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)

2011 ANNUAL REPORT

Important Notice

The Board of Directors, the Supervisory Committee, the Directors, Supervisors and Senior Management of the Company declare that there are no false information, misleading statements or material omissions in this report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

All directors of the Company attended the meeting.

RSM China Certified Public Accountants, LLP. and PricewaterhouseCoopers have issued standard and unqualified auditors' reports for the Company.

Authorised Persons	Mr. Wei Jiafu, Chairman and Mr. Jiang Lijun, the Executive Director and President
Person in charge of accounting work	Mr. Feng Jinhua, Chief Financial Officer
Accounting Supervisor	Mr. Tang Runjiang, General Manager of the Finance Department

Mr. Wei Jiafu (Chairman), Mr. Jiang Lijun (Executive Director and President), Mr. Feng Jinhua who is in charge of accounting work (Chief Financial Officer) and Mr. Tang Runjiang (General Manager of the Finance Department) declare that they confirm the truthfulness and completeness of the financial reports in this report.

Is there any occupancy of non-operating funds by controlling shareholders or its related parties?
No.

Is there any guarantees provided to a third-party in violation of stipulated procedures?
No.

Contents

Company's Basic Information

(1) Company Profile

China COSCO Holdings Company Limited ("China COSCO" or the "Company", together with its subsidiaries, the "Group") was established in the People's Republic of China (the "PRC") on 3 March 2005, and is the capital platform of China Ocean Shipping (Group) Company ("COSCO", together with its subsidiaries, the "COSCO Group"). The Company provides a wide range of services including container shipping, dry bulk shipping, logistics, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers through its various subsidiaries.

The Group operates its container shipping and related businesses through COSCO Container Lines Company Limited ("COSCON"), its wholly-owned subsidiary. As at 31 December 2011, COSCON operates a fleet of 157 vessels in aggregate, totaling 667,970 TEUs, which calls at 159 ports in 48 countries and regions across the world, and operates on 76 international routes, 10 international feeder service routes, 21 PRC coastal service routes and 67 Pearl River Delta and Yangtze River feeder service routes. COSCON has an extensive sales and services network across the world. As at 31 December 2011, COSCON owned over 400 sales and service points in the PRC and overseas. These global route networks and sales and service networks have enabled the Group to provide quality door-to-door services to its customers.

The Group operates its dry bulk cargo shipping business through China COSCO Bulk Shipping (Group) Co., Ltd.. As at 31 December 2011, China COSCO operated 372 dry bulk cargo vessels, with a total shipping capacity of 33.66 million DWT, being the world's largest dry bulk cargo fleet.

The Group provides integrated logistics services (including third party logistics shipping agency and freight forwarding) through COSCO Logistics Co., Ltd. ("COSCO Logistics"). COSCO Logistics has established over 400 branch offices in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas.

The Group operates its terminal business through COSCO Pacific Limited ("COSCO Pacific", a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), Stock Code: 1199), in which the Company owns approximately 42.71% equity interests. As at 31 December 2011, COSCO Pacific had operated 93 berths in 18 ports in the world, ranking fifth in the world.

The Group operates its container leasing business through Florens Container Holdings Limited ("Florens"), a subsidiary of COSCO Pacific. As at 31 December 2011, Florens owned and managed a container fleet of 1,777,792 TEUs. The container leasing business accounted for approximately 12.5% of the global market share, ranking third in the world.

In addition, the Company is also engaged in the container manufacturing business through COSCO Pacific's associate China International Marine Containers (Group) Co., Ltd. ("CIMC"), in which COSCO Pacific holds 21.8% equity interest as at 31 December 2011. CIMC is currently the world's largest container manufacturer, accounting for approximately 50% of the market share.

Being the capital platform of COSCO and leveraging its extensive market experience and global advantages, the Group, which is based in the PRC and has global market coverage, continues to enhance its integrated shipping capabilities and expand its logistics services coverage so as to become the leading shipping and logistics supplier in the world.

(2) 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	WEI Jiafu

(3) Contact Persons and Methods

	Secretary to Board of Directors	**Representative of securities affairs**
Name	GUO Huawei	LIANG Hong, MING Dong
Contact address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Telephone	(022) 66270898	(022) 66270898
Facsimile	(022) 66270899	(022) 66270899
E-mail	investor@chinacosco.com	lianghong@chinacosco.com; mingdong@chinacosco.com

Company's Basic Information

(4) Basic Profile

Registered address	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Place of business	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Company's website	www.chinacosco.com
Company's email	investor@chinacosco.com

(5) Information Disclosure and Place of Collection

Designated newspapers for disclosure of the Company's information	Shanghai Securities News, China Securities Journal, Securities Times
Website designated by the China Securities Regulatory Commission for publishing the annual report	www.sse.com.cn (Website for publishing the H share Annual Report: www.hkexnews.hk)
Place of collection of annual report	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC

(6) Shares in the Company

Shares in the Company

Type of share	Place of listing	Share abbreviation	Stock code
A share	Shanghai Stock Exchange	China COSCO	601919
H share	Hong Kong Stock Exchange	China COSCO	1919

Company's Basic Information

(7) Other Information

Initial date of registration	3 March 2005	
Initial place of registration	12th Floor, COSCO Plaza, 158 Fuxingmennei Avenue, Beijing, the PRC	
First change	Date of registration for subsequent change	5 January 2007
	Place of registration for subsequent change	3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC
	Business registration number	100000400011790
	Taxation registration number	Jin Di Shui Zi No.120116710933243
	Entity number	710933243
Auditors engaged by the Company	RSM China Certified Public Accountants, LLP. and PricewaterhouseCoopers	
Address of auditors	8th-9th Floor, Block A, Corporation Building, 35 Finance Street, Xicheng District, Beijing and 22nd Floor, Prince's Building, Central, Hong Kong	
Other information	Place of business in Hong Kong 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong	
	Major bankers Bank of China, Industrial and Commercial Bank of China, China Merchants Bank	
	Legal advisers As to Hong Kong law Paul Hastings 22/F, Bank of China Tower, 1 Garden Road, Hong Kong	
	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 Luijiazui 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	

Company's Basic Information

(8) Major Events in 2011

January	China COSCO was awarded "Social Responsibility Award for Listed Companies" (上市公司社會責任獎) in the "Responsible China" organized by the People's Daily Online.
March	China COSCO was ranked first among the companies in China in the "China CSR 100 Ranking" of Fortune Magazine.
	China COSCO announced its final results of 2010.
April	COSCO Logistics was ranked first for the sixth consecutive time in the "6th Top 100 China Logistics Enterprises" organized by nine industry associations including China Communications and Transportation Association. COSCO Logistics was also named as "2010 Advanced Logistics Enterprise in China" (2010年度全國先進物流企業) and "Most Innovative Logistics Enterprise in 2010" (2010年度最具創新能力物流企業).
	China COSCO announced its results of the first quarter of 2011.
May	China COSCO held the 2010 Annual General Meeting.
	China COSCO entered into a strategic cooperation agreement with the China Classification Society.
June	COSCON was awarded The Best Carrier for Fast East Service (遠東最佳承運人大獎) by Canadian Freight Forwarders Association.
	COSCON won various golden awards in the "8th China Freight Industry Awards" (第八屆中國貨運業大獎).
July	China COSCO passed the integrated management system certification of the China Classification Society.
	COSCO Logistics won the bid for the sea and land shipping project of ultra large cargo of Sinopec and Kazakhstan.
	China COSCO held the first extraordinary general meeting in 2011.
	China COSCO successfully obtained the Certificate of Quality, Environment and Occupational Health and Safety Standards from the Quality Certification Center of China Classification Society.
August	China Lianhe Credit Rating Co., Ltd. maintained AAA rating for China COSCO.
	China COSCO announced its interim results of 2011.

Company's Basic Information

(8) Major Events in 2011

September

As one of the ten secretaries to the board of directors with excellent performance in corporate governance, the then Secretary to the Board of Directors of China COSCO, Zhang Yongjian, was publicly praised by the Shanghai Stock Exchange.

China COSCO announced its results of the third quarter of 2011.

October

China COSCO held the second extraordinary general meeting in 2011.

December

COSCO Pacific was awarded the "Best Investor Relationship in Transportation Industry" (交通運輸行業最佳投資者關係) and "Hong Kong Enterprise with Best Investor Relationship" (香港企業最佳投資者關係) by "IR Magazine".

China COSCO won the "Most Social Responsible Corporate" (最佳企業社會責任) award in the "2011 China CEO & CFO Investment Forum" (2011中國CEO&CFO投資論壇) held by China Entrepreneurs (創業精英會).

COSCON strengthened cooperation with China Shipping Container Lines Co., Ltd in Far East-Europe/Far East-Mediterranean routes.

China COSCO Bulk Shipping (Group) Co., Ltd. was successfully established in Beijing.

Chairman’s Statement

Chairman **WEI JIAFU**

Chairman's Statement

Dear Shareholders,

First of all, I would like to take this opportunity to express my heart-felt gratitude to all Shareholders for your care and support to the Group. I also wish to extend my sincere gratitude to all directors, supervisors, members of the senior management and staff of our Group for their dedicated efforts during the past year.

The international and domestic economy saw dramatic changes in 2011. The recovery momentum of global economy lost steam while the growth of international trade slowed down, resulting in a downturn of the shipping industry. In the face of the numerous difficulties, the Group adjusted its operation strategies timely in response to the changes in the market, improved the sales network, expanded the customer base and strengthened marketing efforts. However, as freight rates decreased rapidly as a result of the serious imbalance between demand and supply in the shipping market while bunker costs and other expenses kept increasing, the operating profits of the Group dropped sharply and the Group's results in 2011 was unfavourable.

In 2011, the Group's revenue was RMB84,639,178,000, representing a decrease of 12.3% as compared with last year, and the profit attributable to equity holders of the Company amounted to RMB-10,495,295,000, while that of last year was RMB6,785,497,000. The Board recommended not to distribute final dividend due to the loss.

During the period under review, the completed shipping volume of the Group's container shipping and related business was 6,910,041 TEUs, representing an increase of 11.2% as compared to the same period of last year. Revenue from operations was RMB41,405,976,000, representing a decrease of 10.7% as compared to the same period of last year. The bunker costs increased by 36.6% as compared to the same period of the last year.

Fully capitalizing on the strength of large vessels of the container shipping business amidst harsh external market conditions, the Group further integrated the shipping capacity of its main routes to increase the coverage of its routes and strengthened the cooperation with its alliance partners and expand the scope of cooperation to control the increase of costs due to market conditions. The Group also formulated plans for stabilizing and recovering freight rates of related routes timely and strived to maintain the timeliness of its shipping schedule. The Group adjusted the marketing model and structure to fully leverage on its marketing advantages. By introducing a market-oriented system to manage budget and allocate resources, the Group improved the cost assessment and accountability system to minimize the increase of costs.

As at 31 December 2011, 6 new container vessels were delivered for operation with an aggregate capacity of 69,458 TEUs. Excluding the chartered-out capacity, the shipping capacity operated by the Group increased by 8.8% as compared to last year. There was no new vessel order placed in 2011. As at 31 December 2011, the Group had 32 container vessel orders, representing a total of 244,168 TEUs.

During the period under review, the shipping volume of the Group's dry bulk shipping business amounted to 262.8 million tons, representing a decrease of 6.18% over the same period last year. Dry bulk shipment turnover was 1.32 trillion ton-nautical miles, representing a decrease of 7.04% as compared with the same period last year. Of the total dry bulk shipping volume, coal shipping volume amounted to 91.09 million tons, representing an increase of 2.64% as compared with the same period last year; metal ore shipping volume amounted to 116.64 million tons, representing a decrease of 9.28% as compared with the same period last year; and shipping volume of other cargoes amounted to 55.07 million tons, representing a decrease of 12.28% as compared with the same period last year. Revenue from operations was RMB23,350,113,000, representing a decrease of 28.8% as compared with the same period last year.

Chairman's Statement

The Group optimized the allocation of dry bulk resources and established COSCO Bulk Shipping (Group) Co., Ltd. The Group fully capitalized on the synergic advantages of its operations and the scale of economy as a result of system integration to increase the efficiency of the fleet of dry bulk vessels of the Group. In 2011, the dry bulk vessel fleet of the Group insisted on the customer-oriented principle to secure fundamental demand from customers. It further expanded its customer base with a focus on securing major customers. The Group also adjusted its operation strategy and shipping capacity structure timely and reduced its shipping capacity significantly. The Group took the initiatives to secure more cargos in response to the market changes and growth promptly so as to improve the effectiveness of operation. The Group implemented stricter cost control measures.

As at 31 December 2011, the Group operated 374 dry bulk vessels (33,796,979 DWT). As at 31 December 2011, the Group had 20 dry bulk vessel orders, representing a total of 1,904,000 DWT.

During the period under review, the operating efficiency of logistics business of the Group maintained its growth. The Group continued to streamline the business structure. With respect to project logistics segment, the Group further refined the land transportation platform from bulky containers and intensive operation. For product logistics segment, the Group effectively enhanced its core competitiveness and market position through the optimization of resources allocation and innovation of services and products. With respect to the e-commerce logistics segment, the Group further consolidated the cooperation with well-known e-commerce websites. With respect to chemical products logistics segment, the Group entered into the wine industry, which has higher profit margins, and expanded its wine logistics segment and supply chain. The Group was ranked the first of the Top 100 logistics enterprises in China for seven consecutive times. Besides, the Group also won three significant awards in the industry including "2011 The Most Influential Enterprises in PRC Logistics Industry Award（2011中國物流業大獎年度影響力企業）".

