	–	12,695,000	0.492%	(3)
				58,580,750	–	–	–	–	58,580,750		

Notes:

(1) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 16 December 2005), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.195 per unit according to its terms between 16 December 2007 and 15 December 2015.

(2) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016.

(3) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017.

(4) China COSCO held the 18th meeting of the third Board on 16 July 2013, at which it was approved that Wei Jiafu resigned from the positions as the Chairman of the Board and a non-executive director of the Company. It was also resolved that Ma Zehua was appointed as the Chairman of the Board and re-designated as a non-executive director of the Company, and that Li Yunpeng was appointed as the vice chairman of the Board and re-designated as an executive director of the Company.

(5) On 20 May 2013, China COSCO held 17th meeting of the third Board at which Zhang Jiqing ceased to be the deputy general manager of the Company.

(6) On 31 May 2013, China COSCO announced that Ma Jianhua ceased to be the Supervisor representing staff and workers of the Company, and that Wei Qing was appointed as the Supervisor representing staff and workers of the third session of the Supervisory Committee, with effect from 28 May 2013.

(7) On 26 April 2013, China COSCO held the first extraordinary general meeting, at which resolutions for approving the disposal of 100% equity interests in COSCO Logistics Co., Ltd. (中國遠洋物流有限公司) and signing of the relevant agreements, and for confirming the signing of the "equity transfer agreement in respect of the 100% equity interest in COSCO Logistics Co., Ltd." between COSCO Group and China COSCO, were considered and approved by way of ordinary resolutions.

(8) On 8 November 2013, China COSCO announced that Xu Minjie resigned from the position as an executive director of the Company for personal reasons with immediate effect.

(9) On 30 November 2013, China COSCO held the 23rd meeting of the third Board of Directors at which Feng Jinhua resigned as the chief financial officer and Tang Runjiang was appointed as the chief financial officer of the Company.

Share Options Scheme of COSCO Pacific

At the special general meeting of COSCO Pacific held on 23 May 2003, its shareholders approved the adoption of a share option scheme (the "2003 Share Option Scheme").

Movements of the share options, which were granted under the 2003 Share Option Scheme, during the period are set out below:

		Number of share option								
Category	Exercise price (HK$)	Outstanding as at 1 January 2013	Transterred (to)/ from other categories during the period	Granted during the period	Excerised during the period	Lapsed during the period	Outstanding as at 31 December 2013	Percentage of total issued share captial of COSCO Pacific as at 31 December 2013	Exercisable period	Note
Directors										
SUN Jiakang	13.75	700,000	–	–	–	–	700,000	0.02%	01/12/2004-30/11/2014	(2) (4)
XU Minjie	19.30	800,000	(800,000)	–	–	–	N/A	N/A	19/4/2007-18/4/2017	(3) (4) (6)
Others	9.54	2,231,000	–	–	(1,911,000)	(320,000)	–	N/A	(Refer to Note 1)	(1) (5)
	13.75	12,878,000	–	–	–	(122,000)	12,756,000	0.44%	(Refer to Note 2)	(2) (5)
	19.30	12,660,000	800,000	–	–	(70,000)	13,390,000	0.46%	(Refer to Note 3)	(3) (5)
Total		29,269,000	–	–	(1,911,000)	(512,000)	26,846,000	0.92%		

Notes:

(1) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options of the grantees was from 28 October 2003 to 6 November 2003.

(2) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 25 November 2004 to 16 December 2004.

(3) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the Commencement Date. The Commencement Date of the options of the grantees was from 17 April 2007 to 19 April 2007.

(4) These options represent personal interests held by the relevant directors as beneficial owners.

(5) This category comprises, inter alia, continuous contract employees of COSCO Pacific.

(6) Xu Minjie ceased to be a Director on 8 November 2013, accordingly his rights under the 2003 Share Option Scheme were re-classified from the "Directors" category to the "Others" category.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests of Directors and Supervisors in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code were as follows:

(1) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Capacity	Nature of interest	Number of H Shares	Percentage of total issued H share capital of the Company
FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.0004%
Peter Guy BOWIE	Beneficial owner	Personal	15,000	0.0006%

Name of Director/Supervisor	Capacity	Nature of interest	Number of A Shares	Percentage of total issued A share capital
LI Yunpeng	Beneficial owner	Family	3,000	0.0004%
LUO Jiulian	Beneficial owner	Family	1,000	0.0001%

(2) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of ordinary Shares	Percentage of total issued share capital
COSCO Corporation (Singapore) Limited	SUN Yueying	Beneficial owner	Personal	600,000	0.03%
COSCO Pacific Limited	KWONG Che Keung, Gordon	Beneficial owner	Personal	250,000	0.009%

(3) Long positions in the underlying shares of equity derivatives of the Company

Movements of the share appreciation rights, which were granted pursuant to the Share Appreciation Rights Plan of the Company, during the year ended 31 December 2013 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section above.

(4) Long positions in underlying shares of equity derivatives of associated corporations of the Company

Movements of the share options granted to the Directors and Supervisors by the associated corporations of the Company during the year ended 31 December 2013 are set out as below:

Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Exercise price	Number of share options: Outstanding as at 1 January 2013	Transterred (to)/ from other categories during the year	Granted during year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2013	Percentage of total issued share capital of associated corporation as at 31 December 2013	Note
COSCO International	WEI Jiafu (resigned during the year)	Beneficial owner	Personal	HK$1.37	1,200,000	–	–	–	–	1,200,000	0.079%	(1)
	SUN Jiakang	Beneficial owner	Personal	HK$1.37	800,000	–	–	–	–	800,000	0.053%	(1)

Note:

(1) These share options were granted on 2 December 2004 pursuant to the share option scheme of COSCO International Holdings Limited, an associated corporation of the Company, and can be exercised at HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

Save as disclosed above, as at 31 December 2013, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any Shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO Pacific, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2013 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	RMB'000
Non-current assets	34,257,987
Current assets	8,898,877
Current liabilities	(12,652,397)
Non-current liabilities	(6,469,994)
Net assets	24,034,473
Share Capital	739,493
Reserves	13,507,536
Non-controlling interests	9,787,444
Capital and reserves	24,034,473

As at 31 December 2013, the Group's share of net assets of these affiliated companies amounted to RMB1,798,784,000.

Directors' Report

Arrangements to purchase Shares or debentures

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the Directors and the Supervisors of the Company and the five highest paid individuals of the Group are set out in note 34 to the consolidated financial statements.

Save as disclosed above, there were no arrangements under which a Director or Supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2013.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2013.

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.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 60 to 88 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2013, there were approximately 39,397 employees in the Group. Total staff costs for the Group for the year, including directors' remuneration, totaled approximately RMB6,556,951,791.69.

To enhance the quality and capability of our human resources as well as their team spirit and to fully cope with the business expansion of the container shipping, dry bulk shipping, container terminal, container leasing, freight forwarding and shipping agency business of the Company, the Group has organised many professional and comprehensive training programs during the year under review. The remuneration policies of the Group (including with respect to emolument payable to the Directors) are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Establishment of management system of the use of information by third parties

In accordance with the relevant requirements of regulatory authorities, the Company made amendments to the "Measures on Information Disclosures" (信息披露管理辦法) in 2009 and 2013, pursuant to which adding the administrative measures on the use of information by third parties. During the reporting period, for any insider information required to be disclosed to third parties according to the laws and regulations including statistics and statements, the Company will register and file relevant officers of such third parties who received such insider information as insiders and remind such officers of third parties to keep such information confidential in written form.

Corporate Governance and Insiders Registration and Management System

During the reporting period, the Company further optimized corporate governance and operation efficiency strictly in compliance with applicable laws and regulations, including the PRC Company Law, the Code of Corporate Governance for Listed Companies (上市公司治理準則), the Guiding Opinions for the Establishment of Independent Directorship by Listed Companies (關於在上市公司建立獨立董事制度的指導意見), the Rules for the General Meetings of Shareholders of Listed Companies (上市公司股東大會規則), the Guidelines on Articles of Association of Listed Companies (上市公司章程指引). The Company also ensured the stringent implementation of rules of procedures of the Shareholders' general meeting and meetings of the Board and the Supervisory Committee and the terms of reference of the general manager. As such, the Company was able to effectively capitalize on the expertise of the committees of the Board and ensure that members of the Shareholders' general meetings and the meetings of the Board of Directors and the Supervisory Committee perform their duties and obligations and protect the interest of the Shareholders and the Company.

During the reporting period, in compliance with the requirements of regulatory authorities in a timely manner and fully following the requirements of the Guidelines on Comprehensive Risk Management of State-owned Enterprises (中央企業全面風險管理指引) issued by the SASAC, the Guidelines on Internal Control of Enterprises (企業內部控制基本規範) and supplemental guidelines issued by five ministries, the Company further refined its internal control system and risk management procedures, and through the information systems of comprehensive risk management enhanced the collection, analysis, collation and reporting of risk data and response to risks while strengthening budget management. In addition, the Company further refined the organization structure and accountability system of domestic and overseas asset management.

The Company participated in training programs for directors, supervisors and senior management organized by regulatory authorities. The Company places great emphasis on the training of all employees, particularly on compliance, for the establishment of corporate culture. Effective measures were also adopted to raise the awareness of all employees on compliance.

The Company ensured the confidentiality of inside information and prevented insider trading through tightening the management of the circulation of insider information.

According to internal inspection of the Company, there was no insider trading of Shares before the disclosure of material inside information of the Company in 2013.

There is no deviation for the corporate governance of the Company from the PRC Company Law and applicable requirements of the CSRC during the reporting period.

Directors' Report

Shareholders' General Meetings

Session	Date of meeting	Names of resolutions	Details of resolutions	Designated website for the publication of resolutions	Date of disclosure of resolutions
First extraordinary general meeting in 2013	26 April 2013	1. To consider and approve the proposal on the disposal of 100% equity interests in COSCO Logistics and signing of the relevant agreements. 2. To consider, approve and confirm the proposal on signing of the "equity transfer agreement in respect of the 100% equity interest in COSCO Logistics Co., Ltd." between COSCO Group and China COSCO. 3. To consider and approve the proposal on external guarantee agreements of China COSCO.	All resolutions were considered and approved. Please refer to the announcements published on the relevant date for details.	www.sse.com.cn	27 April 2013
Annual General Meeting of 2012	14 June 2013	1. To consider and approve the proposed Directors' Report of China COSCO for 2012. 2. To consider and approve the proposed Report of Supervisory Committee of China COSCO for 2012.	All resolutions were considered and approved. Please refer to the announcements published on the relevant date for details.	www.sse.com.cn	15 June 2013

Session	Date of meeting	Names of resolutions	Details of resolutions	Designated website for the publication of resolutions	Date of disclosure of resolutions
		3. To consider and approve the proposed financial report and audit report of China COSCO for 2012 prepared under the China Accounting Standards and the Hong Kong Financial Reporting Standards, respectively;			
		4. To consider and approve the proposed profit distribution plan of China COSCO for 2012.			
		5. To consider and approve the proposal to reappoint RSM China Certified Public Accountants (Special Ordinary Partnership) as the domestic auditor for 2013 and to reappoint PricewaterhouseCoopers as the international auditor of the Company for 2013.			
		6. To consider, approve and confirm the proposal on the disposal by COSCO Pacific of the entire issued shares of COSCO Container Industries to Long Honour.			

Session	Date of meeting	Names of resolutions	Details of resolutions	Designated website for the publication of resolutions	Date of disclosure of resolutions
Second extraordinary general meeting in 2013	15 October 2013	1. To consider and approve the proposal on the change of domestic auditor to Ruihua Certified Public Accounts, LLP for 2013. 2. To consider and approve the proposal on the disposal of 81% equity interest in COSCO (Qingdao) Asset Management Co., Ltd and the signing of the relevant agreements. 3. To consider and approve the proposal on the disposal of 81% equity interest in Shanghai Tianhongli Asset Management Co. Ltd. and the signing of the relevant agreements. 4. To consider and approve the proposal on the signing by China COSCO of the financial services agreement for 2014-2016, and to confirm the maximum amount thereof. 5. To consider and approve the proposal on the signing by China COSCO of the master vessel services agreement for 2014-2016, and to confirm the maximum amount thereof. 6. To consider and approve the proposal on the signing of agreements for other ordinary connected transactions for 2014-2016, and to confirm the maximum amount thereof.	All resolutions were considered and approved. Please refer to the announcements published on the relevant date for details.	www.sse.com.cn	16 October 2013

Objections of Independent Non-executive Directors on Relevant Matters of the Company

Name of independent non-executive directors	Matters subject to objections raised by independent non-executive directors	Details of objections	Adopted or not	Remarks
Nil	Nil	Nil	Nil	

Major opinions and recommendations made by special committees under the Board during the performance of duties

Strategic Development Committee:

At the second meeting of the Strategic Development Committee of the third session of the Board on 29 October 2013, the committee members and other independent non-executive directors attending the meeting conducted study on current market and industry trend confronted by China COSCO in operating its container shipping and bulk cargo transportation businesses based on the "Report of China COSCO on its future development plan and adjustment status", and discussed for the purpose of turning loss to profit measures taken in areas such as route development, marketing, cost efficiency, fleet adjustment and risk management as well as focus and general consideration on future market development. It was proposed that various business units of the Company should take aggressive measures to actively participate in market competition, enhance development of emerging markets, and seize the opportunities brought about by national policies to push forward fleet restructuring, enhanced management improvement to strengthen the soft power and competitiveness capacity of the Company.

Audit Committee:

In 2013, the Audit Committee had convened a total of 4 meetings. At each of the meetings, members who were present had heard and considered the relevant reports and resolutions, and provided their relevant opinions and recommendations in the course of the meetings on issues including the request to seek management's continuous attention on the cash flow conditions of the Company; the proposal to conduct sensitivity test and analysis on future rental commitments of charter-in vessels; the proposal to revise the criteria for confirming the existence of internal control defects; the proposal to make key adjustments to the order of implementation of the key internal control proposals made by the management in previous years; the proposal to strengthen coordination and communication, mutual learning and mutual improvements between the internal audit and internal control departments.

Nomination Committee:

On 19 August 2013, in the fourth meeting of Nomination Committee under the Third Session of the Board, it was agreed to formulate the *Board Member Diversification Policy of the China COSCO Holdings Company Limited* and make amendments to the terms of reference of the Nomination Committee accordingly.

No major opinions or recommendations were provided by other specialized committees, including the Risk Management Committee and Remuneration Committee, in the course of performing their duties during the reporting period.

Risks identified by the Supervisory Committee

The Supervisory Committee has no objections to the supervision of the Company during the reporting period.

Matters affecting the independence and separate operation of the Company against the controlling shareholders in terms of businesses, personnel, assets, organizations and financial position

Not applicable.

Relevant follow-up measures, progress and plans of the Company in connection with the competition arising from share reform, characteristic of the industry, national policy and mergers and acquisitions

Not applicable.

Appraisal system and the establishment and implementation of incentive mechanism for senior management during the Reporting Period

Annual salary were paid to senior management members of the Company, including the general manager, deputy general managers, chief financial officer and secretary of the Board, which was determined according to the Administrative Measures for the Remuneration of Senior Management of China COSCO Holdings Company Limited approved by the second Board meeting. The annual salary was linked to the results of operation and stock performance of the Company and the individual performance appraisal of the senior management in terms of operation and management according to the Interim Measures for the Annual Appraisal of Senior Management and was determined by the Remuneration Committee. The Company has established a comprehensive risk control system and improved the long term incentive and punishment mechanism for senior management based on the strategic needs of the development of the Company. The share appreciation rights plan was approved by the Shareholders' general meeting based on the requirements of the Company and international practices in compliance with the PRC laws and regulations.

According to the share appreciation rights plan, certain amount of "virtual share options" will be granted to the senior management. The grantee is entitled to the gain from the price appreciation of physical shares in such number equivalent to the amount of the "virtual share options", but the grantee is not entitled to the ownership of such shares.

Unless otherwise approved, the total share appreciation rights granted shall not exceed 10% of the issued H shares, and shall be granted once a year. The first grant of share appreciation rights shall not exceed 1% of the issued H shares.

The scope of the share appreciation rights plan shall be determined by the Board of Directors of the Company, which shall include the Directors, Supervisors and senior management including the general manager, deputy general managers, chief financial officer and the secretary of the Board as well as other parties approved by the Board.

Unless for the occurrence of the grounds for early termination prescribed under the plan, the valid term of share appreciation rights for each grant shall be 10 years, with a lock-up period of 2 years, during which the grantees are restricted from exercising the rights. The proportion of rights exercisable by the grantees in the third, fourth, fifth and sixth year since the date of grant shall not exceed 25%, 50%, 75% and 100% of the total share appreciation rights granted to such grantees respectively.

During the Reporting Period, no share appreciation rights were exercised and no new appreciation rights were granted.

Internal Control

I. Statement on the responsibility on internal control and the establishment of internal control system

1. Statement of the Board

The Board is responsible for the establishing and implementing of an effective internal control system, evaluating its effectiveness and truthfully disclosing the internal control evaluation report. The Supervisory Committee is responsible for organizing and supervising the establishment and implementation of internal control system by the Board of Directors. The management is responsible for supervising the daily operation of internal control system of the Company. The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company warrant that there are no misstatements, misleading representations or material omissions in this report, and shall assume joint and several liabilities for the truthfulness, accuracy and completeness of its contents. The internal control of the Company aims to reasonably ensure the lawful operation and management, security of assets and the truthfulness of financial reports and relevant information, and to enhance the operational efficiency in order to facilitate the implementation of development strategies. Due to the inherent limitation of the internal control system, it can only provide reasonable protection for the achievement of above objectives of the Company.

2. Establishment of internal control system

In 2013, China COSCO continued to improve and optimize its internal control pursuant to the Guidelines on Internal Control of Enterprises (企業內部控制基本規範) and supplemental guidelines issued by five ministries including the PRC Ministry of Finance.

(1) To ensure the smooth construction of its internal control system, China COSCO refined the internal control system guidelines, internal control evaluation system and other related rules and regulations for "China COSCO's Internal Control System" and supplemental guidelines. Besides, to standardize the risk assessment process, China COSCO began to study on formulation of rules and regulations such as "Administrative Measures on risk assessment" to standardize risk assessment practices and ensure scientific analysis and effective risk control measures.

(2) The Company's internal control working group led the organization of a special risks management team for the study of special risk solutions, with focus on three areas including quantitative analysis of risks for investment in vessels, risk management for hazardous substances and asbestos and risks management for financial derivatives.

(3) The Company actively strengthened building of an internal control team and held special trainings for system-wide internal control in November 2013. Personnel in charge of internal and risk management of all subordinate units and relevant staff of competent departments participated in the training with good results. Meanwhile, full-time and part-time internal control staff of all units was requested to actively participate in trainings and examinations with professional certification.

(4) The Company continued to strengthen internal control evaluation, formulated the "2013 Implementation Plan of China COSCO on Internal Control Evaluation", and retained professional rating agencies to carry out sampling on-site internal control assessment of all affiliated companies and issue assessment reports from June to November 2013. Internal control deficiencies identified were timely rectified and a summary report was prepared for internal control evaluation of China COSCO during 2013.

(5) Results of internal control evaluation: Based on suspected cases of material internal control defects related to the Company's financial reporting, on the record day of the internal control evaluation report, the Company did not identify material internal control defects related to financial reporting. The Board considers that the Company has maintained effective internal control of financial reporting in all material respects according to the norms of internal control systems and related requirements of the Company. Based on suspected cases of material internal control defects not related to the Company's financial reporting, on the record day of the internal control evaluation report, the Company did not identify material internal control defects not related to financial reporting. During the period from the record day of the internal control evaluation report to the date of the internal control evaluation report, no factors have occurred which affected the effectiveness of findings of the internal control evaluation.

For details of the internal control evaluation report, please refer to the report of the Company released on 28 March 2014 at the Website of Shanghai Stock Exchange.

II. Audit report on internal control

In accordance with the relevant requirements, such as the guidelines on internal control audit, China COSCO engaged Ruihua Certified Public Accountants, LLP to prepare the audit report on the internal control of China COSCO.

For details of the internal control audit report, please refer to the report of the Company released on 28 March 2014 on the website of Shanghai Stock Exchange.

III. Accountability system for material errors in annual report and its implementation

Based on the amendments to the Measures on Information Disclosures in 2010, the Company strictly complied with regulatory requirements to further specify the responsibilities of Directors, Supervisors, senior management and person-in-charge of information disclosure and clarify the matters that may involve necessary information disclosure in the daily operation and material decision of the Company.

During the reporting period, the Company was not aware of any material errors in its regular disclosure documents, including the annual report.

