中遠國際控股有限公司*

COSCO International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

2012 ANNUAL RESULTS

RESULTS AND OPERATION HIGHLIGHTS

- Satisfactory results achieved under severe market conditions: Revenue decreased by 6% to HK$10,005,705,000. Profit attributable to equity holders of the Company declined by 7% to HK$363,006,000.

- Healthy operating cash flow and strong cash position: Net cash generated from operating activities was HK$254,560,000. The Group had net cash of HK$5,820,907,000 as at 31st December 2012 to support future development plan.

- Stable dividend payout ratio: Basic earnings per share was 23.98 HK cents. The Board has recommended a final dividend of 6 HK cents per share. Together with the interim dividend of 2 HK cents per share, total dividends of 8 HK cents per share for the year represented a dividend payout ratio of 33%.

- Future development: For existing businesses, the Group will make full effort to speed up the construction of the new plants in Qingdao and Shanghai by two coating companies in order to strengthen the Group's leading position in the coating market in China. As the sole service provider for ship trading agency, marine insurance brokerage and procurement of marine spare parts for the COSCO Group's fleet, the Group will further expand its scale of core businesses. For new businesses, the Group will pursue the establishment of global sales and services network and the relevant acquisition of shipping services projects inside and outside the COSCO Group, and at the same time explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its strategic development plan.

The board of directors (the "Board" or the "Director(s)") of COSCO International Holdings Limited (the "Company" or "COSCO International") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2012.

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2012

	Note	**2012**	2011
		HK$'000	HK$'000
Revenue	4	**10,005,705**	10,656,121
Cost of sales	6	**(9,319,720)**	(9,764,086)
Gross profit		**685,985**	892,035
Other income and gains	5	**63,199**	46,264
Selling, administrative and general expenses	6	**(448,053)**	(539,121)
Other expenses and losses	6	**(2,368)**	(28,199)
Operating profit		**298,763**	370,979
Finance income	7	**127,896**	108,736
Finance costs	7	**(3,948)**	(16,928)
Finance income – net	7	**123,948**	91,808
Share of results of jointly controlled entities		**37,996**	50,152
Share of results of associates		**13,126**	25,755
Profit before income tax		**473,833**	538,694
Income tax expenses	8	**(70,926)**	(90,963)
Profit for the year		**402,907**	447,731
Profit attributable to:			
Equity holders of the Company		**363,006**	390,339
Non-controlling interests		**39,901**	57,392
		402,907	447,731
Earnings per share attributable to equity holders of the Company during the year			
– basic, HK cents	9(a)	**23.98**	25.80
– diluted, HK cents	9(b)	**23.73**	25.37

		HK$'000	HK$'000
Dividends	10	**121,091**	136,227

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2012

	2012	2011
	HK$'000	HK$'000
Profit for the year	**402,907**	447,731
Other comprehensive income		
Adjustment on adoption of HKAS 12 (Amendment)	**1,436**	–
Currency translation differences	**1,404**	45,585
Share of currency translation differences of a jointly controlled entity and an associate	**3,346**	13,109
Share of cash flow hedges of an associate, net of tax	**(28)**	1,453
Reserves realised in consolidated income statement upon disposal of a jointly controlled entity	**–**	(320)
Fair value gains/(losses) on available-for-sale financial assets	**9,808**	(37,182)
Reserves realised in consolidated income statement upon disposal of available-for-sale financial assets	**–**	(12,921)
Cash flow hedges, net of tax	**(78)**	78
Other comprehensive income for the year	**15,888**	9,802
Total comprehensive income for the year	**418,795**	457,533
Total comprehensive income attributable to:		
Equity holders of the Company	**378,552**	389,525
Non-controlling interests	**40,243**	68,008
	418,795	457,533

CONSOLIDATED BALANCE SHEET

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Intangible assets		**97,071**	98,542
Property, plant and equipment		**156,718**	162,217
Prepaid premium for land leases		**7,064**	7,482
Investment properties		**38,447**	35,777
Jointly controlled entities		**416,886**	376,877
Associates		**79,015**	85,053
Available-for-sale financial assets		**59,373**	66,187
Deferred income tax assets		**62,044**	72,640
Non-current deposits		**61,654**	–
		978,272	904,775
Current assets			
Completed properties held for sale		**186**	186
Inventories		**487,264**	665,656
Trade and other receivables	11	**2,288,638**	2,191,709
Available-for-sale financial assets		**37,281**	20,659
Derivative financial assets		**–**	78
Financial assets at fair value through profit or loss		**700**	377
Current income tax recoverable		**19,589**	1,471
Restricted bank deposits		**41,570**	36,890
Current deposits and cash and cash equivalents		**5,763,888**	5,666,734
		8,639,116	8,583,760
Total assets		**9,617,388**	9,488,535
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**151,363**	151,363
Reserves		**7,091,940**	6,834,478
Proposed dividends		**90,818**	105,954
		7,334,121	7,091,795
Non-controlling interests		**246,023**	187,119
Total equity		**7,580,144**	7,278,914
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**26,689**	20,358
Current liabilities			
Trade and other payables	12	**1,946,155**	2,122,464
Current income tax liabilities		**18,195**	31,998
Short-term borrowings		**46,205**	34,801
		2,010,555	2,189,263
Total liabilities		**2,037,244**	2,209,621
Total equity and liabilities		**9,617,388**	9,488,535
Net current assets		**6,628,561**	6,394,497
Total assets less current liabilities		**7,606,833**	7,299,272

NOTES

1 GENERAL INFORMATION

The Group is principally engaged in the provision of shipping services and general trading.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

3 CHANGES IN ACCOUNTING POLICIES

(i) Adoption of amendments to published standards

In 2012, the Group has adopted the following amendments to published standards issued by the HKICPA, which are relevant to its operations:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1st July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets	1st July 2011

In December 2010, the HKICPA amended HKAS 12 ("Income Taxes") to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale.

The adoption of this amendment has resulted in a change in accounting policy on the provision of deferred tax on revaluation of investment properties. Previously, provision for deferred tax was made at the income tax rates on the revaluation of, and the tax bases of, investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale. As required by the amendment, the Group has re-measured the deferred tax relating to the investment properties according to the tax consequence on the presumption that they are recovered entirely by sale. This change in accounting policy should be accounted for retrospectively. However, as such change has no material effect on the results and financial position of the Group, the comparative figures have not been restated.

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

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

The following new standards and amendments to existing standards have been published by the HKICPA and are relevant to the Group's operations. They are not yet effective for accounting periods beginning on 1st January 2012 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1st January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurement	1st January 2013
HKFRSs (Amendment)	Annual Improvements 2011	1st January 2013

The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to published standards, but it is not yet in a position to state whether they will have a significant impact on its results of operations and financial position except for HKFRS 10 "Consolidated Financial Statements" which the management has assessed that there is no impact on the determination of subsidiaries upon adoption.