During the period under review, COSCO Pacific, a subsidiary of the Group maintained satisfactory profitability and seized the opportunity to innovate the operation models for its ports and containers and achieved significant results. The overall throughputs in the ports of COSCO Pacific in 2011 maintained steady increase and the container throughputs increased by 15.1% to 50.7 million TEUs. The total throughputs of domestic terminals recorded an increase of 14.2%, which was higher than the average increase of 11.4% of the ports in China. Piraeus Container Terminal in Greece and Guangzhou South China Terminal, both are terminals of COSCO Pacific, recorded profits earlier than expected. The Company continued to rank the fifth largest container terminal operators in the world, and the total container throughputs of terminals accounted for 8.8% of the global market share, representing an increase of 1.9 percentage points as compared with the same period of last year.

As for container leasing, as at 31 December 2011, the scale of the container fleet of Florens, a subsidiary of the Group, reached 1.78 million TEUs, representing an increase of 8.9% as compared to last year. It remains as the third largest global container leasing company with a leasing rate higher than the market average level.

Chairman's Statement

As a multinational company, China COSCO attached great importance to the fulfillment of its social responsibility. It gained wide recognition from the society for its outstanding contributions in, among others, the post-tsunami rescue operations in Japan, pollution prevention and providing assistance to Chinese in Libya to come back home in 2011. China COSCO was ranked first among the companies in China in the "China CSR 100 Ranking" Fortune Magazine (Chinese) issued on 20 March 2011.

In 2012, as the growth of global economy will slow down and the growth of international trade is expected to decline, the Group will experience a weak export growth. In 2012, global shipping capacity will continue to increase rapidly, resulting in excessive capacity in the shipping market. Affected by the slow growth of economy and international demand, excessive shipping capacity and high bunker costs, shipping enterprises will face greater difficulties and challenges in 2012.

Nevertheless, the Group will strive to capture the opportunities arising from the challenges. The economic growth in China will remain stable and rapid despite the slowdown. In addition, the United States economy has positive outlook and has been growing steadily, which will provide great support for the development of shipping enterprises. As for the industrial development, price hikes in the container shipping market has become a trend, and the performance of Europe-Asia routes and Pacific routes have been improving since the beginning of the year. It is expected that the performance of the global dry bulk shipping market will slow down in the first half of 2012 and pick up again in the second half of 2012. With respect to the dry bulk shipping market, it is expected that the demand of the dry bulk shipping will see an increase. China will still be the largest contributor in the increase in the global dry bulk shipping volume. Through reinforcing cooperation between international shipping enterprises, setting up reasonable freight rates and maintaining the balance between supply and demand, the industry will achieve healthy and sound development.

The Group fully acknowledges that the changes in the macro environment will have long-term impact on the development of enterprises. The Group will also actively raise the freight rates of container shipping, and enhance the profitability of add-value businesses by developing new markets. In respect of dry bulk cargo shipping, the Group will continue to expand its market coverage and customer base and increase the proportion of basic cargos by leveraging on the strength of integrated operation. For logistics, terminal and container leasing, the Group will strive to explore and capture opportunities while coping with the difficulties by analysing the current and future market trends objectively, fairly and accurately with prospective strategies. The Group will further strengthen risk prevention and control for a stable and sustainable development. In addition, the Group will keep improving its overall competitiveness by making full use of its capital platform to maximize the values of shareholders and contribute to the society.

Wei Jiafu
29 March 2012

Summary of Accounting Data

Results for the year ended 31 December 2011 prepared under the Hong Kong Financial Reporting Standards ("HKFRSs")

	Year ended 31 December 2011 (RMB'000)	Year ended 31 December 2010 (RMB'000) (Restated)	Changes
Revenues	**84,639,178**	96,487,636	-12.3%
Operating (loss)/profit	**(10,296,012)**	7,648,811	-234.6%
(Loss)/profit before income tax expenses	**(7,854,229)**	9,209,589	-185.3%
(Loss)/profit attributable to equity holders of the Company	**(10,495,295)**	6,785,497	-254.7%
Basic and diluted (loss)/earnings per share (RMB)	**(1.0273)**	0.6642	-254.7%
Final dividend per share (RMB)	**—**	0.09	
Final dividend payout ratio	**—**	28.3%	
Total assets	**157,458,885**	150,981,892	4.3%
Total liabilities	**107,288,432**	88,681,037	21.0%
Non-controlling interests	**15,475,167**	14,471,896	6.9%
Equity attributable to the equity holders of the Company	**34,695,286**	47,828,959	-27.5%
Net debt to equity ratio	**59.9%**	22.7%	
Gross profit margin	**-5.8%**	12.8%	

Summary of Accounting Data

Differences between financial information reported under HKFRSs and the China Accounting Standards ("CAS") issued by the Ministry of Finance of the PRC

	Consolidated net loss attributable to equity holders of the Company for the year ended 31 December 2011 RMB'000	Consolidated equity attributable to equity holders of the Company as at 31 December 2011 RMB'000
As prepared under CAS	(10,448,856)	34,695,286
Difference in recognition of cost basis of assets	(46,439)	—
As prepared under HKFRSs	(10,495,295)	34,695,286

Notes:

In previous years, assets are stated at historical costs less depreciation in the HKFRS financial information while under the CAS financial statements, assets are carried at revalued amount less depreciation. The Group adopted HKFRS 1 (Amendment) in 2011, therefore the difference was eliminated.

Changes in Equity and Shareholders Information

(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	100.00	–	–	–	–	–	10,216,274,357	100.00

Approval of changes in shares

Not applicable.

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.

Changes in Equity and Shareholders Information

(II) Issue and listing of securities

1. Issue of securities in the last three years

Unit: share
Currency: RMB

Type of shares and respective security derivatives	Date of Issue	Issue price ($)	Number of shares issued	Date of listing	Number of tradable shares approved	End of trading date
Shares						
H share issue	29 June 2005	HK$4.25	2,244,000,000	30 June 2005	2,580,600,000 shares listed and traded on Main Board of Hong Kong Stock Exchange	N/A
Bonus share issue	29 May 2007	N/A	930,713,450	29 May 2007	336,600,000 H shares listed and traded on Main Board of Hong Kong Stock Exchange	N/A
A share issue	25 June 2007	RMB8.48	1,783,867,446	26 June 2007	In such issue, 891,933,000 shares were listed and traded on 26 June 2007; 356,934,446 shares were listed and traded on 26 September 2007; and 535,000,000 shares were listed and traded on 26 June 2008	N/A
Additional issue to COSCO	19 December 2007	RMB18.49	864,270,817	19 December 2010	864,270,817	N/A
Additional issue to strategic investors, including COSCO	28 December 2007	RMB30	432,666,307	29 December 2008	In such issue, 379,000,000 shares were listed and traded on 29 December 2008, while shares issued to COSCO were listed and traded on 29 December 2010	N/A

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

During the reporting period, there were no bonus share issuance or placing. Hence, there was no change in total number and structure of shares of the Company.

Changes in Equity and Shareholders Information

3. Existing internal employee shares

The Company did not have any internal employee shares during the reporting period.

(III) Shareholder and effective controller

Number of shareholders and their shareholding

Unit: share

Total number of shareholders at the end of 2011	387,863
Total number of shareholders at the end of the month prior to the date when this Annual Report is published	382,348

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 (H share)	25.12	2,566,750,886	-3,325.209	0	Unknown
National Council for Social Security Fund (Subsidiary Shareholder)	State-owned	1.75	178,386,745	0	159,724,067	Nil
China National Nuclear (Group) Corporation	Other	0.7	72,000,000	0	0	Nil
Sinochem Corporation	Other	0.39	40,000,000	0	0	Nil
Minmetals Investment & Development Co. Ltd.	Other	0.30	31,000,000	0	0	Nil
China Energy Conservation Investment Corporation	Other	0.23	23,500,000	0	0	Nil
China Construction Bank – Great Wall Brand Prime Equity Securities	Other	0.22	22,409,291	0	0	Nil
Beijing Capital Investment & Guarantee Co., Ltd.	Other	0.20	20,000,000	0	0	Nil
Zhuhai Port Holdings Group Co., Ltd.	Other	0.17	17,400,000	0	0	Nil
China National Machinery Industry Corporation	Other	0.15	15,000,000	0	0	Nil

Changes in Equity and Shareholders Information

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

Name of shareholder	Number of shares not subject to selling restrictions	Type and number of shares
China Ocean Shipping (Group) Company	5,313,082,844	RMB ordinary shares
HKSCC NOMINEES LIMITED	2,566,750,886	Overseas listed foreign shares
China National Nuclear (Group) Corporation	72,000,000	RMB ordinary shares
Sinochem Corporation	40,000,000	RMB ordinary shares
Minmetals Investment & Development Co. Ltd.	31,000,000	RMB ordinary shares
China Energy Conservation Investment Corporation	23,500,000	RMB ordinary shares
China Construction Bank – Great Wall Brand Prime Equity Securities	22,409,291	RMB ordinary shares
Beijing Capital Investment & Guarantee Co., Ltd.	20,000,000	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
Aerospace Science & Technology Finance Co., Ltd.	13,892,741	RMB ordinary shares

Changes in Equity and Shareholders Information

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	September 2012	159,724,067	Restriction upon transfer
Related parties or persons acting in concert of the above shareholders		N/A		

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 effective controller

1. Specific description of controlling shareholder and effective controller

The controlling shareholder of the Company is China Ocean Shipping (Group) Company and the effective controller of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

2. Controlling shareholder

○ Legal person

Unit: share
Currency: RMB

Name	China Ocean Shipping (Group) Company
Person in charge or legal representative	Wei Jiafu
Date of incorporation	27 April 1961
Registered capital	4,103,367,000
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.

3. Effective controller

○ Legal person

Unit: share
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
Registered capital	N/A
Principal business operations or management activities	N/A

4. Changes in controlling shareholder and effective controller

During the reporting period, there was no change in the Company's controlling shareholder and the effective controller.

Companies controlled by effective controller through trust or other asset management

Not applicable.

5. Other corporate shareholders holding 10% or above shares

Not applicable.

(V) Convertible debentures

Not applicable.

Directors, Supervisors, Senior Management

Major working experiences of directors, supervisors and senior management of the Company (during 2011 and up to the date of this annual report) in the recent five years are as follows:

WEI Jiafu（魏家福）

Mr. WEI, aged 62, is currently a non-executive director, the chairman of the board and CEO of the Company. Mr. Wei has been the president of COSCO since November 1998 and has served as the chairman and secretary of the CPC subcommittee of COSCO since August 2011 and is the chairman of the board of Hainan COSCO Boao Co., Ltd. and COSCO HK and the vice chairman of the board of China Merchants Bank. Mr. Wei was the general manager of Sino-Tanzania Joint Shipping Company, COSCO Holding (Singapore) Pte Ltd, COSCO Tianjin and COSCO Bulk, the chairman of COSCON, the chairman of the board of COSCO Pacific, COSCO Corporation (Singapore) and COSCO International. Mr. Wei was a marine captain and has over 40 years of experience in navigation and international shipping business. He has excellent business decision-making abilities and substantial capital markets experience. Both COSCO Pacific and COSCO Corporation (Singapore), with which Mr. Wei worked, are overseas blue chip listed companies. Mr. Wei is currently the leader of several society organizations, including China Shipowners' Association, China Shipowner's Mutual Assurance Association, The China Association of Trade in Services and China Federation of Industrial Economics. Mr. Wei obtained his doctorate degree from Tianjin University and his master degree from Dalian Maritime University. He is also a senior engineer. In 1999, he was awarded the honour of special contribution to the State. He was awarded "Top 30 Influential People in Economy in 30 Years of Chinese Reform and Opening", "60 People in Chinese Shipping History", "Top 60 Influential People in China Economy in 60 Years of Top 100 People in China Economy", "Business Leaders in China Economy in Recent Decade" of CCTV, "The 25 Most Influential Corporate Leaders in China", "Guardian of American Workers" and "Honorary Chief Commander with Four Star rank of Massport Police". Mr. Wei is also a committee member of the Central Disciplinary Committee of the 16th and 17th session of the Communist Party of China.

MA Zehua（馬澤華）

Mr. MA, aged 59, is currently an executive Director and the vice chairman of the Company. Mr. Ma has been the director, general manager and deputy party secretary of COSCO since 2011, the chairman of the board of COSCO Corporation (Singapore) Limited and the chairman of COSCO Bulk Shipping Group Co., Ltd. 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 the party secretary of COSCO Americas, Inc., the vice 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 and the secretary of the CPC subcommittee and vice president of China Shipping (Group) Company. 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 with a profession of shipping and international maritime law from Shanghai Maritime University. He obtained his master degree from Shanghai Maritime University and is a senior economist.

Directors, Supervisors, Senior Management

ZHANG Fusheng（張富生）

Mr. ZHANG, aged 62, was a non-executive director and the vice-chairman of the Company until 25 August 2011. Mr. Zhang was a deputy director of the No. 1 Division of Tianjin Port Authority, deputy director of personnel and labour department of MOC, director of institutional reform and regulatory department of MOC (spokesman of MOC), the vice president of the Beijing branch of Bank of Communications, the secretary of the CPC subcommittee of COSCON and COSCO Shanghai, the secretary of the CPC subcommittee and the vice president of COSCO. Mr. Zhang has over 40 years of experience in the administration and management of shipping companies and financial management. Mr. Zhang is an expert in management and his extensive experience has enabled him to demonstrate outstanding leadership qualities throughout the course of development of the COSCO Group. He was awarded "Top 10 People in Human Resources Management in China". Mr. Zhang obtained a master degree in transportation management and engineering from Wuhan University of Communications and Science and is a senior engineer. Mr. Zhang was elected as a member of the 10th and 11th session of the National People's Congress of the PRC, and is a member of the Foreign Affairs Committee of the 11th session of the NPC.