I. Directors, Supervisors, Senior Management and Employees

(I) Equity change and remuneration of Directors, Supervisors and senior management in office and retired during the reporting period

Name	Position	Gender	Age	Date of appointment	Date of termination	Shareholding at the beginning of the year	Shareholding at the end of the year	Change in shareholding during the year	Reason for change	Total remuneration received from the Company during the reporting period (RMB'0,000) (before tax)	Total remuneration received from shareholders and associated entities during the reporting period (RMB'0,000)
Wei Jiafu	Chairman of the Board	M	64	2011.05.17	2013.07.16					0	Note 1
Ma Zehua	Vice chairman	M	61	2011.10.27	2013.07.16					0	Note 1
	Chairman of the board			2013.07.16							
Li Yunpeng	Director	M	55	2012.02.28	2013.07.16					0	Note 1
	Vice chairman of the board			2013.07.16							
Sun Yueying	Director	F	55	2011.05.17						0	Note 1
Sun Jiakang	Director	M	54	2011.05.17						0	Note 1
Xu Minjie	Director	M	55	2011.05.17	2013.11.08					0	Note 1
Ye Weilong	Director	M	51	2012.11.12						0	Note 1
Jiang Lijun	Director	M	58	2012.02.28						106.22	
	General manager			2011.11.22							
Teo Siong Seng	Independent director	M	59	2011.05.17						48.2	
Fan Hsu Lai Tai, Rita	Independent director	F	68	2011.05.17		10,000(H)	10,000(H)			47.3	
Kwong Che Keung, Gordon	Independent director	M	64	2011.05.17						48.5	
Peter Guy Bowie	Independent director	M	67	2011.05.17		15,000(H)	15,000(H)			47.3	
Song Dawei	Chairman of the Supervisory Committee	M	58	2012.02.28						0	Note 1
Ma Jianhua	Supervisor	M	51	2011.05.17	2013.05.31					29.49	
Wei Qing	Supervisor	M	58	2013.05.31						47.48	
Luo Jiulian	Supervisor	M	59	2011.05.17						0	65.58
Meng Yan	Independent Supervisor	M	58	2011.05.17						31.6	

Name	Position	Gender	Age	Date of appointment	Date of termination	Shareholding at the beginning of the year	Shareholding at the end of the year	Change in shareholding during the year	Reason for change	Total remuneration received from the Company during the reporting period (RMB'0,000) (before tax)	Total remuneration received from shareholders and associated entities during the reporting period (RMB'0,000)
Gao Ping	Supervisor	M	58	2012.01.06						81.03	
Zhang Jianping	Independent Supervisor	M	48	2012.02.28						31.6	
Xu Zunwu	Deputy general manager	M	56	2011.05.17						85.68	
Wan Min	Deputy general manager	M	45	2011.08.25		2,000(H) 35,000(A)	2,000(H) 35,000(A)			94.93	Note 2
Wang Xingru	Deputy general manager	M	48	2011.08.25						497.23	Note 2
Zhang Jiqing	Deputy general manager	M	56	2012.01.09	2013.05.20					33.14	
Feng Jinhua	Chief financial officer	M	57	2012.01.09	2013.11.29					77.71	Note 2
Tang Runjiang	Chief financial Officer	M	45	2013.11.29						7.87	Note 2
Guo Huawei	Secretary of the Board	M	48	2012.01.09						87.34	
Wang Xiaodong	Assistant to general manager	M	55	2012.10.30						80.84	
Hung Man, Michelle	Joint Company Secretary	F	44	2012.01.09						265.8	
Total						27,000(H) 35,000(A)	27,000(H) 35,000(A)			1,749.26	65.58

Notes: 1. Wei Jiafu (Chairman), Ma Zehua (Chairman), Li Yunpeng (Vice Chairman), Sun Yueying (Director), Sun Jiakang (Director), Xu Minjie (Director), Ye Weilong (Director) and Song Dawei (Chairman of the Supervisory Committee) receive remuneration in accordance with the requirements of SASAC of the State Council. Pursuant to the requirements of SASAC for operational performance evaluation and remuneration management of responsible persons of central enterprises, annual remunerations of responsible persons of central enterprises are distributed under the principle of "payment by results". As on the date of annual results announcement of the Company, the 2013 operational performance evaluation of responsible persons of central enterprises is still under way and the evaluation results of remunerations of responsible persons of central enterprises for 2013 have yet to be released by SASAC, and it cannot be disclosed.

2. The remunerations of Wan Min (deputy general manager), Wang Xingru (deputy general manager), Feng Jinhua (chief financial officer) and Tang Runjiang (chief financial officer) disclosed herein include the data disclosed in 2013 annual report of COSCO Pacific (stock code: HK1199).

3. Remuneration of Directors and Supervisors were determined by shareholders' meeting. Determination of the remuneration of senior management is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period" under the Directors' Report of this annual report.

4. The travelling expense and accommodation expense incurred by Directors, Supervisors and senior management in relation to attendance at the Board meetings, Supervisory Committee meetings and shareholders' meeting shall be borne by the Company.

(II) Share options granted to Directors, Supervisors and senior management during the Reporting Period

Not applicable.

II. Positions of current directors, supervisors and senior management and those who resigned during the reporting period

(I) Position in shareholders

Name	Name of shareholder	Position	Date of appointment	Date of termination
Wei Jiafu	China Ocean Shipping (Group) Company	Chairman Secretary of the CPC subcommittee	2011.08.18	2013.07.13
Wei Jiafu	Hainan COSCO Boao Co., Ltd.	Chairman	2005.10.26	2013.09.10
Wei Jiafu	COSCO (Hong Kong) Group Limited	Chairman	2000.06.28	2013.09.10
Wei Jiafu	Sino-Poland Joint Stock Shipping Company	Chairman (Chinese party) of the Management Committee	2011.11.11	2013.09.10
Ma Zehua	China Ocean Shipping (Group) Company	Director, General manager and deputy secretary of the CPC subcommittee	2011.08.19 2011.08.18	2013.07.13
Ma Zehua	China Ocean Shipping (Group) Company	Chairman Secretary of the CPC subcommittee	2013.07.13	
Ma Zehua	COSCO Corporation (Singapore) Limited	Chairman of the board	2011.12.28	2013.09.10
Ma Zehua	Hainan COSCO Boao Co., Ltd.	Chairman	2013.09.10	
Ma Zehua	COSCO (Hong Kong) Group Limited	Chairman	2013.09.10	
Ma Zehua	Sino-Poland Joint Stock Shipping Company	Head of Management Committee	2013.09.10	
Li Yunpeng	China Ocean Shipping (Group) Company	Deputy general manager and member of the CPC subcommittee	2011.12.07	2013.07.13
Li Yunpeng	China Ocean Shipping (Group) Company	Director, General Manager and member of the CPC subcommittee	2013.07.13	
Li Yunpeng	COSCO Shipyard Group Co., Ltd	Chairman	2011.12.31	2013.09.10
Li Yunpeng	COSCO International Ship Trading Company Limited	Chairman	2011.12.31	2013.09.10
Li Yunpeng	COSCO Corporation (Singapore) Limited	Chairman of the board	2013.09.10	
Li Yunpeng	Sino-Tanzania Joint Shipping Company	Chairman	2013.09.10	

Directors' Report

Name	Name of shareholder	Position	Date of appointment	Date of termination
Sun Yueying	China Ocean Shipping (Group) Company	Chief accountant and member of the CPC subcommittee	2004.04.13	
Sun Yueying	COSCO Finance Ltd.	Chairman	2008.06.02	
Sun Yueying	COSCO Holding (Singapore) Pte Ltd	Director	2000.05.10	2012.03.16
Sun Yueying	COSCO Japan Co., Ltd.	Chairman	1998.11.03	
Sun Yueying	COSCO (Cayman) Fortune Holdings Co., Ltd.	Chairman	2001.08.21	
Sun Yueying	COSCO Shipyard Group Co., Ltd.	Chairman	2013.09.10	
Sun Yueying	COSCO International Ship Trading Company Limited	Chairman	2013.09.10	
Sun Jiakang	China Ocean Shipping (Group) Company	Deputy general manager, member of the CPC subcommittee and chief legal consultant	2011.02.11	
Sun Jiakang	COSCO Europe GmbH	Chairman	2012.01.17	
Sun Jiakang	COSCO Americas, Inc.	Chairman	2012.01.17	
Sun Jiakang	COSCO Oceania Pty Limited	Chairman	2012.01.17	
Sun Jiakang	COSCO Africa (Pty) Ltd.	Chairman	2012.01.17	
Sun Jiakang	COSCO International Holdings Limited	Chairman of the board	2013.09.10	
Xu Minjie	China Ocean Shipping (Group) Company	Deputy general manager and member of the CPC subcommittee	2011.02.11	2013.12.09
Xu Minjie	COSCO Container Lines Company Limited	Chairman	2012.09.09	2013.12.09
Xu Minjie	COSCO Logistics Co., Ltd.	Chairman	2012.07.09	2013.12.09
Xu Minjie	COSCO (Hong Kong) Insurance Brokers Limited	Chairman	2011.12.31	2013.12.09
Xu Minjie	COSCO Korea Co. Ltd	Chairman	2012.01.17	2013.12.09
Ye Weilong	China Ocean Shipping (Group) Company	Deputy general manager and member of the CPC subcommittee	2011.12.07	
Ye Weilong	COSCO Shipping Co., Ltd.	Chairman	2011.12.28	
Ye Weilong	COSCO International Holdings Limited	Chairman of the board	2011.12.28	2013.09.10

Name	Name of shareholder	Position	Date of appointment	Date of termination
Ye Weilong	Sino-Tanzania Joint Shipping Company	Chairman	2012.01.17	2013.09.10
Ye Weilong	COSCO West Asia FZE	Chairman	2012.01.17	
Ye Weilong	China COSCO Bulk Shipping (Group) Company Limited	Chairman	2014.03.27	
Song Dawei	China Ocean Shipping (Group) Company	Director, member of the CPC subcommittee Head of the CPC Discipline Inspection Committee	2011.12.07	
Luo Jiulian	COSCO Shipbuilding Industry Company	Secretary of the CPC subcommittee, deputy general manager	2012.05.29	2014.03.13
Wei Qing	China COSCO Bulk Shipping (Group) Company Limited	Secretary of the CPC, deputy general manager	2012.03.06	2014.03.13
Wei Qing	COSCO Logistics Co., Ltd.	Secretary of the CPC, deputy general manager	2014.03.13	
Feng Jinhua	Hainan COSCO Boao Co., Ltd.	Director	2006.03.14	2013.02.19
Feng Jinhua	COSCO Pacific Limited	Deputy general manager	2013.10.21	
Feng Jinhua	COSCO Bulk Shipping (Group) Company Limited	Director	2012.04.05	
Feng Jinhua	COSCO Investment Company Limited	Director	2013.02.21	
Feng Jinhua	COSCO Finance (2011) Limited	Director	2013.02.21	
Feng Jinhua	Cosco (Cayman) Golden Co., Ltd.	Chairman	2013.02.21	
Tang Runjiang	Sino-Poland Joint Stock Shipping Company	Member of Management Committee	2012.03.16	
Tang Runjiang	COSCO Finance Co., Ltd.	Director	2001.03.21	
Tang Runjiang	COSCO (Hong Kong) Group Limited	Director	2012.03.16	
Tang Runjiang	COSCO Holdings (Singapore) Limited	Director	2012.05.01	
Tang Runjiang	COSCO (Australia) Ltd.	Director	2012.03.16	
Tang Runjiang	COSCO (Cayman) Fortune Holding Co., Ltd.	Director	2012.08.02	
Tang Runjiang	COSCO Pacific Limited	Executive Director	2013.03.21	
Tang Runjiang	China Ocean Asset Management Limited	Chairman	2014.01.03	

Name	Name of shareholder	Position	Date of appointment	Date of termination
Tang Runjiang	COSCO Finance (2011) Limited	Director	2013.02.21	
Tang Runjiang	Diamond Co., Ltd.	Director	2012.08.02	
Tang Runjiang	COSCO Capital Co., Ltd.	Director	2012.08.02	
Tang Runjiang	Golden Co., Ltd.	Director	2012.08.02	

(II) Position in other entities

Name	Name of other shareholder	Position	Date of appointment	Date of termination
Wei Jiafu	China Merchants Bank Co., Ltd.	Vice Chairman	2001.04.29	2013.11.15
Ma Zehua	China Bohai Bank Limited	Director	2012.03.21	
Li Yunpeng	Suzhou Industrial Park Co., Ltd.	Vice Chairman	2012.01.17	2013.09.10
Li Yunpeng	China Marine Bunker (Petro China) Co., Ltd.	Chairman	2011.12.31	2013.09.10
Sun Yueying	China Merchants Bank Co., Ltd.	Director	2001.04.29	
Sun Yueying	China Merchants Securities Co., Ltd.	Director	2001.03.26	
Sun Jiakang	China LNG Shipping (Holdings) Limited	Chairman	2011.12.31	
Sun Jiakang	China Marine Bunker (Petro China) Co., Ltd.	Chairman	2013.09.10	
Xu Minjie	Yuanli Shipping Co., Ltd.	Vice Chairman	2007.03.26	2013.12.09
Xu Minjie	China International Marine Containers (Group) Co., Ltd.	Vice Chairman	2012.01.06	2013.11.09
Feng Jinhua	China Nuclear Power International, Inc.	Supervisor	2011.12.14	2013.02.19
Feng Jinhua	Sinochem Corporation	Supervisor	2012.08.02	

III. Remunerations of Directors, Supervisors and senior Management

Determination of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Determination of the remuneration of senior management is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period" under the Directors' Report of this annual report.
Basis of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Determination of the remuneration of senior management is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period" under the Directors' Report of this annual report.
Remuneration payable to Directors, Supervisors and senior management	The salaries of Directors and Supervisors shall be paid in accordance with the service contracts entered into by them. Remuneration of senior management shall be determined on annual basis in accordance with the Determination of the Remuneration of Senior Management of China COSCO Holdings Company Limited (中國遠洋控股股份有限公司高管層薪酬管理辦法) approved by the Board. The annual remuneration shall be determined by the remuneration committee taking into account the operating results and share price.
Total actual remuneration of all Directors, Supervisors and senior management at the end of the reporting period	RMB22,431,680 (before tax)

IV. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reason of change
Wei Jiafu	Chairman	Resigned	Resigned
Ma Zehua	Chairman	Appointed	Determined by the Board
Ma Zehua	Vice Chairman	Resigned	Determined by the Board
Li Yunpeng	Vice Chairman	Appointed	Determined by the Board
Xu Minjie	Director	Resigned	Resigned
Ma Jianhua	Employee Supervisor	Resigned	Elected by labour union
Wei Qing	Employee Supervisor	Appointed	Elected by labour union
Zhang Jiqing	Deputy general manager	Resigned	Determined by the Board
Feng Jinhua	Chief financial officer	Resigned	Determined by the Board
Tang Runjiang	Chief financial officer	Appointed	Determined by the Board

Directors' Report

1. Appointment of Directors and changes

On 16 July 2013, the Company convened the 18th meeting of the third Board of Directors, whereby resolutions regarding the resignation of Mr. Wei Jiafu as Chairman, non-executive Director and CEO of the Company and the appointment of Mr. Ma Zehua as the Chairman and a non-executive Director while ceasing to be the Vice Chairman and executive Director; and the appointment of Mr. Li Yunpeng as the Vice Chairman and redesignation of Mr. Li Yunpeng as an executive Director were approved. On 9 November 2013, the Company announced that Mr. Xu Minjie resigned as a Director for personal reasons.

2. Appointment of Supervisors and changes

On 31 May 2013, resolutions regarding cessation of Mr. Ma Jianhua as a Supervisor representing staff and workers and appointment of Mr. Wei Qing as a Supervisor representing staff and workers of the third session of the Supervisory Committee were considered and approved at the general meeting of employee representatives of China COSCO.

3. Appointment of senior management and changes

On 20 May 2013, the Company convened the 17th meeting of the third session of the Board, whereby Mr. Zhang Jiqing ceased to be the deputy general manager of the Company.

On 29 November 2013, the Company convened the 23th meeting of the third session of the Board, whereby resolution regarding appointment of Mr. Tang Runjiang as chief financial officer of the Company was approved, with a term from 29 November 2013 to the date of convening the 1st meeting of the fourth session of the Board; Mr. Feng Jinhua ceased to be the chief financial officer of the Company.

V. Major technical team and technicians of the Company

China COSCO considers human resources an integral part of its development strategy. The Company realises that human resources are important in operation and encourages its staff to bring up innovative ideas to improve management and organisation structure under the straregy of "excellent enterprise with talents"(人才強企). With continuous building of a strong working team, the Company is committed to develop professional teams in the areas of shipping, logistics, terminal operation and shipbuilding to facilitate the development of the Company. China COSCO operates international business with its base in China and has adopted a distinctive management system to attract, retain, motivate and employ outstanding personnel around the globe. China COSCO has successfully developed its human resources for achieving its strategic objectives.

VI. Staff of the parent company and subsidiaries

(1) Information of staff

Number of working staff of the parent company	364
Number of working staff of major subsidiaries	39,033
Total number of working staff	39,397
Number of retired staff receiving retirement benefit from the parent company and major subsidiaries	15,774
Qualification	
Class of qualification	**Number of staff**
Production	16,565
Sales	2,373
Technicians	890
Accounting	1,469
Administration	1,680
Education level	
Level of education	**Number of staff**
Post graduate or above	2,019
Graduate	11,661
Tertiary	13,211
Secondary or below	12,506
Total	39,397

(2) Remuneration policy

To allow all staff to enjoy the results of the Company, the Company regularly improve its staff remuneration, benefit and insurance policy in accordance with the conditions of the Company and the external and internal business environment to facilitate the development of the Company and the building of a strong working team.

The Company also safeguard the legal rights of minority group of staff strictly in accordance with the laws and regulations of China. For entities operating in the PRC, we determine the minimum salary of staff in accordance with the requirements of the local governments. We have established retirement benefit scheme, medical insurance scheme, work injury insurance scheme, pregnancy and birth insurance scheme and unemployment insurance scheme for all staff. We have also established a housing provident fund. For entities operating outside China, we have established a remuneration policy strictly in accordance with the laws and policy of the local governments.

(3) Training Program

Under the people-oriented principle, the Company focused on the development of business and human resources. By providing training on co-ordination, improvement, management and innovation, our systematic, specific and innovative training programs facilitate the healthy and sustainable development of the Company.

(4) Outsourcing

Total working hours outsourced	10,662,293.76 hours
Total cost of outsourcing	RMB546,068,685.98

VII. Repurchase, Sale or Redemption of the Company's Shares

During the reporting period, the Company did not redeem any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

VIII. Sufficiency of Public Float

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the public float of the Company satisfied the requirement of the Listing Rules.

By order of the Board of Directors
Ma Zehua
Chairman

Beijing, the PRC
27 March 2014

Report of Supervisory Committee

Report of the Supervisory Committee for the year 2013

To all Shareholders,

The Supervisory Committee has conscientiously performed its duties and diligently conducted its work in accordance with the laws and regulations of the jurisdictions where the Company's shares are listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other applicable laws and regulations. In 2013, the Company convened six meetings of the Supervisory Committee, including five physical meetings and one meeting by written communications. The members of the Supervisory Committee attended all such meetings either in personal or by proxy.

Members of the Supervisory Committee presented at all general meetings of the Shareholders and Board meetings and convened meetings of the Supervisory Committee to review the working reports and financial reports, consider financial reports and audit reports, perform its checks and balances on the procedural aspects of the Board meetings and general meetings as well as resolutions passed at such meetings, the implementation of Shareholders' resolutions, the conduct of duties by the Directors and the senior management, the financial position, the internal control, deposit and use of proceeds and related-party and/or connected transactions of the Company, so as to safeguard the interests of the Shareholders and the Company in accordance with applicable laws and regulations.

The Supervisory Committee is of the opinion that the Board and the senior management of the Company have strictly complied with the Articles of Association and relevant requirements of the applicable laws of the jurisdictions where the Company's shares are listed, and have dutifully and diligently operated the business of the Company within the relevant regulatory framework. To the best knowledge of the Supervisory Committee, the Directors and senior management of the Company did not breach any applicable laws or the Articles of Association or behave in a manner that would harm the interest of the Company. The Supervisory Committee had reached unanimous opinions in the supervision matters during the reporting period.

The Supervisory Committee has carefully reviewed the 2013 financial report, the annual profits distribution plan of the Company and the unqualified auditors' reports issued by the Company's domestic and international auditors. The Supervisory Committee approved the unqualified auditor's reports issued by Ruihua Certified Public Accountants, LLP. and PricewaterhouseCoopers, respectively.

After considering the report on the use of proceeds from the management of the Company, the Supervisory Committee is of the opinion that the actual use of proceeds raised recently was consistent with the intended use and there was no change to the intended uses.

The Supervisory Committee has examined the related-party and/or connected transactions conducted and the caps of such transactions during the reporting period and is of the opinion that all transactions were conducted at fair market value without causing any detriment to the interest of the Company or its Shareholders. No insider dealings were identified and there was no circumstance causing any detriment to the interest of the Shareholders or any loss of assets of the Company.

The Supervisory Committee considered the "Self-Evaluation Report on Internal Control of the Company for 2003" issued by the Board and is of the opinion that the report truly reflected the fundamental internal control condition of the Company and complied with the relevant regulations of the state and the requirements of securities regulatory authorities.

The acquisition of equity interests in Taicang International Container Terminal Company Limited by COSCO Pacific (China) Investments Co., Ltd. and the disposals of equity interests in four companies, namely COSCO Logistics, COSCO Container Industries Limited, Qingdao Management and Shanghai Tianhongli have been reviewed and approved by the Board. The Supervisory Committee is of the opinion that the procedures were in compliance with applicable laws and regulations and the Articles of Association.

In addition, the Supervisory Committee also provided opinions and recommendations to the Company on asset transactions and the development of the fleet of the Company. The Company placed significant emphasis on and gave serious consideration of such opinions and recommendations. In 2014, the Supervisory Committee will continue to strictly adhere to the Articles of Association and the relevant requirements, so as to enhance the establishment of its system and to increase its supervision efforts to effectively safeguard and protect the legal interests of the Company and its Shareholders.