4 REVENUE AND SEGMENT INFORMATION

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

	2012 HK$'000	2011 HK$'000
Sale of coatings	**1,274,861**	1,608,654
Sale of marine equipment and spare parts	**923,102**	970,159
Commission income from ship trading agency	**109,340**	150,156
Commission income from insurance brokerage	**85,142**	85,486
Sale of marine fuel and other products	**6,228,123**	6,679,864
Sale of asphalt and other products	**1,385,137**	1,161,802
	10,005,705	10,656,121

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

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

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

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

	Year ended and as at 31st December 2012									
	Shipping services									
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Marine fuel and other products HK$'000	Total HK$'000	General trading HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Profit and loss items:										
Segment revenue	1,274,861	924,386	109,351	85,426	6,280,320	8,674,344	1,391,996	–	(60,635)	10,005,705
Inter-segment revenue	–	(1,284)	(11)	(284)	(52,197)	(53,776)	(6,859)	–	60,635	–
Revenue from external customers	1,274,861	923,102	109,340	85,142	6,228,123	8,620,568	1,385,137	–	–	10,005,705
Segment operating profit	114,044	49,418	68,750	60,793	47,760	340,765	23,797	2,700	–	367,262
Finance income	7,263	3,337	7,495	1,189	120	19,404	2,441	–	(2,051)	19,794
Finance costs	(866)	(1,182)	(55)	(121)	(7,052)	(9,276)	(9,824)	–	2,051	(17,049)
Share of results of jointly controlled entities	38,303	(623)	316	–	–	37,996	–	–	–	37,996
Share of results of associates	–	–	20	–	13,796	13,816	(690)	–	–	13,126
Segment profit before income tax	158,744	50,950	76,526	61,861	54,624	402,705	15,724	2,700	–	421,129
Income tax expenses	(20,880)	(6,327)	(20,415)	(10,773)	(1,784)	(60,179)	(5,037)	–	–	(65,216)
Segment profit after income tax	137,864	44,623	56,111	51,088	52,840	342,526	10,687	2,700	–	355,913
Balance sheet items:										
Total segment assets	1,793,196	649,562	349,012	187,350	839,522	3,818,642	1,191,953	95,595	(134,461)	4,971,729
Total segment assets include:										
– Jointly controlled entities	400,822	13,570	2,494	–	–	416,886	–	–	–	416,886
– Associates	–	–	2,078	–	69,303	71,381	7,634	–	–	79,015
Total segment liabilities	747,839	329,492	108,481	84,462	661,929	1,932,203	978,774	–	(134,461)	2,776,516
Other items:										
Depreciation and amortisation, net of amount capitalised	16,447	1,428	776	86	–	18,737	1,818	–	–	20,555
Provision for impairment of inventories, net of reversal	2,215	–	–	–	–	2,215	–	–	–	2,215
Reversal of provision for impairment of trade and other receivables, net of provision	2,465	2,628	–	–	29,654	34,747	4,181	–	–	38,928
Reversal of provision for selling expenses (note 6)	65,000	–	–	–	–	65,000	–	–	–	65,000
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	5,093	363	22	21	–	5,499	7,465	–	–	12,964

	Year ended and as at 31st December 2011									
	Shipping services									
	Coatings HK$'000	Marine equipment and spare parts HK$'000	Ship trading agency HK$'000	Insurance brokerage HK$'000	Marine fuel and other products HK$'000	Total HK$'000	General trading HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Profit and loss items:										
Segment revenue	1,608,654	988,000	150,235	85,734	7,036,944	9,869,567	1,174,481	–	(387,927)	10,656,121
Inter-segment revenue	–	(17,841)	(79)	(248)	(357,080)	(375,248)	(12,679)	–	387,927	–
Revenue from external customers	1,608,654	970,159	150,156	85,486	6,679,864	9,494,319	1,161,802	–	–	10,656,121
Segment operating profit	181,379	63,453	107,062	60,495	(3,225)	409,164	31,731	14,728	–	455,623
Finance income	3,803	1,172	5,507	807	167	11,456	947	–	(3,393)	9,010
Finance costs	(3,061)	(1,099)	(147)	(130)	(3,530)	(7,967)	(18,780)	–	3,393	(23,354)
Share of results of jointly controlled entities	48,677	1,241	108	–	–	50,026	126	–	–	50,152
Share of results of associates	–	–	–	–	25,091	25,091	664	–	–	25,755
Segment profit before income tax	230,798	64,767	112,530	61,172	18,503	487,770	14,688	14,728	–	517,186
Income tax expenses	(31,605)	(10,459)	(23,721)	(9,813)	(3,840)	(79,438)	(2,645)	–	–	(82,083)
Segment profit after income tax	199,193	54,308	88,809	51,359	14,663	408,332	12,043	14,728	–	435,103
Balance sheet items:										
Total segment assets	1,762,956	620,314	342,457	188,546	934,757	3,849,030	1,154,242	85,464	(138,615)	4,950,121
Total segment assets include:										
– Jointly controlled entities	359,251	15,450	2,176	–	–	376,877	–	–	–	376,877
– Associates	–	–	–	–	74,313	74,313	10,740	–	–	85,053
Total segment liabilities	916,398	355,451	105,124	87,278	790,936	2,255,187	951,687	–	(138,615)	3,068,259
Other items:										
Depreciation and amortisation, net of amount capitalised	12,759	1,558	759	248	–	15,324	628	–	–	15,952
Gain on disposal of a jointly controlled entity	–	–	–	–	–	–	4,318	–	–	4,318
Gain on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	12,642	–	12,642
Reversal of provision for impairment of inventories, net of provision	3,841	–	–	–	–	3,841	–	–	–	3,841
Provision for impairment of trade and other receivables, net of reversal	(14,434)	4,724	–	–	29,752	20,042	7,765	–	–	27,807
Additions to non-current assets (other than available-for-sale financial assets and deferred tax assets)	13,716	2,240	697	13	–	16,666	3,971	–	–	20,637

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

	2012 HK$'000	2011 HK$'000
Profit before income tax for reportable segments	**418,429**	502,458
Profit before income tax for all other segments	**2,700**	14,728
Profit before income tax for all segments	**421,129**	517,186
Elimination of unrealised profit on inter-segment revenue	**–**	(1,464)
Elimination of segment income from corporate headquarters	**(81)**	(74)
Elimination of segment finance costs to corporate headquarters	**13,113**	6,445
Corporate finance income	**108,102**	99,726
Corporate finance costs	**(12)**	(19)
Corporate expenses, net of income	**(68,418)**	(83,106)
Profit before income tax for the Group	**473,833**	538,694
Income tax expenses for all segments	**(65,216)**	(82,083)
Corporate income tax expenses	**(5,710)**	(8,880)
Profit after income tax for the Group	**402,907**	447,731

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

	2012 HK$'000	2011 HK$'000
Total assets for reportable segments	**5,010,595**	5,003,272
Total assets for all other segments	**95,595**	85,464
Elimination of inter-segment receivables	**(134,461)**	(138,615)
	4,971,729	4,950,121
Corporate assets (mainly deposits and cash and cash equivalents)	**5,415,905**	5,426,538
Elimination of unrealised profit on inter-segment revenue	**–**	(1,464)
Elimination of corporate headquarters' receivables from segments	**(770,246)**	(886,660)
Total assets for the Group	**9,617,388**	9,488,535

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

	2012 HK$'000	2011 HK$'000
Total liabilities for reportable segments	**2,910,977**	3,206,874
Elimination of inter-segment payables	**(134,461)**	(138,615)
	2,776,516	3,068,259
Corporate liabilities	**30,974**	28,022
Elimination of segment payables to corporate headquarters	**(770,246)**	(886,660)
Total liabilities for the Group	**2,037,244**	2,209,621

The Company is domiciled in Hong Kong. The Group's revenue from external customers derived from Hong Kong and places other than Hong Kong are HK$748,239,000 (2011: HK$793,629,000) and HK$9,257,466,000 (2011: HK$9,862,492,000) respectively.

The total of non-current assets, other than available-for-sale financial assets and deferred income tax assets, located in Hong Kong and places other than Hong Kong are HK$576,831,000 (2011: HK$539,503,000) and HK$280,024,000 (2011: HK$226,445,000) respectively.

Revenue of HK$1,195,894,000 (2011: HK$1,378,532,000) is derived from a single external customer of the marine fuel and other products segment.