XU Lirong（許立榮）

Mr. XU, aged 54, was a non-executive director of the Company until 25 August 2011. He was the marine captain of COSCO Shanghai, the general manager of Shanghai International Freight Forwarding Company, the deputy general manager of COSCO Shanghai, the president of Shanghai Shipping Exchange, the managing director of COSCON, the chairman of the board and non-executive director of COSCO Pacific, the deputy general manager of the Company, and the vice president and chairman of the labour union of COSCO. Mr. Xu has over 30 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Xu obtained his master degree in business administration from Shanghai Maritime University and the Maastricht School of Management in Netherlands. He is a senior engineer.

LI Yunpeng（李雲鵬）

Mr. LI, aged 53, was the supervisor and the chairman of the supervisory board of the Company until 28 February 2012 and is currently a non-executive director of the Company. He has been the deputy general manager of COSCO since 2011 and has also served as the spokesman of COSCO, the chairman of the board of directors and a non-executive director of COSCO Pacific Limited, the chairman of the board of COSCO Shipyard Group Co., Ltd and the vice chairman of the board of China Suzhou Industrial Park Company Limited. Mr. Li was the deputy manager, the manager and the general manager of the executive division of Tianjin Ocean Shipping Company, the deputy general manager of the executive division, the general manager of the supervising division, the general manager of the human resources division and the assistant president and the head of the CPC Discipline Inspection Committee of COSCO. Mr. Li has over 30 years of experience in the shipping industry and has extensive experience in corporate management, internal control and human resources. Mr. Li obtained a master's degree in shipping and marine engineering from Tianjin University. He is a senior engineer.

Directors, Supervisors, Senior Management

SUN Yueying（孫月英）

Ms. SUN, aged 53, is currently a non-executive director of the Company. Ms. Sun has been the chief accountant of COSCO since 2000 and is the chairman of COSCO Finance and COSCO Japan, the executive director of China Merchants Bank and China Merchants Securities. Ms. Sun was the vice director of the finance department of COSCO Tianjin, the finance manager of COSCO Japan, the deputy general manager, the general manager of the finance and capital division and the deputy chief accountant of COSCO. Ms. Sun has over 30 years of experience in the shipping industry and extensive experience in corporate financial management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting, and holds an Executive MBA degree from University of International Business and Economics. She is a certified accountant and a senior accountant.

SUN Jiakang（孫家康）

Mr. SUN, aged 52, was the deputy general manager of the Company until 17 May 2011 and a non-executive director of the Compnay until 27 October 2011, and is currently an executive director of the Company. Mr. Sun has been the deputy general manager of COSCO since 2011 and is the chairman of the board of COSCO Europe GmbH, COSCO Americas, Inc. and COSCO Oceania Pty Limited. Mr. Sun had been the manager of the third division and second division of the container lines headquarters of COSCO, the general manager of the transportation division and assistant to the president of COSCO, vice-chairman of the board of COSCO Pacific, executive director and general manager of COSCO Pacific, vice president of COSCO HK and managing director of COSCON. Mr. Sun has over 30 years of experience in the shipping industry and has extensive experience in the corporate operation management. Mr. Sun holds a doctorate degree from Preston University, U.S. and a master degree from Dalian Maritime University. He is a senior engineer.

XU Minjie（徐敏杰）

Mr. XU, aged 53, was the deputy general manager of the Company until 17 May 2011 and a non-executive director of the Company until 27 October 2011, and is currently an executive director of the Company. Mr. Xu has been the deputy general manager of COSCO since 2011 and is the chairman of the board of of COSCON and COSCO Logistics Co., Ltd. and the vice chairman of the board of CIMC. He had been a marine captain, manager of the department of container division, operation division and export division of COSCO Shanghai. He had also been the deputy general manager of Shanghai Ocean International Freight Company, the general manager of COSFRE Shanghai, the manager of transportation department of the head office of COSCO, the vice chairman of the board of directors, executive director and general manager of COSCO Pacific and a director of CIMC. Mr. Xu has 30 years of experience in shipping and has extensive experience in corporate operation and management. Mr. Xu graduated from the marine navigation department of Qingdao Ocean Shipping Mariners College. He obtained his master degree in business administration from Shanghai Maritime University and Maastricht School of Management in the Netherlands and is a senior economist.

Directors, Supervisors, Senior Management

ZHANG Liang（張良）

Mr. ZHANG, aged 58, was the executive director and the president of the Company before 22 November 2011 and was an executive director of the Company before 28 February 2012. He is currently the president of COSCO (Hong Kong) Shipping Co. Ltd as well as the deputy chairman of the board and executive director of COSCO International. He was the managing director of the personnel department, assistant to the general manager, as well as deputy general manager (and safety control manager) of COSCO Tianjin, deputy general manager of COSCO Bulk, general manager of COSCO Tianjin, general manager of COSCO Bulk and chief legal consultant and vice president of COSCO. Mr. Zhang was a marine captain of COSCO Shipping. He has over 30 years of experience in the shipping industry and has extensive experience in corporate operations and management. Mr. Zhang is currently the vice chairman of China Navigation Society and China Association of Port-of-entry. He graduated from Dalian Maritime University, majoring in navigation and had obtained his master degree in transportation planning and management from Shanghai Maritime University as well as his doctorate degree in corporate management from Nan Kai University. He is a senior engineer.

JIANG Li Jun（姜立軍）

Mr. JIANG, aged 56, is an executive director and general manager of the Company. Mr Jiang is the deputy chairman of the board and non-executive director of COSCO Corporation (Singapore) Co,. Ltd.. He was the deputy general manager of COSCO Pacific, the deputy general manager of Florence Container Co., Ltd., the head of finance department and the deputy general manager of operations of COSCO Japan Co., Ltd, the deputy chief financial officer of COSCON, the chief executive officer of COSCO Shipping Co., Ltd, the president, deputy chairman of the board and executive director of COSCO Corporation (Singapore) Co,. Ltd. and the president of COSCO Holding (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. He holds an MBA degree and is an accountant.

Directors, Supervisors, Senior Management

CHEN Hongsheng（陳洪生）

Mr. CHEN, aged 62, was a non-executive director of the Company until 17 May 2011. Mr. Chen was the deputy general manager of Penavico Nantong Branch Company, general manager of shipping department of Penavico, general manager of COSCO Beijing International Freight Forwarding Company, deputy general manager of COSCO International Freight Forwarding Company, deputy general manager of container lines headquarters of COSCO, general manager of COSCO International Freight Forwarding Company, deputy general manager of COSCON, vice president of COSCO, executive director and general manager of the Company, and director and vice president of COSCO Hong Kong. Mr. Chen has over 30 years of experience in the shipping industry with extensive experience in enterprise operation and management. Mr. Chen graduated from Sichuan Foreign Language College with major in English and Capital University of Economics and Business in postgraduate studies in business administration. He is a senior economist. He has been awarded the honour of special contribution to the State in 1995.

LI Boxi（李泊溪）

Ms. LI, aged 76, was an independent non-executive director of the Company until 17 May 2011. Ms. Li was an executive member and head of the development forecast division of the Development Research Center of the State Council of the PRC. She is currently a researcher of the Development Research Centre of the State Council of the PRC, specializing in technical economics, quantitative economics, development strategy and policy. Ms Li had long been involved in the research on country development strategy and corporate development strategy. Her research results are innovative, which have significant influence inside and outside of the PRC. Ms. Li was elected as a member of the 7th and 8th National People's Congress of the PRC. She is currently a part-time professor of Nan Kai University and the chief strategic development consultant of the Real Estate Association of All-China Federation of Industry & Commerce. She is among the first group of experts who have been recognized for their special contribution to the State.

Alexander Reid HAMILTON（韓武敦）

Mr. HAMILTON, aged 70, was an independent non-executive director of the Company until 17 May 2011. Mr. Hamilton is currently an independent non-executive director of many Hong Kong listed and private companies, including COSCO International, CITIC Pacific Limited, Esprit Holdings Limited, Shangri-La Asia Limited and Octopus Cards Limited. Mr. Hamilton was also an independent non-executive director and the chairman of the audit committee of COSCO Pacific from 1994 to 2005 and was the independent non-executive director of COSCO International from 1997 to 2004.

CHENG Mo Chi（鄭慕智）

Mr. CHENG, aged 62, was an independent non-executive director of the Company until 17 May 2011. Mr. Cheng is an independent non-executive director of various listed companies in Hong Kong, such as Hong Kong Exchanges and Clearing Limited and China Mobile Limited. He is a non-executive director of a number of Hong Kong listed companies (which include City Telecom (H.K.) Limited and Guangdong Investment Limited). Mr. Cheng is a practicing solicitor, and is a senior partner of P.C. Woo & Co. He was also a founding chairman of The Hong Kong Institute of Directors and is currently its honourable president and chairman emeritus. Mr. Cheng was a member of the Legislative Council and the chairman of the Main Board Listing Committee and of the Growth Enterprise Market Listing Committee of the Hong Kong Stock Exchange.

TEO Siong Seng（張松聲）

Mr. TEO, aged 57, is currently an independent non-executive director of the Company. Mr. Teo is the managing director of Pacific International Lines Pte Ltd., the president and chief executive officer of Singamas Container Holdings Limited (00716), vice chairman of CSIC Pacific Private Ltd (a joint venture of China Shipbuilding Industry Corporation and Pacific International Lines Pte Ltd.), the 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 Economic and Trade Council, Singapore-Liaoning Economic and Trade Council and Malaysia-Singapore Economic Council, as well as a member of Singapore-India CEO Forum.

Directors, Supervisors, Senior Management

FAN Hsu Lai Tai, Rita（范徐麗泰）

Ms. FAN, aged 66, is currently an independent non-executive director of the Company. Ms. FAN 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 for Hong Kong Special Administrative Region and the Preparatory Committee for Hong Kong Special Administrative Region, the chairman of the Board of Civil Education, the chairman of the Education Commission and Hong Kong Deputy to both the Ninth and Tenth sessions of the NPC. Ms. 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 Eleventh session of the NPC. Ms. FAN is an independent non-executive director of China Overseas Land & Investment Limited, China Shenhua Energy Company Limited and COSCO Pacific.

KWONG Che Keung, Gordon（鄺志強）

Mr. KWONG, aged 62, is currently an independent non-executive director of the Company. Mr. Kwong is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Kwong was a partner of Pricewaterhouse, an independent member of the council of the Stock Exchange and the convener of both the listing committee and the compliance committee of the Stock Exchange. He is an independent non-executive director of a number of listed companies, including NWS Holdings Limited, OP Financial Investments Limited, China Chengtong Development Group Limited.

Peter Guy BOWIE（鮑毅）

Mr. BOWIE, aged 65, is currently an independent non-executive director of the Company. Mr. Bowie served as chairman of Deloitte Canada, a member of the firm's Management Committee and also a member of the Board and Governance committees of Deloitte International. From 2003 to 2010, he was the CEO and senior partner of Deloitte China, and a member of the Board and Governance committee of Deloitte China. Mr. Bowie is a member of the Board of Uranium One Inc. He has extensive experience in corporate governance, risk control and business operations.

SONG Dawei（宋大偉）

Mr. Song, aged 56, is currently the supervisor and the chairman of the supervisory board of the Company. He has served a director, a member of the CPC subcommittee and the head of the CPC Discipline Inspection Committee of COSCO since 2011. Mr. Song was the former 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 of Liaoning Provincial Government, the deputy secretary-general of Liaoning Provincial Government, the director of the Research Center for Restructuring Economic Systems, and the director-general of the Research Department of Social Development, Comprehensive Research Department of the State Council. Mr. Song graduated from the Department of National Economy at the School of Economics and Management of Liaoning University with a Master's degree in economics.

Directors, Supervisors, Senior Management

WU Shuxiong（吳樹雄）

Mr. WU, aged 57, was a supervisor of the Company until 6 January 2012. Mr. Wu has been the vice president of COSCO (Hong Kong) Group Ltd. since 2011 and the non-executive director of COCSO International. He had been a marine chief engineer, deputy director of the fourth ship management department of COSCO Shanghai, general manager of Shanghai Far East Container Manufacturing Co. Ltd., deputy general manager director of COSCO Shanghai, deputy general manager (safety and quality control manager) of COSCON, and the secretary of CPC subcommittee and deputy general manager of COSCON. Mr. Wu has over 30 years of experience in the shipping industry and extensive experience in corporate management and vessel management. Mr. Wu graduated from Shanghai Jiao Tong University, majoring in transportation management. He is a senior engineer.

MA Jianhua（馬建華）

Mr. MA, aged 49, is currently a supervisor of the Company. Mr. Ma had been the secretary to the committee of CPC, and deputy managing director of COSCO Logistics since 2006. He had been the deputy section chief of the human resources management and labour department and bureau surveyor of MOC, vice secretary and the supervisor of the CPC subcommittee of Shenzhen Maritime Safety Administration, deputy director of the office of Chongqing municipality of PRC, and deputy secretary of Chongqing municipality of PRC. Mr. Ma has extensive experience in administrative management, traffic management, human resources management, modern logistics strategy and management. Mr. Ma graduated from Central Party School of CPC majoring in economics and is a senior engineer.

LUO Jiulian（駱九連）

Mr. LUO, aged 57, is currently a supervisor of the Company. Mr. Luo has served as the secretary of the CPC subcommittee and deputy general manager of Dalian Ocean Shipping Company since 2001. He 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, general manager of supervisory department of COSCO. 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 is a postgraduate student.

YU Shicheng（於世成）

Mr. YU, aged 57, was an independent supervisor of the Company until 28 October 2011. Mr. Yu is currently the secretary of the CPC subcommittee of Shanghai Maritime University, vice-chairman of China Institute of Navigation, vice-chairman of China Maritime Law Association and an arbitrator of China Maritime Arbitration Commission. He is a professor and a lawyer and has been engaging in teaching and research on the topics of maritime laws and international maritime policies. Mr. Yu has been granted a special allowance by the State Council since 1994.