Supervisory Committee of China COSCO Holdings Company Limited
27 March 2014

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA COSCO HOLDINGS COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 130 to 259, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Independent Auditor's Report

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2014

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**81,404,047**	80,648,214
Investment properties	7	**401,885**	475,591
Leasehold land and land use rights	8	**1,986,279**	2,567,434
Intangible assets	9	**114,441**	202,497
Joint ventures	11	**4,877,158**	5,255,508
Associates	12	**5,881,784**	11,360,852
Loans to a joint venture and an associate	13	**229,683**	226,146
Available-for-sale financial assets	14	**1,510,630**	499,121
Deferred income tax assets	15	**173,443**	238,281
Restricted bank deposits	17	**6,106**	71,280
Other non-current assets	16	**765,561**	554,056
Total non-current assets		**97,351,017**	102,098,980
Current assets			
Inventories	18	**2,374,978**	2,731,404
Trade and other receivables	19	**9,078,897**	13,585,855
Derivative financial assets		**—**	53,823
Available-for-sale financial assets	14	**4,000,000**	—
Restricted bank deposits	17	**850,825**	428,175
Deposits and cash and cash equivalents	17	**48,206,390**	46,361,293
Total current assets		**64,511,090**	63,160,550
Total assets		**161,862,107**	165,259,530

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	20	**10,216,274**	10,216,274
Reserves	21	**14,006,311**	14,925,324
		24,222,585	25,141,598
Non-controlling interests		**17,891,222**	16,558,603
Total equity		**42,113,807**	41,700,201
LIABILITIES			
Non-current liabilities			
Long-term borrowings	22	**68,351,377**	79,085,828
Provisions and other liabilities	23	**1,283,942**	1,593,684
Deferred income tax liabilities	15	**2,042,587**	2,417,596
Total non-current liabilities		**71,677,906**	83,097,108
Current liabilities			
Trade and other payables	24	**18,151,708**	24,261,674
Short-term borrowings	25	**2,765,570**	5,253,237
Current portion of long-term borrowings	22	**25,278,430**	8,865,186
Current portion of provisions and other liabilities	23	**602,657**	1,292,327
Tax payable		**1,272,029**	789,797
Total current liabilities		**48,070,394**	40,462,221
Total liabilities		**119,748,300**	123,559,329
Total equity and liabilities		**161,862,107**	165,259,530
Net current assets		**16,440,696**	22,698,329
Total assets less current liabilities		**113,791,713**	124,797,309

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 130 to 259 were approved by the Board of Directors on 27 March 2014 and were signed on its behalf by:

Mr. Ma Zehua
Director

Mr. Jiang Lijun
Director

Balance Sheet

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,090**	3,807
Intangible assets	9	**914**	1,541
Subsidiaries	10	**52,301,720**	52,549,186
Loans to subsidiaries	10	**4,885,831**	13,866,882
Deferred income tax assets	15	**—**	10,117
Total non-current assets		**57,190,555**	66,431,533
Current assets			
Prepayments, deposits and other receivables	19	**44,446**	13,698
Advances to and amounts due from subsidiaries	10	**307,153**	577,839
Available-for-sale financial assets	14	**4,000,000**	—
Cash and cash equivalents	17	**8,483,468**	5,929,305
Total current assets		**12,835,067**	6,520,842
Total assets		**70,025,622**	72,952,375
EQUITY			
Share capital	20	**10,216,274**	10,216,274
Reserves	21	**39,976,412**	37,757,770
Total equity		**50,192,686**	47,974,044
LIABILITIES			
Non-current liabilities			
Long-term borrowings	22	**8,840,407**	18,773,318
Current liabilities			
Trade and other payables	24	**487,304**	576,121
Current portion of long-term borrowings	22	**9,990,000**	—
Amounts due to subsidiaries	10	**37,704**	5,156,745
Tax payable		**477,521**	472,147

Balance Sheet

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
Total current liabilities		**10,992,529**	6,205,013
Total liabilities		**19,832,936**	24,978,331
Total equity and liabilities		**70,025,622**	72,952,375
Net current assets		**1,842,538**	315,829
Total assets less current liabilities		**59,033,093**	66,747,362

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 130 to 259 were approved by the Board of Directors on 27 March 2014 and were signed on its behalf by:

Mr. Ma Zehua
Director

Mr. Jiang Lijun
Director

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Continuing operations			
Revenues	5	**66,137,861**	68,267,510
Cost of services and inventories sold	27	**(67,030,192)**	(72,136,470)
Gross loss		**(892,331)**	(3,868,960)
Other income, net	26	**74,633**	26,757
Other gains	37	**3,690,633**	—
Selling, administrative and general expenses	27	**(4,175,907)**	(4,273,997)
Operating loss		**(1,302,972)**	(8,116,200)
Finance income	28	**1,022,769**	793,812
Finance costs	28	**(3,212,282)**	(2,450,908)
Net related exchange gain		**876,744**	36,469
Net finance costs		**(1,312,769)**	(1,620,627)
		(2,615,741)	(9,736,827)
Share of profits less losses of			
– joint ventures	11	**540,909**	647,489
– associates	12	**561,236**	498,177
Loss before income tax		**(1,513,596)**	(8,591,161)
Income tax expenses	29	**(299,472)**	(519,086)
Loss for the year from continuing operations		**(1,813,068)**	(9,110,247)
Discontinued operations			
Profit for the year from discontinued operations	36	**4,692,490**	972,819
Profit/(loss) for the year		**2,879,422**	(8,137,428)
Profit/(loss) attributable to:			
Equity holders of the Company		**235,470**	(9,559,138)
Non-controlling interests		**2,643,952**	1,421,710
		2,879,422	(8,137,428)
(Loss)/profit attributable to equity holders of the Company arising from:			
– Continuing operations		**(2,960,159)**	(10,233,391)
– Discontinued operations		**3,195,629**	674,253
		235,470	(9,559,138)

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 RMB	2012 RMB
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic (loss)/earnings per share			
– From continuing operations	32(a)	**(0.2898)**	(1.0017)
– From discontinued operations	32(a)	**0.3128**	0.0660
		0.0230	(0.9357)
Diluted (loss)/earnings per share			
– From continuing operations	32(b)	**(0.2898)**	(1.0017)
– From discontinued operations	32(b)	**0.3128**	0.0660
		0.0230	(0.9357)

	Note	2013 RMB'000	2012 RMB'000
Dividends	31	**–**	–

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000 (Restated)
Profit/(loss) for the year	**2,879,422**	(8,137,428)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	**(29,324)**	19,615
Share of other comprehensive (loss)/income of joint ventures and associates	**(9,029)**	57,936
Release of reserves upon disposals of subsidiaries and an associate	**(375,977)**	—
Currency translation differences	**(1,285,436)**	(16,763)
Total items that may be reclassified subsequently to profit or loss	**(1,699,766)**	60,788
Item that may not be reclassified subsequently to profit or loss *Impairment loss on available-for-sale financial assets recycled to the consolidated income statement*	**31,607**	—
Total other comprehensive (loss)/income	**(1,668,159)**	60,788
Total comprehensive income/(loss) for the year	**1,211,263**	(8,076,640)
Total comprehensive (loss)/income for the year attributable to:		
– Equity holders of the Company	**(968,251)**	(9,560,205)
– Non-controlling interests	**2,179,514**	1,483,565
	1,211,263	(8,076,640)
Total comprehensive (loss)/income attributable to equity holders of the Company arising from:		
– Continuing operations	**(4,036,820)**	(10,263,047)
– Discontinued operations	**3,068,569**	702,842
	(968,251)	(9,560,205)

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 21)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2013, as previously reported	10,216,274	14,920,612	25,136,886	16,560,635	41,697,521
Adoption of merger accounting (note 21(e))	–	4,712	4,712	(2,032)	2,680
Balance at 1 January 2013, as restated	10,216,274	14,925,324	25,141,598	16,558,603	41,700,201
Comprehensive (loss)/income					
Profit for the year	–	235,470	235,470	2,643,952	2,879,422
Other comprehensive (loss)/income:					
Fair value (losses)/gains on available-for-sale financial assets, net of tax	–	(35,113)	(35,113)	5,789	(29,324)
Share of other comprehensive (loss)/income of joint ventures and associates	–	(11,194)	(11,194)	2,165	(9,029)
Release of reserves upon disposals of subsidiaries and an associate	–	(144,033)	(144,033)	(231,944)	(375,977)
Currency translation differences	–	(1,044,988)	(1,044,988)	(240,448)	(1,285,436)
Impairment loss on available-for-sale financial assets recycled to the consolidated income statement (note 14(e))	–	31,607	31,607	–	31,607
Total other comprehensive loss	–	(1,203,721)	(1,203,721)	(464,438)	(1,668,159)
Total comprehensive (loss)/income	–	(968,251)	(968,251)	2,179,514	1,211,263
Total contributions by and distributions to equity holders of the Company recognised directly in equity					
Contributions from non-controlling interests of subsidiaries	–	–	–	88,280	88,280
Dividends paid to non-controlling interests of subsidiaries	–	–	–	(1,091,776)	(1,091,776)
Disposal of a subsidiary	–	–	–	(285,694)	(285,694)
Issue of shares on exercising of share options of a subsidiary	–	7,263	7,263	7,306	14,569
Issue of shares on settlement of scrip dividend of a subsidiary (note 35(b))	–	41,395	41,395	435,035	476,430
Others	–	580	580	(46)	534
Total contributions by and distributions to equity holders of the Company	–	49,238	49,238	(846,895)	(797,657)
As at 31 December 2013	10,216,274	14,006,311	24,222,585	17,891,222	42,113,807

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 21)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2012, as previously reported	10,216,274	24,479,012	34,695,286	15,475,167	50,170,453
Adoption of merger accounting	–	4,687	4,687	(2,043)	2,644
Balance at 1 January 2012, as restated	10,216,274	24,483,699	34,699,973	15,473,124	50,173,097
Comprehensive (loss)/income					
(Loss)/profit for the year	–	(9,559,138)	(9,559,138)	1,421,710	(8,137,428)
Other comprehensive (loss)/income:					
Fair value (losses)/gains on available-for-sale financial assets, net of tax	–	(6,883)	(6,883)	26,498	19,615
Share of other comprehensive income of joint ventures and associates	–	35,671	35,671	22,265	57,936
Currency translation differences	–	(29,855)	(29,855)	13,092	(16,763)
Total other comprehensive (loss)/income	–	(1,067)	(1,067)	61,855	60,788
Total comprehensive (loss)/income	–	(9,560,205)	(9,560,205)	1,483,565	(8,076,640)
Total contributions by and distributions to equity holders of the Company recognised directly in equity					
Dividends paid to non-controlling interests of subsidiaries	–	–	–	(614,052)	(614,052)
Acquisition of additional interest in subsidiaries	–	(10,149)	(10,149)	1,165	(8,984)
Issue of shares on settlement of scrip dividend of a subsidiary	–	12,221	12,221	216,927	229,148
Others	–	(242)	(242)	(2,126)	(2,368)
Total contributions by and distributions to equity holders of the Company	–	1,830	1,830	(398,086)	(396,256)
As at 31 December 2012, as restated	10,216,274	14,925,324	25,141,598	16,558,603	41,700,201

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Cash flows from operating activities			
Cash used in operations	35(a)	**(2,888,002)**	(5,408,219)
Interest received		**1,028,695**	752,022
Income tax paid		**(457,295)**	(547,972)
Net cash used in operating activities		**(2,316,602)**	(5,204,169)
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets		**(10,629,198)**	(11,393,896)
Acquisition of a subsidiary, net of cash acquired	41	**(198,010)**	(8,984)
Investments in joint ventures and associates		**(477,238)**	(476,757)
Loans granted to joint ventures		**—**	(38,088)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**1,505,474**	446,384
Cash received from disposals of subsidiaries and an associate	36,37	**14,443,258**	822
Cash received from disposal of a joint venture		**21,120**	—
Cash paid for purchase of available-for-sale financial assets		**(4,283,572)**	—
Repayments of loans granted to joint ventures and associates		**341,596**	380,399
Dividends received from joint ventures		**402,829**	1,153,793
Dividends received from associates		**189,505**	637,040
Dividends received from available-for-sale financial assets		**114,607**	17,375
Increase in restricted bank deposits		**(619,700)**	—
Net cash generated from/(used in) investing activities		**810,671**	(9,281,912)

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from borrowings		**25,799,123**	34,553,746
Repayments of borrowings		**(17,558,560)**	(24,315,825)
Proceeds from issuance of bonds	22(c)(ii)	**—**	6,200,585
Dividends paid to non-controlling interests		**(563,787)**	(381,061)
Contributions from non-controlling interests of subsidiaries		**88,280**	1,200
Proceeds from exercise of share options		**15,906**	—
Interest paid		**(3,206,706)**	(2,386,859)
Other incidental borrowing costs and charges paid		**(259,079)**	(166,680)
(Increase)/decrease in restricted bank deposits		**(200,522)**	354,000
Disposal of shares in a subsidiary by a non-controlling shareholder		**—**	(3,323)
Net cash generated from financing activities		**4,114,655**	13,855,783
Net increase/(decrease) in cash and cash equivalents		**2,608,724**	(630,298)
Cash and cash equivalents as at 1 January		**46,361,293**	46,985,248
Exchange (losses)/gain		**(763,627)**	6,343
Cash and cash equivalents as at 31 December	17	**48,206,390**	46,361,293

The notes on pages 141 to 259 are an integral part of these consolidated financial statements.

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 (note 40). COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

On 27 March 2013, the Company entered into an equity transfer agreement with COSCO. Pursuant to the equity transfer agreement, the Company agreed to dispose of, and COSCO agreed to acquire the entire issued capital of COSCO Logistics Co., Ltd. ("COSCO Logistics"), at a cash consideration of RMB6,738,704,000. After the disposal, COSCO Logistics ceased to be a subsidiary of the Group. The disposal gain and operation result of COSCO Logistics are disclosed as discontinued operation as logistics constitute a separate business within the Group (note 36(a)).

On 20 May 2013, COSCO Pacific Limited ("COSCO Pacific"), a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its 21.8% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC"), a then associate of the Group listed in Shenzhen and Hong Kong, to Long Honour Investments Limited ("Long Honour"), a direct wholly owned subsidiary of COSCO (Hong Kong) Group Limited ("CHKG"), a fellow subisidary, which in turn is a direct wholly owned subsidiary of COSCO, for a cash consideration of US$1,219,789,000 (approximately RMB7,559,030,000). COSCO Container Industries Limited ("COSCO Container"), a direct wholly owned subsidiary of COSCO Pacific whose major asset is the 21.8% equity interest in CIMC, was disposed of in the same transaction. Long Honour had acquired the entire issued share capital and sale loan of COSCO Container. After the disposal, CIMC ceased to be an associate of the Group. The disposal gain and operation result of CIMC are disclosed as discontinued operation as container manufacturing constitute a separate business within the Group (note 36(b)).

1 General information (Continued)

On 29 August 2013, Qingdao Ocean Shipping Co., Ltd ("COSCO Qingdao") (a wholly-owned subsidiary of the Company) as vendor and Yuehon Investments Limited ("Yuehon"), a wholly owned subsidiary of CHKG as purchaser entered into the COSCO (Qingdao) Assets Management Co., Ltd ("Qingdao Management") equity transfer agreement, pursuant to which COSCO Qingdao agreed to sell, and Yuehon agreed to purchase, the 81% equity interest in Qingdao Management; and COSCO Container Lines Co., Ltd ("COSCON") (a wholly-owned subsidiary of the Company) as vendor, and Ling Hui Investments Limited ("Ling Hui"), a wholly owned subsidiary of CHKG as purchaser, entered into the Shanghai Tianhongli Asset Management Co. Ltd. ("Shanghai Tianhongli") equity transfer agreement, pursuant to which COSCON agreed to sell, and Ling Hui agreed to purchase, the 81% equity interest in Shanghai Tianhongli. The aggregate consideration for the Qingdao Management disposal and the Shanghai Tianhongli disposal is RMB3,738,403,000. After the disposals, Qingdao Management and Shanghai Tianhongli ceased to be subsidiaries of the Group (note 37) and the Group's remaining 19% equity interests in these two companies are classified as available-for-sale financial assets (note 14).

On 31 December 2013, the Group completed the acquisition of 51% equity interest in Sea Trade International Transportation Agency Co., Ltd. ("Seatrade") and 100% equity interest in Welley Shipping Limited ("Welley").

The parent company of Seatrade and Welley (hereinafter collectively referred to as "Acquired Subsidiaries") is COSCO and the aforesaid transactions are regarded as business combination under common control (note 2(b)(i)). Details of the relevant statement of adjustments for the common control combinations on the Group's financial position as at 31 December 2013 and 2012 and the Group's results for the years then ended are set out in note 21(e).

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 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

(a) Basis of preparation

The Consolidated Financial Statements for the year ended 31 December 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations'' issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Directors regard COSCO Logistics and CIMC as discontinued operations and presented in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" in the Consolidated Financial Statements. The comparative information in the Consolidated Financial Statements has been restated accordingly.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

(i) Amendments to standards which are effective in 2013 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 2013. Except that the adoption of HKAS 19 (Amendment) which has resulted in changes in accounting policies as described below, the adoption of those amendments does not have any significant impact to the Group's results for the year ended 31 December 2013 and the Group's financial position as at 31 December 2013.

HKAS 19 (Amendment) renames actuarial gains and losses as remeasurements and will be recognised immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss; remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods. Full retrospective application is required in accordance with the transition provisions of the standard.

The Group has assessed the accumulated actuarial gains and losses as at 31 December 2012. As the effect was insignificant to the Consolidated Financial Statements, the change in the accounting policy in respect of the adoption of HKAS 19 (Amendment) had not been applied for retrospectively.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New and amended standards and interpretation to standard that are relevant to the Group but not yet effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
New and amended standards and interpretation to standard		
HKAS 32 (Amendment)	Financial instruments: Presentation-Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 10, HKFRS 12 and HKAS 27 (2011)(Amendment)	Investment Entities	1 January 2014
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non Financial Assets	1 January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
HK(IFRIC) - Int 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 14	Regulatory Deferal Accounts	1 January 2016
HKFRS Amendments	Annual Improvements to HKFRS 2010-2012 Cycle	1 July 2014
HKFRS Amendments	Annual Improvements to HKFRS 2011-2013 Cycle	1 July 2014

The Group will apply the new and amended standards and interpretaion to standard from 1 January 2014 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 amended standards and interpretation to standard does not have any significant effect on the Consolidated Financial Statements or result in any significant changes in the Group's significant accounting policies.

2 Summary of significant accounting policies (Continued)

(b) Group accounting

The Consolidated Financial Statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

The Consolidated Financial Statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Consolidated Financial Statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(ii) Purchase method of accounting for non-common control combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)(i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Purchase method of accounting for non-common control combinations (Continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

(iii) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less impairment (note 2(h)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

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

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

(v) Disposal of subsidiaries

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

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(vi) Joint ventures/associates

HKFRS 11 classifies joint arrangements as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures/associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in joint ventures/associates include goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the Consolidated Financial Statements based on the fair values of the assets and liabilities acquired at the date of acquisition.

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

The Group's share of its joint ventures'/associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture/an associate equals or exceeds its interest in the joint ventures/associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures /associates.

Dilution gains and losses arising in investments in joint ventures/associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in the joint ventures/associates are stated at cost less provision for impairment losses (note 2(h)). The results of joint ventures/associates are accounted for by the Company on the basis of dividend received and receivable.

Accounting policies of subsidiaries, joint ventures and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Intercompany transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest. Unrealised losses are also eliminated but unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The Consolidated Financial Statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within "other income, net".

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

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

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

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

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange difference arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures or associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition. No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment or other assets upon the completion of their respective construction.

(ii) Container vessels, dry bulk vessels and containers

Container vessels, dry bulk vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels, dry bulk vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Dry bulk vessels for	
– Ocean transportation	20 years
– Coastal transportation	30 - 33 years (from the date of first registration)
Containers	12 - 15 years

When the containers cease to be used by the Group and are held for sale, these containers are transferred to inventories at their carrying amount.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the Directors or management on a straight-line basis. The estimated useful lives of these assets are summarised as follows:

Buildings	25 to 50 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer and office equipment	3 to 5 years

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

(iv) Leasehold land

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease is calculated using the straight-line method to allocate their revalued amounts to their residual values over their estimated useful lives, as shorter of remaining lease term or useful life.

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

2 Summary of significant accounting policies (Continued)

(f) Leasehold land and land use rights

Leasehold land and land use rights classified as prepaid operating lease payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

(g) Intangible assets

(i) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

2 Summary of significant accounting policies (Continued)

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

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

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

(i) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Where the Group is the lessee

(1) Operating leases

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in profit or loss on a straight-line basis over the lease periods.

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to profit or loss over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

For sales and leaseback transactions resulting in an finance lease, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

2 Summary of significant accounting policies (Continued)

(i) Assets under leases (Continued)

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in notes 2(d)(ii) and 2(d)(iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(v)(iv) below.

(2) Finance leases

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(v)(iv) below.

(j) Financial assets

(i) Classification

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

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

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

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(i) Classification (Continued)

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. Loans and receivables are classified as loans to a joint venture and an associate, trade and other receivables, cash and cash equivalents and restricted bank deposits in the balance sheet (notes 2(l) and 2(m)).

(3) Available-for-sale financial assets

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

(ii) Recognition and measurement

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

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

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

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

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the securities below its cost is considered as an indicator that in determining whether the securities are impaired. If any such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Impairment testing of trade and other receivables is described in note 2(l).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the Directors/ management. Net realisable value of other inventories such as resaleable containers, general merchandises, spare parts and consumable stores and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Summary of significant accounting policies (Continued)

(l) Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

(m) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

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

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

2 Summary of significant accounting policies (Continued)

(o) Share capital

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

(p) Borrowings

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

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

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

(q) Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received.

Government subsidies relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government subsidies and are credited to profit or loss on a straight- line basis over the expected lives of the related assets.

2 Summary of significant accounting policies (Continued)

(r) Employee benefits

(i) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans in a number of territories. The assets of defined contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to profit or loss as expense when incurred.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related retirement benefit liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income directly in the period in which they arise.

Past-service costs are recognised immediately in the profit or loss.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement benefit insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by management. The related benefit payments are made from the date of early retirement through the normal retirement date.

(ii) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 Summary of significant accounting policies (Continued)

(r) Employee benefits (Continued)

(iii) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on a staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred.

The liability recognised in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognised immediately in profit or loss.

(iv) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(i) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

(ii) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium of the subsidiary when the options are exercised.

2 Summary of significant accounting policies (Continued)

(s) Current and deferred income tax

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(t) Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the Consolidated Financial Statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(u) Trade payables

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

2 Summary of significant accounting policies (Continued)

(v) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for merchandise sold or the provision of services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

The Group recognises revenues and income on the following bases:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Revenues from dry bulk shipping

Revenues from time charter of dry bulk shipping are recognised on a straight-line basis over the period of each charter.

Revenues from voyage charter of dry bulk shipping are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(iii) Revenues from container terminal operations

Revenues from container terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

(iv) Revenues from lease rental income

Rental income arising from assets leased out under operating leases is recognised on a straight-line basis over the period of each lease.

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

2 Summary of significant accounting policies (Continued)

(v) Recognition of revenues and income (Continued)

(v) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. For shipping agency services, it generally coincides with the date of departure of the relevant vessels from the port.

Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

(vi) Revenues from sale of resaleable containers

Revenues from sale of resaleable containers are recognised on the transfer of risks and rewards of ownership, which generally coincides with the times when the resaleable containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of resaleable containers for sale are expensed as incurred.

(vii) Revenues from sale of merchandises

Revenues from the sale of merchandises are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandises and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the merchandises sold.

(viii) Interest income

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

(ix) Dividend income

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

(x) Other service income

Other service income is recognised when the services are rendered.

2 Summary of significant accounting policies (Continued)

(w) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or Directors, where appropriate.

(x) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to profit or loss in the year in which they are incurred.

(y) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

(z) Segment reporting

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

3 Financial risk management

(a) Financial risk factors

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

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee works closely with the Audit Committee and the Board of Directors to review the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Board of Directors.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The Group's revenues from operations of container shipping and dry bulk shipping of the Group would increase/decrease by RMB604,222,000 (2012 restated: RMB626,731,000) for 1% increase/decrease of average freight rates with all other variables held constant.