5 OTHER INCOME AND GAINS

	2012	2011
	HK$'000	HK$'000
Gain on disposal of property, plant and equipment	**30**	82
Rental income	**1,262**	1,106
Fair value gains on investment properties	**2,712**	3,249
Gain on disposal of a jointly controlled entity (including exchange reserves realised of HK$320,000)	**–**	4,318
Gain on disposal of available-for-sale financial assets (including revaluation reserves realised of HK$12,921,000)	**–**	12,642
Reversal of provision for impairment of inventories, net of provision	**–**	3,841
Reversal of provision for impairment of trade receivables, net of provision	**34,796**	–
Reversal of provision for impairment of other receivables, net of provision	**4,132**	–
Dividend income from listed and unlisted investments	**2,377**	2,263
Fair value gains on financial assets at fair value through profit or loss	**323**	–
Net exchange gains	**4,810**	13,825
Others	**12,757**	4,938
	63,199	46,264

6 EXPENSES BY NATURE

	2012 HK$'000	2011 HK$'000
Cost of sales		
Cost of inventories sold	**9,319,720**	9,764,086
Selling, administrative and general expenses		
Selling expenses, net#	**107,536**	218,768
Depreciation and amortisation	**7,309**	6,740
Amortisation of intangible assets	**1,573**	1,213
Amortisation of prepaid premium for land leases	**418**	365
Operating lease rental expenses	**28,741**	23,525
Administrative staff costs	**157,946**	135,073
Auditors' remuneration	**4,597**	4,666
Employee severance expenses	**12,275**	–
Others	**127,658**	148,771
	448,053	539,121
Other expenses and losses		
Direct operating expenses for generating rental income	**153**	181
Provision for impairment of inventories, net of reversal	**2,215**	–
Write-off of inventories	**–**	34
Provision for impairment of trade receivables, net of reversal	**–**	23,001
Provision for impairment of other receivables	**–**	4,806
Fair value losses on financial assets at fair value through profit or loss	**–**	177
	2,368	28,199

Selling expenses include a reversal of provision of HK$65,000,000 (2011: nil) made in prior years as it is no longer probable that an outflow of resources will happen as a result of sales discount arrangement made with certain customers during the year.

7 FINANCE INCOME – NET

	2012 HK$'000	2011 HK$'000
Interest income from:		
– a fellow subsidiary	**7,697**	2,308
– a jointly controlled entity	**3,015**	90
– bank deposits	**117,184**	106,338
Total finance income	**127,896**	108,736
Interest expenses on bank loans wholly repayable within five years	**(693)**	(11,727)
Other finance charges	**(3,255)**	(5,201)
Total finance costs	**(3,948)**	(16,928)
Finance income – net	**123,948**	91,808

8 INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year.

The PRC income tax has been calculated on the estimated assessable profit derived from the Group's operations in the PRC for the year at 25% (2011: 25%) except for certain subsidiaries, which were taxed at reduced rates ranging from12.5% to 15% (2011: 12.5% to 22%) based on different local preferential policies on income tax and approval by relevant tax authorities.

Other overseas taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 17% to 43% (2011:17% to 46%) during the year.

	2012	2011
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**20,755**	23,394
– the PRC enterprise income tax	**24,532**	62,170
– other overseas taxation	**4,884**	8,150
– over-provision for Hong Kong profits tax in prior years	**(1,196)**	(32)
– under-provision for the PRC taxation in prior years	**726**	185
– over-provision for other overseas taxation in prior years	**–**	(44)
Deferred tax adjustment on adoption of HKAS 12 (Amendment)	**5,054**	–
Deferred income tax charge/(credit) – net	**16,171**	(2,860)
Income tax expenses	**70,926**	90,963

9 EARNINGS PER SHARE

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

	2012	2011
Profit attributable to equity holders of the Company	**HK$363,006,000**	HK$390,339,000
Weighted average number of ordinary shares in issue	**1,513,627,429**	1,512,730,793
Basic earnings per share	**23.98 HK cents**	25.80 HK cents

(b) Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect of outstanding share options.

	2012	2011
Profit attributable to equity holders of the Company	**HK$363,006,000**	HK$390,339,000
Weighted average number of ordinary shares in issue	**1,513,627,429**	1,512,730,793
Adjustment for assumed issuance of shares on exercise of share options	**16,215,193**	26,092,217
Weighted average number of ordinary shares for diluted earnings per share	**1,529,842,622**	1,538,823,010
Diluted earnings per share	**23.73 HK cents**	25.37 HK cents

10 DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim dividend paid of HK$0.02 (2011: HK$0.02) per ordinary share	**30,273**	30,273
Final dividend proposed of HK$0.06 (2011: HK$0.07) per ordinary share	**90,818**	105,954
	121,091	136,227

At the board meeting held on 21st March 2013, the Directors proposed a final dividend of HK$0.06 per ordinary share for the year ended 31st December 2012. This proposed dividend has not been recognised as a liability in the financial statements for the year ended 31st December 2012, but will be recognised in shareholders' equity in the year ending 31st December 2013.

11 TRADE AND OTHER RECEIVABLES

As at 31st December 2012, trade and other receivables include trade receivables amounting to HK$1,429,145,000 (2011: HK$1,562,392,000).

The ageing analysis of trade receivables (including amounts due from related parties which are trading in nature) based on invoice date and after provision is as follows:

	2012 HK$'000	2011 HK$'000
Current – 90 days	**1,088,735**	1,160,676
91–180 days	**181,381**	261,949
Over 180 days	**159,029**	139,767
	1,429,145	1,562,392

For sale of coatings, marine equipment, spare parts, marine fuel, asphalt and other products, the majority of sales are on credit terms from 30 days to 90 days. Other than those with credit terms, all invoices are payable upon presentation.

12 TRADE AND OTHER PAYABLES

As at 31st December 2012, trade and other payables include trade payables amounting to HK$894,156,000 (2011: HK$1,050,399,000).

The ageing analysis of trade payables (including amounts due to related parties which are trading in nature) based on invoice date is as follows:

	2012 HK$'000	2011 HK$'000
Current – 90 days	**854,052**	958,622
91–180 days	**29,111**	80,207
Over 180 days	**10,993**	11,570
	894,156	1,050,399

OVERALL ANALYSIS OF RESULTS

Profit attributable to equity holders of the Company for the year was HK$363,006,000 (2011: HK$390,339,000), representing a decrease of 7% as compared to 2011. Basic earnings per share was 23.98 HK cents (2011: 25.80 HK cents), representing a decrease of 7% as compared to 2011.

Impacted by external factors such as slowdown of the container coatings market, operating difficulties faced by shipping enterprises and soaring operating costs, revenue and gross profit of various core shipping services business segments and the Group's share of results of jointly controlled entities and associates declined as compared to 2011. All the above-mentioned factors exerted greater pressure on the year's operating results as compared to 2011. However, to alleviate the impact of these factors on the profit attributable to equity holders, the Group timely adopted a series of coping measures, including: (i) strengthening of credit management and successful collection of long outstanding trade receivables resulting in the reversal of provision for impairment of trade and other receivables; (ii) strengthening control of selling, administrative and general expenses leading to the reduction in overall level of operating expenses; (iii) enhancing yields on liquid cash leading to the substantial increase in finance income, and (iv) taking advantage of the corporate headquarters' cash in hand to reduce subsidiaries' external borrowings and thereby substantially reduced finance costs as compared to 2011. Through these efforts, the profit attributable to equity holders of the Company for the year only declined by 7% as compared to 2011.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK$10,005,705,000 in 2012 (2011: HK$10,656,121,000), representing a decrease of 6% when compared to 2011. During the year, revenue of various core shipping services businesses such as marine fuel and other products, coatings, marine equipment and spare parts and ship trading agency declined by 7%, 21%, 5% and 27% respectively as compared to 2011. Accordingly, revenue from the core shipping services businesses fell by 9% to HK$8,620,568,000 (2011: HK$9,494,319,000) and accounted for 86% (2011: 89%) of the Group's revenue. However, revenue of general trading segment increased by 19% to HK$1,385,137,000 (2011: HK$1,161,802,000) and accounted for 14% (2011: 11%) of the Group's revenue.

Gross Profit and Gross Profit Margin

Owing to the decline in sales volumes, the Group's gross profit for the year decreased by 23% to HK$685,985,000 (2011: HK$892,035,000) while overall average gross profit margin reduced from 8% to 7%. The decrease in gross profit margin was attributable to the drop in both prices and gross profit margins of container coating products, which was the result of downward adjustments of international container prices and intensified competition among container coating manufacturers during the year.