Directors, Supervisors, Senior Management

MENG Yan（孟焰）

Mr. MENG, aged 56, is currently an independent supervisor of the Company. Mr. Meng has been working for Central University of Finance and Economics since 1982. He was the deputy director and director of accountancy department and is currently the dean, professor and tutor of doctorate students of Faculty of Accountancy, executive committee of Accounting Society of China, executive committee of China Society for Finance and Accounting, committee member of Professional Education Supervisory Committee for Business Administration Subjects of Higher Education of Ministry of Education and committee member of National Master of Accountancy Education Supervisory Committee. Mr. Meng graduated from the Research Institute for Fiscal Science of Ministry of Finance and obtained a doctorate degree in economics (accountancy). He has been entitled to the government's special allowance from the State Council since 1997.

GAO Ping（高平）

Mr. GAO, aged 56, is currently a supervisor of the Company, and the party secretary and deputy general manager of COSCO Container Lines Company Limited. 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, the director of the organization division and the general manager of the human resource division of COSCO, the supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to COSCO as well as the non-executive director of COSCO Pacific. Mr. Gao graduated from University of International Business and Economics with an Executive Master of Business Administration degree and is a senior engineer and a senior administrative officer.

ZHANG Jianping（張建平）

Mr. ZHANG, aged 46, is currently an independent supervisor of the Company and the director of the capital markets and investment and financing research center of University of International Business and Economics. Mr. Zhang was the research director of the Department of Teaching and Research, the faculty dean and vice president of the Business School of University of International Business and Economics. He is currently an independent director of Jihua Group Corporation Limited (originally Xinxing Ductile Iron Pipe Company Limited), SDIC Zhonglu Company Limite and Zhejiang Huafon Spandex Co., Ltd. Mr. Zhang, a professor, graduated from the University of International Business and Economics with a PhD in transnational business management.

YE Weilong（葉偉龍）

Mr. YE, aged 49, was an executive vice president of the Company until 9 January 2012. Mr. Ye has been the deputy manager of COSCO since 2011, the chairman of the board and executive director of COSCO International Holdings Limited and the chairman of the board of COSCO Shipping Co., Ltd. He had been the assistant to general manager, deputy general manager and general manager of Shanghai Ocean International Freight Company, general manager of COSCO

Shanghai International Freight Co., Ltd, deputy general manager of COSCON, the general manager of COSFRE and the managing director of COSCO Logistics. Mr. Ye has extensive experience in corporate operation management, international cargo transportation as well as the operation and management of modern logistics strategy. He obtained a doctoral degree at Dalian Maritime University and a Master degree in Business Administration at Shanghai Maritime University and Maastricht School of Netherlands and is a senior economist.

XU Zunwu（許遵武）

Mr. XU, aged 54, is currently the executive vice president of the Company and the general manager 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 HK Shipping, vice-president of COSCO Hong Kong, managing director of COSCO HK Shipping Co., Ltd, the general manager of COSCO Shenzhen and the managing director of COSCO Bulk. Mr. Xu has almost 30 years' work experience in maritime industry and therefore has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University with major in ocean shipping. He also holds the professional qualification of senior economist.

WAN Min（萬敏）

Mr. WAN, aged 43, is currently the deputy 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' corporate management experience in shipping industry and has extensive experience in corporate management and ocean shipping. Mr. Wan graduated from Shanghai Jiao Tong University with a master degree in business administration and is an engineer.

WANG Xingru（王興如）

Mr. WANG, aged 46, is currently the deputy general manager of the Company, the vice chairman of the board of directors, the executive director and general manager of COSCO Pacific and the director of CIMC. He was the deputy managing director of COSCO Co-Development (Tianjin) Co., Ltd., the deputy general manager of COSCO Industry Company, the general manager of COSCO Shipyard Group Co., Ltd. and a non-executive director of COSCO Corporation (Singapore). 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 degree in engineering. He is also a senior engineer with outstanding results.

Directors, Supervisors, Senior Management

Mr Zhang Jiqing（張際慶）

Mr. ZHANG, aged 54, is currently the deputy general manager of the Company and the managing director of COSCO Logistics. He was the head of the planning division, the deputy head of the office of general manager and the deputy manager of the president's affairs division of COSCO, the vice president of COSCO Japan Co., Ltd., the deputy general manager of the management division, the head of the research center, the general manager of the president's affairs division and the head of president's office of COSCO, and the president of COSCO Japan Co., Ltd.. Mr. Zhang has extensive corporate operation management experience in both domestic and overseas shipping industry. Mr. Zhang graduated from Shanghai International Studies University, majoring Japanese. He is also a senior economist.

HE Jiale（何家樂）

Mr. HE, aged 57, was the chief financial officer of the Company until 9 January 2012. Mr. He is currently the chief financial officer of COSCO (Hong Kong) Group Ltd, the executive director of COSCO International and the executive director of COSCO Pacific. Mr. He had been the deputy director of the finance division of Shanghai Ocean Shipping Company, the deputy general manager of finance department of the COSCO Container Lines, the deputy general manager of finance and capital department of COSCO and the chief accountant of COSCON, the financial controller of COSCO Hong Kong. Mr. He has over 30 years of experience in the shipping business and has extensive experience in corporate finance, finance management and capital operation. Mr. He graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

FENG Jinhua（豐金華）

Mr. FENG, aged 55, is currently the chief financial officer of the Company and the executive director of COSCO Pacific. He was deputy head and the head of the finance division, the head of planning and financial division, the deputy chief accountant, the chief accountant and a member of the CPC subcommittee of COSCO Qingdao, the general manager of the finance and capital division and of the finance division of COSCO, and the general manager of the Finance Department of the Company. Mr. Feng has over 30 years' experience in the shipping industry and has extensive experience in respects of finance, assets and financial management. Mr. Feng graduated from the University of International Business and Economics majoring executive business administration and obtained a master degree. He is a senior accountant.

ZHANG Yongjian（張永堅）

Mr. ZHANG, aged 60, was the secretary of the board of the Company until 9 January 2012. Mr. Zhang had been the head of the shipping department and the deputy general manager of COSCO Dalian and assistant president and the general manager of the strategic planning and development division of COSCO Hong Kong and the general manager of the Planning Department of COSCO. Mr. Zhang has over 30 years of experience in the shipping business, as well as in legal work. Mr. Zhang graduated from the Shanghai Maritime University and the Dalian Maritime University. He has a Master degree in Law. He is a senior economist.

GUO Huawei（郭華偉）

Mr. GUO, aged 46, 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 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 shipping industry in respect of asset management. Mr. Guo graduated from Northern Jiantong University, majoring in transportation economics. He is a PhD student and a senior economist.

HUNG Man, Michelle（洪雯）

Ms. Hung, aged 42, 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 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 Asian Legal Business Magazine.

Management Discussion and Analysis

Management Discussion and Analysis

In 2011, the Group recorded revenues of RMB84,639,178,000, representing a decrease of 12.3% as compared with 2010. Profit before income tax amounted to RMB-7,854,229,000 while net profit attributable to equity holders of the Company amounted to RMB-10,495,295,000.

Business Operation Review and Outlook

Container Shipping and Related Business

Market review

In 2011, as the recovery of the global economy slowed down, the growth of the global demand for container shipping routes decreased significantly. According to the forecast by Clarkson in February, the global demand for container shipping recorded an increase of 7.9% in 2011. However, the demand growth of the main routes remained slow that the Pacific route and Asia-Europe route only recorded increases of 2.4% and 3.3%, respectively. Encouraged by the outstanding result of 2010, container liners loosen the control on container shipping capacity, and due to the intense pressure of the delivery of new ships, there was oversupply in the market. Substantial delivery of new ships was primarily in Asia-Europe routes, which led to unbalanced supply and demand of the market. In addition, total freight rates were decreasing due to the unreasonable and disordered competition in the market. The annual average of China Containerized Freight Index ("CCFI") was 990.66 points, representing a decrease of 12.4% as compared to 2010. The CCFI of shipping routes to Europe, the Mediterranean region, Western America and Eastern America declined by 32.7%, 29.3%, 11.4% and 8.1% respectively. Furthermore, significant increase in bunker costs, port costs and so on have created considerable pressure on the operation of container liners. As such, the container liners recorded losses in general. According to statistics, the average price of Singapore 380 CST bunker was US$639.1/ton in 2011, representing an increase of 38.3% as compared to US$462.2/ton of 2010.

Management Discussion and Analysis

Operating results

In 2011, shipping volume of the Group's container shipping and related business amounted to 6,910,041 TEUs, representing an increase of 11.2% as compared to the corresponding period of the previous year. Revenues amounted to RMB41,405,976,000, representing a decrease of 10.7% as compared to the corresponding period last year. In terms of the US dollar, revenue amounted to US$6,411,380,000, representing a decrease of 6.4% as compared to the corresponding period last year.

Shipping volumes by routes:

	Year ended 31 December		
	2011 (TEUs)	2010 (TEUs)	Change (%)
Trans-Pacific	**1,604,708**	1,572,128	2.1
Asia-Europe (including the Mediterranean region)	**1,475,582**	1,287,481	14.6
Intra-Asia (including Australia)	**1,712,177**	1,617,463	5.9
Other international (including Trans-Atlantic routes)	**269,798**	202,073	33.5
PRC	**1,847,776**	1,536,226	20.3
Total	**6,910,041**	6,215,371	11.2

Revenues by routes:

	Year ended 31 December		
	2011 (RMB'000)	2010 (restated) (RMB'000)	Change (%)
Trans-Pacific	**12,229,736**	14,284,238	-14.4
Asia-Europe (including the Mediterranean region)	**9,229,445**	12,080,341	-23.6
Intra-Asia (including Australia)	**6,401,974**	6,705,628	-4.5
Other international (including Trans-Atlantic routes)	**1,566,445**	1,625,011	-3.6
PRC	**3,751,478**	3,405,221	10.2
Subtotal	**33,179,078**	38,100,439	-12.9
Chartering	**343,297**	478,141	-28.2
Related business	**7,883,601**	7,782,785	1.3
Total	**41,405,976**	46,361,365	-10.7

Fleet development

The Group had six new container vessels with a total capacity of 69,458 TEUs delivered and put into operation in 2011. As at 31 December 2011, the Group operated 157 container vessels with a total capacity of 667,970 TEUs, representing an increase of 8.8% as compared to the end of 2010. As at 31 December 2011, the Group had an order book of 32 container vessels with a total capacity of 244,168 TEUs.

Order book of container vessels (as at 31 December 2011)

	Owned		Chartered-in		Total	
Year	Number	TEUs	Number	TEUs	Number	TEUs
2012	10	42,500	4	52,368	14	94,868
2013	14	95,900	—	—	14	95,900
2014	4	53,400	—	—	4	53,400
Total	28	191,800	4	52,368	32	244,168

In 2012, the Group expects to take delivery of 14 new vessels with a total capacity of 94,868 TEUs, including ten self-owned 4,250 TEUs vessels and four chartered-in 13,092 TEUs vessels.

Operation strategies

In 2011, fully capitalizing on the strength of large vessels of the container shipping business, the Group further integrated the shipping capacity of its main routes to expand the coverage of its routes. The Group also strengthened the cooperation with its alliance partners to expand the scope of cooperation. Through reducing its shipping capacity, the Group controlled the operating risks faced during the low season and the increase in shipping capacity in the market. With respect to Trans-Pacific routes, the Group significantly reduced the shipping capacity during the low season. With respect to the Europe Mediterranean routes, the Group temporarily suspended vessels by rotation during the low season. The Group arranged joint-operated routes with its alliance partners for the South Africa, South America and the Red Sea routes. The Group also put efforts in expanding its business into emerging markets by launching Far East — West Coast of South American Route and Europe — East Coast of South America Route. The Group also perfected its route network worldwide in order to enhance the demand for its main routes.

In the face of the challenging market conditions, the Group closely monitored the market and effectively maintained and upward adjusted its freight rates by the introduction of various surcharges and the separation of bunker surcharges and freight rates. Over 80% of the contracts of Pacific routes included terms for the separation of bunker surcharges and freight rates, while the bunker surcharges and currency exchange surcharges of Europe Mediterranean routes were adjusted monthly. The Group had raised the freight rates for seven times and introduced new surcharges for Australia routes. Extra risk surcharge and war insurance premium is introduced to routes to Persian Gulf and other hazardous areas.

The Group paid great attention to customer services and sought to improve efficiency and quality by standardizing and streamlining its services. The Group has established a system to ensure all liners to run on schedule. The Group has also streamlined work procedures to improve punctuality, which has won the recognition of customers. The Group also attached great importance to the quality of transit service to shorten the handling time.

The Group modified the sales model and structure and improved its overseas network in order to react to market changes more promptly. The Group decentralized the pricing of freight rates, which are to be determined by the operating units at handling ports in China in order to react to improve the efficiency and competitiveness of the Group in the market of China.

Cost Control

Cost control is always one of the major tasks of the Group. The Group has evolved from simple cost control analysis at project level to the control of costs at different segments of the business chain, through workflow design, process control and closed-loop management, and implementation of remedial measures. The Group improved the cost assessment and accountability system to control and reduce major costs. Fuel efficiency per container was improved by energy saving and emission reduction measures. Container to slot ratio was maintained at a historical low level by shortening the transit time. In addition, the Group devised innovative cooperation arrangement with suppliers to negotiate the most preferential treatment and to control cost.