(2) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The actual foreign exchange risk is faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2013, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax profit for the year would have decreased/increased by approximately RMB281,809,000 (2012 restated: post-tax loss for the year would have increased/decreased by approximately RMB587,728,000) and the equity as at 31 December 2013 would have decreased/increased by approximately RMB281,809,000 (2012 restated: RMB587,728,000) respectively as a result of the translation of those Non-Functional Currency Items.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with banks and financial institutions, and certain loans to joint controlled entities and associates (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings and certain balances payable to related parties (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2013, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance cost would have resulted in a decrease/an increase in the Group's post-tax profit for the year by approximately RMB68,412,000 (2012 restated: an increase/a decrease of post-tax loss of RMB136,954,000) and the equity as at 31 December 2013 would have decreased/increased by RMB68,412,000 (2012 restated: decreased/increased by RMB136,954,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

(4) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

As at 31 December 2013, the Group had no outstanding bunker forward contracts (2012: Nil).

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits placed with banks and financial institutions, derivative financial instruments and available-for-sale financial asstes transacted with banks, financial institutions and shipping companies through shipping agents or brokers, loans to a joint venture and an associate trade and other receivables and down payment to shipyards.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned PRC banks, overseas banks with good credit rating, and the associate, a state-owned financial institution with high credit rating.

The trade customers (including related parties), joint venture, associate and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units. The Group monitors the financial positions of the trade customers related to its supply chain logistics business on a regular basis and considers obtaining guarantees from such trade customers or their related parties if necessary.

The Group reviews the creditworthiness of the shipyards and considers obtaining refund guarantees from the shipyards if necessary. In addition, the Group monitors the construction progress and the financial positions of the shipyards on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements. As at 31 December 2013, the Group is in the process of negotiation with the certain banks for the breach of loan covenants. Management does not expect that the breach has any significant impact to the Group or the banks will request for early or partial repayments, as required.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

For the year ended 31 December 2013, the Group's operating loss and loss for the year from continuing operations amounted to RMB1,302,972,000 and RMB1,813,068,000 respectively. The net operating cash outflow amounted to RMB2,316,602,000.

The Directors of the Company has reviewed the prevailing environment and believed that based on the Group's available unused banking facilities in excess of RMB23,296,209,000 and its cash and cash equivalents of RMB48,206,390,000, the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments as and when they fall due.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2013				
Bank and other borrowings	**30,534,948**	**21,973,836**	**26,878,427**	**26,718,849**
Trade and other payables (excluding advance from customers) (note 24)	**17,466,294**	**—**	**—**	**—**
As at 31 December 2012 (Restated)				
Bank and other borrowings	16,542,902	26,538,012	31,850,966	25,634,476
Trade and other payables (excluding advance from customers) (note 24)	22,245,027	—	—	—

Company	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2013				
Bank and other borrowings	**10,812,500**	**435,500**	**5,306,500**	**5,435,000**
Trade and other payables (note 24)	**487,304**	**—**	**—**	**—**
Amounts due to subsidiaries (note 10)	**37,704**	**—**	**—**	**—**
As at 31 December 2012				
Bank and other borrowings	812,500	10,812,500	1,306,500	9,870,500
Trade and other payables (note 24)	576,121	—	—	—
Amounts due to subsidiaries (note 10)	5,156,745	—	—	—

3 Financial risk management (Continued)

(b) Capital risk management

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

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and cash equivalents. The Group aims to maintain a manageable net debt to equity ratio. As at 31 December 2013, the net debt to equity ratio is summarised as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Long-term borrowings (note 22)	93,629,807	87,951,014
Short-term borrowings (note 25)	2,765,570	5,253,237
Total borrowings	96,395,377	93,204,251
Less: Cash and cash equivalents (note 17)	(48,206,390)	(46,361,293)
Net debt	48,188,987	46,842,958
Total equity	42,113,807	41,700,201
Net debt to total equity ratio	114.4%	112.3%

The increase in net debt to total equity ratio during 2013 resulted primarily from borrowings for financing the working capital and capital expenditure of container shipping, dry bulk shipping and container terminal businesses.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

3 Financial risk management (Continued)

(c) Fair value estimation

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

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

The following table presents the Group's and the Company's assets and liabilities that are measured at fair value as at 31 December 2013.

Group	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets (note 14)	**94,682**	**—**	**5,415,948**	**5,510,630**

Company	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets (note 14)	**—**	**—**	**4,000,000**	**4,000,000**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial assets	—	53,823	—	53,823
Available-for-sale financial assets (note 14)	206,929	—	292,192	499,121
	206,929	53,823	292,192	552,944
Liabilities				
Borrowings under fair value hedge	—	1,326,882	—	1,326,882

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– The fair values of interest rate swap contracts and borrowings under fair value hedge are calculated as the present values of the estimated future cash flows.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Movements of available-for-sale financial assets classified as level 3 recognised in the consolidated balance sheets are as follows:

	2013	2012
	RMB'000	RMB'000
As at 1 January	**292,192**	243,825
Additions	**5,160,968**	—
Disposals	**—**	(1,651)
Disposal of a subisidiary	**(44,690)**	—
Net fair value (loss)/gain recognised in equity	**12,393**	50,480
Currency translation differences	**(4,915)**	(462)
	5,415,948	292,192

Financial assets and liabilities approximate their carrying amounts including: trade and other receivables, cash and cash equivalents, restricted bank deposits, finance lease receivables, trade and other payables, other long term liabilities and borrowings except for those disclosed above.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Estimated impairment of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management performs review for impairment indication as to whether the carrying amounts of the container vessels, dry bulk vessels and containers may be recoverable or not. Whenever there is any impairment indication exists, management performs impairment assessment of the relevant container vessels, dry bulk vessels and containers.

Management was of the view that impairment indication exists for container vessels and certain dry bulk vessels. Impairment assessment for these vessels has been performed. The recoverable amounts of these vessels have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by management based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continuing use of these vessels (including the amount to be received for the disposal of these vessels) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment. Based on management's best estimates, there was no impairment for these vessels for the year.

4 Critical accounting estimates and judgements (Continued)

(ii) Estimated useful lives and residual values of container vessels, dry bulk vessels and containers

The Group's major operating assets represent container vessels, dry bulk vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels, dry bulk vessels and containers. Management estimates useful lives of the container vessels, dry bulk vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its container vessels, dry bulk vessels and containers by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of container vessels, dry bulk vessels and containers are different from the previous estimate.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2013 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been decreased by RMB437,553,000 or increased by RMB562,080,000 for the year ended 31 December 2013.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2013 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been decreased by RMB94,426,000 or increased by RMB98,702,000 for the year ended 31 December 2013.

4 Critical accounting estimates and judgements (Continued)

(iii) Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable chartered-in dry bulk vessel contracts. The expected economic benefits are estimated based on contracted freight rates of associated chartered-out dry bulk vessel contracts, and estimated future freight rates by reference to market statistics and information while unavoidable costs are estimated based on charterhire payments that the Group is obliged to make under the non-cancellable chartered-in dry bulk vessel contracts.

Management conducted an assessment of the non-cancellable chartered-in dry bulk vessel contracts and had a provision of RMB596,301,000 (2012: RMB1,433,722,000) for onerous contracts at 31 December 2013 (note 23(b)). Those contracts under assessment relate to leases (i) with lease term expiring within 12 months from the balance sheet date; and (ii) with lease term expiring over 12 months from the balance sheet date in respect of the period being covered by the chartered-out dry bulk vessel contracts.

The dry bulk market is currently highly volatile and freight rates longer than 12 months are difficult to predict with a reasonable certainty. Management considers that it cannot reasonably assess as to whether the chartered-in dry bulk vessel contracts with lease terms expiring over 12 months after the balance sheet date, and with period not being covered by chartered-out dry bulk vessel contracts are onerous as the economic benefits expected to be received from those contracts cannot be reliably measured (note 23(b)).

Had the estimated freight rates for the onerous contracts as at 31 December 2013, with all other variables held constant, increased or decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased or increased by RMB21,626,000 (2012: RMB25,989,000).

(iv) Provision of voyage expenses

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the estimated voyage expenses in the following reporting period.

Had the actual expenses of the voyages been decreased/increased by 10% from management's estimates for the year ended 31 December 2013, the voyage expenses would have been RMB339,488,000 (2012: RMB343,600,000) lower or higher in the future periods.

4 Critical accounting estimates and judgements (Continued)

(v) Control over COSCO Pacific

During the year ended 31 December 2013, the Group's equity interest in COSCO Pacific increased from 43.21% to 43.92%.

The Group remains as the single largest shareholder of COSCO Pacific.

Management has exercised its critical judgement when determining whether the Group has control over COSCO Pacific by considering the following:

(a) the Group has effective control of the board of COSCO Pacific;

(b) the Group has consistently and regularly held a majority of the voting rights exercised at COSCO Pacific's shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; and

(c) the shareholding of other minority shareholders is dispersed, and the chance of all other shareholders getting together to vote against the Group is remote based on the historical records.

Based on management's assessment, it is concluded that the Group has obtained control over COSCO Pacific and the Group's 43.92% equity interest in COSCO Pacific is accounted for and consolidated into the Consolidated Financial Statements as a subsidiary.

(vi) Income taxes, business taxes, value-added taxes and withholding taxes

The Group is subject to income taxes, business taxes, value-added taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes, business taxes, value-added taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 15).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2013 would have been increased by the same amount of RMB1,781,708,000.

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 15).

(vii) Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on prior experience by taking into account the past due status, the financial position of debtors and the guarantees obtained for the outstanding debts. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

4 Critical accounting estimates and judgements (Continued)

(viii) Provision for claims

Management estimates the provision for claims mainly based on the status of the claims, the advice of legal counsel, the recoverable amounts from insurance companies and other available information. Should there be any change in the assumptions and estimates, revisions to the provision for claims would be required.

(ix) Fair value of investments in Shanghai Tianhongli and Qingdao Manangement as assets available for sale

As detailed in note 2(b)(v), the Group measured its retained interests in Shanghai Tianhongli and Qingdao Management to their fair values. The valuations were referenced to fair values of the underlying assets held by Shanghai Tianhongli and Qingdao Management. Management determines the fair values of retained interests in Shanghai Tianhongli and Qingdao Management based on various assumptions and estimates and an independent professional valuer was engaged to assist in the valuations. Any changes in the various assumptions and estimates in respect of valuations of the retained interests in Shanghai Tianhongli and Qingdao Management would have impact to the other gains recognised in profit or loss.

As the Group classified its retained interests in Shanghai Tianhongli and Qingdao Management as available-for-sale financial assets, amounting to RMB876,909,000 as at 31 December 2013, any changes in the various assumptions and estimates in respect of valuations of the retained interests in Shanghai Tianhongli and Qingdao Management would also impact the fair value gain/loss recognised in other comprehensive income. Had the the fair value of the assets been decreased/increased by 10% as at 31 December 2013 from management's estimate, the equity would have decreased/increased by RMB87,691,000.

5 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:

	2013 **RMB'000**	2012 RMB'000 (Restated)
Continuing operations		
Container shipping (note a)	**47,464,934**	47,641,465
Dry bulk shipping (note b)	**12,957,293**	15,031,615
Container terminal operations	**2,566,983**	2,323,215
Container leasing, management and sale (note c)	**1,177,774**	1,225,516
Turnover	**64,166,984**	66,221,811
Crew service income	**289,112**	354,921
Others	**1,681,765**	1,690,778
Total revenues from continuing operations	**66,137,861**	68,267,510
Discontinued operation		
Logistics	**4,986,050**	20,391,451
Total revenues from discontinued operation	**4,986,050**	20,391,451

5 Revenues and segment information (Continued)

Notes:

(a) Turnover from container shipping under time charterhire agreements was RMB769,985,000 for the year ended 31 December 2013 (2012: RMB284,550,000).

(b) Turnover from dry bulk shipping under time charterhire agreements was RMB3,550,014,000 for the year ended 31 December 2013 (2012: RMB4,549,506,000).

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

	2013 RMB'000	2012 RMB'000
Operating lease rentals	**906,548**	949,649
Finance lease income	**5,943**	7,026
Proceeds from sale of resaleable containers	**265,283**	268,841
	1,177,774	1,225,516

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 (discontinued operation)
- Container terminal and related business
- Container leasing, management, sale and related business
- Corporate and other operations that primarily comprise container manufacturing (discontinued operation), investment holding, management services and financing

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

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

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

5 Revenues and segment information (Continued)

Operating segments (Continued)

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

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

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

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2012 (Restated)									
	Continuing operations							Discontinued operations		
	Container shipping and related business(##) RMB'000	Dry bulk shipping and related business(##) RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Logistics RMB'000	Corporate and other operation(#) RMB'000	Total RMB'000
Income statement										
Total revenues	48,639,872	16,090,944	2,586,602	2,121,573	16,936	(1,188,417)	68,267,510	20,391,451	–	20,391,451
Inter-segment revenues	(19,991)	(8,982)	(263,387)	(896,057)	–	1,188,417	–	–	–	–
Revenues (from external customers)	48,619,881	16,081,962	2,323,215	1,225,516	16,936	–	68,267,510	20,391,451	–	20,391,451
Segment (loss)/profit	(1,528,655)	(7,774,469)	678,992	985,848	(477,916)	–	(8,116,200)	595,072	–	595,072
Finance income							793,812	61,918	–	61,918
Finance costs							(2,450,908)	(29,139)	–	(29,139)
Net related exchange gain							36,469	1,000	–	1,000
Share of profits less losses of										
– joint ventures	(1,614)	40,432	608,671	–	–	–	647,489	62,681	–	62,681
– associates	2,758	(1,197)	408,143	–	88,473	–	498,177	111,751	390,558	502,309
Loss before income tax							(8,591,161)	803,283	390,558	1,193,841
Income tax expenses							(519,086)	(221,022)	–	(221,022)
Loss for the year							(9,110,247)	582,261	390,558	972,819
Profit for the year from discontinued operations								582,261	390,558	972,819
Depreciation and amortisation	1,275,514	1,302,381	382,392	663,055	15,404	–	3,638,746	188,939	–	188,939
Provision/(reversal of provision) for impairment of trade and other receivables, net	5,586	31,719	(38)	(3,749)	–	–	33,518	131,992	–	131,992
Amortised amount of transaction costs on long-term borrowings	36,598	16,937	–	14,349	12,021	–	79,905	–	–	–
Additions to non-current assets	5,148,395	1,787,030	2,733,925	2,352,444	18,638	–	12,040,432	281,071	–	281,071

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

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

5 Revenues and segment information (Continued)

Operating segments (Continued)

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

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2012 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	51,117,976	44,594,159	11,416,717	15,587,183	13,003,500	34,429,181	(22,469,094)	147,679,622
Joint ventures	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 a joint venture and an associate	–	–	–	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								165,259,530
Segment liabilities	49,085,860	35,263,409	6,323,066	9,901,177	7,142,566	35,104,952	(22,469,094)	120,351,936
Unallocated liabilities								3,207,393
Total liabilities								123,559,329

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

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

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

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

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

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

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

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2013 RMB'000	2012 RMB'000 (Restated)
Continuing operations		
Container shipping and related business		
– America	**14,200,756**	14,948,551
– Europe	**10,663,157**	12,309,427
– Asia Pacific	**7,384,713**	7,599,624
– China domestic	**13,767,285**	12,055,995
– Other international market	**2,296,121**	1,706,284
Dry bulk shipping and related business		
– International shipping	**12,144,158**	14,255,694
– PRC coastal shipping	**1,918,182**	1,826,268
Container terminal and related business, corporate and other operations		
– Europe	**902,255**	798,190
– China domestic	**1,683,460**	1,541,961
Unallocated	**1,177,774**	1,225,516
Total	**66,137,861**	68,267,510

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2013 RMB'000	2012 RMB'000 (Restated)
Discontinued operation		
Logistics		
– Europe	24,060	115,017
– Asia Pacific	75,388	234,985
– China domestic	4,886,602	20,041,449
Total	4,986,050	20,391,451

(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, joint ventures and associates and other non-current assets (excluding finance lease receivables).

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

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

	As at 31 December 2013 RMB'000	As at 31 December 2012 RMB'000 (Restated)
China domestic	26,755,431	34,560,591
Non-China domestic	4,502,092	3,792,104
Unallocated	64,049,883	62,621,528
Total	95,307,406	100,974,223

6 Property, plant and equipment

Group

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2013	12,079,535	38,764,095	47,702,940	13,098,530	1,517,049	5,350,354	11,305,604	129,818,107
Currency translation differences	716	(732,764)	(813,809)	(407,380)	(4,509)	9,480	(131,820)	(2,080,086)
Reclassification between categories and transfer to investment properties, and intangible assets	728,534	8,409,358	1,634,821	–	6,592	593,946	(11,729,760)	(356,509)
Additions	63,927	–	346,194	1,789,451	68,034	559,146	6,977,825	9,804,577
Acquisition of a subsidiary (note 41)	–	–	–	–	–	60,415	388,620	449,035
Disposal of subsidiaries (notes 36 and 37)	(2,082,744)	–	(245,104)	(1,152)	(837,619)	(338,461)	(212,505)	(3,717,585)
Disposals/write-off	(109,053)	(3,686,159)	(4,326,156)	(330,744)	(139,836)	(91,861)	–	(8,683,809)
Transfer to inventories	–	–	–	(440,545)	–	–	–	(440,545)
As at 31 December 2013	10,680,915	42,754,530	44,298,886	13,708,160	609,711	6,143,019	6,597,964	124,793,185
Accumulated depreciation and impairment								
As at 1 January 2013	1,617,856	17,313,400	25,051,899	2,587,023	948,515	1,651,200	–	49,169,893
Currency translation differences	(3,281)	(207,374)	(360,205)	(79,465)	(3,035)	(4,834)	–	(658,194)
Depreciation charge for the year	317,013	1,282,446	1,185,815	683,056	56,449	320,653	–	3,845,432
Disposal of subsidiaries (notes 36 and 37)	(585,043)	–	(67,568)	(562)	(519,448)	(188,348)	–	(1,360,969)
Disposals/write-off	(91,227)	(3,099,131)	(3,965,603)	(9,925)	(85,039)	(85,086)	–	(7,336,011)
Transfer to inventories	–	–	–	(271,013)	–	–	–	(271,013)
As at 31 December 2013	1,255,318	15,289,341	21,844,338	2,909,114	397,442	1,693,585	–	43,389,138
Net book value								
As at 31 December 2013	9,425,597	27,465,189	22,454,548	10,799,046	212,269	4,449,434	6,597,964	81,404,047

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

Group (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2012, restated	9,320,676	35,767,658	47,768,684	11,193,034	1,547,085	4,267,861	11,400,126	121,265,124
Currency translation differences	11,151	(58,543)	(70,311)	(35,909)	4,907	14,476	(7,620)	(141,849)
Reclassification between categories and transfer from/to investment properties, leasehold land and land use rights and intangible assets	2,665,139	4,284,448	1,026,034	–	1,225	922,260	(8,918,059)	(18,953)
Additions	86,789	–	198,805	2,345,649	40,291	267,593	8,831,157	11,770,284
Disposals/write-off	(4,220)	(1,229,468)	(1,220,272)	(139,722)	(76,459)	(121,836)	–	(2,791,977)
Transfer to inventories	–	–	–	(264,522)	–	–	–	(264,522)
As at 31 December 2012, restated	12,079,535	38,764,095	47,702,940	13,098,530	1,517,049	5,350,354	11,305,604	129,818,107
Accumulated depreciation and impairment								
As at 1 January 2012, restated	1,315,422	17,393,599	24,948,412	2,209,786	895,931	1,467,280	–	48,230,430
Currency translation differences	4,959	(18,966)	(33,091)	(6,850)	3,507	2,721	–	(47,720)
Depreciation charge for the year	300,091	1,093,771	1,207,974	649,933	109,304	302,118	–	3,663,191
Disposals/write-off	(2,616)	(1,155,004)	(1,071,396)	(93,697)	(60,227)	(120,919)	–	(2,503,859)
Transfer to inventories	–	–	–	(172,149)	–	–	–	(172,149)
As at 31 December 2012	1,617,856	17,313,400	25,051,899	2,587,023	948,515	1,651,200	–	49,169,893
Net book value								
As at 31 December 2012, restated	10,461,679	21,450,695	22,651,041	10,511,507	568,534	3,699,154	11,305,604	80,648,214

6 Property, plant and equipment (Continued)

Company

	Motor Vehicles RMB'000	Computer and office equipment RMB'000	Total RMB'000
Cost			
As at 1 January 2013	**4,707**	**13,748**	**18,455**
Additions	**—**	**383**	**383**
As at 31 December 2013	**4,707**	**14,131**	**18,838**
Accumulated depreciation			
As at 1 January 2013	**4,369**	**10,279**	**14,648**
Depreciation charge for the year	**338**	**1,762**	**2,100**
As at 31 December 2013	**4,707**	**12,041**	**16,748**
Net book value			
As at 31 December 2013	**—**	**2,090**	**2,090**
Cost			
As at 1 January 2012	4,707	12,641	17,348
Additions	—	1,107	1,107
As at 31 December 2012	4,707	13,748	18,455
Accumulated depreciation			
As at 1 January 2012	3,875	8,498	12,373
Depreciation charge for the year	494	1,781	2,275
As at 31 December 2012	4,369	10,279	14,648
Net book value			
As at 31 December 2012	338	3,469	3,807

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor/charterer under the operating lease/time charter arrangements, are set out below:

	Containers RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Total RMB'000
As at 31 December 2013				
Cost	**8,650,137**	**4,890,601**	**18,882,676**	**32,423,414**
Accumulated depreciation and impairment	**(2,004,412)**	**(1,304,336)**	**(9,793,292)**	**(13,102,040)**
	6,645,725	**3,586,265**	**9,089,384**	**19,321,374**
As at 31 December 2012				
Cost	7,928,285	936,325	26,361,931	35,226,541
Accumulated depreciation and impairment	(1,659,051)	(485,052)	(13,500,772)	(15,644,875)
	6,269,234	451,273	12,861,159	19,581,666

(b) As at 31 December 2013, container vessels, dry bulk vessels and vessels under construction with aggregate net book values of RMB18,937,452,000, RMB11,723,419,000 and RMB2,038,896,000 (2012: RMB12,324,439,000, RMB11,074,839,000 and RMB4,812,609,000) respectively were pledged as security for loan facilities granted by banks (note 22(i)).