Other Income and Gains

The Group recorded other income and gains of HK$63,199,000 (2011: HK$46,264,000). Other income and gains primarily included reversal of provision for impairment of trade and other receivables (net of provision) of HK$38,928,000, net exchange gains of HK$4,810,000 and fair value gains on investment properties of HK$2,712,000. Other income and gains of 2011 primarily included: (i) gain on disposal of available-for-sale financial assets of HK$12,642,000 as a result of the disposal of non-core listed equity investments; (ii) gain on disposal of a jointly controlled entity of HK$4,318,000 as a result of the disposal of 50% equity interests in 上海遠洋國際貿易有限公司 (Shanghai Ocean International Trading Co. Ltd.*) ("Shanghai Ocean"); and (iii) net exchange gains of HK$13,825,000.

Other Expenses and Losses

The Group recorded other expenses and losses of HK$2,368,000 (2011: HK$28,199,000). Other expenses and losses primarily included provision for impairment of inventories (net of reversals) of HK$2,215,000. Other expenses and losses of 2011 mainly included provisions for impairment of trade and other receivables (net of reversals) of HK$27,807,000.

Selling, Administrative and General Expenses

The Group's selling, administrative and general expenses was HK$448,053,000 (2011: HK$539,121,000), decreased by 17% when compared to 2011. During the year, all operating units took active efforts to control operating costs to mitigate the impact of declines in revenue and gross profits. Selling expenses decreased substantially by 51% to HK$107,536,000 (2011: HK$218,768,000). The main component of selling expenses comprised selling expenses payable to customers, sales staff remuneration, technology usage fees and transportation costs. Decrease in selling expenses was attributable to both the decline in revenues and reduction in selling expenses payable to major customers during the year. Administrative and general expenses rose slightly by 6% to HK$340,517,000 (2011: HK$320,353,000).

Operating profit

Due to the factors stated above, the Group's operating profit decreased by 19% to HK$298,763,000 (2011: HK$370,979,000).

Finance Income-Net

The Group's finance income of HK$127,896,000 (2011: HK$108,736,000) represented primarily interest income on bank deposits. The substantial increase in finance income was attributable to more favourable rates on deposits placed with reputable banks in Hong Kong and the PRC. The Group's finance costs mainly represented interest expenses on bank loans of HK$693,000 (2011: HK$11,727,000) and other finance charges of HK$3,255,000 (2011: HK$5,201,000) The substantial fall was primarily due to the reduction in average balance of bank borrowings and banking services used in the coatings and general trading businesses.

Share of Results of Jointly Controlled Entities

The Group's share of results of jointly controlled entities decreased by 24% to HK$37,996,000 (2011: HK$50,152,000). This item primarily represented the share of profit of Jotun COSCO of HK$38,303,000 (2011: HK$48,677,000) which was included in the coatings segment. The profit contribution from Jotun COSCO declined by 21% when compared to 2011. The decline was attributable to, on one hand, decline in sales volume of Jotun COSCO and on the other hand, Jotun COSCO's plan to close its Guangzhou plant and relocate its production line to the new plant in Qingdao in 2013, resulting in various one-off expenses such as severance payments to staff, provision for impairment of fixed assets and project management fees in respect of construction works of the new plant.

Share of Results of Associates

The Group's share of results of associates decreased by 49% to HK$13,126,000 (2011: HK$25,755,000). This item primarily comprised the share of profit of Double Rich of HK$13,796,000 (2011: HK$25,091,000) which was included in the marine fuel and other products segment. Such decrease was attributable to the substantial decrease in Double Rich's investment income as compared to 2011.

Income Tax Expenses

The Group's income tax expenses for the year decreased to HK$70,926,000 (2011: HK$90,963,000). The ratio of income tax expenses to profit before income tax decreased (excluding the share of results of jointly controlled entities and associates), from 20% in 2011 to 17%. This was mainly attributable to the decrease in proportion of the Group's profit derived from PRC and overseas as well as increase in non-taxable income during the year.

Profit Attributable to Equity Holders

Profit attributable to equity holders of the Company for the year decreased by 7% to HK$363,006,000 (2011: HK$390,339,000).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

The Group's main sources of liquidity comprised cash and bank balances and unutilised committed bank facilities. The major liquidity needs are to fund general working capital requirements, dividends and future capital expenditure. At 31st December 2012, deposits and cash and cash equivalents held by the Group accounted for 67% (2011: 66%) of the Group's total current assets.

At 31st December 2012, the Group's total assets increased by 1% to HK$9,617,388,000 (2011: HK$9,488,535,000). Total liabilities decreased by 8% to HK$2,037,244,000 (2011: HK$2,209,621,000). During the year, as the Group implemented series of successful measures on credit management, the Group's trade receivables balance dropped as compared with 2011. As a result of the above successful working capital management measures, the Group's net cash generated from operating activities amounted to HK$254,560,000 (2011: net cash outflow of HK$78,188,000) during the year.

Net asset value attributable to equity holders was HK$7,334,121,000 (2011: HK$7,091,795,000). Net asset value per share was HK$4.85 (2011: HK$4.69), increased by 3% from the end of 2011.

At 31st December 2012, the Group's total bank borrowings increased to HK$46,205,000 (2011: HK$34,801,000), mainly due to the working capital requirement of general trading business. For the maturity profile, please refer to below table. The Group's total cash in hand and committed yet unutilised standby facilities increased by 3% to HK$5,867,112,000 (2011: HK$5,703,624,000) and increased by 3% to HK$1,613,628,000 (2011: HK$1,565,592,000) respectively. Gearing ratio, which represents total borrowings over total assets, was 0.5% (2011: 0.4%).

Both the bank borrowings and the gearing ratio remained at low level since the end of 2011. Due to the provision of funds from the corporate headquarters to the operating units, the use of more costly bank borrowings to support working capital requirement was reduced. Furthermore, the Group was successful in exploring channel of investing liquid funds and secured higher yields through placement of deposits with major financial institutions in the PRC and Hong Kong.

At 31st December 2012, the Group's did not pledge any assets, other than restricted bank deposits, to banks as security for bank credit facilities (2011: nil). In addition, the Group had restricted bank deposits of HK$41,570,000 (2011: HK$36,890,000).

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

Debt Analysis

	31st December 2012		31st December 2011	
	HK$'000	**%**	HK$'000	%
Classified by maturity:				
– repayable within one year	**46,205**	**100**	34,801	100
Classified by type of loan:				
– unsecured	**46,205**	**100**	34,801	100
Classified by currency:				
– Renminbi	**46,205**	**100**	–	–
– United States dollars	**–**	**–**	34,801	100

TREASURY POLICY

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

The Group continued to monitor and adjust its debt portfolio from time to time in light of market conditions, the objective of which is to reduce potential interest rate risk exposure, improve debt structure and lower interest expenses. During the year, the Group's asphalt trading business experienced fast expansion which required high level of working capital. In view of the gap between borrowing and deposits rates and to utilise our financial resources, the Group provided financial support to major business units to reduce the level of external borrowings.

At 31st December 2012, borrowings of the Group carried interest at rates calculated with reference to the benchmark interest rates announced by the People's Bank of China. The Group will consider using forward foreign exchange contracts to hedge its foreign currency exposure should the need arise.

As to usage of surplus funds, the Group selects suitable financial instruments based on perceived balance of security, return and liquidity. During the year, the Group placed deposits with highly reputable financial institutions both in Hong Kong and China Mainland. The Group seeks to enhance income from cash resources through the placement of time deposits after considering the cash flow factors.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December 2012, sales to the largest customer and aggregate sales to the five largest customers accounted for 12% and 40% respectively (2011: 13% and 37% respectively) of total revenue of the Group, while purchases from the largest supplier and aggregate purchases from the five largest suppliers accounted for 13% and 43% respectively (2011: 14% and 40% respectively) of the total cost of sales of the Group.

EMPLOYEES

As at 31st December 2012, excluding jointly controlled entities and associates, the Group had 782 (2011: 747) employees, of which 112 (2011: 110) are Hong Kong employees. During the year, total employee benefit expenses, including directors' emoluments and provident funds, was HK$248,695,000 (2011: HK$229,436,000). Employees were remunerated on the basis of their performance and experience. Remuneration packages include salary and a year-end discretionary bonus, which are determined with reference to market conditions and individual performance. During the year, all of the Hong Kong employees have participated in the Mandatory Provident Fund Scheme or recognised occupational retirement scheme.