Market outlook

In 2012, the global demand for the container shipping will maintain its steady growth. According to forecast by Clarkson in February, the global container shipping volume will increase by approximately 7.7% in 2012. However, it would be difficult for the growth rate of the container shipping volume of Pacific routes to exceed 5% despite the recent partial recovery signal of the U.S. economy, and the Europe-Asia routes will continue to be stagnant due to European debt crisis. The growth of emerging markets will also be affected by the sluggish market in Europe and the United States. Nevertheless, the import to China is expected to increase and to further improve the balance between the demand and supply of routes. In respect of capacity, as ships delivered were primarily large vessels, the problem brought by the excessive shipping capacity will still linger. According to the forecast by Clarkson in February, the global container shipping capacity will increase by 7.3% in 2012. The shipping capacity of the super vessels will increase significantly and the total capacity of ships of 8,000 TEUs or above will record a year-on-year increase of 26.3%. As the Group continues to upgrade its vessels in order, the excessive shipping capacity of main routes will gradually be utilized through its sub-routes. In view of the excessive shipping capacity and serious unbalanced regional supply and demand, the international container market of container liners will remain challenging. Container shipping is vital to the global logistics supply chain and the economic and trading activities worldwide. Reasonable freight rates can improve the stability of logistics supply chain and quality of services. In view of the significant drop of freight rates in 2011, shipping companies will strive for increasing their income to a reasonable level. Since the beginning of 2012, the freight rates of Europe-Asia routes and Pacific routes have been improved and the overall freight rates of in the container market are expected to recover to normal level. Yet, due to the intensifying political situation in Iran, bunker costs will further increase and the cargo shipping in this region will be hindered, and the risk of economy of emerging markets being impacted will increase.

Management Discussion and Analysis

Operation plan

The Group will monitor the market demand and changes in international trading pattern to reorganize its shipping routes. More shipping capacity will be allocated to emerging markets and feeding routes to build up an extensive global service network and speed up the recovery of freight rates.

The Group will expand its customer base by acquiring more global key accounts (GKA), direct customers and FOB customers through the provision of complete transportation chain solutions. The Group will seek to develop more marketing channels by creating values for customers. The Group will also specialize in handling cargoes with high profit margin.

Leveraging on local experience, the Group is devoted to being a total transportation solution provider by expanding its service offering and improving punctuality. The Group will also expand the service network in Europe and America and provide more value-added services to customers.

The Group will improve its professional management and introduce more privileged services to attract high-end customers and cargo sources. The Group will upgrade the information system to promote the application of e-commerce platform. The Group improved its cost control, introduced competition mechanism of suppliers and established a comprehensive evaluation mechanism for suppliers. By purchase and operation management, the Group enhanced the control on bunker costs to allow the utilization of resources in an efficient and reasonable way.

It is expected that the container shipping volume of the Group will be 7.3 million TEUs in 2012.

Dry Bulk Shipping Business

Market review

Affected by various unfavorable factors, including the slowdown of the recovery of the global economy, the tightened monetary policies of China, material natural disasters and the strict control on commodity pricing of owners, the growth of the global demand for the dry bulk shipping slowed down in 2011. According to the statistics conducted by Clarkson in February, the growth of the global demand for the dry bulk shipping did not reach 5% in 2011. In addition, the speed up of the delivery of new ships resulted in an increase of 14% in shipping capacity although 20 million dead weight tons of old vessels were demolished. As at the end of 2011, the shipping capacity of the global dry bulk shipping amounted to approximately 600 million dead weight tons. The serious unbalance of supply and demand led in a low market freight rates. In the second half of the year, driven by various factors, such as the traditional peak season, post-disaster reconstruction in Japan, the growing demands from owners to ship their cargoes, the market showed a slight bounce back with a limited rate. The annual average Baltic Dry Index (BDI) was 1,549 points, representing a significant decrease of 43.8% as compared to the corresponding period last year.

Management Discussion and Analysis

Results performance

In 2011, the shipping volume of the Group's dry bulk shipping business reached 262.8 million tons, representing a decrease of 6.18% as compared with the corresponding period last year. Dry bulk shipment turnover was 1.32 trillion ton-nautical miles, representing a decrease of 7.04% as compared with the corresponding period last year, of which the shipping volume of coal, iron ore and other cargoes amounted to 91.09 million tons, 116.64 million tons and 55.07 million tons respectively, representing an increase of 2.64%, a decrease of 9.28% and a decrease of 12.28% as compared with the corresponding period last year, respectively. The Group generated revenue of RMB23,350,113,000, representing a decrease of 28.8% as compared to the corresponding period last year.

Operation strategies

The Group closely monitored the market to identify market changes and promptly adjusted its operation strategy to capture the opportunities and fix the freight rates at high levels and avoided market risks. The Group also promptly regulated its shipping capacity to loose the control on shipping capacity. In respect of the ship arrests due to contract conflicts, as they were individual shipping contract disputes and commercial activities, the Group has communicated with respective ship owners and solved the above cases through effective commercial means.

In accordance with its marketing principle of customer-oriented and quality service, the Group continued to expand its customer base and increase the proportion of basic sources of cargo by acquiring major customers to secure sources of cargo.

The Group integrated bulk resources and maximized synergies. Through reforming dry bulk shipping system and centralizing the allocation of the resources of dry bulk shipping, the efficiency of dry bulk fleet will be maximized.

The Group maximized its profits by reorganizing its business structure and operation procedures and refining the cost structure. The Group carefully analysed the arrangement of each shipping route and maximized the efficiency of shipping routes by selecting the optimal fueling points, speed and schedule. The Group strived to reduce the cost of chartered-in vessels.

In the second half of 2011, there were ship arrests due to contract conflicts. These ship arrests were due to individual contract conflicts and were commercial activities which involved conflicts of contract agreement, problems identified in vessels, vessels unsuitable for navigating and shipping, or discrepancies found in contract conditions. Ship arrest is a practice and means which may be adopted in the international shipping market in the event of shipping contract disputes. The Group communicated with respective ship owners and solved the above cases through commercial means.

Management Discussion and Analysis

Fleet development

As at 31 December 2011, the Group owned, operated and controlled a total of 374 dry bulk vessels with a total of 33,796,979 deadweight tons ("DWT"), among which 233 vessels were owned vessels totaling 19,154,912 DWT with an average age of 13.97 years. 141 vessels were chartered-in vessels totaling 14,642,067 DWT.

Capacity of the fleet (as at 31 December 2011)

Vessel type	Owned	Chartered-in	Number	DWT
VLOC	2,380,989	—	8	2,380,989
Capesize	6,110,852	8,807,228	83	14,918,080
Panamax	5,428,887	4,312,374	132	9,741,261
Handymax	4,131,447	956,868	102	5,088,315
Handysize	1,102,737	565,597	49	1,668,334
Total	19,154,912	14,642,067	374	33,796,979

As at 31 December 2011, the Group had an orderbook of 20 dry bulk vessels, with a total capacity of 1,904,000 DWT. This comprises two Capesize vessels with a total capacity of 410,000 DWT, eight Panamax vessels with a total capacity of 920,000 DWT and ten Handymax vessels with a total capacity of 574,000 DWT.

Orderbook of dry bulk vessels (as at 31 December 2011)

Delivery date	2012		2013		Total	
Vessel type	Number	0'000 DWT	Number	0'000 DWT	Number	0'000 DWT
VLOC	—	—	2	41	2	41
Panamax	5	57.5	3	34.5	8	92
Handymax	2	11.5	8	45.9	10	57.4
Total	7	69	13	121.4	20	190.4

Market outlook

In 2012, there will be basic demand for dry bulk shipping despite relatively unfavourable global economic conditions. According to the forecast by Clarkson in February, the global demand for dry bulk shipping will increase by 4% in 2012. China will be the largest contributor in the increase in the global dry bulk shipping volume. It is expected that the imports of iron ore in China will amount to 720 million tons in 2012, representing an increase of 4.8% as compared to last year, while the imports of coal will amount to over 200 million tons, representing an increase of 9.9% as compared to last year. The increase in domestic imports of coal will also be driven by the economic recovery plan in India and Japan. However, with respect to shipping capacity, the growth rate of the global dry bulk shipping capacity will reach 10.8% in 2012 according to the forecast of relevant organizations. The excessive shipping capacity will still linger. It is expected that the global dry bulk shipping market will slow down in the first half of 2012 and pick up again in the second half of 2012. The market performance in the second half of the year is expected to outpace the first half of the year. Nevertheless, the large delivery pressure will depress the recovery of the market.

Operation plans

Based on its judgment on the basic factors of the market, the Group will improve customer management and control risks by maintaining the balanced operation of cargoes and vessels. The Group will also capitalize the advantages brought by the integration of the resources and synergies of dry bulk business segment. The Group will adopt a prudent business strategy, study market trend in a scientific manner, and carefully allocate shipping capacity.

Understanding the seasonality and geographic differentiation of the market and the mismatch of cargo and shipping capacity, the Group will seek market opportunities to maximize profit by capitalizing on its resource advantages. The Group will optimize and expand its coastal transportation.

The Group will strictly follow its strategies by targeting major customers. Adhering to the marketing principle of customer-oriented and quality service, the Group will seek stable cargo sources by engaging in upstream business. The Group will enhance the allocation capacity of its service chain.

The Group will strengthen its budget management and put more effort in cost control to further reduce costs and improve its efficiency.

The dry bulk shipment turnover of the Group is expected to achieve 884.6 billion ton-nautical miles in 2012.

Management Discussion and Analysis

Logistics Business

Market review

In 2011, the logistics industry in the PRC remained healthy. Demand for logistics services remained strong although the growth rate slightly slowed down and value-added business grew at a faster pace. On the other hand, the total annual social logistics expenditure grew faster and represented a significant contributor to economic growth. In 2011, the total annual social logistics expenditure in the PRC amounted to RMB8,400 billion, representing an year-on-year increase of 18.5%. In 2011, the total annual social logistics volume and the added value of logistics service in the PRC were RMB158.4 trillion and RMB3,200 billion respectively, representing an year-on-year increase of 12.3% and 13.9% respectively.

In 2011, operating revenue of the logistics business of the Group amounted to RMB17,192,511,000. The business volumes of each business segment of COSCO Logistics in 2011 are set out in the table below:

	2011	2010	Growth Rate %
Third party logistics			
Product logistics			
Home appliance logistics ('000)	**80,560**	79,633	1.16
Chemical logistics (RMB '0,000)	**14,672**	10,693	37.21
Project logistics (RMB million)	**1,270**	1,250	1.60
Shipping agency business (vessels)	**94,621**	93,581	1.11
Freight forwarding business			
Sea-freight			
Bulk cargoes ('000 tons)	**204,616**	196,828	3.96
Containers (TEUs)	**2,478,911**	2,288,405	8.32
Air-freight (tons)	**111,185**	97,849	13.63

Note: The significant change in data of "Shipping agency business" was because that a trip was counted twice for one in-coming and one out-going trip in 2010 but was gradually adjusted to be counted as one trip in 2011. The original reported figure in 2010 of 166,698 vessels was adjusted to 93,581 vessels.

Third party logistics

With respect to project logistics segment, the Group further refined the land transportation platform from bulky containers and intensive operation. The Group won the bidding of various major overseas projects, including hydropower project of Dongfang Electric in Ethiopia, coal-fired plant project of Abhijeet Group in India of Dongfang Electric, thermal power project of China Huadian in Westport. In addition, the Group achieved breakthrough in logistics of large-scale grid and won the CSG Projects.

With respect to product logistics segment, the Group effectively enhanced its core competitiveness and market position through the optimization of resources allocation and innovation of services and products. With respect to the e-commerce logistics segment, the Group further consolidated the cooperation with famous shopping websites. With respect to chemical products logistics segment, the Group was successful in exploring new businesses, and expanded its wine logistics segment and supply chain. The first filing production line of liquid chemicals of COSCO Logistics commenced operation in October.

Shipping agency

In 2011, through various methods, such as exerting efforts on the marketing to customers and improving the quality of its services, the revenue from shipping agency recorded a year-on-year growth, ensuring the steady efficiency and consolidating its leading position in shipping agency market.

Freight forwarding

In 2011, the maritime logistics business of COSCO Logistics handled container cargoes totaling 2,478,911 TEUs, representing an increase of 8.32% as compared with the corresponding period of last year, and bulk cargoes totaling 204.62 million tons, representing an increase of 3.96% as compared with the corresponding period last year.

With respect to sea freight forwarding operations, the Group improved freight space booking system, optimized information platform and established railway-highway-seaway platform through system application and enhanced the competitiveness of COSCO Logistics. The Group preliminarily formed a 3-dimensional marketing system model through the management of sales teams and management teams of major customers in order to develop integrated freight projects driven by the expansion of major customers in major areas.

With respect to air freight forwarding operations, the system of air freight of COSCO Logistics developed 33 core direct customers in total in 2011.

Market outlook

Looking forward to 2012, the logistics market in China will further grow at a relatively fast pace while the growth rate will slow down. It is expected that the growth rate of total social logistics volume and the added-value of logistics business in 2012 will be approximately 11% and 13% respectively. The ratio of the total annual social logistics expenditure and GDP will be approximately 18%. With respect to all segment markets, as industries in China are shifting gradually, the electronic products logistics segment will shift to inland areas from coastal areas. In addition, in line with the implementation of the "Twelfth Five-Year Plan" and the strategy of "Overseas Expansion" in China, the project logistics segment will face development opportunities and the chemicals logistics market will maintain its growth.

Operation plans

In 2012, COSCO Logistics will exert its efforts in transforming and upgrading its operating model. In addition to providing professional services, the Group will speed up the innovation of high-end value-added products, so as to enhance the efficiency and ensure the sustainable, steady and scientific development of the Group.

The product logistics business will further focus on target industries, niche market segments and major customers. The Group will further develop the electronic, chemical and air logistics market with an aim to enhance competitiveness and ensure the leading position in the industry.

The project logistics business will focus on domestic and overseas major markets and establish long-term business relationship with strategic customers. The Group will expand its business size in international market.

With respect to shipping agency, the Group will consolidate our market position and strengthen the relationship with shipping agents who are our target customers. Besides, the Group expanded its business and maintained the advantages of its brand and improved its efficiency.

With respect to freight forwarding, the Group will further implement resources integration, facilitate business transformation and innovate development models and continue to maintain the sustainable development of freight forwarding business to establish its core competitiveness.