(c) As at 31 December 2013, certain property, plant and equipment with net book value of RMB399,180,000 (2012: RMB118,725,000) were pledged as security for long-term bank borrowings. As at 31 December 2012, buildings with net book value of RMB50,135,000 were pledged as security for long-term borrowings (note 22(i)).

(d) In 2006, the Group entered into agreements for finance lease. Two dry bulk vessels with net book values of approximately RMB613,113,000 as at 31 December 2013 (2012: approximately RMB660,789,000) are accounted for as property, plant and equipment (note 22(i)(ii)).

As at 31 December 2013, the balance of approximately RMB270,958,000 (2012: approximately RMB314,595,000) in respect of such finance lease arrangements was included in bank loans under long-term borrowings (note 22).

(e) During the year, interest expenses of RMB135,449,000 (2012: RMB120,914,000) were capitalised in vessel costs during the vessel construction period (note 28).

(f) As at 31 December 2013, deposits paid by the Group in relation to construction work of vessels not yet commenced, amounting to RMB20,156,000 (2012: RMB1,069,201,000) were included in assets under construction.

(g) The accumulated impairment losses of property, plant and equipment as at 31 December 2013 amounted to RMB1,793,343,000 (2012: RMB2,406,598,000).

7 Investment properties

	Group 2013 RMB'000	2012 RMB'000
Cost	**713,457**	673,690
Accumulated depreciation	**(237,866)**	(194,988)
Net book value as at 1 January	**475,591**	478,702
Currency translation differences	**792**	33
Acquisition of a subsidiary (note 41)	**421**	—
Reclassification from/to property, plant and equipment and leasehold land and land use rights (notes 6 and 8)	**427,724**	36,592
Disposal of subsidiaries (notes 36 and 37)	**(478,780)**	—
Depreciation	**(23,863)**	(39,736)
Net book value as at 31 December	**401,885**	475,591
Cost	**603,903**	713,457
Accumulated depreciation	**(202,018)**	(237,866)
Net book value as at 31 December	**401,885**	475,591

The fair value of the investment properties as at 31 December 2013 was RMB1,663,374,000 (2012: RMB2,221,604,000). The fair value is estimated by management with reference to recent market transactions or independent professional property valuers based on current prices in an active market, where applicable.

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

	Group 2013 RMB'000	2012 RMB'000
In Hong Kong, held on:		
Leases of over 50 years	**5,132**	5,140
In China Mainland, held on:		
Leases of over 50 years	**11,381**	11,710
Leases of between 10 to 50 years	**383,821**	456,577
Leases of less than 10 years	**1,551**	2,164
	396,753	470,451
Total	**401,885**	475,591

8 Leasehold land and land use rights

	Group	
	2013	2012
	RMB'000	RMB'000
Cost	**2,880,556**	2,931,789
Accumulated amortisation	**(313,122)**	(258,991)
Net book value as at 1 January	**2,567,434**	2,672,798
Currency translation differences	**666**	(87)
Additions	**98,685**	16,028
Acquisition of a subsidiary (note 41)	**85,176**	—
Reclassification to investment properties (note 7)	**(93,870)**	(47,211)
Disposal	**(21,735)**	(8,867)
Disposal of subsidiaries (notes 36 and 37)	**(589,795)**	—
Amortisation	**(60,282)**	(65,227)
Net book value as at 31 December	**1,986,279**	2,567,434
Cost	**2,227,234**	2,880,556
Accumulated amortisation	**(240,955)**	(313,122)
Net book value as at 31 December	**1,986,279**	2,567,434

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values, are analysed as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Outside Hong Kong, held on:		
Leases of over 50 years	**16,532**	17,173
Leases of between 10 to 50 years	**1,969,747**	2,550,261
Total	**1,986,279**	2,567,434

9 Intangible assets

	Group			Company
		Computer		Computer
	Goodwill	software	Total	Software
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2013				
Opening net book value	26,471	176,026	202,497	1,541
Currency translation differences	–	(764)	(764)	–
Additions	–	15,566	15,566	–
Reclassification from property, plant and equipment (note 6)	–	22,655	22,655	–
Amortisation	–	(36,220)	(36,220)	(627)
Disposal	–	(772)	(772)	–
Disposal of subsidiaries (note 36 and 37)	(26,471)	(62,050)	(88,521)	–
Closing net book value	–	114,441	114,441	914
At 31 December 2013				
Cost	–	711,745	711,745	4,032
Accumulated amortisation	–	(597,304)	(597,304)	(3,118)
Net book value	–	114,441	114,441	914

9 Intangible assets (Continued)

	Group			Company
		Computer		Computer
	Goodwill	software	Total	Software
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2012				
Opening net book value	26,471	169,580	196,051	2,289
Currency translation differences	—	72	72	—
Additions	—	25,336	25,336	—
Reclassification from property, plant and equipment (note 6)	—	29,572	29,572	—
Amortisation	—	(47,883)	(47,883)	(748)
Disposal/write-off	—	(651)	(651)	—
Closing net book value	26,471	176,026	202,497	1,541
At 31 December 2012				
Cost	26,471	840,748	867,219	4,032
Accumulated amortisation	—	(664,722)	(664,722)	(2,491)
Net book value	26,471	176,026	202,497	1,541

10 Subsidiaries

	Company	
	2013	2012
	RMB'000	RMB'000
Non-current assets		
Unlisted investments, at cost	**52,301,720**	52,549,186
Loans to subsidiaries (note c)	**4,885,831**	13,866,882
Current assets		
Amounts due from subsidiaries (note a)	**105,930**	182,939
Advances to subsidiaries (note b)	**201,223**	394,900
	307,153	577,839
Current liabilities		
Amounts due to subsidiaries (note a)	**(37,704)**	(5,156,745)

Notes:

(a) Amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(b) The advances to subsidiaries are unsecured, bear interest at 1% per annum (2012: 1% per annum) and are wholly repayable on demand. These advances were funded from the Company's A-share proceeds used for special purposes. They are arranged and entrusted through PRC banks to its subsidiaries.

(c) The loans of RMB4,885,831,000 (2012: RMB13,844,317,000) to subsidiaries are unsecured and were funded by the proceeds from the issue of notes by the Company. As at 31 December 2012, loan balance of RMB22,565,000 was unsecured, interest free and had no fixed terms of repayment.

As at 31 December 2013, the fair value of the loans to subsidiaries amounted to RMB4,592,411,000 (2012: RMB13,599,000,000).

(d) Details of the principal subsidiaries as at 31 December 2013 are shown in note 42(a).

11 Joint ventures

	Group 2013 RMB'000	2012 RMB'000
Share of net assets - unlisted	**4,345,660**	4,706,876
Goodwill on acquisitions (note a)	**257,137**	265,091
Loan to a joint venture (note b)	**274,361**	283,541
	4,877,158	5,255,508

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures mainly arising from acquisitions of equity interests in certain terminal companies.

(b) The loan to a joint venture was equity in nature, unsecured, interest free and was not repayable within twelve months.

(c) The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the joint ventures:

	Total assets RMB'000	Total liabilities RMB'000	Non-controlling interests RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
31 December 2013	**8,289,377**	**(3,638,809)**	**(30,547)**	**2,761,042**	**540,909**
31 December 2012	9,257,540	(4,518,197)	(32,466)	3,165,413	647,489

(d) The Company has no directly owned joint ventures as at 31 December 2013 and 2012. Details of the principal joint ventures as at 31 December 2013 are shown in note 42(b).

12 Associates

	Group 2013 RMB'000	2012 RMB'000
Share of net assets		
Listed shares	–	5,055,913
Unlisted investments	**5,542,619**	5,613,622
	5,542,619	10,669,535
Goodwill on acquisitions (note a)	**173,250**	177,748
Loans to associates (note b)	**165,915**	513,569
	5,881,784	11,360,852
Market value of listed shares	–	6,411,908

Notes:

(a) The carrying amount of goodwill on acquisitions of associates mainly arising from acquisition of equity interests in certain terminal companies.

(b) The loans to associates are equity in nature, unsecured, interest free and not repayable within twelve months.

(c) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the associates:

	Total assets RMB'000	Total liabilities RMB'000	Non-controlling interests RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
31 December 2013	**9,558,546**	**(2,879,534)**	**(970,478)**	**6,456,821**	**561,236**
31 December 2012	32,403,397	(20,307,491)	(1,426,371)	13,686,273	498,177

(d) The Company had no directly owned associate as at 31 December 2013 and 2012. Details of the principal associates as at 31 December 2013 are shown in note 42(c).

13 Loans to a joint venture and an associate

	Group 2013 RMB'000	Group 2012 RMB'000
Loan to a joint venture (note a)	**25,175**	33,164
Loan to an associate (note b)	**204,508**	192,982
	229,683	226,146

Notes:

(a) As at 31 December 2013, the loan to a joint venture is secured, bears interest at 5% (2012: 5%) per annum above the 3 months Euro Interbank Offered Rate and is wholly repayable on or before December 2016.

(b) The loan to an associate is unsecured, bears interest at 2% (2012: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment.

14 Available-for-sale financial assets

Available-for-sale financial assets represent the following:

	Group		Company	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Listed investments in the PRC (note a)	**94,682**	206,929	**–**	–
Unlisted investments (note b)	**5,415,948**	292,192	**4,000,000**	–
	5,510,630	499,121	**4,000,000**	–
Less: current portion	**(4,000,000)**	–	**(4,000,000)**	–
	1,510,630	499,121	**–**	–

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in the management of international and domestic transportation.

(b) Unlisted investments mainly comprise equity interests in entities which are involved in terminal operations in the PRC, investment in equity fund and debt portfolio and remaining 19% equity interests in Shanghai Tianhongli and Qingdao management (note 1).

14 Available-for-sale financial assets (Continued)

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**5,492,114**	492,368	**4,000,000**	—
Korean WON	**18,516**	6,753	**—**	—
	5,510,630	499,121	**4,000,000**	—

(d) Movement of the available-for-sale financial assets during the year is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 1 January	**499,121**	481,725	**—**	—
Additions	**5,287,908**	—	**4,000,000**	—
Disposals	**(491)**	(1,926)	**—**	—
Disposal of subsidiaries (note 36(a))	**(238,252)**	—	**—**	—
Net fair value (losses)/gains recognised in equity	**(32,741)**	19,502	**—**	—
Currency translation differences	**(4,915)**	(180)	**—**	—
As at 31 December	**5,510,630**	499,121	**4,000,000**	—

(e) As at 31 December 2013, available-for-sale financial assets of carrying amount of RMB18,516,000 (2012: Nil) were impaired and the debit reserves recycled to profit or loss were RMB31,607,000 (2012: Nil).

15 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 12.5% to 46% for the year (2012: 12.5% to 46%).

The movement on the net deferred tax (liabilities)/assets is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
As at 1 January	**(2,179,315)**	(1,986,280)	**10,117**	13,809
Currency translation differences	**8,742**	751	**—**	—
Charged to consolidated income statement	**40,030**	(193,899)	**(10,117)**	(3,692)
Disposal of subsidiaries and an associate (notes 36 and 37)	**257,982**	—	**—**	—
Credited to other comprehensive income (note 29(c))	**3,417**	113	**—**	—
As at 31 December	**(1,869,144)**	(2,179,315)	**—**	10,117

15 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2013, the Group had tax losses of RMB32,733,380,000 (2012 restated: RMB31,248,863,000) to carry forward, which were not recognised as deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB32,320,394,000 (2012 restated: RMB31,006,001,000) will expire through year 2018, the amount of RMB412,986,000 (2012 restated: RMB242,862,000) with no expiry date.

As at 31 December 2013, the unrecognised deferred income tax liabilities were RMB1,781,708,000 (2012: RMB1,814,277,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2013 amounted to RMB8,050,323,000 (2012: RMB8,100,926,000).

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Group

Deferred income tax liabilities

	Undistributed profits of subsidiaries, joint ventures and associates	Accelerated tax depreciation	Fair value gain	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2012	(1,853,841)	(432,080)	(40,253)	(163,408)	(2,489,582)
Currency translation differences	(2,075)	2,759	—	(37)	647
(Charged) /credited to consolidated income statement	(121,461)	177,703	—	14,984	71,226
Credited to other comprehensive income (note 29 (c))	—	—	113	—	113
As at 31 December 2012 and 1 January 2013	(1,977,377)	(251,618)	(40,140)	(148,461)	(2,417,596)
Currency translation differences	6,951	1,238	(3)	(405)	7,781
Credited to consolidated income statement	38,427	43,261	2,289	2,111	86,088
Disposal of subsidiaries and an associate (notes 36 and 37)	163,607	—	21,557	92,559	277,723
Credited to other comprehensive income (note 29(c))	—	—	3,417	—	3,417
As at 31 December 2013	**(1,768,392)**	**(207,119)**	**(12,880)**	**(54,196)**	**(2,042,587)**

15 Deferred income tax assets/(liabilities) (Continued)

Group (Continued)

Deferred income tax assets

	Tax loss RMB'000	Staff benefit RMB'000	Accelerated accounting depreciation RMB'000	Onerous contracts RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2012	17,104	241,305	150,492	926	93,475	503,302
Currency translation differences	(10)	—	—	—	114	104
(Charged)/credited to consolidated income statement	(11,210)	(183,525)	(20,057)	975	(51,308)	(265,125)
As at 31 December 2012 and 1 January 2013	5,884	57,780	130,435	1,901	42,281	238,281
Currency translation differences	(62)	—	—	—	1,023	961
Credited/(charged) to consolidated income statement	236	(17,359)	(42,805)	(750)	14,620	(46,058)
Disposal of a subsidiary (note 36(a))	—	(12,696)	(3,015)	—	(4,030)	(19,741)
As at 31 December 2013	**6,058**	**27,725**	**84,615**	**1,151**	**53,894**	**173,443**

Company

Deferred income tax assets

	Staff benefit RMB'000
As at 1 January 2012	13,809
Charged to income statement	(3,692)
As at 31 December 2012 and 1 January 2013	10,117
Charged to income statement	(10,117)
As at 31 December 2013	**—**

15 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2013	2012
	RMB'000	RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	**163,293**	203,885
Deferred income tax assets to be recovered within 12 months	**10,150**	34,396
	173,443	238,281
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	**(1,887,279)**	(2,145,222)
Deferred income tax liabilities to be settled within 12 months	**(155,308)**	(272,374)
	(2,042,587)	(2,417,596)
Deferred income tax liabilities (net)	**(1,869,144)**	(2,179,315)

16 Other non-current assets

	Group	
	2013	2012
	RMB'000	RMB'000
Prepaid operating lease payments (note)	**523,613**	464,127
Prepayment for land use rights	**118,199**	—
Financial lease receivables	**89,719**	103,227
Value-added tax receivable	**48,075**	—
	779,606	567,354
Less: current portion of financial lease receivables	**(14,045)**	(13,298)
	765,561	554,056

Notes:

The amount mainly represents the unamortised upfront concession fee payments in respect of the concession agreement with Piraeus Port Authority S.A. ("PPA") for the concession of Pier 2 and 3 of the Piraeus Port in Greece for a term of 35 years ("Concession"). The Concession commenced on 1 October 2009.

17 Bank deposits and cash and cash equivalents

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)	Company 2013 RMB'000	Company 2012 RMB'000
Non-current portion				
Restricted bank deposits (note a)	**6,106**	71,280	**—**	—
Current portion				
Restricted bank deposits (note a)	**850,825**	428,175	**—**	—
Balances placed with COSCO Finance Co., Ltd ("COSCO Finance") (note b)	**9,029,650**	8,617,404	**5,901**	1,127,679
Bank balances and cash - unpledged	**39,176,740**	37,743,889	**8,477,567**	4,801,626
Deposits and cash and cash equivalents	**48,206,390**	46,361,293	**8,483,468**	5,929,305
Total bank deposits and cash and cash equivalents (note c)	**49,063,321**	46,860,748	**8,483,468**	5,929,305
Less:				
Restricted bank deposits	**(856,931)**	(499,455)	**—**	—
Cash and cash equivalents	**48,206,390**	46,361,293	**8,483,468**	5,929,305

Notes:

(a) Restricted bank deposits mainly held as security for borrowings and bank guarantees and facilities (note 22(i)).

(b) Balances placed with COSCO Finance bear interest at prevailing market rates.

(c) The carrying amounts of bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group 2013 RMB'000	Group 2012 RMB'000 (Restated)	Company 2013 RMB'000	Company 2012 RMB'000
US dollar	**18,447,366**	18,246,825	**8,117**	14,491
RMB	**28,666,125**	26,251,486	**8,222,172**	5,656,491
EURO	**691,186**	616,527	**—**	—
HK dollar	**726,979**	995,989	**253,179**	258,323
Other currencies	**531,665**	749,921	**—**	—
	49,063,321	46,860,748	**8,483,468**	5,929,305

(d) Time deposits placed with PRC banks and COSCO Finance with original maturities over three months amounting to RMB18,533,226,000 (2012: RMB15,806,085,000) were treated as cash and cash equivalents as the Directors consider those deposits are subject to an insignificant risk of changes in value and are kept for cash management purpose.

(e) The effective interest rates on time deposits as at 31 December 2013 were in the range of 0.06% to 5.20% per annum (2012: 0.06% to 7.50% per annum); these deposits have a maturity in the range of 2 days to 405 days (2012: 2 days to 730 days). The deposits earn interests at floating rates based on prevailing market rates.

18 Inventories

	Group	
	2013	2012
	RMB'000	RMB'000
Bunkers	**2,075,128**	2,346,078
Spare parts and consumable stores	**213,625**	204,909
Merchandises	**8,713**	98,159
Resaleable containers	**75,467**	43,857
Marine supplies and others	**2,045**	38,401
	2,374,978	2,731,404

19 Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade receivables (note a)				
– third parties	**4,052,880**	8,485,181	**—**	—
– fellow subsidiaries	**141,517**	135,775	**—**	—
– joint ventures	**58,736**	24,081	**—**	—
– associates	**2,351**	9,858	**—**	—
– other related companies	**62,343**	51,196	**—**	—
	4,317,827	8,706,091	**—**	—
Bills receivables (note a)	**242,239**	260,372	**—**	—
	4,560,066	8,966,463	**—**	—
Prepayments, deposits and other receivables				
– third parties (note b)	**3,253,475**	3,787,128	**44,446**	13,698
– fellow subsidiaries (note d)	**675,216**	325,705	**—**	—
– joint ventures (note d)	**338,037**	250,071	**—**	—
– associates (note d)	**53,142**	105,834	**—**	—
– other related companies (note d)	**184,916**	137,356	**—**	—
	4,504,786	4,606,094	**44,446**	13,698
Current portion of financial lease receivables	**14,045**	13,298	**—**	—
Total	**9,078,897**	13,585,855	**44,446**	13,698

19 Trade and other receivables (Continued)

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 2013, the ageing analysis of trade and bills receivables is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
1-3 months	**4,393,309**	8,655,779
4-6 months	**184,285**	358,783
7-12 months	**39,828**	87,200
Over 1 year	**130,669**	161,914
Trade and bills receivables, gross	**4,748,091**	9,263,676
Less: impairment of		
1-3 months	**(53,085)**	(163,004)
4-6 months	**(13,931)**	(2,521)
7-12 months	**(3,626)**	(8,932)
Over 1 year	**(117,383)**	(122,756)
Provision for impairment	**(188,025)**	(297,213)
	4,560,066	8,966,463

As at 31 December 2013, the Group's trade and bills receivables of RMB3,661,813,000 (2012 restated: RMB6,862,490,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

19 Trade and other receivables (Continued)

As at 31 December 2013, trade receivables of RMB694,646,000 (2012: RMB1,179,999,000) were past due but were considered not impaired by management. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 RMB'000	2012 RMB'000
1-3 months	678,411	952,750
4-6 months	12,888	205,633
7-12 months	3,331	9,457
Over 1 year	16	12,159
	694,646	1,179,999

As at 31 December 2013, trade receivables of RMB391,632,000 (2012 restated: RMB1,221,187,000) were considered as impaired by management, of which amounts of RMB188,025,000 (2012 restated: RMB297,213,000) were provided for.

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

	2013 RMB'000	2012 RMB'000 (Restated)
As at 1 January	297,213	160,479
Provision for receivable impairment	49,037	162,405
Receivables written off during the year as uncollectible	(4,133)	(10,211)
Reversal of provision	(26,894)	(16,676)
Disposal of a subsidiary	(130,312)	—
Currency translation differences	3,114	1,216
As at 31 December	188,025	297,213

The creation and release of provision for impaired receivables have been included in the consolidated income statement (note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

19 Trade and other receivables (Continued)

(b) Prepayments, deposits and other receivables due from third parties

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Prepayments and deposits	**1,786,391**	2,417,117	**–**	–
Claims receivables	**164,087**	205,804	**–**	–
Other receivables less provision (note c)	**1,302,997**	1,164,207	**44,446**	13,698
	3,253,475	3,787,128	**44,446**	13,698

(c) As at 31 December 2013, the Group's net other receivables of RMB1,302,997,000 (2012 restated: RMB1,164,207,000) were considered fully collectible by management. As at 31 December 2013, the Group's other receivables of RMB216,606,000 (2012 restated: RMB274,072,000) were impaired and full provision was made by management.

Movements on the provision for impairment of other receivables are as follows:

	2013	2012
	RMB'000	RMB'000 (Restated)
As at 1 January	**274,072**	253,853
Provision for receivable impairment	**14,973**	26,357
Receivables written off during the year as uncollectible	**(2,161)**	(197)
Reversal of provision	**(44,783)**	(6,576)
Disposal of a subsidiary	**(25,384)**	–
Currency translation differences	**(111)**	635
As at 31 December	**216,606**	274,072

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

19 Trade and other receivables (Continued)

(e) The carrying amount of trade and other receivables (excluding prepayments and deposits) are denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
US dollar	3,132,205	3,786,192	–	–
RMB	3,033,619	5,889,840	44,296	11,408
EURO	619,550	701,947	–	–
HK dollar	58,460	199,382	150	2,290
Other currencies	448,672	591,377	–	–
	7,292,506	11,168,738	44,446	13,698

(f) The carrying amounts of trade and other receivables (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 Share capital and equity linked benefits

(a) Share capital

	2013 Number of shares (thousands)	2013 Nominal value RMB'000	2012 Number of shares (thousands)	2012 Nominal value RMB'000
Registered, issued and fully paid				
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,580,600	2,580,600
A-Shares of RMB1.00 each	**7,635,674**	**7,635,674**	7,635,674	7,635,674
As at 31 December	**10,216,274**	**10,216,274**	10,216,274	10,216,274

As at 31 December 2013, the A-Shares rank pari passu, in all material respects, with H-Shares.