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

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 6 HK cents (2011: 7 HK cents) per share for the year ended 31st December 2012 which will be payable on or before Friday, 28th June 2013 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on Tuesday, 11th June 2013 subject to the shareholders' approval in the annual general meeting of the Company to be held on Friday, 31st May 2013 (the "AGM"). The proposed final dividend, together with the interim dividend of 2 HK cents per share, gives a total dividend of 8 HK cents (2011: 9 HK cents) per share for the whole year of 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining shareholders' right to attend and vote at the AGM, the Register of Members will be closed from Wednesday, 29th May 2013 to Friday, 31st May 2013, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited (the "Branch Share Registrar") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 28th May 2013.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Friday, 7th June 2013 to Tuesday, 11th June 2013, both days inclusive, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend for the year ended 31st December 2012, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6th June 2013.

BUSINESS REVIEW

In 2012, the pace of global economic recovery remained slow while the economic growth was still in the doldrums. The economic recovery of the United States was slow. Europe was under economic contraction due to the aggravating European debt crisis. The economic growth of emerging economies, including China, slowed down due to the fall in foreign demand and structural adjustments of domestic economy. The operating environment of shipping enterprises and shipyards further deteriorated due to the ongoing depressed shipping freight rates and the ever-rising operating costs resulting from the vain effort to redress the imbalance between supply and demand in the shipping market. Shipping enterprises therefore postponed the delivery schedule of new build vessels and tightened their cost control, thus having negative effect on the Group, which is principally engaged in the provision of shipping services.

Facing the complex, volatile and severe market environment, COSCO International advocated "Inheritance, Innovation and Development" as its guiding principle since the beginning of 2012. While ensuring smooth production and operation of its existing businesses, it made every effort to extend and expand its business segments. During the year, in addition to stringent cost control and management enhancement, the Group also strengthened its service awareness and spared no effort to maintain its existing customer base. Based on customers' needs, the Group made the corresponding arrangements for the centralised procurement to be implemented by COSCO Group's fleets as to the supply of marine spare parts and marine insurance brokerage. Meanwhile, the Group actively explored the businesses outside the COSCO Group and achieved result to a certain extent. In addition, the Group proactively studied and launched the relevant projects in order to enhance the shipping services business in accordance with its established development strategy.

1. Core Business – Shipping Services

The Group's shipping services mainly include ship trading agency services, marine insurance brokerage services, supply of marine equipment and spare parts, production and sale of coatings, and trading and supply of marine fuel and related products. Its major customers include shipowners, ship operators, shipyards and container manufacturers.

During the year, revenue from the Group's shipping services was HK$8,620,568,000 (2011: HK$9,494,319,000), representing a decrease of 9% as compared to 2011. Due to the prolonged weak shipping market, reduced demand for container coatings and stringent cost control by shipping enterprises, there were varying degrees of decline in revenue from all the Group's core shipping services business units. The three largest business segments, namely marine fuel and other products, coatings and marine equipment and spare parts recorded 7%, 21% and 5% decreases in revenue respectively over 2011. Profit before income tax from shipping services was HK$402,705,000 (2011: HK$487,770,000), representing a decrease of 17% as compared to 2011. The decrease was mainly due to the decrease of profit before income tax of the coatings segment and the ship trading agency segment by 31% and 32% respectively as compared to 2011 resulting from their significant fall in revenue.

1.1 Ship Trading Agency Services

COSCO International Ship Trading Company Limited ("COSCO Ship Trading"), a wholly-owned subsidiary of the Company, is principally engaged in the provision of agency services relating to shipbuilding, ship trading and chartering for the fleet of 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company*) ("COSCO") and its subsidiaries and associates (collectively "COSCO Group"), and is the sole platform for sale and purchase of vessels of COSCO Group. COSCO Ship Trading also provides similar services for shipowners or shipping companies outside COSCO Group. COSCO Ship Trading mainly derives its revenue from agency services. In the case of new build vessels, commissions are paid to COSCO Ship Trading by shipbuilders according to the relevant contracts and are periodically collected based on the shipbuilding schedule. For the trading of second-hand vessels, commissions are paid to COSCO Ship Trading according to the contracts after the vendors have delivered vessels to buyers.

The commission income of COSCO Ship Trading mainly derives from the commissions recognised on the delivery of new build vessels ordered through it. During the year, the shipping market remained stagnant. Shipowners and shipping companies were pessimistic towards the future. As a result, there were delays in delivery of new build vessels ordered through COSCO Ship Trading. New build vessels aggregating 1,850,000 dead weight tonnages (2011: 2,710,000 dead weight tonnages) ordered through COSCO Ship Trading were delivered during the year. The commissions which may be recognised as income on the delivery of new build vessels dropped as fewer new build vessels were delivered. For the second-hand vessels, completed transactions for the sale and purchase of 28 (2011: 32) second-hand vessels through COSCO Ship Trading were recorded during the year, aggregating 1,068,000 dead weight tonnages (2011: 1,064,000 dead weight tonnages). Facing the declining shipping market, COSCO Ship Trading carried out in-depth market research, enhanced communication with shipping companies and maintained close connections with shipbuilders. While endeavouring to run its existing business well by fully raising service quality, it continued to step up efforts to develop the business and explore business outside COSCO Group actively.

In addition, 4 (2011: 8) new build vessels amounting to 1,232,000 dead weight tonnages (2011: 460,000 dead weight tonnages) were ordered through COSCO Ship Trading during the year. As at 31st December 2012, new build vessels ordered through COSCO Ship Trading amounting to 5,140,000 dead weight tonnages were scheduled for delivery in coming two years.

During the year, revenue from ship trading agency segment decreased by 27% to HK$109,340,000 (2011: HK$150,156,000) as compared to 2011. Segment profit before income tax was HK$76,526,000 (2011: HK$112,530,000), representing a decrease of 32% as compared to 2011.

1.2 Marine Insurance Brokerage Services

COSCO (Hong Kong) Insurance Brokers Limited, a wholly-owned subsidiary of the Company, and 深圳中遠保險經紀有限公司 (Shenzhen COSCO Insurance Brokers Limited*), a non-wholly owned subsidiary of the Company (collectively "COSCO Insurance Brokers") are primarily engaged in the provision of insurance intermediate services including risk assessment, designing insurance programmes, placing insurance cover, loss prevention and claims handling to various vessels insured worldwide for commissions.

During the year, COSCO Insurance Brokers had paid great effort on negotiating between the shipping companies within COSCO Group and insurance companies. Based on the centralised procurement, they achieved great success in the annual hull and machinery insurance policy renewal work for COSCO Group's fleet. For the consolidation and development of the businesses outside COSCO Group, COSCO Insurance Brokers shifted their focus to new shipping companies of other sizeable state-owned enterprises in response to market trends and changes. As for new businesses, they stepped up efforts to develop offshore units builders' risk insurance and made a breakthrough. Meanwhile, in order to raise customer satisfaction, COSCO Insurance Brokers regularly issued insurance publications containing the latest trends and information about the insurance market, and promoted new business with their quality claim settlement services. Through the implementation of the above arrays of business strategies, COSCO Insurance Brokers maintained a stable commission income from their marine insurance brokerage services.

During the year, revenue from insurance brokerage segment was HK$85,142,000 (2011: HK$85,486,000), flat as compared to 2011. Segment profit before income tax was HK$61,861,000 (2011: HK$61,172,000), represented an increase of 1% as compared to 2011.