With respect to air-freight forwarding, the Group will continue to monitor the development of port operation companies. The Group will also expand overseas business networks and step up the sales efforts with overseas agents by developing trade flight and direct customer base. Innovative services will be introduced to complement our business development. The Group will improve the operation and management of charter flight and to consolidate its market position.

Management Discussion and Analysis

Terminal and Related Business

Market review

In 2011, the growth of the global container volume slowed down. As such, the global container port industry continued to grow but at a slower pace as compared with 2010. With respect to segment markets, the development of regions was increasingly unbalanced and the performance of ports in different region was mixed. Ports in Europe and the US were affected by poor economies and had a slower growth of throughput. Some ports even recorded negative growth of throughput. The performance of ports in Asia remained strong but the growth rates showed a slightly slow down. Container terminals in China remained its steady growth. In 2011, the throughput of large-scale ports in China reached 162.31 million TEUs, representing an increase of 11.4%.

Business review

The growth of total port throughput of COSCO Pacific maintained sound and healthy in 2011 with an increase in container throughput by 15.1% from last year to 50,695,897 TEUs. The throughput of container terminals in China (excluding Hong Kong) amounted to 42,360,271 TEUs, representing an increase of 14.2% as compared to the corresponding period last year, which was higher than the increase of 11.4% of China market. Bohai Ram Region and Yangtze River Delta recorded a rapid growth and Pearl River Delta and Southeast Coastal regions maintained a steady growth. The throughput of overseas terminal amounted to 6,709,807 TEUs, representing an increase of 23.6% as compared to the corresponding period last year. The throughput of Piraeus Container Terminal in Greece amounted to 1,188,148 TEUs, representing an increase of 73.5% as compared to the corresponding period last year. In addition, the Group further strengthened the overall profitability of its terminals and refined the industry structure by disposing its equity interests in Qingdao Cosport, a company with lower profitability.

According to the global container operator report issued by Drewry in August 2011, COSCO Pacific continued to rank the fifth largest container port operators and accounted for 8.8% of the global market share, representing an increase of 1.9 percentage points as compared to last year.

Container throughputs	2011 *(TEUs)*	2010 *(TEUs)*	Year-on-year change %
Bohai Rim Region	**19,080,645**	15,925,584	19.8
Qingdao Qianwan Container Terminal Co., Ltd.	**12,426,090**	10,568,065	17.6
Dalian Port Container Terminal Co., Ltd.	**1,900,204**	1,668,418	13.9
Tianjin Five Continents International Container Terminals Co., Ltd.	**2,100,321**	1,917,873	9.5
Tianjin Port Euroasia International Container Terminal Co., Ltd.	**1,350,962**	574,296	135.2
Yingkou Container Terminals Co., Ltd.	**1,303,068**	1,196,932	8.9
Yangtze River Delta	**7,599,938**	6,592,455	15.3
Shanghai Pudong International Container Terminals Co., Ltd.	**2,388,156**	2,450,176	-2.5
Ningbo Yuan Dong Terminals Operation Co., Ltd.	**2,145,653**	1,704,588	25.9
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	**1,065,382**	889,515	19.8
Yangzhou Yuanyang International Terminals Co., Ltd.	**400,224**	302,617	32.3
Nanjing Port Longtan Container Co., Ltd.	**1,600,523**	1,245,559	28.5
Pearl River Delta and Southeast Coastal regions	**17,305,507**	16,094,776	7.5
COSCO-HIT Terminals (Hong Kong) Ltd.	**1,625,819**	1,535,923	5.9
Yantian International Container Terminals Ltd. (Phase I, II and III)	**10,264,440**	10,133,967	1.3
Guangzhou South China Oceangate Container Terminal Co., Ltd.	**3,914,348**	3,060,591	27.9
Quanzhou Pacific Container Terminal Co., Ltd.	**1,186,799**	1,050,710	13.0
Jinjiang Pacific Ports Development Co., Ltd.	**314,101**	313,585	0.2
Overseas	**6,709,807**	5,428,908	23.6
Piraeus Container Terminal	**1,188,148**	684,881	73.5
Suez Canal Container Terminal	**3,246,467**	2,856,854	13.6
COSCO-PSA Terminal Private Ltd.	**1,106,262**	1,091,639	1.3
Antwerp Gateway Terminal	**1,168,930**	795,534	46.9
Total container terminal throughputs in China (including Hong Kong)	**43,986,090**	38,612,815	13.9
Total container throughputs	**50,695,897**	44,041,723	15.1

Business expansion

COSCO Pacific exerted its efforts in expanding and strengthening its terminal business and increasing its shareholdings in controlling terminals. Two berths of Xiamen Ocean Gate Container Terminal Co., Ltd., the seventh controlling terminal company in the year, carried out trail operation in 28 November 2011. These berths will commerce its operation officially in 2012 as scheduled.

Additional operation capacity in 2011 is set forth below:

Terminal Companies	Number of parking berth	Annual operation capacity (TEUs)
Qingdao Qianwan United Terminal	2	1,040,000
Qingdao Qianwan United Advance Terminal	2	1,300,000
Suez Canal Container Terminal	3	1,912,500
Total	7	4,252,500

Market outlook

Affected by the slackening growth of the global economy growth, the growth of the throughput of the global terminal industry slowed down in the second half of 2011. In 2012, the prospects of the global economy will remain uncertain due to the sovereignty debt crisis in Euro Zone. The Group expected that the throughput of its terminal will maintain its growth in 2012, but the growth will slow down as compared to that in 2011. According to the forecast by Drewry in December 2011, the throughput of the global ports in 2012 will increase by 5.5%, representing a decrease of 1.3 percentage points as compared to last year.

Operation plans

In 2012, the Group will devote to enhance operation capacity and efficiency of terminals to provide customers with more value-added services and strengthen the competitiveness of its terminals. It is expected that additional operation capacities in 2012 will be 5,150,000 TEUs. Such additional operation capacities will be mainly contributed by Dalian Port Terminal (850,000 TEUs), Xiamen Ocean Gate Terminal (1,400,000 TEUs), renovation project of the Pier 2 of Piraeus Container Terminal (1,000,000 TEUs), Jinjiang Pacific Terminal (500,000 TEUs), Yangzhou Yuanyang Terminal (200,000 TEUs) and Ningbo Yuan Dong Terminal (1,200,000 TEUs).

The renovation project of Pier 2 of Piraeus Container Terminal started in the second quarter of 2010, and six shore cranes for Panamax containers and eight rail-mounted gantry cranes have already started operation. The efficiency and loading and uploading capacity has been improved gradually. It is expected that the renovation project will be completed by the first half of 2012. The operation capacity will increase from 1,600,000 TEUs to 2,600,000 TEUs in the second quarter of 2012. The construction project of Pier 3 started in the fourth quarter of 2011 and is expected to be completed in 2015 which will bring an additional annual operation capacity of 1,100,000 TEUs to the said Pier.

Management Discussion and Analysis

Container Leasing, Management and Sales Business

Market Review

Maintaining the strong demand in 2010, the demand in container leasing market was huge in the first half of 2011 and a large amount of container liners determined to lease containers for the whole year in the first quarter of 2011. However, affected by the sovereignty debt crisis in Euro Zone, the growth of the global economy slowed down dramatically and the demand of container shipping decreased in the second half of the year. As a result, container leasing industry showed a growth in the first half of the year but a decline in the second half of the year.

Results performance

In 2011, Florens Container Holdings Limited and its subsidiary ("Florens"), being subsidiaries of the Company, continued to be the third largest leasing companies in the world. As at 31 December 2011, the size of the container fleet of Florens amounted to 1,777,792 TEUs, representing an increase of 8.9% as compared to the corresponding period last year and accounting of about 12.5% of the total market share of the global container leasing companies. The average total leasing rate in 2011 was 96.1%, which was higher than the average level in the industry.

In 2011, in addition to expanding the size of its container fleet, the Group also ensured the balanced development of its container leasing, management and sales business in order to mitigate investment risks. As at 31 December 2011, owned container fleet increased to 874,160 TEUs, representing an increase of 8.7% as compared to the corresponding period last year and accounting for 49.1% of the total container fleet. Managed container fleet amounted to 674,349 TEUs, representing a decrease of 3.6% as compared to the corresponding period last year and accounting for 37.9% of the total container fleet. Sale and lease back container fleet amounted to 229,283 TEUs, representing an increase of 94.1% as compared to the corresponding period last year and accounting for 12.8% of the total container fleet.

Size of container fleet

As at 31 December 2011, the container fleet of Florens reached 1,777,792 TEUs, representing a year-on-year increase of 8.9%. A total of 547,077 TEUs (including sale and leaseback TEUs) were leased to COSCON, representing a year-on-year increase of 9.6% and accounting for 30.8% of the total container fleet.

Owned containers from non-COSCON container fleet amounted to 556,366 TEUs, representing a year-on-year increase of 28.6% and accounting for 31.3% of the total container fleet. Managed containers amounted to 674,349 TEUs, representing a year-on-year decrease of 3.6% and accounting for 37.9% of the total container fleet.

Size of container fleet (unit: TEUs)

As at 31 December 2011	**Owned containers**	**Managed containers**	**Sale and leaseback containers**	**Total size of container fleet**
COSCON	317,794	—	229,283	547,077
Non COSCON	556,366	674,349	—	1,230,715
Total size of container fleet	874,160	674,349	229,283	1,777,792

As at 31 December 2010	Owned containers	Managed containers	Sale and leaseback containers	Total size of container fleet
COSCON	381,012	—	118,094	499,106
Non COSCON	432,613	700,064	—	1,132,677
Total size of container fleet	813,625	700,064	118,094	1,631,783

Management Discussion and Analysis

Market outlook

According to the forecast by Clarkson in February 2012, the global shipping capacity will increase by approximately 1.30 million TEUs in 2012. The launch of new vessels and the elimination of old containers will boost the demand for new containers. In addition, Clarkson forecasted the shipping volume of containers will increase by 7.7% in 2012. In view of this, the Group remains positive about the prospects of its container leasing business.

Operational plans

Targeting on maintaining its leading position in the global container industry, the Group will manage its assets and operation in a flexible manner, develop its container fleet and improve its costs control. In view of the uncertainties over the growth of the global economy in 2012, the Group will purchase new containers prudently according to market demand.

Container Manufacturing

The Group holds 21.8% equity interests in CIMC through COSCO Pacific. Container manufacturing business contributed investment profit of RMB773,688,000 to the Group, representing an increase of 24.4% as compared to corresponding period of last year. For detailed analysis, please refer to the annual report of CIMC.

Production Safety

In 2011, the Group promoted the fundamental concept of maintaining work safety from the base course and formulated the people-oriented principle with protecting life and safety as first priority through scientific management and focusing on the implementation of precautions. China COSCO also established a sound education and training system and carried out investigation on the safety of vessels under trial operation to promote the safety culture of China COSCO and establish an effective mechanism. In this way, the work safety of China COSCO was guaranteed.

Accidents in 2011:

1. Marine accident: One reported incident and three minor incidents.
2. No engine incident.
3. No pollution incident.
4. Loading port inspections: Loading port inspections of 757 voyages, with no-defect confirmations issued for 543 voyages, representing a passing rate of 71.73%, and two held-up vessels, accounting for 0.26% of the total number of vessels and representing a decrease of two cases as compared with the corresponding period last year.
5. Death and serious injuries: one serious industrial injury and death accident causing one death, representing an increase of 1 case and 1 death as compared with the corresponding period last year.
6. Pirate attacks: Seven pirate attacks and intrudence; no pirate hijack.

TECHNOLOGY INNOVATION

The Group exerted efforts in the research and development of innovative technologies to enhance its competitiveness. The Group studied the international advanced technology that leading and promoting the development of the industry to achieve a breakthrough in its core and key technologies and improve its technology innovation capacity. The Group achieved a great progress and improvement in shipping and logistics. In addition, the Group speeded up the informalization development and put a great emphasis on the construction of a sound technology system. The infrastructure for information technology kept improving as we widely applied technology system in our businesses and the information management system was refined, which in turn improved the corporate governance and risk prevention, resistance and mitigation of the Company. Attributable to the above achievement, the influence of the Company in the industry was consolidated, providing support to the sustainable development of the Company.

In terms of technology development, the Group participated in the national key technology project of "Demonstration and Development of Supply Chain Application Systems based on Intelligent Container Public Service System"（基於智能集裝箱公共服務系統的供應鏈應用系統開發與示範）and passed the inspection. The Group obtained two invention patents and two software copyrights. The Group successfully demonstrated and applied the intelligent container public service system in its businesses. The services and management of the Company were enhanced through information technology and measures. The pilot project of "The Information System for Outsourced Third-party Logistics Services of China COSCO Network"（中遠網絡物流第三方物流信息系統外包服務）organized by National Development and Reform Commission achieved its target and passed the inspection. "Dynamic Controland Management of Effectiveness and Efficiency for Large-scale Shipping Enterprises"（大型航運企業能效動態管控技術開發與應用）, a research project of COSCON, was rewarded "Two Top-Grade Prize of Scientific and Technological Advancement Award" by China Institute of Navigation in 2011.

As for informationalization in 2011, the Group adhered to its overall planning for the establishment of information technology according to the business needs and obtained a great achievement. The self-innovation and standard of information technology of the Group were improved. The business intelligent system for China COSCO based on SAP BW was developed and adopted, which effectively enhanced the analysis and decision-making of production, operation and management of the Company. COSCON has completed the establishment of the new e-commerce platform and centralized settlement system for China. In addition, COSCO Logistics also established a global logistics collaborative platform and the establishment of the "New Container Management System" of COSCON and Financial and Operation Statements Analysis System of COSCON Bulk were under progress as scheduled so as to strengthen the competitive edges of COSCO in the shipping and logistics industry.