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's Board of Directors (collectively the "Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Company's Board of Directors.

Notes to the Consolidated Financial Statements

20 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2013 and 2012 are set out below.

			For the year ended 31 December 2013 Number of units of SARs				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2013
16 December 2005 ("2005 SARs")	between 16 December 2007 to 15 December 2015	HK$3.195	15,210,750	–	–	–	15,210,750
5 October 2006 ("2006 SARs")	between 5 October 2008 to 4 October 2016	HK$3.588	19,070,000	–	–	–	19,070,000
4 June 2007 ("2007 SARs")	between 4 June 2009 to 3 June 2017	HK$9.540	24,300,000	–	–	–	24,300,000
			58,580,750	–	–	–	58,580,750

			For the year ended 31 December 2012 Number of units of SARs				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2012
16 December 2005 ("2005 SARs")	between 16 December 2007 to 15 December 2015	HK$3.195	15,267,000	–	–	(56,250)	15,210,750
5 October 2006 ("2006 SARs")	between 5 October 2008 to 4 October 2016	HK$3.588	19,135,000	–	–	(65,000)	19,070,000
4 June 2007 ("2007 SARs")	between 4 June 2009 to 3 June 2017	HK$9.540	24,350,000	–	–	(50,000)	24,300,000
			58,752,000	–	–	(171,250)	58,580,750

20 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

The fair values of 2005 SARs, 2006 SARs and 2007 SARs as at 31 December 2013 as determined using the binomial valuation model ranged from HK$0.3 per unit to HK$1.21 per unit (2012: HK$0.9 per unit to HK$1.42 per unit). The significant inputs into the model were spot price of HK$3.78 as at 31 December 2013, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 41.01%, 46.43% and 43.16% for 2005 SARs, 2006 SARs and 2007 SARs respectively (2012: 44.14%, 48.30% and 63.35%% respectively) are estimated based on past H-Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in staff costs for the year in relation to the above SARs transactions, was a credit of RMB18,814,000 (2012: RMB30,914,000).

As at 31 December 2013, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB57,715,000 (2012: RMB76,770,000) and the total intrinsic value of the exercisable SARs was RMB9,874,000 (2012: RMB10,739,000).

(c) Share options of a subsidiary

The Group’s subsidiary, COSCO Pacific, operates share option schemes whereby options are granted to eligible employees and Directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. All the outstanding options were vested and exercisable as at 31 December 2013 and 2012. COSCO Pacific has no legal or constructive obligation to repurchase or settle the options in cash.

20 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Movements of the share options granted by COSCO Pacific during the year ended 31 December 2013 and 2012 are set out below:

			For the year ended 31 December 2013 Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2013
During the period from 28 October 2003 to 6 November 2003	Note (i)	HK$9.54	2,231,000	–	(1,911,000)	–	(320,000)	–
During the period from 25 November 2004 to 16 December 2004	Note (ii)	HK$13.75	13,578,000	–	–	–	(122,000)	13,456,000
During the period from 17 April 2007 to 19 April 2007	Note (iii)	HK$19.30	13,460,000	–	–	–	(70,000)	13,390,000
			29,269,000	–	(1,911,000)	–	(512,000)	26,846,000

			For the year ended 31 December 2012 Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2012
During the period from 28 October 2003 to 6 November 2003	Note (i)	HK$9.54	2,361,000	–	–	–	(130,000)	2,231,000
During the period from 25 November 2004 to 16 December 2004	Note (ii)	HK$13.75	21,042,000	–	–	(6,200,000)	(1,264,000)	13,578,000
During the period from 17 April 2007 to 19 April 2007	Note (iii)	HK$19.30	14,700,000	–	–	(500,000)	(740,000)	13,460,000
			38,103,000	–	–	(6,700,000)	(2,134,000)	29,269,000

20 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

(i) The share options were exercisable at any time within ten years from the date on which an offer was accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 28 October 2003 to 6 November 2003. The share options were expired during the period from 28 October 2013 to 6 November 2013.

(ii) The share options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 25 November 2004 to 16 December 2004. The share options will be expired during the period from 25 November 2014 to 16 December 2014.

(iii) The share options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007. The share options will be expired during the period 17 April 2017 to 19 April 2017.

(iv) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Average exercise price per share HK$	Number of share options	Average exercise price per share HK$	Number of share options
As at 1 January	15.98	29,269,000	15.63	38,103,000
Exercised	9.54	(1,911,000)	—	—
Lapsed	11.88	(512,000)	15.42	(2,134,000)
Cancelled	—	—	14.16	(6,700,000)
As at 31 December	16.52	26,846,000	15.98	29,269,000

The weighted average closing market price of the Company's shares on the dates when the share options were exercised in 2013 was HK$11.72 per share.

21 Reserves

Group

	Capital Reserve RMB'000	Hedging Reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 1 January 2013, as previously reported	39,050,126	2,103	(408,964)	648,417	(44,147)	(6,837,610)	(17,489,313)	14,920,612
Adopotion of merger accounting (note e)	18,286	–	–	–	–	(1,895)	(11,679)	4,712
As at 1 January 2013, as restated	39,068,412	2,103	(408,964)	648,417	(44,147)	(6,839,505)	(17,500,992)	14,925,324
Comprehensive (loss) /income								
Profit for the year	–	–	–	–	–	–	235,470	235,470
Other comprehensive (loss)/income								
Fair value losses on available-for-sale financial assets, net of tax	–	–	–	–	(35,113)	–	–	(35,113)
Share of other comprehensive income/ (loss) of joint ventures and associates	–	2,585	(20,355)	–	3,561	3,015	–	(11,194)
Release of reserves upon disposal of subsidiaries and an associate	–	2,328	(100,508)	–	(3,454)	(78,296)	35,897	(144,033)
Currency translation differences	–	–	–	–	–	(1,044,988)	–	(1,044,988)
Impairment loss on available-for-sale financial assets recycled to the consolidated income statement	–	–	–	–	31,607	–	–	31,607
Total other comprehensive (loss)/income	–	4,913	(120,863)	–	(3,399)	(1,120,269)	35,897	(1,203,721)
Total comprehensive income/ (loss) for the year ended 31 December 2013	–	4,913	(120,863)	–	(3,399)	(1,120,269)	271,367	(968,251)
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Issue of shares on exercising of share options of a subsidiary	–	–	–	–	–	–	7,263	7,263
Issue of shares on settlement of scrip dividend of a subsidiary (note 35(b))	–	(52)	36,715	–	88	8,883	(4,239)	41,395
Transfer to statutory reserve funds (Note a)	–	–	–	203,039	–	–	(203,039)	–
Other	–	–	(1,043)	–	9,733	–	(8,110)	580
Total contributions by and distributions to owners of the Company	–	(52)	35,672	203,039	9,821	8,883	(208,125)	49,238
As at 31 December 2013	39,068,412	6,964	(494,155)	851,456	(37,725)	(7,950,891)	(17,437,750)	14,006,311

21 Reserves (Continued)

Group (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
As at 1 January 2012, as previously reported	39,050,126	2,203	(443,953)	648,417	(67,757)	(6,800,893)	(7,909,131)	24,479,012
Adopotion of merger accounting	18,286	–	–	–	–	(1,894)	(11,705)	4,687
As at 1 January 2012, as restated	39,068,412	2,203	(443,953)	648,417	(67,757)	(6,802,787)	(7,920,836)	24,483,699
Comprehensive (loss)/income								
Loss for the year	–	–	–	–	–	–	(9,559,138)	(9,559,138)
Other comprehensive (loss)/income								
Fair value losses on available-for-sale financial assets, net of tax	–	–	–	–	(6,883)	–	–	(6,883)
Share of other comprehensive (loss)/income of joint ventures and associates	–	(40)	18,293	–	30,893	(13,475)	–	35,671
Currency translation differences	–	–	–	–	–	(29,855)	–	(29,855)
Total other comprehensive (loss)/income	–	(40)	18,293	–	24,010	(43,330)	–	(1,067)
Total comprehensive (loss)/income for the year ended 31 December 2012	–	(40)	18,293	–	24,010	(43,330)	(9,559,138)	(9,560,205)
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Issue of shares on settlement of scrip dividend of a subsidiary	–	(60)	26,812	–	(400)	6,612	(20,743)	12,221
Acquisition of additional interest in a subsidiary	–	–	(10,149)	–	–	–	–	(10,149)
Other	–	–	33	–	–	–	(275)	(242)
Total contributions by and distributions to owners of the Company	–	(60)	16,696	–	(400)	6,612	(21,018)	1,830
As at 31 December 2012, as restated	39,068,412	2,103	(408,964)	648,417	(44,147)	(6,839,505)	(17,500,992)	14,925,324

21 Reserves (Continued)

Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2013	**39,134,574**	**648,417**	**1,317,571**	**(3,342,792)**	**37,757,770**
Profit for the year	**–**	**–**	**2,218,642**	**–**	**2,218,642**
Transfer to statutory reserve funds (note a)	**–**	**203,039**	**(203,039)**	**–**	**–**
As at 31 December 2013	**39,134,574**	**851,456**	**3,333,174**	**(3,342,792)**	**39,976,412**

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2012	39,134,574	648,417	1,908,453	(3,342,792)	38,348,652
Loss for the year	–	–	(590,882)	–	(590,882)
As at 31 December 2012	39,134,574	648,417	1,317,571	(3,342,792)	37,757,770

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2013 represented capital reserve and other reserves of joint ventures and associates.

(d) Capital reserve mainly represents the capitalisation of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

21 Reserves (Continued)

Company (Continued)

(e) Business combinations under common control

Statements of adjustments for common control combinations of the Acquired Subsidiaries (note 1) on the consolidated balance sheets as at 31 December 2013 and 2012 and the Group's result for the years then ended are as follows:

	The Group before Acquired Subsidiaries RMB'000	Effect of adoption of merger accouting RMB'000	Year ended 31 December 2012 RMB'000
Year ended 31 December 2012			
Continuing operations			
Revenues	68,073,675	193,835	68,267,510
(Loss)/profit before income tax	(8,591,186)	25	(8,591,161)
Income tax expenses	(519,074)	(12)	(519,086)
(Loss)/profit for the year	(9,110,260)	13	(9,110,247)

	The Group before Acquired Subsidiaries RMB'000	Effect of adoption of merger accouting RMB'000	As at 31 December 2012 RMB'000
As at 31 December 2012			
ASSETS			
Non-current assets	102,094,166	4,814	102,098,980
Current assets	63,113,743	46,807	63,160,550
Total assets	165,207,909	51,621	165,259,530
EQUITY			
Capital and reserves			
Share capital	10,216,274	—	10,216,274
Reserves	14,920,612	4,712	14,925,324
	25,136,886	4,712	25,141,598
Non-controlling interests	16,560,635	(2,032)	16,558,603
Total equity	41,697,521	2,680	41,700,201
LIABILITIES			
Non-current liabilities	83,097,108	—	83,097,108
Current liabilities	40,413,280	48,941	40,462,221
Total liabilities	123,510,388	48,941	123,559,329
Total equity and liabilities	165,207,909	51,621	165,259,530

21 Reserves (Continued)

(e) Business combinations under common control (Continued)

	The Group before Acquired Subsidiaries RMB'000	Effect of adoption of merger accouting RMB'000	Year ended 31 December 2013 RMB'000
Year ended 31 December 2013			
Continuing operations			
Revenues	65,941,990	195,871	66,137,861
(Loss)/profit before income tax	(1,513,860)	264	(1,513,596)
Income tax expenses	(299,447)	(25)	(299,472)
Profit for the year	(1,813,307)	239	(1,813,068)

	The Group before Acquired Subsidiaries RMB'000	Effect of adoption of merger accouting RMB'000	As at 31 December 2013 RMB'000
As at 31 December 2013			
ASSETS			
Non-current assets	97,346,499	4,518	97,351,017
Current assets	64,466,371	44,719	64,511,090
Total assets	161,812,870	49,237	161,862,107
EQUITY			
Capital and reserves			
Share capital	10,216,274	—	10,216,274
Reserves	14,007,879	(1,568)	14,006,311
	24,224,153	(1,568)	24,222,585
Non-controlling interests	17,893,214	(1,992)	17,891,222
Total equity	42,117,367	(3,560)	42,113,807
LIABILITIES			
Non-current liabilities	71,677,906	—	71,677,906
Current liabilities	48,017,597	52,797	48,070,394
Total liabilities	119,695,503	52,797	119,748,300
Total equity and liabilities	161,812,870	49,237	161,862,107

22 Long-term borrowings

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– secured (note i)	**20,244,211**	17,020,294	**–**	–
– unsecured	**46,245,280**	43,039,602	**–**	–
Loans from COSCO Finance				
– secured (note i)	**–**	8,381	**–**	–
– unsecured	**121,328**	125,710	**–**	–
Other loans				
– unsecured	**20**	95	**–**	–
Finance lease obligations	**71,126**	86,336	**–**	–
Notes/bonds (note c)	**26,642,997**	26,905,564	**18,830,407**	18,773,318
Loans from non-controlling shareholders of subsidiaries (note d)	**304,845**	765,032	**–**	–
Total long-term borrowings	**93,629,807**	87,951,014	**18,830,407**	18,773,318
Current portion of long-term borrowings	**(25,278,430)**	(8,865,186)	**(9,990,000)**	–
	68,351,377	79,085,828	**8,840,407**	18,773,318

22 Long-term borrowings (Continued)

Notes:

(a) The long-term borrowings are analysed as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Wholly repayable within five years				
– Bank loans	55,185,723	47,153,572	–	–
– Loans from COSCO Finance	121,328	134,091	–	–
– Other loans	20	95	–	–
– Notes/bonds	13,930,999	11,914,997	13,930,999	9,960,000
– Finance lease obligations	71,126	86,336	–	–
– Loans from non-controlling shareholders of subsidiaries	304,845	765,032	–	–
	69,614,041	60,054,123	13,930,999	9,960,000
Not wholly repayable within five years				
– Bank loans	11,303,768	12,906,324	–	–
– Notes/bonds	12,711,998	14,990,567	4,899,408	8,813,318
	24,015,766	27,896,891	4,899,408	8,813,318
	93,629,807	87,951,014	18,830,407	18,773,318

22 Long-term borrowings (Continued)

(b) As at 31 December 2013, the long-term borrowings were repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– within one year	**15,274,152**	6,762,993	**–**	–
– in the second year	**19,765,014**	18,896,162	**–**	–
– in the third to fifth years	**20,146,557**	24,892,444	**–**	–
– after the fifth year	**11,303,768**	9,508,297	**–**	–
	66,489,491	60,059,896	**–**	–
Loans from COSCO Finance				
– within one year	**609**	134,091	**–**	–
– in the second year	**120,719**	–	**–**	–
	121,328	134,091	**–**	–
Other loans				
– within one year	**20**	95	**–**	–
Finance lease obligations				
– within one year	**13,669**	13,010	**–**	–
– in the second year	**14,803**	14,090	**–**	–
– in the third to fifth years	**42,654**	59,236	**–**	–
	71,126	86,336	**–**	–
Notes/bonds				
– within one year	**9,990,000**	1,954,997	**9,990,000**	–
– in the second year	**–**	9,960,000	**–**	9,960,000
– in the third to fifth years	**3,940,999**	–	**3,940,999**	–
– after the fifth year	**12,711,998**	14,990,567	**4,899,408**	8,813,318
	26,642,997	26,905,564	**18,830,407**	18,773,318
Loans from non-controlling shareholders of subsidiaries				
– in the second year	**304,845**	765,032	**–**	–
	93,629,807	87,951,014	**18,830,407**	18,773,318

22 Long-term borrowings (Continued)

(c) Details of the notes/bonds as at 31 December 2013 are as follows:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Principal amount	27,174,650	27,773,900	19,000,000	19,000,000
Discount on issue	(90,439)	(93,346)	-	—
Notes/bonds issuance cost	(424,183)	(431,244)	(384,891)	(384,891)
Proceeds received	26,660,028	27,249,310	18,615,109	18,615,109
Currency translation differences	(245,113)	(595,293)	—	—
Accumulated amortised amounts of				
– discount on issue	8,826	11,803	—	—
– notes/bonds issuance cost	219,256	169,101	215,298	158,209
Effect of fair value hedge	—	70,643	—	—
	26,642,997	26,905,564	18,830,407	18,773,318

(i) Notes issued by the Company

Notes with principal amount of RMB10,000,000,000, RMB5,000,000,000 and RMB4,000,000,000, which bear interest at a fixed rate of 3.77%, 4.35% and 5.45% per annum, were issued by the Company to investors on 21 April 2009, 3 September 2010 and 29 November 2011 respectively at a price equal to the principal amount. The interest is payable annually in arrears and these notes will mature at their principal amount on 22 April 2014, 6 September 2020 and 30 November 2018 respectively.

(ii) Notes and bonds issued by subsidiaries

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US$1,000,000,000 (equivalent to approximately RMB6,285,500,000). The bonds carry a fixed interest yield of 4.00% per annum and were issued at a price of 98.766% of their principal amount. The bonds bear interest from 3 December 2012, payable semi-annually in arrears. The bonds are guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited. Unless previously redeemed or repurchased by COSCO Finance (2011) Limited, the bonds will mature on 3 December 2022 at their principal amount. The bonds are subject to redemption in whole, at the option of COSCO Finance (2011) Limited at any time in the event of certain changes affecting the taxes of certain jurisdictions at their principal amount together with accrued interest, or at any time after 3 December 2017 at a redemption price.

10-year notes with principal amount of US$300,000,000 (equivalent to approximately RMB1,829,070,000) were issued by a subsidiary of COSCO Pacific to investors on 31 January 2013. The notes carry a fixed interest yield of 4.46% per annum and were issued at a price of 99.32% of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000 (equivalent to approximately RMB12,438,000). The notes bear interest from 31 January 2013, payable semiannually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the COSCO Pacific and listed on The Stock Exchange of Hong Kong Limited.

22 Long-term borrowings (Continued)

(d) As at 31 December 2013 and 2012, loans from non-controlling shareholders of subsidiaries are unsecured. Balance of US$50,000,000 (equivalent to approximately RMB304,845,000) (2012: approximately RMB314,275,000)) is interest-free and not repayable within next twelve months.

As at 31 December 2012, balance also included US$63,639,000 (equivalent to approximately RMB400,000,000) which bore interest at 6.77% per annum and was repayable in October 2014 and US$8,075,000 (equivalent to approximately RMB50,755,000) which bore interest at 0.6% above 1-year US dollar LIBOR per annum. These loans were repaid for the year ended 31 December 2013.

(e) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2013				
Total borrowings	**74,314,482**	**6,506,910**	**12,808,415**	**93,629,807**
As at 31 December 2012				
Total borrowings	57,977,627	14,688,424	15,284,963	87,951,014
Effect of interest rate swaps	—	(1,257,100)	—	(1,257,100)
	57,977,627	13,431,324	15,284,963	86,693,914

(f) The effective interest rates per annum of the long-term borrowings as at 31 December 2013 were as follows:

		2013		
	US dollar	**RMB**	**EURO**	**Singapore dollar**
Bank loans	**0.6% to 4.3%**	**3.1% to 7.7%**	**—**	**2.3%**
Loans from COSCO Finance	**1.4% to 1.9%**	**5.8% to 6.2%**	**—**	**—**
Other loans	**—**	**—**	**—**	**2.5% to 4.3%**
Finance lease obligations	**8.3%**	**—**	**—**	**—**
Notes	**4.0% to 5.9%**	**3.8% to 5.5%**	**—**	**—**
Loans from non-controlling shareholders of subsidiaries	**—**	**—**	**—**	**—**

		2012		
	US dollar	RMB	EURO	Singapore dollar
Bank loans	0.6% to 4.3%	3.3% to 7.2%	2.6%	2.3%
Loans from COSCO Finance	1.5%	5.4% to 5.5%	—	—
Other loans	—	—	—	2.5% to 4.3%
Finance lease obligations	8.3%	—	—	—
Notes	5.9%	3.8% to 5.5%	—	—
Loans from non-controlling shareholders of subsidiaries	4.0%	6.8%	—	—

22 Long-term borrowings (Continued)

(g) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans	**66,489,491**	60,059,896	**66,484,084**	60,039,636
Loans from COSCO Finance	**121,328**	134,091	**121,328**	134,091
Other loans	**20**	95	**20**	95
Finance lease obligations	**71,126**	86,336	**71,126**	86,336
Notes	**26,642,997**	26,905,564	**26,360,979**	27,024,559
Loans from non-controlling shareholders of subsidiaries	**304,845**	765,032	**304,845**	765,032
	93,629,807	87,951,014	**93,342,382**	88,049,749

The fair values are based on cash flows discounted by respective rates as set out in note 22(f) above.

(h) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2013	2012
	RMB'000	RMB'000
US dollar	**68,933,685**	60,998,543
RMB	**23,017,771**	25,708,719
EURO	**1,678,333**	1,243,630
Singapore dollar	**18**	122
	93,629,807	87,951,014

(i) The secured bank loans and loans from COSCO Finance as at 31 December 2013 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment with aggregate net book value of RMB33,098,947,000 (2012 : RMB28,380,747,000) (notes 6(b) and 6(c));

(ii) Two dry bulk vessels with aggregate net book value of RMB613,113,000 (2012: RMB660,789,000) under finance leases (note 6(d));

(iii) Assignments of the charter, rental income and earnings, requisition compensation and insurance relating to certain container vessels; and

(iv) Shares of certain subsidiaries; and

(v) Bank accounts of certain subsidiaries (note 17(a)).