1.3 Supply of Marine Equipment and Spare Parts

Yuantong Marine Service Co. Limited, a wholly-owned subsidiary of the Company ("Yuantong"), and its subsidiaries (including 新中鈴株式會社 (Shin Chung Lin Corporation*), Xing Yuan (Singapore) Pte. Ltd., 遠通海務貿易(上海)有限公司 (Yuantong Marine Trade (Shanghai) Co., Ltd.*) and 中遠(北京)海上電子設備有限公司 (COSCO (Beijing) Marine Electronic Equipment Limited*)) (collectively "COSCO Yuantong Operation Headquarters") are principally engaged in the sale and installation of marine equipment and spare parts for existing and new build vessels, as well as equipment of radio communication systems, satellite communication and navigation system for ships, offshore facilities, coastal station and land users, and marine material supply and voyage repair. Its existing business network spreads across Hong Kong, Shanghai, Beijing, Japan, Singapore, etc.

During the year, orders from shipowners shrank to varying extents, and the demand for spare parts and materials also declined. In addition, shipping enterprises exercised stricter cost control, which depressed the overall gross profit margin of COSCO Yuantong Operation Headquarters. However, COSCO Yuantong Operation Headquarters expanded the business scale after the implementation of centralised operation model and bargained for more favourable terms from suppliers through its advantage of economies of scale, and successfully reaped greater economic benefits. As for exploring new customers, COSCO Yuantong Operation Headquarters proactively sought new businesses of non-COSCO Group and tapped new profit drivers by establishing market development working teams in Hong Kong and Shanghai offices respectively to promote business of marine equipment, spare parts and new vessel equipment to local customers, which achieved remarkable results. In addition, COSCO Yuantong Operation Headquarters pursued the strategic development of retaining major customers; provided customised professional services on a one-on-one basis and visited them regularly to understand their needs, thus improving the service quality with higher service level and awareness, and earned positive feedback from customers. Meanwhile, in response to the market changes and customers' demand, they innovated their services by adding marine spare part repair service and providing general repair and maintenance plans, raised customer satisfaction and further enhanced the value of its brands.

During the year, revenue from marine equipment and spare parts segment was HK$923,102,000 (2011: HK$970,159,000), down by 5% as compared to 2011. Segment profit before income tax was HK$50,950,000 (2011: HK$64,767,000), representing a decrease of 21% as compared to 2011. This included reversal of provision for impairment of trade receivables of HK$2,628,000 (2011: provision for impairment of trade receivables of HK$4,724,000).

1.4 *Production and Sale of Coatings*

The coating business of the Company primarily includes production and sale of container coatings, industrial heavy-duty anti-corrosion coatings and marine coatings. COSCO Kansai Paint & Chemicals (Tianjin) Co., Ltd. ("COSCO Kansai (Tianjin)"), 中遠關西塗料化工(上海)有限公司 (COSCO Kansai Paint & Chemicals (Shanghai) Co., Ltd.*) ("COSCO Kansai (Shanghai)") and COSCO Kansai Paint & Chemicals (Zhuhai) Co., Ltd., all being non-wholly owned subsidiaries of the Company (collectively "COSCO Kansai Companies"), are principally engaged in production and sale of container coatings and industrial heavy-duty anti-corrosion coatings. Jotun COSCO, the 50/50 joint venture formed by the Company and the international coating manufacturer Jotun A/S, Norway, is principally engaged in production and sale of marine coatings.

During the year, the demand in the container manufacturing market fell due to the international economic downturn. The cut-throat competition in the container coating market also kept prices low. Under these circumstances, COSCO Kansai Companies maintained their leading position in market share of China's container coating market by strategically selling their products and successfully exploring new customers. In addition, Jotun COSCO, a jointly controlled entity of the Company, benefited from the sustained high volume of new build vessels construction in China, thereby maintaining its leading position in the marine coating market in China. Furthermore, in order to meet the future development needs of the coating business unit and maintain a sound market position in China, the Group pushed forward the construction of new plants of the two joint ventures. At present, the construction of a new plant in Qingdao by Jotun COSCO's wholly-owned subsidiary, Jotun COSCO Marine Coatings (Qingdao) Co., Ltd. ("Jotun COSCO (Qingdao)"), was substantially completed and was subject to planning inspection upon receipt, while the relocation of COSCO Kansai (Shanghai)'s plant in Shanghai was underway. A new joint venture company namely 中遠關西塗料(上海)有限公司 (COSCO Kansai Paint (Shanghai) Co., Ltd.*) was incorporated during the year and the site for its new plant was confirmed. The studying of and discussion on the design of the new plant were in progress.

During the year, revenue from the coatings segment was HK$1,274,861,000 (2011: HK$1,608,654,000), down by 21% as compared to 2011. The decrease was mainly due to the decrease in sales volume of container coatings and depressing the selling prices. Segment profit before income tax was HK$158,744,000 (2011: HK$230,798,000), representing a decrease of 31% as compared to 2011. The decrease was mainly attributed to the revenue decline.

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

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

During the year, COSCO Kansai Companies maintained their leading position in China's container coating market by gaining the trust and support of customers through effective communication and exchange of ideas with container manufacturing enterprises, container owners and container leasing companies and increasing promotion of enterprise brands. Meanwhile, COSCO Kansai Companies increased their investment in technology research and development and continuously enhanced their product quality, thereby gaining favourable support for their future operations and development. COSCO Kansai Companies were also proactive in reacting to and fulfilling their social responsibilities by researching and developing water-based container coatings and promoting the production of environmental friendly products. Success had been achieved in laying a foundation for the future development of water-based container coatings. However, due to the international economic downturn, orders for COSCO Kansai Companies' container coatings substantially declined as reduced demand for containers resulted in decreased demand for container coatings. During the year, the sales volume of container coatings of COSCO Kansai Companies amounted to 46,656 tonnes, representing a decrease of 18% as compared with 56,979 tonnes in 2011.

COSCO Kansai Companies continued to vigorously develop the business of industrial heavy-duty anti-corrosion coatings and proactively formulated their market and sales strategies for various business segments after conducting various project researches on different industries. During the year, COSCO Kansai Companies made achievements in the sectors such as marine works, electrical equipment, petrochemical facilities and bridges, etc., and succeeded in bidding for major bridge projects, thus promoting their business brand image and enhancing their core competitiveness significantly and laying a solid foundation for subsequent major bridge projects. During the year, COSCO Kansai Companies recorded sales volume of industrial heavy-duty anti-corrosion coatings together with workshop primer of 11,670 tonnes (2011: 10,701 tonnes), representing an increase of 9% as compared to 2011.

During the year, the technology centre of COSCO Kansai (Tianjin) was recognised as a branch centre of COSCO Group's national research and development centre and received its award as Postdoctoral Mobile Workstation from Ministry of Human Resources and Social Security of the PRC. In addition, COSCO Kansai Companies were successively awarded "The Top 10 Anti-Corrosion Coating Brands Awards of China 2011" by 慧聰塗料網 (HC Coating Network), totally showing the recognition and support of the brand among its peers and customers in China's coating industry.

1.4.2 Marine Coatings

Jotun COSCO is principally engaged in production and sale of marine coatings in China including Mainland China, Hong Kong and Macau Special Administrative Regions. Jotun COSCO, with its sole production plant in Guangzhou, is accelerating the completion of a new coating plant in Qingdao to line up with the production capacity expansion for future development.

During the year, benefiting from the favourable shipbuilding market in China with delivery of numerous new build vessels and the lower raw material prices, Jotun COSCO on one hand seized market opportunities and spared no effort in sales and marketing and customer care so as to raise the number of orders. It, on the other hand, stepped up efforts in promoting products with features of energy saving and reduction of emissions in order to adapt to market needs, and therefore maintained its leading position in China's marine coating market. However, there was decline in new build vessel delivery since the second half of the year. During the year, the sales volume of marine coatings amounted to 84,981,000 litres (equivalent to approximately 114,724 tonnes) (2011: 97,918,000 litres (equivalent to approximately 132,189 tonnes)), representing a decrease of 13% as compared to 2011. Sales volume of new build vessel coatings amounted to 70,635,000 litres, down by 13% as compared to 2011. Sales volume of coatings for repair and maintenance was 14,346,000 litres, down by 12% as compared to 2011. During the year, the Group's share of profit from Jotun COSCO was HK$38,303,000 (2011: HK$48,677,000), down by 21% as compared to 2011. The decline was attributable to, on one hand, decline in sales volume of Jotun COSCO as compared to 2011 and on the other hand, Jotun COSCO's plan to close its Guangzhou plant and relocate its production line to the new plant in Qingdao in 2013, resulting in various one-off expenses such as severance payments to staff, provision for impairment of fixed assets and project management fees in respect of construction works of the new plant.