Management Discussion and Analysis

ENERGY SAVING AND ENVIRONMETNAL PROTECTION

In 2011, the Group was devoted to environmental protection and energy saving. With continuous emphasis on its shipping companies with substantial fuel consumption and emission, the Group strengthened its energy management for container vessels and improved its reporting system for reducing energy consumption and pollutant discharge. It also proactively conducted research on new and clean energy, and the establishment of energy-saving and emission reduction standards. It lowered cost through measures such as applying technological findings, introducing technological inventions, increasing the use of advanced technology and reducing energy consumption.

According to the energy consumption index issued by the Ministry of Transport, fuel consumption was 4.12 kg/thousand ton nautical miles in 2010, as compared to 4.07 kg/thousand ton nautical miles in 2011, representing a decrease of 1.21%.

Financial Review

In 2011, the operating revenue of the Group amounted to RMB84,639,178,000, representing a decrease of RMB11,848,458,000 or 12.3% as compared to RMB96,487,636,000 of 2010. The profit attributable to equity holders of the Company was RMB-10,495,295,000, representing a decrease of RMB17,280,792,000 or 254.7% as compared to RMB6,785,497,000 of 2010. During the period, freight rate dropped significantly due to oversupply while costs continued increase driven by soaring oil price. As a result, the profit of the Group saw a sharp decline.

Operating revenues

In 2011, the Group's operating revenue amounted to RMB84,639,178,000, representing a decrease of RMB11,848,458,000 or 12.3% as compared to RMB96,487,636,000 of 2010, among which:

Revenue from container shipping and related business decreased by 10.7% to RMB41,405,976,000. In 2011, container shipping volume of the Group amounted to 6,910,041 TEUs, representing an increase of 11.2% as compared to 2010. Average container freight rate amounted to RMB4,802 TEU, representing a decrease of 21.7% as compared to 2010. The decrease of revenue generated from container shipping and related business was mainly attributable to the decrease in the revenue from average revenue per container of Asia-Europe and Trans-Pacific routes of 33.3% and 16.1% respectively.

Revenue from the dry bulk shipping and related business decreased by 28.8% to RMB23,350,113,000. In 2011, the average level of the BDI was 1,549 points, representing a drop of 43.8% as compared to the average of 2,758 points in 2010. Due to the stagnant market, the revenue from dry bulk shipping business decreased significantly.

Revenue from logistics business increased by RMB1,980,191,000 or 13.0% to RMB17,192,511,000 as compared to 2010. The increase was mainly attributable to the increase in revenue resulting from the continuous expansion of supply chain logistics business commenced in early 2010.

Revenue from the terminal and related business recorded an increase of 39.2% to RMB1,746,694,000. It was mainly attributable to the consolidation of Guangzhou South China Oceangate Terminal. Besides, the throughput of Piraeus Terminal in Greece increased to 1,188,148 TEUs (2010: 684,881 TEUs) in 2011, and resulted in the increase in revenue.

Revenue from the container leasing business increased by 7.9% to RMB932,057,000. It was mainly attributable to the increase of owned containers and leaseback containers of 874,160 TEUs and 229,283 TEUs respectively as at the end of 2011 (2010: 813,625 TEUs and 118,094 TEUs respectively), as well as the corresponding increase in rental income.

Operational cost

In 2011, the operational cost of the Group amounted to RMB89,586,526,000, representing an increase of RMB5,464,276,000 or 6.5% as compared to the corresponding period of the previous year, of which:

The operational cost of container shipping and related business amounted to RMB43,920,293,000, representing an increase of RMB4,467,511,000, or 11.3%, as compared to 2010. During the period, due to the increases in both containers shipping volume and oil price, bunker costs increased to RMB11,147,330,000, representing an increase of RMB2,989,360,000 or 36.6% as compared to the corresponding period of the previous year. In 2011, bunker costs accounted for 25.4% of the operational cost of container shipping and related business. In addition to the increase in bunker costs, cargo and transshipment charges and port charges also increased.

Total operational cost of dry bulk shipping and related business amounted to RMB27,523,014,000, representing a decrease of RMB843,141,000 or 3.0% as compared to the corresponding period of the previous year. Among which, the total charter cost decreased by RMB3,287,952,000 or 19.6%. Bunker costs increased by RMB1,464,141,000 or 31.7% to RMB6,077,478,000 and bunker costs accounted for 22.1% of the operational cost of the dry bulk shipping business. The reversal of provisions for onerous contracts in previous years amounted to RMB1,163,975,000, representing a decrease of RMB251,550,000 as compared to the corresponding period of the previous year. A provision for onerous contracts of RMB1,426,411,000 was recognized in respect of the non-cancellable chartered-in dry bulk vessel contracts.

The operational cost of the logistics business amounted to RMB15,507,843,000, representing an increase of 13.6% as compared to the corresponding period of the previous year. Such increase was mainly attributable to the increase of operational costs of the supply chain logistics business due to the continuous expansion of supply chain logistic business.

The operational cost of terminal and related business amounted to RMB1,409,379,000, representing an increase of RMB362,266,000 or 34.6% as compared to the corresponding period of the previous year. Such increase was primarily attributable to the consolidation of the Guangzhou South China Oceangate Terminal from 1 January 2011. In addition, the increase in container terminal and dry cargo throughputs also fuelled the increase of the related operating cost.

The operational cost of container leasing business amounted to RMB798,619,000, representing a decrease of 7.2% as compared to the corresponding period of the previous year. Such decrease was mainly due to the decrease of the number of returned containers sold upon expiry of lease to 9,826 TEUs (2010: 28,674 TEUs).

Other income/expenses, net

The net amount of other income/(expenses) of the Group in 2011 amounted to RMB192,664,000, as compared with RMB276,047,000 in 2010. It was mainly attributable to the provision for impairment loss of trade and other receivables of RMB151,051,000 during the period, representing an increase of RMB115,143,000 as compared to RMB35,908,000 of the corresponding period of the previous year. Regarding FFAs held by the dry bulk shipping companies of the Group, a loss of RMB4,838,000 was incurred during the period, as compared with a gain of RMB35,269,000 in the previous year.

Selling, administrative and general expenses

In 2011, the administrative expenses of the Group amounted to RMB5,541,328,000, representing an increase of 11.0% as compared to the corresponding period of the previous year, which was mainly attributable to increases in expenses such as staff costs and office expenses.

Finance income

Finance income of Group was mainly interest income from bank deposits. In 2011, finance income of the Group amounted to RMB2,115,483,000, representing an increase of RMB951,918,000 or 81.8% as compared to 2010. It was mainly attributable to RMB appreciation against the USD and other currencies, resulting in a gain from translation of foreign currencies of RMB1,199,103,000, representing an increase of RMB664,722,000 as compared to the previous year. In addition, due to the issuance of mid-term notes of RMB5 billion by the Company and the increase in interest rate of deposits in the second half of 2010, the interest income from bank deposits of the Group increased.

Finance cost

In 2011, the finance cost of the Group amounted to RMB1,733,691,000, representing an increase of RMB412,228,000 or 31.2% as compared to the corresponding period of the previous year, which was primarily due to the increase of interest expenses resulting from the issue of mid-term notes of RMB5 billion by the Company in the second half of 2010 as well as increases in borrowings and interest rate during the period.

Share of profits less losses of jointly controlled entities and associates

Net profit contribution from jointly controlled entities and associates to the Group amounted to RMB2,059,991,000 in 2011, representing an increase of RMB341,315,000 as compared to RMB1,718,676,000 for the corresponding period in 2010, which was primarily due to the increases in investment income from units including CIMC and Yantian Terminal as compared with the corresponding period of the previous year.

Income tax expenses

In 2011, income tax expenses of the Group were RMB1,031,036,000, representing a decrease of RMB164,808,000 as compared to RMB1,195,844,000 in the corresponding period of the previous year. During the period, income tax expenses decreased as a result of a decline of operational results.

Financial position analysis

Cash flow

The net cash outflow from operating activities amounted to RMB4,875,968,000 in 2011, representing a decrease of RMB15,869,916,000 as compared with the net cash inflow of RMB10,993,948,000 in 2010.

The net cash outflow from investing activities amounted to RMB5,695,800,000 in 2011, representing a decrease of RMB5,185,519,000 as compared to 2010. In 2010, COSCO Pacific, a subsidiary of the Group, acquired about 10% equity interests in Yantian Terminal at cash consideration of US$520,000,000 (equivalent to approximately RMB3,500,000,000). No such payment was made during the year. The cash outflow from investing activities during the year was offset by the proceeds received from the disposal of investments, investment incomes, proceeds from disposal of property, plant and equipment.

In 2011, the net cash inflow from financing activities amounted to RMB11,706,955,000, representing an increase of RMB8,922,243,000 as compared to 2010. In 2010, COSCO Pacific, a subsidiary of the Company, recorded a cash inflow (net of direct issue expenses) of approximately US$584,000,000 (equivalent to approximately RMB3,950,000,000). No such proceeds were received during the year. The increase was also attributable to the cash inflow from borrowings of RMB27,172,726,000, an increase of RMB13,523,015,000 as compared to 2010.

Management Discussion and Analysis

Cash and cash equivalents

As at 31 December 2011, cash and cash equivalents of the Group amounted to RMB46,962,725,000, representing an increase of RMB279,505,000, or 0.6%, as compared to 31 December 2010.

The working capital and capital resources of the Group have always been and will continue to be generated from cash flows of operating activities, proceeds from new share issue and loan facilities from banks. Cash of the Group has been and is expected to be utilized for uses such as payment of operational cost, purchases of container vessels, dry bulk vessels and containers, investment in terminals, logistics projects and repayment of loans.

Assets and liabilities

As at 31 December 2011, total assets of the Group amounted to RMB157,458,885,000, representing an increase of RMB6,476,993,000 as compared to RMB150,981,892,000 at the beginning of the year. The total liability of the Group amounted to RMB107,288,432,000, representing an increase of RMB18,607,395,000 as compared to RMB88,681,037,000 at the beginning of the year. The equity interest attributable to the equity holders of the Company amounted to RMB34,695,286,000 representing a decrease of RMB13,133,673,000 as compared to RMB47,828,959,000 at the beginning of the year.

As at 31 December 2011, total outstanding borrowings of the Group increased by RMB16,229,366,000 to RMB77,026,440,000 as compared to RMB60,797,074,000 at the beginning of the year. Net current assets amounted to RMB14,766,115,000 as at 31 December 2011, representing a decrease of RMB17,301,555,000 as compared to RMB32,067,670,000 at the beginning of the year. Net debt of the Group amounted to RMB30,063,715,000 as at 31 December 2011, representing an increase of RMB15,949,861,000 as compared with RMB14,113,854,000 at the beginning of the year. As at 31 December 2011, net debt to equity ratio was 59.9% as compared to 22.7% as at 31 December 2010. Interest coverage of the Group in 2011 was -3.66 times, as compared to 7.96 times in 2010. The Group has pledged certain property, plant and equipment with net book value of RMB22,846,932,000 (31 December 2010: RMB17,207,793,000) to banks and financial institutions as collaterals for borrowings of total RMB14,704,974,000 (31 December 2010: RMB13,334,819,000), representing 31.3% (31 December 2010: 25.6%) of the total value of property, plant and equipment.

Debt analysis

By category	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000
Short-term borrowings	**2,850,888**	1,669,381
Long-term borrowings		
Within one year	**18,861,850**	4,200,211
In the second year	**11,250,620**	21,234,030
In the third to fifth year	**26,676,764**	22,044,757
After the fifth year	**17,386,318**	11,648,695
Subtotal	**74,175,552**	59,127,693
Total	**77,026,440**	60,797,074

Breakdown of borrowings by category:

The secured borrowings of the Group amounted to RMB14,704,974,000, while unsecured borrowings amounted to RMB62,321,466,000, representing 19.1% and 80.9% of the total borrowings, respectively.

Breakdown of borrowings by currency:

The Group had borrowings denominated in U.S. dollars equivalent to RMB48,890,434,000 and borrowings denominated in RMB amounting to RMB27,312,268,000, representing 63.5% and 35.5% of the total borrowings, respectively.

Corporate guarantee and contingent liabilities

As at 31 December 2011, the Group had provided a guarantee on a banking facility granted to an associate in the amount of RMB177,684,000, where such guarantee was RMB195,403,000 as at 31 December 2010. The Group had no significant contingent liabilities.

Foreign exchange and interest rate risk management

In 2011, as the Group closely monitored the trends in financial market and changes in monetary policy, and maintained the existing loans at floating rates, our interest cost remained at a lower level.