23 Provisions and other liabilities

Group

	Retirement benefit obligations RMB'000 (note a)	Provision for onerous contracts RMB'000 (notes b, 4(iii))	Provision for one-off housing subsidies RMB'000	Deferred income and others RMB'000	Total RMB'000
For the year ended 31 December 2013					
As at 1 January 2013	**1,177,912**	**1,433,722**	**183,911**	**90,466**	**2,886,011**
Decrease during the year	**(202,212)**	**(1,416,202)**	**(6,677)**	**(101,974)**	**(1,727,065)**
Provisions for the year	**62,345**	**604,663**	**3,917**	**205,055**	**875,980**
Currency translation differences	**(664)**	**(25,882)**	**–**	**(12,936)**	**(39,482)**
Disposal of a subsidiary (note 36)	**(1,648)**	**–**	**(99,991)**	**(7,206)**	**(108,845)**
As at 31 December 2013	**1,035,733**	**596,301**	**81,160**	**173,405**	**1,886,599**
Less: current portion of provisions and other liabilities	**(171,877)**	**(420,745)**	**–**	**(10,035)**	**(602,657)**
Non-current portion of provisions and other liabilities	**863,856**	**175,556**	**81,160**	**163,370**	**1,283,942**
For the year ended 31 December 2012					
As at 1 January 2012	1,311,865	1,414,780	186,704	49,781	2,963,130
Decrease during the year	(208,505)	(1,349,122)	(6,837)	(7,080)	(1,571,544)
Provisions for the year	74,602	1,372,227	4,044	47,920	1,498,793
Currency translation differences	(50)	(4,163)	–	(155)	(4,368)
As at 31 December 2012	1,177,912	1,433,722	183,911	90,466	2,886,011
Less: current portion of provisions and other liabilities	(176,064)	(1,102,972)	–	(13,291)	(1,292,327)
Non-current portion of provisions and other liabilities	1,001,848	330,750	183,911	77,175	1,593,684

23 Provisions and other liabilities (Continued)

Notes:

(a) Retirement benefit obligations

	Group 2013 RMB'000	2012 RMB'000
Balance sheet obligations for:		
Multi-employer defined benefits plans for US employees (note (i))	**20,181**	23,821
Early-retirement benefits for PRC employees (note (ii))	**223,483**	328,418
Post-retirement benefits for PRC employees (note (ii))	**792,069**	825,673
	1,035,733	1,177,912
Expensed in income statement for:		
Early-retirement benefits for PRC employees (note (ii))	**(3,882)**	19,973
Post-retirement benefits for PRC employees (note (ii))	**66,227**	54,629
	62,345	74,602

(i) Multi-employer defined benefit plan

As the actuary is unable to provide sufficient information to the Group's proportional share of the defined benefit obligation and the assets and expenses associated with the multi-employer plan and there is no agreement on the future allocation of surplus/shortfall from the plan, the multi-employer defined benefit plan has been accounted for as a defined contribution plan.

(ii) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by management of the Group, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2013 totalled RMB1,015,552,000 (2012: RMB1,154,091,000).

(iii) If the discount rate used to increase/decrease by 1% from management's estimates with all other variables held constant, the carrying amount of retirement benefit obligations as at 31 December 2013 would have been RMB56,618,000 lower or RMB64,017,000 higher.

23 Provisions and other liabilities (Continued)

(a) Retirement benefit obligations (Continued)

(ii) Retirement benefits for PRC employees (Continued)

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2013			2012		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	328,418	825,673	1,154,091	415,368	869,797	1,285,165
(Credited)/charged to the consolidated income statement	(3,882)	66,227	62,345	19,973	54,629	74,602
Benefits paid	(99,405)	(99,831)	(199,236)	(106,923)	(98,753)	(205,676)
Disposal of a subsidiary	(1,648)	–	(1,648)	–	–	–
As at 31 December	223,483	792,069	1,015,552	328,418	825,673	1,154,091

The amounts of retirement benefit costs recognised in the consolidated income statement comprise:

	2013			2012		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	17,055	29,444	46,499	11,528	21,157	32,685
Past service costs	14,200	38,324	52,524	46,440	10,591	57,031
Actuarial (gain)/loss	(35,137)	(1,541)	(36,678)	(37,995)	22,881	(15,114)
	(3,882)	66,227	62,345	19,973	54,629	74,602

The principal actuarial assumptions used were as follows:

	2013		2012	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	3.17%-4.41%	4.60%-5%	3.1%-3.2%	4.0% - 4.08%
Pension benefits inflation rates	0% -4.8%	0% -4.8%	0% -10%	0% -4.8%

23 Provisions and other liabilities (Continued)

(b) Provision for onerous contracts

As at 31 December 2013, the Group had a provision of RMB596,301,000 (2012: RMB1,433,722,000) for onerous contracts relating to the non-cancellable chartered-in dry bulk vessel contracts based on management's estimation basis as mentioned in note 4(iii).

As at 31 December 2013, the committed charterhire expenses of non-cancellable chartered-in dry bulk vessel contracts with lease term expiring over 12 months from the balance sheet date and with period not being covered by chartered-out dry bulk vessel contracts of which management cannot reliably assess their onerous contracts amounted to approximately RMB10,322,056,000 (2012: RMB15,817,804,000).

24 Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Trade payables (note a)				
– third parties	3,923,515	6,665,979	–	–
– fellow subsidiaries	1,242,575	1,320,173	–	–
– joint ventures	72,263	177,520	–	–
– associates	6	3,587	–	–
– other related companies	195,677	13,751	–	–
	5,434,036	8,181,010	–	–
Bills payables (note a)	29,020	1,741,482	–	–
	5,463,056	9,922,492	–	–
Advances from customers	685,414	2,016,647	–	–
Other payables and accruals (note b)	10,426,941	11,116,216	487,304	563,302
Construction payable to fellow subsidiaries (note d)	–	89,357	–	–
Due to related companies				
– fellow subsidiaries (note e)	280,629	181,843	–	–
– joint ventures (note e)	184,166	217,636	–	12,819
– associates (note e)	18,035	22,828	–	–
– other related companies (note f)	1,093,467	694,655	–	–
	1,576,297	1,116,962	–	12,819
Total	18,151,708	24,261,674	487,304	576,121

24 Trade and other payables (Continued)

Notes:

(a) As at 31 December 2013, the ageing analysis of trade and bills payables is as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
1-6 months	5,156,073	9,338,950
7-12 months	82,313	190,766
1-2 years	122,052	205,060
2-3 years	39,877	76,248
Above 3 years	62,741	111,468
	5,463,056	9,922,492

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

(b) Other payables and accruals

	Group		Company	
	2013 RMB'000	2012 RMB'000 (Restated)	2013 RMB'000	2012 RMB'000
Salary and welfare payables	1,340,874	1,651,927	58,211	66,582
Accruals for voyages costs	2,788,906	2,291,355	—	—
Accruals for vessel costs	2,589,881	2,277,927	—	—
Interest payables	452,304	503,448	350,153	352,219
Others	3,254,976	4,391,559	78,940	144,501
	10,426,941	11,116,216	487,304	563,302

(c) The carrying amounts of trade and other payables (excluding advances from customers) are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000 (Restated)
US dollar	11,611,017	9,245,671
RMB	4,266,292	11,823,709
EURO	651,909	350,614
HK dollar	197,173	80,366
Other currencies	739,903	744,667
Total	17,466,294	22,245,027

24 Trade and other payables (Continued)

(d) As at 31 December 2012, the balance represented the outstanding payable to COSCO (Dalian) Shipyard Co., Ltd. in relation to the construction costs payable for one dry bulk vessel.

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

(f) The balance including loans from non-controlling shareholders of subdisidaries are unsecured and repayable within twelve months. Balance of US$8,193,000 (equivalent to approximately RMB49,952,000) (2012: US$49,135,000 (equivalent to approximately RMB308,838,000)) bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US$32,804,000 (equivalent to approximately RMB200,003,000) (2012: US$47,729,000 (equivalent to approximately RMB300,001,000)) bears interest at 5.13% per annum. Balance of US$65,607,000(equivalent to approximately RMB399,999,000) (2012: US$Nil) bears interest at 6.77% per annum. Balance of US$49,681,000 (equivalent to approximately RMB302,900,000) (2012: US$Nil) is interest free.

(g) The carrying amounts of trade and other payables (excluding advances from customers) approximate their fair values.

25 Short-term borrowings

	Group	
	2013	2012
	RMB'000	RMB'000
Bank loans - unsecured	**2,715,570**	5,033,237
COSCO Finance-unsecured	**50,000**	220,000
	2,765,570	5,253,237

Notes:

(a) The effective interest rates of short-term borrowings as at 31 December 2013 were in the range of 2.07% to 5.4% (2012: 1.50% to 7.22%) per annum.

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

	2013	2012
	RMB'000	RMB'000
US dollar	**2,615,570**	4,511,215
RMB	**150,000**	742,022
	2,765,570	5,253,237

26 Other income, net

	2013 RMB'000	2012 RMB'000 (Restated)
Dividend income from listed and unlisted investments	**115,237**	13,177
Government subsidies	**290,031**	835,947
(Loss)/gain on disposal of/write off property, plant and equipment, net		
– container vessels	**(268,930)**	59,196
– dry bulk vessels	**244,176**	82,312
– containers	**2,646**	(2,360)
– others	**(26,119)**	4,149
Gain on disposal of available-for-sale financial assets	**123**	—
(Loss)/gain on disposals of joint ventures and associates	**(9,792)**	13
Net gain/(loss) on derivatives financial instruments	**3,436**	—
Reversal of provision for impairment of trade and other receivables	**71,677**	23,252
Provision for impairment of trade and other receivables	**(64,010)**	(56,770)
Net exchange (loss)/gain	**(17,538)**	25,483
Compensation expense	**(287,263)**	(1,049,993)
Compensation income	**29,884**	59,390
Donations	**(1,006)**	(6,381)
Impairment of available-for-sale financial assets (note 14(e))	**(31,607)**	—
Gain on fair value change on share appreciation rights	**18,814**	27,463
Others	**4,874**	11,879
Total	**74,633**	26,757

27 Expenses by nature

	2013 RMB'000	2012 RMB'000 (Restated)
Cost of services and inventories sold (note a)		
Container shipping and dry bulk shipping costs		
– Equipment and cargo transportation costs	17,757,865	16,824,773
– Voyage costs (note b)	19,011,981	22,773,962
– Vessel costs (note c)	17,220,097	19,510,819
– Provision for onerous contracts (note 23)	604,663	1,372,227
– Others	1,172,686	834,538
Freight forwarding and shipping agency costs	7,556,011	7,232,515
Terminal operating and other direct costs	1,924,398	1,694,699
Cost of inventories sold	731,054	780,093
Container depreciation and other direct costs	928,032	852,281
Business tax	123,405	260,563
Total	67,030,192	72,136,470
Selling, administrative and general expenses		
Administrative staff costs	2,808,755	2,849,641
Depreciation and amortisation	201,141	221,341
Rental expense	186,036	173,389
Office expense	142,281	157,648
Transportation and travelling expense	130,573	144,956
Entertainment expense	126,482	152,177
Legal and professional fees	100,629	105,533
Auditors' remuneration	44,696	40,739
Telecommunication and utilities	102,101	76,685
Repair and maintenance expense	44,099	61,737
Others	289,114	290,151
Total	4,175,907	4,273,997

Notes:

(a) It included depreciation and amortisation expenses of RMB3,700,756,000 (2012 restated: RMB3,417,405,000) and operating lease rentals of RMB9,028,109,000 (2012:RMB10,552,330,000) respectively.

(b) Voyage costs mainly comprised bunkers, port charges and commission expenses.

(c) Vessel costs mainly comprised operating lease rentals and depreciation of vessels.

28 Finance income and costs

	2013 RMB'000	2012 RMB'000 (Restated)
Finance income		
Interest income from:		
– deposits with COSCO Finance (note 17(b))	**226,646**	288,949
– loans to a joint venture and an associate (note 13)	**14,916**	9,287
– banks	**781,207**	495,576
	1,022,769	793,812
Finance costs		
Interest expenses on:		
– bank loans	**(1,831,734)**	(1,479,987)
– other loans wholly repayable within five years	**(54,558)**	(44,682)
– loans with COSCO Finance (notes 22 and 25)	**(19,452)**	(6,610)
– finance lease obligations	**(7,083)**	(8,216)
– notes/bonds (note 22(c))	**(1,162,895)**	(875,391)
Fair value loss on derivative financial instruments	**(53,065)**	(33,979)
Fair value adjustment of notes attributable to interest rate risk	**69,648**	17,674
	16,583	(16,305)
	(3,059,139)	(2,431,191)
Amortised amount of transaction costs on long-term borrowings	**(90,371)**	(79,905)
Amortised amount of discount on issue of notes/bonds	**(10,668)**	(953)
Other incidental borrowing costs and charges	**(187,553)**	(59,773)
Less: amount capitalised in construction in progress (note 6(e))	**135,449**	120,914
	(3,212,282)	(2,450,908)
Net related exchange gain	**876,744**	36,469
Net finance costs	**(1,312,769)**	(1,620,627)

29 Income tax expenses

	2013 RMB'000	2012 RMB'000 (Restated)
Current income tax (note a)		
– PRC enterprise income tax	**218,679**	229,363
– Hong Kong profits tax	**4,784**	4,667
– Overseas taxation	**112,735**	89,155
Under provision in prior years	**2,473**	3,322
	338,671	326,507
Deferred income tax	**(39,199)**	192,579
	299,472	519,086

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 46% (2012: 12.5% to 46%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 25% (2012: 12.5% to 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

29 Income tax expenses (Continued)

(b) The taxation on the Group's loss before income tax from continuing operations differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2013 RMB'000	2012 RMB'000 (Restated)
Loss before income tax from continuing operations	(1,513,596)	(8,591,161)
Less: Share of profits less losses of joint ventures and associates	(1,102,145)	(1,145,666)
	(2,615,741)	(9,736,827)
Calculated at a tax rate of 25% (2012: 25%)	(653,935)	(2,434,207)
Effect of different tax rates of domestic and overseas entities	480,875	1,349,851
Income not subject to income tax	(766,118)	(577,430)
Expenses not deductible for taxation purposes	579,430	655,233
Utilisation of previously unrecognised tax losses	(237,945)	(6,589)
Tax losses not recognised	994,428	1,492,336
Reversal of previously recognised income tax (liabilities)/assets	(88,289)	219,992
Withholding income tax upon distribution of profits and payment of interest	103,199	92,378
Other temporary differences not recognised	(114,646)	(275,800)
Under provision in prior years	2,473	3,322
Income tax expenses	299,472	519,086

(c) The tax credit relating to components of other comprehensive income are as follows:

	2013			2012		
	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(32,741)	3,417	(29,324)	19,502	113	19,615
Share of other comprehensive (loss)/income of joint ventures and associates	(9,029)	–	(9,029)	57,936	–	57,936
Release of reserves upon disposals of subsidiaries and an associate	(375,977)	–	(375,977)	–	–	–
Impairment loss on available-for-sale financial assets	31,607	–	31,607	–	–	–
Currency translation differences	(1,285,436)	–	(1,285,436)	(16,763)	–	(16,763)
Other comprehensive income for the year	(1,671,576)	3,417	(1,668,159)	60,675	113	60,788
Deferred tax (note 15)		3,417			113	
Total		3,417			113	

30 Loss attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB2,218,642,000 (2012: loss of RMB590,882,000).

31 Dividend

The Board of Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2013 and the year ended 31 December 2012.

32 Earnings per share

(a) Basic

Basic earnings 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.

	2013	2012 (Restated)
Loss from continuing operations attributable to equity holders of the Company (RMB)	**(2,960,159,000)**	(10,233,391,000)
Profit from discontinued operations attributable to equity holders of the Company (RMB)	**3,195,629,000**	674,253,000
	235,470,000	(9,559,138,000)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic (loss)/earnings per share (RMB)		
From continuing operations	**(0.2898)**	(1.0017)
From discontinued operations	**0.3128**	0.0660
	0.0230	(0.9357)

32 Earnings per share (Continued)

(b) Diluted

Diluted earnings 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.

	2013	2012 (Restated)
Loss from continuing operations attributable to equity holders of the Company (RMB)	**(2,960,159,000)**	(10,233,391,000)
Adjustment of continuing operations on the effect of dilution	**(54,000)**	(55,000)
	(2,960,213,000)	(10,233,446,000)
Profit from discontinued operations attributable to equity holders of the Company (RMB)	**3,195,629,000**	674,253,000
Adjustment of discontinued operations on the effect of dilution	**(79,000)**	(12,000)
	3,195,550,000	674,241,000
	235,337,000	(9,559,205,000)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Diluted (loss)/earnings per share (RMB)		
From continuing operations	**(0.2898)**	(1.0017)
From discontinued operation	**0.3128**	0.0660
	0.0230	(0.9357)

33 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2013 RMB'000	2012 RMB'000 (Restated)
Wages, salaries and crew expenses (including bonus and share-based payments)	**4,770,528**	4,925,581
Housing benefits (note a)	**349,923**	330,594
Retirement benefits costs		
– defined benefit plans (including multi-employer defined benefit plans) (note 23(a))	**61,795**	71,853
– defined contribution plans (note b)	**598,887**	649,232
Welfare and other expenses	**1,686,071**	1,391,485
	7,467,204	7,368,745

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 7% to 30% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 10% to 22%, depending on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2013 and 2012 to reduce future contributions.

Contributions totalling RMB71,727,000 (2012 restated: RMB206,217,000) payable to various retirement benefit plans as at 31 December 2013 are included in trade and other payables.

(c) The staff costs disclosed above do not include staff quarters provided to the Directors, supervisors and the Group's key managements during the year. Further details of the Directors, supervisors and key management's emoluments are disclosed in note 34 of the Consolidated Financial Statements.

34 Emoluments of Directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the Directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2013 RMB'000	2012 RMB'000
Independent non-executive directors		
– fees	**1,913**	2,234
Executive and other non-executive directors		
– fees	**–**	111
– salaries and allowances	**1,050**	2,100
– benefits in kind	**(2,325)**	(4,247)
	(1,275)	(2,036)
Supervisors		
– salaries and allowances	**2,211**	2,371
– benefits in kind	**(180)**	(971)
– retirement benefit contributions	**78**	66
– others	**1**	1
	2,110	1,467
Senior management		
– salaries and allowances	**11,292**	10,910
– benefits in kind	**1,478**	(147)
– retirement benefit contributions	**211**	208
– others	**56**	39
	13,037	11,010
	15,785	12,675

Benefits in kind for the year ended 31 December 2013 disclosed above mainly included amortised cost and change in fair value with a net credit of RMB3,118,000 (2012: RMB5,893,000) on outstanding SARs not yet exercised by Directors, supervisors and senior management (note 20(b)).

The remunerations of Wan Min (Deputy general manager), Wang Xingru (Deputy general manager), Feng Jinhua (Chief financial officer) and Tang Runjiang (Chief financial officer) disclosed herein include the data disclosed in 2013 annual report of COSCO Pacific Limited (stock code: HK1199).

34 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' and chief executive's emoluments

Details of the remuneration of each of the Directors and the chief executive are set out below:

	Year ended 31 December 2013			
Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
Mr.Wei Jiafu (resigned during the year)*	–	–	(748)	(748)
Mr.Ma Zehua	–	–	–	–
Mr.Li Yunpeng	–	–	(495)	(495)
Ms.Sun Yueying	–	–	(495)	(495)
Mr.Sun Jiakang	–	–	(411)	(411)
Mr.Xu Minjie	–	–	(32)	(32)
Mr.Ye Weilong	–	–	(238)	(238)
Mr.Zhang Liang	–	–	–	–
Mr.Jiang Lijun	–	1,050	94	1,144
Mr.Teo Siong Seng	482	–	–	482
Dr.Fan Hsu Lai Tai Rita	473	–	–	473
Mr.Kwong Che Keung Gordon	485	–	–	485
Mr.Peter Guy Bowie	473	–	–	473
	1,913	1,050	(2,325)	638

Notes:

(i) Mr. Wei Jiafu was the chief executive officer at the same time, and he resigned as the Chairman and the chief executive officer on 16 July 2013.

34 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' and chief executive's emoluments (Continued)

	Year ended 31 December 2012			
Name of Directors	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total RMB'000
Mr.Wei Jiafu*	—	600	(1,335)	(735)
Mr.Ma Zehua	—	540	—	540
Mr.Li Yunpeng	111	—	(886)	(775)
Ms.Sun Yueying	—	—	(886)	(886)
Mr.Sun Jiakang	—	—	(737)	(737)
Mr.Xu Minjie	—	—	(105)	(105)
Mr.Ye Weilong	—	—	(180)	(180)
Mr.Zhang Liang	—	—	(218)	(218)
Mr.Jiang Lijun	—	960	99	1,059
Mr.Teo Siong Seng	487	—	—	487
Dr.Fan Hsu Lai Tai Rita	791	—	—	791
Mr.Kwong Che Keung Gordon	484	—	—	484
Mr.Peter Guy Bowie	472	—	—	472
	2,345	2,100	(4,248)	197

Notes:

(i) During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

(ii) Mr. Wei Jiafu was the chief executive officer at the same time.

34 Emoluments of Directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals	
	2013	2012
Directors	**–**	–
Employees	**5**	5
	5	5

The details of emoluments paid to the five highest paid individuals, have included 0 (2012: Nil) Directors of the Company as disclosed in note 34(b) above. Details of emoluments paid to the remaining five (2012: five) highest paid non-director individuals for the year ended 31 December 2013 are as follows:

	2013	2012
	RMB'000	RMB'000
– Salaries and allowances	**12,370**	12,596
– Benefits in kind	**598**	767
– Discretionary bonuses	**2,362**	2,534
– Retirement benefit contributions	**57**	33
– Others	**11**	12
	15,398	15,942

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals	
	2013	2012
HK\$2,500,001 to HK\$3,000,000 (equivalent to approximately RMB1,970,000 to RMB2,360,000)	**2**	1
HK\$3,000,001 to HK\$3,500,000 (equivalent to approximately RMB2,360,000 to RMB2,750,000)	**2**	3
HK\$6,000,001 to HK\$7,500,000 (equivalent to approximately RMB4,720,000 to RMB5,900,000)	**1**	1
	5	5

35 Notes to the consolidated cash flow statement

(a) Reconciliation of profit/(loss) before income tax to cash used in from operations:

	2013 RMB'000	2012 RMB'000 (Restated)
Profit/(loss) before income tax	**3,743,732**	(7,397,333)
Depreciation		
– property, plant and equipment	**3,845,432**	3,663,191
– investment properties	**23,863**	39,736
Amortisation		
– intangible assets	**36,220**	47,883
– leasehold land and land use rights	**60,282**	65,227
– concession	**11,762**	11,648
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes/bonds	**101,039**	80,858
Dividend income from listed and unlisted investments	**(115,237)**	(17,905)
Share of profits less losses of		
– joint ventures	**(560,752)**	(710,170)
– associates	**(734,565)**	(1,000,486)
Interest expenses	**2,931,244**	2,319,253
Interest income	**(1,022,769)**	(855,730)
Net loss/(gain) on disposal of property, plant and equipment	**48,227**	(147,904)
Net loss/(gain) on disposal of a jointly controlled entity and associates	**9,792**	(13)
Net gain on disposal of available-for-sale financial assets	**(123)**	—
Net gain on disposal of subsidiaries	**(7,974,322)**	—
Other incidental borrowing costs and charges	**187,553**	79,939
Impairments loss on available-for-sale financial assets	**31,607**	—
Provision for onerous contracts	**604,663**	1,372,227
Net exchange gain	**(859,206)**	(64,409)
Operating profit/(loss) before working capital changes	**368,442**	(2,513,988)
Decrease in inventories	**284,939**	748,001
Increase in trade and other receivables	**(1,004,617)**	(2,017,457)
Decrease in trade and other payables	**(938,647)**	(375,841)
Decrease in other tax payable	**(349,711)**	(108,942)
Decrease in finance lease receivables	**14,255**	12,828
Decrease in provisions and other liabilities	**(1,495,943)**	(1,090,595)
Decrease/(increase) in restricted bank deposits	**233,280**	(62,225)
Cash used in operations	**(2,888,002)**	(5,408,219)

35 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

During the year ended 31 December 2013, 20,981,194 and 103,381,332 new shares were issued by COSCO Pacific for the settlement of 2012 final and 2013 interim scrip dividends, which resulted in an increase of non-controlling interests by RMB435,035,000 (note 21).