In addition, as at 31st December 2012, Jotun COSCO had coating contracts in hand for new build vessels amounting to 24,750,000 dead weight tonnages pending delivery. The coatings were scheduled to be delivered in the coming two years, which guaranteed Jotun COSCO's future business to a certain extent.

1.5 *Trading and Supply of Marine Fuel and Related Products*

Sinfeng Marine Services Pte. Ltd. ("Sinfeng"), a wholly-owned subsidiary of the Company in Singapore, is primarily engaged in the provision of marine fuel supply, trading and brokerage services of marine fuel and related products for customers which are mainly members of non-COSCO Group. Sinfeng has established extensive and good business cooperation relationship with the famous international oil companies, shipping companies and shipowners. Currently, its business network primarily covers Singapore, Malaysia and other major oil ports all over the world.

During the year, Sinfeng objectively analysed the market situation, adopted sound business strategies, and strictly controlled operational risks by cutting back business dealings with customers with potential risks in response to the deteriorating global economy and the shrinking shipping market. The total sales volume of marine fuel products for the year was 1,200,070 tonnes, down by 12% as compared with 1,370,644 tonnes in 2011. During the year, revenue from the marine fuel and other products segment was HK$6,228,123,000, down by 7% as compared with HK$6,679,864,000 in 2011. In addition, Sinfeng successfully collected all outstanding trade receivables from a customer defaulting on trade receivables (including interest arising from overdue payments and legal costs). Therefore, Sinfeng reversed the relevant impairment provision of US$3,823,000 (equivalent to approximately HK$29,654,000).

In addition, Double Rich, which the Group owns 18% equity interest, is principally engaged in trading of fuel and oil products and provision of bunker oil supply services in Hong Kong, and is specialised in sourcing products like light diesels and fuel oil. Its major customers or end users are shipowners and ship operators. During the year, the Group's share of profit from Double Rich was HK$13,796,000 (2011: HK$25,091,000), down by 45% as compared to 2011. Such decrease was attributable to the substantial decrease in Double Rich's investment income as compared to 2011.

Profit before income tax of marine fuel and other products segment was HK$54,624,000 (2011: HK$18,503,000), representing an increase of 195% as compared to 2011. This included reversal of provision for impairment of trade receivables as mentioned above.

2. General Trading

中遠國際貿易有限公司 (COSCO International Trading Company Limited*) ("CITC"), a wholly-owned subsidiary of the Company, is principally engaged in trading of asphalt, general marine equipment and marine supplies, as well as other comprehensive trading. CITC is familiar with the China market and the market operations and has abundant experience in international trade. It has steady suppliers and stable market share, which will generate synergies with the Group's shipping services businesses, serving as an important platform for the Group to tap into the China market.

During the year, in the face of fierce market competition, CITC continued to strengthen its position in existing markets and endeavoured to explore the emerging markets. It achieved a market breakthrough in Guangxi by strengthening its cooperation with the strategic partner in Guangxi. Meanwhile, CITC actively enhanced its marketing activities and established a sales network in, among others, Guizhou and Guangxi to enhance its marketing capability. Leveraging its existing business scale and good market reputation, CITC focused on innovating its business models and prepared well for the transformation of its asphalt business by adding the leased warehouses and asphalt processing equipment to its facilities. During the year, the sales volume of asphalt of CITC amounted to 121,454 tonnes, representing a decrease of 3% as compared with 125,102 tonnes in 2011. The decrease was primarily due to delays in the commencement and the settlement of asphalt projects undertaken during the year, some of which were further deferred to 2013. In addition, CITC made use of the advantage of COSCO International's cash in hand to reduce its external borrowings and thereby substantially reduced finance costs as compared to 2011.

Revenue from general trading segment was HK$1,385,137,000 (2011: HK$1,161,802,000), up by 19% as compared to 2011. Segment profit before income tax increased by 7% as compared to 2011 to HK$15,724,000 (2011: HK$14,688,000, which included gain of HK$4,318,000 on disposal of 50% equity interest in Shanghai Ocean).

SUBSEQUENT EVENT

On 18th March 2013, COSCO Europe GmbH ("COSCO Europe"), a subsidiary of COSCO and Yuantong had entered into a memorandum in relation to the acquisition by Yuantong of the entire issued share capital of Hanyuan Technical Service Center GmbH from COSCO Europe for a consideration of not more than EUR1,200,000 (equivalent to approximately HK$12,012,000) (the "Proposed Acquisition"). The memorandum is not legally binding and the Proposed Acquisition is subject to a share purchase agreement to be discussed and entered into between relevant parties, details of which were disclosed in the announcement of the Company dated 18th March 2013.

PROSPECTS

In 2013, the outlook for the global economy is far from optimistic and significant improvement on the economic conditions is unlikely. The Europe and United States economies show weak recovery while China sees slowdown in economic growth. However, favourable economic factors are increasing in China. Macroeconomic regulation and control has placed stable growth in a prominent position and the macroeconomic conditions are expected to be slightly better as compared to 2012. For the shipping market, as the supply of shipping capacity of the fleets around the world continues to grow in 2013, imbalance between supply and demand will persist. It is expected that freight rates will not recover much. The operating pressure experienced by shipping enterprises remained high as they are furthered affected by the ever-rising operating costs. As a result, shipping enterprises will adopt various measures to significantly reduce their costs, thereby bringing about major challenges for the Group, which is principally engaged in the provision of shipping services.

Facing the uncertainties in the market, COSCO International will seek development opportunities from the challenges. Its corporate vision is to establish itself as a global leading one-stop shipping service provider and to provide customers with one-stop services through its global network, by offering high quality services and competitive products. In the current stage, the strategic objective of COSCO International is to become a one-stop shipping service provider. In 2013, COSCO International will seize opportunities arising from the centralised procurement which will be implemented by COSCO Group in the supply of marine equipment and spare parts and marine insurance brokerage. It will complete its business network, focus on its services marketing and maintain quality customers and sound cooperation foundation. It will also innovate its customer service awareness and product types, thus gradually transforming itself into a one-stop shipping service provider from an agent. In the process of transformation, COSCO International will fully leverage the privileged resources of COSCO Group and synergy amongst various business segments to develop the new core shipping services and upgrade the value-added services for the fleet, thus creating more room for value growth.

The Group will enhance the development of existing businesses and new businesses steadily in accordance with its established plans while strictly control various operational risks. For the existing businesses, it will remain flexible in adapting its strategies to the market conditions by exercising stringent cost control and enhancing the core competitiveness of each business unit and overall synergies so as to increase profitability. For the three traditional shipping services businesses, i.e. ship trading agency services, marine insurance brokerage services and supply of marine equipment and spare parts, it is expected that postponement of new build vessel delivery and tightening cost control by shipping enterprises will put pressure on these three shipping services businesses. For ship trading agency services, COSCO Ship Trading will focus on keeping track of the operating conditions of shipyards and shipowners and coordinate with each party to ensure smooth delivery of new build vessels ordered through COSCO Ship Trading. Confronted with a poor new build vessel market, COSCO Ship Trading will secure every order by grasping new opportunities arising from new build vessels on the one hand, and explore new business development on the other hand, thereby providing driving force for the sustainable development of COSCO Ship Trading. The decrease in the price of second-hand vessels will also provide new investment opportunities for shipowners. Leveraging the good opportunities, COSCO Ship Trading will provide information and recommendations to shipowners on a timely basis to facilitate more transactions. For marine insurance brokerage services, COSCO Insurance Brokers, while consolidating and expanding their existing businesses, will proactively explore new insurance products and businesses. The centralised procurement of COSCO Group as to hull and machinery insurance will provide them a golden opportunity to grow their business volume and further expand their business channels and coverage. While stepping up efforts to develop the business for third parties, they will focus on developing the business from existing quality customers and expand their reinsurance business when keeping risk prevention in mind. They will also increase efforts in public relations and marketing to nurture offshore units builders' risk insurance as a new source of profit growth to offset the impact of the slow growth in insurance businesses due to the sluggish shipping market. For supply of marine equipment and spare parts, COSCO Yuantong Operation Headquarters will continuously improve the global spare parts service network by promoting the business restructuring of COSCO Group's overseas spare parts supply business. They will also work hard for market development. While maintaining and consolidating their relationship with shipowners within COSCO Group, they will also proactively explore the opportunities for cooperation with non-COSCO Group shipowners in order to increase their market share and further enhance their core competitiveness. In addition, COSCO Yuantong Operation Headquarters will make every effort to bring themselves in line with the implementation of the centralised procurement of COSCO Group as to spare parts. The profit margin from the sale of marine equipment and spare parts will decrease in the short run due to the pressure of the cost control of shipowners. However, the Group believed that it will benefit from the greater business volume explored outside the COSCO Group and the favourable terms secured from the manufacturers in the future as the business volume grows within COSCO Group.