36 Discontinued operations

(a) Disposal of 100% equity interest in COSCO Logistics

The disposal of 100% equity interests in COSCO Logistics was completed by the end of April 2013 ("Completion Date"). Given that COSCO Logistics represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it had been classified as discontinued operation in the Consolidated Financial Statements.

The details of the net assets of discontinued operation as at the Completion Date are as follows:

	RMB'000
Property, plant and equipment	2,095,117
Investment properties	23,463
Leasehold land and land use rights	258,238
Intangible assets	62,050
Joint ventures	441,558
Associates	672,962
Available-for-sale financial assets	238,252
Deferred income tax assets	19,741
Restricted bank deposits	226,646
Inventories	241,019
Trade and other receivables	5,213,630
Cash and cash equivalents	3,576,751
Trade and other payables	(5,574,462)
Short-term borrowings	(2,097,477)
Provisions and other liabilities	(108,845)
Deferred income tax liabilities	(21,557)
Tax payable	(50,698)
Net assets	5,216,388
Non-controlling interests	(374,873)
Net assets disposed of	4,841,515
Sales proceeds - cash received	6,738,704
Less: cash and cash equivalents of subsidiary disposed of	(3,576,751)
Net cash inflow on disposal of subsidiary	3,161,953
Dividend received	211,409
	3,373,362

36 Discontinued operations (Continued)

(a) Disposal of 100% equity interest in COSCO Logistics (Continued)

The results and cash flows of discontinued operation are as follows:

	For the period from 1 January 2013 to Completion Date RMB'000	For the year ended 31 December 2012 RMB'000
Revenues	**4,986,050**	20,391,451
Expenses	**(4,645,814)**	(19,588,168)
Profit before tax	**340,236**	803,283
Income tax expense	**(74,332)**	(221,022)
Profit after tax	**265,904**	582,261
Sales proceeds - cash received	**6,738,704**	—
Net assets disposal of	**(4,841,515)**	—
Release of reserves upon disposal	**(51,468)**	—
Net gain on disposal	**1,845,721**	—
Profit for the period from discontinued operation	**2,111,625**	582,261
Attributable to:		
Equity holders of the Company	**2,080,620**	502,720
Non-controlling interests	**31,005**	79,541
Profit for the period from discontinued operation	**2,111,625**	582,261

36 Discontinued operations (Continued)

(a) Disposal of 100% equity interest in COSCO Logistics (Continued)

	For the period from 1 January 2013 to Completion Date RMB'000	For the year ended 31 December 2012 RMB'000
Net cash used in operating activities	**(313,453)**	(438,354)
Net cash used in investing activities	**(29,927)**	(115,201)
Net cash generated from financing activities	**580,854**	162,376
Net increase/(decrease) in cash and cash equivalents	**237,474**	(391,179)
Cash and cash equivalents at beginning of period	**3,353,640**	3,755,554
Effect of exchange rate changes	**(14,363)**	(10,735)
Cash and cash equivalents at end of period	**3,576,751**	3,353,640

(b) Disposal of 21.8% equity interest in CIMC

On 13 June 2013, the disposal of 21.8% equity interests in CIMC was approved by the independent shareholders of COSCO Pacific. Given that the container manufacturing and related businesses was identified as a separate operating business of the Group by management before the disposal, CIMC had been classified as discontinued operation in the Consolidated Financial Statements. The disposal was completed on 27 June 2013 and resulted in a net gain of US$393,411,000 (approximately RMB2,437,968,000), while the share of profit of CIMC for the period was RMB142,897,000.

37 Disposals of subsidiaries

At the end of November 2013, the Group completed the disposals of Shanghai Tianhongli and Qingdao Management (note 1), details of the sales proceeds and gains on disposals are as follows:

Net gain in respect of disposals of subsidiaries is analysed as follows

	RMB'000
Property, plant and equipment	261,499
Investment properties	455,317
Leasehold land and land use rights	331,557
Intangible assets	26,471
Cash and cash equivalents	227,537
Restricted bank deposits	2,820
Trade and other receivables	21,412
Trade and other payables	(64,576)
Tax payable	(3,875)
Deferred income tax liabilities	(92,559)
Net assets	1,165,603
Less: non-controlling interests	221,465
Net assets disposed of	944,138
Other gains, including fair value gain of residual investments	3,690,633
Sales proceeds - cash received	3,738,403
Less: cash and cash equivalents of subsidiary disposed of	(227,537)
Net cash inflow on disposals of subsidiaries	3,510,866

38 Contingent liabilities and financial guarantee

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

As at 31 December 2013, 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 period ended 31 December 2013.

38 Contingent liabilities and financial guarantee (Continued)

(b) Guarantee

	Group 2013 RMB'000	2012 RMB'000
Bank guarantee to an associate at face value	**128,608**	154,141

A subsidiary of COSCO Pacific provided corporate guarantee to an associate in respect of banking facilities of the associate. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not been recognised at the balance sheet date.

As at 31 December 2013, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB14,549,623,000 (2012: RMB13,239,328,000).

39 Commitments

(a) Capital commitments

Group

	2013 RMB'000	2012 RMB'000
Authorised but not contracted for		
Containers	**2,548,504**	2,005,068
Terminal equipment	**2,302,354**	1,611,407
Buildings	**1,162,141**	1,516,775
Other property, plant and equipment	**–**	57,056
Intangible assets	**4,817**	23,750
Investments in terminals and other companies	**205,429**	211,869
	6,223,245	5,425,925
Contracted but not provided for		
Containers	**100,843**	596,431
Containers vessels and dry bulk vessels	**3,491,871**	9,974,120
Terminal equipment	**1,316,211**	2,186,191
Buildings	**44,303**	323,784
Other property, plant and equipment	**11,918**	48,413
Investments in terminals and other companies	**3,855,159**	2,814,740
Intangible assets	**10,142**	10,615
	8,830,447	15,954,294

39 Commitments (Continued)

(a) Capital commitments (Continued)

Amounts of capital commitments relating to the Group's interest in the joint ventures not included in the above are as follows:

	2013 RMB'000	2012 RMB'000
Authorised but not contracted for	**36,667**	39,492
Contracted but not provided for	**57,219**	629
	93,886	40,121

As at 31 December 2013 and 2012, the Company had no significant capital commitments.

(b) Operating lease arrangement - where the Group is the lessor

As at 31 December 2013, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2013 RMB'000	2012 RMB'000
Containers vessels and dry bulk vessels		
– not later than one year	**1,170,519**	648,398
– later than one year and no later than five years	**437,105**	405,340
– later than five years	**52,311**	145,698
	1,659,935	1,199,436
Containers (note)		
– not later than one year	**631,523**	787,083
– later than one year and no later than five years	**1,109,252**	1,740,669
– later than five years	**208,904**	297,266
	1,949,679	2,825,018
Investment properties and other property, plant and equipment		
– not later than one year	**48,484**	112,513
– later than one year and no later than five years	**33,008**	190,622
– later than five years	**3,223**	16,807
	84,715	319,942
	3,694,329	4,344,396

Note:

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts.

39 Commitments (Continued)

(c) Operating lease commitments - where the Group is the lessee

As at 31 December 2013, the Group had future aggregate minimum payments under non-cancellable operating leases/time charter arrangements as follows:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Containers vessels and dry bulk vessels				
– not later than one year	7,500,706	9,290,910	–	–
– later than one year and no later than five years	17,214,850	20,509,880	–	–
– later than five years	9,744,275	13,636,924	–	–
	34,459,831	43,437,714	–	–
Concession of Piraeus Port (note 16)			–	
– not later than one year	282,091	250,666	–	–
– later than one year and no later than five years	1,042,680	1,239,628	–	–
– later than five years	24,657,644	24,842,552	–	–
	25,982,415	26,332,846	–	–
Containers				
– not later than one year	1,512,684	791,626	–	–
– later than one year and no later than five years	2,031,832	2,097,680	–	–
– later than five years	58,550	40,122	–	–
	3,603,066	2,929,428	–	–
Leasehold land, buildings and other property, plant and equipment				
– not later than one year	208,324	259,711	37,606	37,416
– later than one year and no later than five years	179,567	367,717	769	38,375
– later than five years	2,325	126,118	–	–
	390,216	753,546	38,375	75,791
	64,435,528	73,453,534	38,375	75,791

40 Significant related party transactions

The Company is controlled by COSCO, the parent company and a state-owned enterprise established in the PRC.

COSCO itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), "Related Party Disclosures", issued by HKICPA, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure upon the early adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the Consolidated Financial Statements.

In addition to the related party information and transactions disclosed elsewhere in the Consolidated Financial Statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

	2013 **RMB'000**	2012 RMB'000 (Restated)
Continuing operations		
Transactions with COSCO		
Revenues		
Management fee income	**18,730**	17,307
Expenses		
Sub-charter expenses	**118,900**	121,285
Rental expenses	**35,518**	34,408

40 Significant related party transactions (Continued)

	2013 RMB'000	2012 RMB'000 (Restated)
Transactions with fellow subsidiaries and the related entities of COSCO (including joint ventures and associates)		
Revenues		
Container shipping income	289,701	342,192
Freight forwarding and shipping agency income	4,981	2,531
Vessel services income	22,787	23,428
Crew service income	76,118	93,074
Vessel management income	629	2,957
Expenses		
Vessel costs		
Sub-charter expenses	338,852	347,685
Charterhire expenses	36,943	39,273
Vessel services expenses	677,653	564,124
Crew expenses	18,585	46,707
Voyage costs		
Bunker costs	13,624,919	17,149,961
Port charges	828,035	822,403
Equipment and cargo transportation costs		
Commission and rebates	125,075	130,115
Cargo and transhipment and equipment and repositioning expenses	18,500	23,767
Freight forwarding expenses	63,490	68,076
General service expenses	42,446	44,442
Management fee expenses	10,999	10,851
Rental expenses	55,994	52,589
Electricity and fuel expenses	7,791	1,787
Others		
Installments paid for ship building contracts	—	294,994

40 Significant related party transactions (Continued)

	2013 RMB'000	2012 RMB'000 (Restated)
Transactions with joint ventures of the Group		
Revenues		
Charterhire income	163,109	144,299
Management fee and service fee income	25,825	25,434
Crew service income	13,202	20,827
Expenses		
Voyage costs		
Port charges	860,336	794,250
Rental expenses	4,364	4,364
Transactions with associates of the Group		
Revenues		
Crew service income	12,400	12,400
Expenses		
Vessel costs		
Port charges	336,214	345,916
Container freight charges	9,612	6,913
Others		
Purchase of containers	1,038,450	1,423,634

	2013 RMB'000	2012 RMB'000 (Restated)
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	272,222	245,095
Expenses		
Container handling and logistics services fee	109,166	81,374
Electricity and fuel expenses	30,179	44,403

Note:

These transactions were conducted either (i) based on terms as governed by the nine master agreements and subsisting agreements entered into between the Group and COSCO Group, or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

These transactions also included the Group's transactions with COSCO Logistics and its subsidiaries and related entities for the period from the Completion Date to 31 December 2013.

Notes to the Consolidated Financial Statements

40 Significant related party transactions (Continued)

	For the period from 1 January 2013 to Completion Date RMB'000	For the year ended 31 December 2012 RMB'000 (Restated)
Discontinued operation		
Transactions with subsidiaries of COSCO and its related entities (including joint ventures and associates of COSCO)		
Revenues		
Freight forwarding and shipping agency income	8,074	8,126
Expenses		
Freight forwarding expenses	1,194	16,733
Logistics related expenses	27,419	148,498
General service expenses	—	4,740
Transactions with joint ventures of the Group		
General service expenses	2,628	9,921

Note:

As at 31 December 2013 and 31 December 2012, majority of the Group's bank balances and bank borrowings are with state-owned banks.

41 Business combination

In March 2013, COSCO Pacific acquired Xiamen Haitou Tongda Container Terminal Co., Ltd with 70% effective shareholdings with a consideration of US$33,575,000 (approximately RMB207,450,000).

42 Particulars of principal subsidiaries, joint ventures and associates

At 31 December 2013, the Group had the following principal subsidiaries, joint ventures and associates which, in the opinion of the Directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2013, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2013	2012
Capital held directly						
China COSCO Bulk Shipping (Group) Company Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB25,968,025,395	100%	100%
COSCO Container Lines Company Limited	PRC/Worldwide	Container transportation	Limited liability company	RMB11,088,763,082 (2012: RMB6,088,763,082)	100%	100%
COSCO Pacific Investment Holdings Limited	Hong Kong	Investment holding	Limited liability company	500 ordinary shares of HK$1,000 each	100%	100%
Capital held indirectly						
COSCO Bulk Carrier Co., Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB6,290,000,000	100%	100%
Qingdao Ocean Shipping Co.,Ltd.	PRC/Worldwide	Provision of passenger and cargo transportation services	Limited liability company	RMB3,214,000,000	100%	100%
Shenzhen Ocean Shipping Company Limited	PRC	Vessel owning and investment holding	Limited liability company	RMB1,195,709,081	100%	100%
Prosperity Investment 2011 Limited	British Virgin Islands	Investment holding	Limited liability company	US$100,000	100%	100%
Shanghai Pan Asia Shipping Company Limited	PRC	Container transportation	Limited liability company	RMB1,259,983,844	100%	100%
Tianjin Binhai COSCO Container Logistics Co., Ltd.	PRC	Container stack, cargo storage and cargo Transportation	Limited liability company	RMB190,000,000	56.10%	56.10%
Shanghai Ocean Shipping Co., Ltd.	PRC	Vessel management and manning service	Limited liability company	RMB320,000,000	100%	100%
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	Limited liability company	RMB200,000,000	100%	100%
COSCO Container Shipping Agency Company Limited	PRC	Shipping agency	Limited liability company	RMB80,000,000	100%	100%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding	Limited liability company	RMB50,000,000	100%	100%

42 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2013	2012
Capital held indirectly (Continued)						
Shanghai COSCON Development Co., Ltd.	PRC	Container stack, cargo Storage and cargo Transportation	Limited liability company	RMB403,000,000	100%	100%
COSCO Container Line Agencies Limited	Hong Kong	Shipping agency	Limited liability company	1,000,000 shares of HK$1 each	100%	100%
COSCO Container Lines Europe GmbH	German/Europe	Shipping agency	Limited liability company	EURO1,500,000	100%	100%
COSCO Container Lines Japan Co., Ltd.	Japan	Marine services	Limited liability company	JPY40,000,000	100%	100%
COSCO Container Lines Americas, Inc.	United States of America	Shipping agency	Limited liability company	1,000 ordinary shares of US$0.01 each	100%	100%
COSCO (Cayman) Mercury Co., Ltd.	Cayman Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	100%	100%
Five Star Shipping & Agency Company Pty Limited	Australia	Shipping agency, freight forwarding and other international sea transport services	Limited liability company	AUD100,000	100%	100%
Tianjin Ocean Shipping Co., Ltd.	PRC	Bulk cargo transportation and investment holding	Limited liability company	RMB868,581,699	100%	100%
COSCO Bulk Carrier Holdings (Cayman) Limited	Cayman Islands/ Singapore	Investment holding	Limited liability company	US$ 50,000	100%	100%
COSCO Europe Bulk Shipping GmbH	Hamburg, Germany/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	EUR 500,000	50%	50%
COSCO Bulk Carrier Americas Inc.	Delaware, America/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	US$ 500,000	51%	51%
COSCO Oceania Chartering Pty Ltd	New South Wales, Australia/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	AUD 20,002	51%	51%
Golden View Investment Limited	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	2 ordinary shares of US$1 each	100%	100%

42 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2013	2012
Capital held indirectly (Continued)						
COSCO (Hong Kong) Shipping Co., Ltd.	Hong Kong	Provision of agency and management services	Limited liability company	3 ordinary shares of HK$1 each	**100%**	100%
COSCO Pacific Limited	Bermuda	Investment holding	Limited liability company	2,912,325,528 shares of HK$ 0.1 each (2012: 2,786,052,002 shares of HK$ 0.1 each)	**43.92%**	43.21%
COSCO Investments Limited	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	**100%**	100%
Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	**31.38%**	30.87%
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	US$36,800,000	**22.39%**	22.03%
Yangzhou Yuanyang International Ports Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$61,500,000	**24.41%**	24.02%
Jinjiang Pacific Ports Development Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	**35.14%**	34.57%
Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB1,627,480,000	**30.75%**	30.25%
Piraeus Container Terminal S.A.	Greece	Operation of container terminal	Limited liability company	EURO34,500,000	**43.92%**	43.21%
COSCO Ports (Nansha) Limited	British Virgin Islands/PRC	Investment in a container terminal	Limited liability company	US$10,000	**29.03%**	28.56%
Florens Container Holdings Limited	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	22,014 ordinary shares of US$1 each	**43.92%**	43.21%
Zhen Sea Shipping Company limited	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	500,000 ordinary shares of US1$ each	**100%**	100%
Bright Sea Management Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	**100%**	100%
COSCO Diamond Limited	Hong Kong	Treasury	Limited liability company	2,000 shares of US$1 each	**100%**	100%
COSCO Finance 2011 Limited	British Virgin Islands	Financing	Limited liability company	10,000 shares of US$1 each	**100%**	100%

42 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures

As at 31 December 2013, the Company had indirect interests in the following principal joint ventures:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2013	2012
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB624,000,000	**8.78%**	8.64%
Tianjin Port Euroasia International Container Terminal Co.,Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,260,000,000	**13.17%**	12.96%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	US$308,000,000	**8.78%**	8.64%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB1,246,450,000	**8.78%**	8.64%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,900,000,000	**13.17%**	12.96%
Cheer Dragon Investment Limited	Hong Kong	Investment in terminal	Limited liability company	3 ordinary shares of HK$1 each	**14.64%**	14.40%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	Limited liability company	SGD65,900,000	**21.53%**	21.18%
C & I Shipholding S.A.	Panama	Vessel owning and chartering	Limited liability company	US$15,600,000	**60%**	60%
COSCO Development Shipping Co.,Ltd.	PRC	Vessel owning and chartering	Limited liability company	RMB200,000,000	**17.97%**	17.97%
Tianjin YuanHua Shipping Co., Ltd	PRC	Cargo transportation and vessel chartering	Limited liability company	RMB 360,000,000	**56.17%**	56.17%
Shanghai Ocean Hotel Co.,Ltd.	PRC	Hotel operation	Limited liability company	RMB313,720,000	**58.07%**	58.07%
Tangshan COSCO Container Logistics Co., Ltd.	PRC	Container Stack, Cargo Storage, and Cargo Transportation	Limited liability company	RMB170,000,000	**51%**	51%

42 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates

As at 31 December 2013, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company	
					2013	2012
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	Limited liability company	RMB800,000,000	**31.25%**	38.25%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB730,000,000	**8.78%**	8.64%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	Limited liability company	1,856,250 ordinary shares of US$ 100 each	**8.78%**	8.64%
Dawning Company Limited	British Virgin Islands/PRC	Investment holding	Limited liability company	200 "A" shares of US $1 each and 800 "B" shares of US $1 each	**8.78%**	8.64%
Wattrus Limited	British Virgin Islands/PRC	Investment holding	Limited liability company	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**2.26%**	2.22%
Sigma Enterprises Ltd.	British Virgin Islands/PRC	Investment holding	Limited liability company	2,005 "A" shares of US$1 each and 8,424 "B "shares of US$1 each	**7.24%**	7.12%

Notes:

(i) The English names of certain subsidiaries, joint ventures and associates referred to in the Consolidated Financial Statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some joint ventures as disclosed above are more than 50%, the Group does not have unilateral control over these joint ventures.

Five Year Financial Summary

For the year ended 31 December 2013

	For the year ended 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Revenue	**66,137,861**	68,267,510	84,639,178	96,487,636	68,462,154
(Loss)/profit before income tax	**(1,513,596)**	(8,591,164)	(7,854,229)	9,209,589	(6,213,500)
Income tax expenses	**(299,472)**	(519,086)	(1,031,036)	(1,195,844)	(450,586)
(Loss)/profit for the period from continuing operations	**(1,813,068)**	(9,110,250)	(8,885,265)	8,013,745	(6,664,066)
Profit for the period from discontinued operations	**4,692,490**	972,819	—	—	—
Loss for the period	**2,879,422**	(8,137,431)	(8,885,265)	8,013,745	(6,664,066)
(Loss)/profit attributable to:	**2,879,422**	(8,137,431)	(10,495,295)	6,785,497	(7,467,812)
– Equity holders of the Company	**(235,470)**	9,559,141	1,610,030	1,228,248	803,726
– Non-controlling interests	**2,643,952**	1,421,710	(8,885,265)	8,013,745	(6,664,086)

	As at 31 December				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Total assets	**161,862,107**	165,259,530	157,458,885	150,981,892	137,741,303
Total liabilities	**(119,748,300)**	(123,559,329)	(107,288,432)	(88,681,037)	(85,156,488)
Total equity	**42,113,807**	41,700,201	50,170,453	62,300,855	52,584,815

Notes:

(a) The financial figures for the year 2013 and 2012 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2011 to 2009 were extracted from the 2012 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2011 to 2009. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2011 to 2009.

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