For container coatings, it is expected that the demand for new build containers will be basically flat and the general demand for container coatings will remain stable due to no breakthrough in global trade volume growth. COSCO Kansai Companies will continue to strive to reduce their procurement costs, strengthen internal management, optimise business process and strengthen their technological research and development in order to enhance their corporate competitiveness. They will further strengthen their communication and exchange of ideas with container manufacturing enterprises to ensure support and recognition from major container manufacturers, container owners and container leasing companies in order to maintain their leading position in market share of the container coating market. They will gradually optimise their key customer management system to provide quality services to their customers, thus gaining customers' confidence. They will proactively promote environmental friendly coatings such as water-based container coatings to enhance their brand image. For industrial heavy-duty anti-corrosion coatings, it is expected that the market of industrial heavy-duty anti-corrosion coatings in China will record stable growth with the sustained, steady growth of China's economy and the launch of "Twelfth Five-year Plan". The growth of demand for the coatings used in, among others, marine works, petrochemical facilities, bridges and infrastructure facilities will remain rapid. COSCO Kansai Companies will expand their sales network; consolidate market resources; closely monitor major projects and expand marketing channels; and focus on exploring the business from key industries and business sectors with potential to promote the overall business volume. In addition, COSCO Kansai (Shanghai) will also proactively launch the construction of its new plant in Shanghai. The business registration of the new plant was completed and the partial capital contribution was made. A dangerous goods permit has been issued. After communicating with the related government authorities, the preliminary approval works for the new plant construction are under processing. It is expected that the construction work will be completed by the end of 2014 and it will have total annual production capacity of 75,000 tonnes based on double shift upon commencement of production, which will further strengthen COSCO Kansai Companies' leading position in the container coating market in China. For marine coatings, it is expected that the market demand for new build vessel coatings will decrease as new build vessels delivered by shipbuilders in China will decline year by year due to the significant drop in new orders for vessels during the past two years, together with possible postponement of new build vessel delivery. In addition, the use of high performance anti-fouling coatings will become a natural trend as fuel oil prices are ever-rising and the operating costs of shipowners persistently increase against a backdrop of green shipping, energy saving and emission reduction. Jotun COSCO will selectively develop its markets. It will strive to win orders for new build vessels coatings, select suitable products for major customers of its new build vessel business, increase its market share in coatings for repair, maintenance and continue to optimise customer management and sales workflow. It will also enhance customer satisfaction in the areas of customer service, product quality and on-site instruction. The new plant in Qingdao by Jotun COSCO (Qingdao) will commence operation by the end of 2013. It will have a total annual production capacity of 50,000,000 litres, which will further strengthen Jotun COSCO's leading position in the marine coating market in China.

The business of provision of bunker oil supply services is one of the major areas of shipping services which the Group is planning to develop. The Group will prudently develop its existing businesses and strive to enhance profitability. It will also continue to proactively study the feasibility of expanding the business scale of bunker oil supply through acquisition, thus providing higher returns for the Shareholders.

For general trading, 2013 is an important year for the expressway development plan in the Twelfth Five-Year Plan. It is expected that the demand for asphalt will enjoy more rapid growth due to the continued acceleration of the construction progress of new expressways as well as the construction of other roads. Facing fierce market competition in the traditional markets, CITC will continue to be positive and aggressive. It will strive to maintain its market share through measures such as enhancing the market and resources exploration, and strengthening the infrastructure, direct sale network and distribution network construction. Striving to gain traditional markets such as Guizhou and Yunnan, it will continue to strengthen its expansion in the asphalt market. It will be dedicated to achieving new breakthroughs while selectively exploring prospective new regional markets with development prospects such as Hunan and Ningxia.

For new business development, in 2013, COSCO International will continue to proactively seize the opportunities to push forward the establishment of global sales and services network and the acquisition of shipping service-related projects inside and outside the COSCO Group, and at the same time positively explore the development of upstream and downstream businesses along the value chain of existing businesses in accordance with its strategic development plan.

With the full support of COSCO and COSCO (Hong Kong) Group Limited, the Group will continuously develop itself as a global leading one-stop shipping service provider to provide professional services for shipowners and to create value for the Shareholders.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2012 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2012.

CORPORATE GOVERNANCE

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

During the year, in order to align the amendments of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company had reviewed and revised its respective terms of reference of Board, Audit Committee, Remuneration Committee and Nomination Committee of the Company as well as other internal policies. In order to preserve good corporate governance practices, COSCO International further arranged the execution of letters of appointment with those Executive Directors setting out the key terms and conditions of their appointment apart from the execution of letters of appointment with Non-executive Directors (including Independent Non-executive Directors). The Board believed that the Company has complied with the code provisions of the Code on Corporate Governance Practices and the code provisions of Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from 1st January 2012 to 31st March 2012 and the period from 1st April 2012 to 31st December 2012 respectively except Mr. Alexander Reid Hamilton, the Independent Non-executive Director, was unable to attend the annual general meeting of the Company held on 31st May 2012 due to urgent personal matter.

Meanwhile, in order to optimise the structure and enhance operational efficiency of Board Committees, the Board has merged Executive Committee and Investment Committee and thereafter renamed as Strategic Development Committee, and established Corporate Governance Committee for better performing the corporate governance function of the Company, and also adjusted the terms of reference of Risk Management Committee. The Board also adopted the Shareholder Communication Policy in order to enhance communication with the Shareholders.

The Audit Committee of the Company consists of three Independent Non-executive Directors and the chairman of which is a certified public accountant. The duties of Audit Committee include reviewing the accounting policies and supervising the Company's financial reporting process; monitoring the performance of both the internal and external auditors; reviewing and examining the effectiveness of the financial reporting procedures and internal controls; ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, and internal rules and procedures approved by the Board. The Audit Committee has discussed the internal controls and financial reporting matters with management of the Company and reviewed the results announcement and the audited consolidated financial statements of the Group for the year ended 31st December 2012. The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

The Company has adopted a code of conduct regarding securities transactions of Directors and employees (the "Securities Code") no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. In order to ensure the Directors' dealings in the securities of the Company are conducted in accordance with the Model Code and the Securities Code, a committee currently comprising the chairman, the vice chairman, the managing director and a director of the Company was set up to deal with such transactions.

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code and the Securities Code during the year ended 31st December 2012, all Directors confirmed that they had complied with the required standards set out in the Model Code and the Securities Code during the year.

By Order of the Board
COSCO International Holdings Limited
Xu Zhengjun
Managing Director

Hong Kong, 21st March 2013

As at the date of this announcement, the Board comprises nine Directors with Mr. Ye Weilong (Chairman), Mr. Zhang Liang (Vice Chairman), Mr. He Jiale and Mr. Xu Zhengjun (Managing Director) as Executive Directors; Mr. Wang Wei and Mr. Wu Shuxiong as Non-executive Directors and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Alexander Reid Hamilton as Independent Non-executive Directors.

* *for identification purpose only*