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

Corporate Governance Report

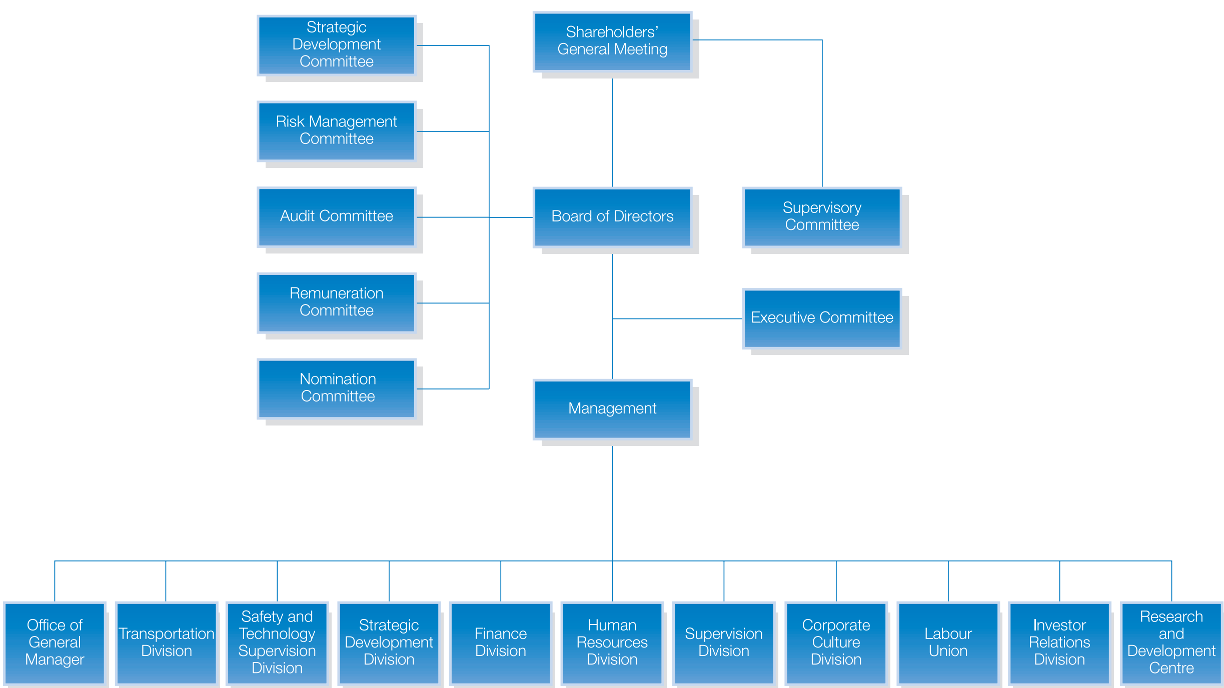
I. Corporate Governance

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, Board of Directors and Supervisory Committee. The shareholders' general meeting and the Board of Directors are well organized and regulated to ensure that accurate and fair information is disclosed promptly. Comprehensive and effective internal control system in respect of connected transactions is in place. The Company has strengthened its relationship with investors. 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 trading. The Company also promotes corporate governance by providing relevant training to its employees and implementing effective measures.

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 of Directors 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 of the Company. Having made specific enquiries with all Directors and supervisors of the Company, they have confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

III. Corporate Governance Structure



Corporate Governance Report

1. Shareholders' general meetings

The shareholders' general meeting of the Company is conducted in strict compliance with the procedures as stipulated under the Company Law of the PRC, the Articles of Association of the Company, and the Rules of Procedures for Shareholders' General Meetings of the Company, and each of the resolutions is adopted scientifically and democratically to protect the lawful interests of the Company and the shareholders. In order to allow domestic and overseas shareholders the same right to attend general meetings, the Company's general meetings were held through video conference. Two venues were arranged in Beijing and Hong Kong respectively for the convenience of domestic and overseas shareholders.

2. Board of Directors

The Board of Directors is the decision making organ of the Company. Election and appointment of Directors shall comply with the provisions under the Articles of Association of the Company, and the number and composition of the Board of Directors shall comply with the relevant laws and regulations. Currently, the Board of Directors is made up of eleven members, comprising four executive Directors, three non-executive Directors and four independent non-executive Directors. All the members of the Board of Directors possess the professional knowledge required to discharge their duties, and have extensive experience in operation management, and discharge their duties loyally, honestly and diligently.

3. Supervisory Committee

The Supervisory Committee is the supervisory body of the Company. The number and composition of the Supervisory Committee shall comply with the provisions and requirements of the relevant laws, regulations and the Articles of Association of the Company. Currently, the Supervisory Committee is made up of six members, including two shareholder representative Supervisors, two staff representative Supervisors democratically elected by staff, and two independent Supervisors. The Supervisors of the Company shall seriously discharge their duties, and shall protect the interests of the shareholders and the Company through inspecting the Company's financial situation, implementation of resolutions of the general meetings, and discharge of duties by the senior management.

4. Management

The election and appointment of management of the Company shall be in strict compliance with the Articles of Association of the Company. The managers of the Company shall discharge their duties and power limits as strictly required, seriously implement the resolutions of the Board, and implement effective management and control on the operation management of the Company, and continue to enhance the Company's management level and operation results.

IV. Report on the Company's compliance of the "Code on Corporate Governance Practices"

The Board of Directors reviews the Company's daily governance in accordance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules, and considers that the Company has complied with the code provisions under the Code during the reporting period, and complied with the requirements under the code provisions of the Code, and has made its best efforts to comply with the proposed best practices.

A. Directors

A1. Board of directors

Principle of the Code • The board should assume responsibility for leadership and control of the issuer and be responsible for directing and supervising the issuer's affairs. Its decisions should be in the interests of the issuer.
The current best situation in the governance of China COSCO • The Board of the Company 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 of the Company, and monitors and finalizes the implementation of the Company's operation management and financial performance, so as to realize a steady return of long term results.

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

Code provisions	Compliance	Procedures of Corporate Governance
• To convene at least four regular meetings of the board, about once in each quarter. Regular board meetings do not include meetings by way of written resolutions for the approval of the Board	Yes	• In 2011, the Company convened six Board meetings, including four on-site meetings and two meetings by written resolutions. Each of the Board meetings was attended by the majority of eligible directors in person. Attendance of Board members in 2011 was 96.9% and is listed as follows:

	Number of attendance/ Number of meetings to be attended	Attendance
WEI Jiafu	6/6	100%
MA Zehua[1]	2/2	100%
ZHANG Liang	6/6	100%
SUN Yueying	6/6	100%
SUN Jiakang[2]	4/4	100%
XU Minjie[3]	4/4	100%
TEO Siong Seng	6/6	100%
FAN HSU Lai Tai, Rita[4]	4/4	100%
KWONG Che Keung, Gordon[5]	4/4	100%
Peter Guy BOWIE[6]	4/4	100%
ZHANG Fusheng[7]	3/4	75%
XU Lirong[8]	3/4	75%
CHEN Hongsheng[9]	2/2	100%
LI Boxi[10]	2/2	100%
Alexander Reid HAMILTON[11]	2/2	100%
CHENG Mo Chi[12]	2/2	100%

Code provisions	Compliance	Procedures of Corporate Governance
		Notes: (1) Mr. MA Zehua was appointed as a director of the Company with effect from 12 October 2011, and an executive Director and vice chairman of the Company with effect from 27 October 2011. (2) Mr. SUN Jiakang was appointed as a non-executive Director of the Company with effect from 17 May 2011, and was re-designated as an executive Director with effect from 27 October 2011. (3) Mr. XU Minjie was appointed as a non-executive Director of the Company with effect from 17 May 2011, and was re-designated as an executive Director with effect from 27 October 2011. (4) Dr. FAN HSU Lai Tai, Rita was appointed as an independent non-executive Director of the Company with effect from 17 May 2011. (5) Mr. KWONG Che Keung, Gordon was appointed as an independent non-executive Director of the Company with effect from 17 May 2011. (6) Mr. Peter Guy BOWIE was appointed as an independent non-executive Director of the Company with effect from 17 May 2011. (7) Mr. ZHANG Fusheng resigned from the office of vice chairman and non-executive Director of the Company with effect from 25 August 2011. (8) Mr. XU Lirong resigned from the office of non-executive Director of the Company with effect from 25 August 2011. (9) Mr. CHEN Hongsheng ceased to be a non-executive Director of the Company with effect from 17 May 2011. (10) Ms. LI Boxi ceased to be an independent non-executive Director of the Company with effect from 17 May 2011. (11) Mr. Alexander Reid HAMILTON ceased to be an independent non-executive Director of the Company with effect from 17 May 2011. (12) Mr. CHENG Mo Chi ceased to be an independent non-executive Director of the Company with effect from 17 May 2011.

Code provisions	Compliance	Procedures of Corporate Governance
• All directors have opportunities 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.
• Notices of regular board meetings should be sent at least 14 days before the convening of the meetings	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 in accordance with the Articles of Association.
• All directors should have access to the advice and services of the board secretary	Yes	• The Board secretary has kept close contact with all directors, and provided the latest information of the Company to the directors in a timely manner. Prior to the convening of Board meetings, the Board secretary and the relevant departments have communicated with the directors of the Company in respect of important motions to attend to the opinions of the directors.
• Minutes of meetings should be kept by the board secretary, 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.

Code provisions	Compliance	Procedures of Corporate Governance
• 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 are entitled to seek independent advice in accordance with the agreed procedures at the company'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, the related directors shall abstain from voting	Yes	• The Company has made provisions in respect of abstaining from voting of related directors in the Articles of Association and the Rules of Procedures of the Board of Directors. • When considering matters such as appropriation of funds by the controlling shareholders and other related parties in 2011, renewal of Master Custody Management Service Agreement and application of annual cap, entering of Master Vessel Fuel Hedging Service Agreement with COSCO and capital increase to COSCO Finance by five subsidiaries, the relevant connected directors abstained from voting in the Board meetings.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• To arrange appropriate insurance cover in respect of legal actions against directors	Yes	• The Company has maintained liability insurance for directors, supervisors and senior management.
• Board committees should adopt so far as practicable, basically consistent principles and procedures in general	Yes	• The Board committees have adopted principles and procedures which are basically consistent with the above.

A2. Chairman and the Chief Executive Officer ("CEO")

Principle of the Code
• Clear division of responsibilities between the chairman of the board and the CEO, 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 CEO, 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 Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and the CEO should be separate, and should be clearly established and set out in writing	No	• The Board considers that abrupt separation of the roles of the Chairman and CEO will involve a realignment of power and authority under the existing corporate structure, and might affect the ordinary business activities of the Company. The Board will review the current structure from time to time, and will make necessary arrangements as appropriate as considered by the Board.
• 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 before the meeting, and detailed explanations would be made in the meeting by the Chairman or management on the motions.
• 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, so that the directors may obtain timely and adequate information.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• The roles of the chairman include: 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 be responsible 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, and delegates the Board secretary to set up a good corporate governance system and procedure, and 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, the chairman shall at least hold one meeting each year with the non-executive directors without the attendance of executive directors	Yes	• The Chairman has encouraged all directors to be involved in the affairs of the Board, and caused directors to make effective contribution to the Board, and requested the Board to exercise the best interests for the Company by making himself as model.
• The chairman should ensure appropriate measures to maintain effective communication with shareholders	Yes	• The Chairman has placed great emphasis on the effective communication between the Company and the shareholders, and continued to promote and improve investor relations, and dedicated in realizing maximum returns to 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

During 2011 to 2012, there were frequent changes of directors of the Board and the information below was updated to the date of this annual report.

Principle of the Code
• The Board shall have a balance of skills and experience appropriate for 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 of the Company is made up of eleven members, comprising four executive directors, three non-executive directors and four independent non-executive directors, with independent directors representing more than one third of the members of the Board. • The independent non-executive directors of the Company have expertise and experience in areas such as navigation, corporate management, finance and laws, and are able to make independent judgments, making decisions of the Board to be more cautious and comprehensive. • There is no relationship (including financial, business, family or other material relationship) between the members of the Board.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive Directors should be expressly identified as such in all corporate communications	Yes	• The Company has disclosed the composition of the Board members according to the category of the directors in all corporate communications.
Recommended Best Practices		
• Independent non-executive Directors should represent at least one third of the number of board members	Yes	• The Board has four independent non-executive directors, namely Mr. TEO Siong Seng, Dr. FAN HSU Lai Tai, Rita, Mr. KWONG Che Keung, Gordon and Mr. Peter Guy BOWIE, representing more than one third of the Board members.
• Maintain on the website an updated list of its directors, identifying their role, function and independency	Yes	• The Company has posted the list and the biographies of Board members on its website, setting out their role, function and independency.

A4. Appointments, re-election and removal

Principle of the Code
• The board shall set up formal, considered and transparent procedures for the appointment of new directors. There should 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 discharge procedures of the candidates of directors, present the proposals for the Board's consideration, which will finally be determined by the shareholders' meeting.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The appointment of non-executive directors shall 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) are elected at the shareholders' general meeting for a term of three years, and are eligible for reelection.
• 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, after accepting the appointment, subject to election by shareholders in the first shareholders' general meeting thereafter.
• Each director shall retire by rotation at least once in every three years	No	• The Company considers that re-election of directors by the shareholders' general meeting is beneficial for maintaining the Company's operation strategies and the continuation of the various systems. Therefore, the system of retirement by rotation of directors has not been specified in the Articles of Association.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• 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. Re-election will be held when such term expires.
• The issuer should set up a nomination committee, a majority of the members should be independent non-executive directors	Yes	• The Board of the Company has set up a Nomination Committee, of which chairman is an independent non-executive director and the members include one executive director and one independent non-executive director.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should set out written terms of reference of the nomination committee • The nomination committee should make available its terms of reference, and explain its roles and powers granted by the board	Yes	• The Company has set out the Guidelines for the Works 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 be provided with sufficient resources to discharge its duties	Yes	• The Company's human resources department and general office have actively assisted the Nomination Committee in performing their work, so as to ensure they are adequately resourced to discharge their duties.

A5. 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.

Corporate Governance Report

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

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 arrange training for the director, including introduction of the Company's business, responsibilities of directors, the Company's rules and regulations and domestic and overseas statutory requirements.
• 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 opinion 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 of the Company have diligently discharged the duties of directors. The attendance of directors in the meetings of the Board and various special committees in 2011 exceeded 96.9%, showing that the directors have spent sufficient time on the Company's business.
• The directors must comply with the Model Code set out in Appendix 10	Yes	• Having made specific inquiries to all directors, all directors of the Company confirmed in writing that they had continuously complied with the standards as required in the Model Code for the year ended 31 December 2011.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• All directors should participate in a programme of continuous professional development	Yes	• All directors have the opportunities to receive professional training programmes arranged by the Company during their terms of appointment.
• 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.
• The directors should ensure their regular attendance and active participation in Board meetings, the meetings of the subordinate committees and shareholders' general meetings	Yes	• The directors have actively attended Board meetings and meetings of the special committees, and majority of the directors have attended shareholders' general meetings.
• The non-executive directors shall provide independent and constructive opinions with grounds to the Company in formulating strategies and policies	Yes	• All non-executive directors of the Company has been able to provide independent and constructive opinions with grounds to the Company in formulating strategies and policies

A6. Supply of and access to information

Principle of the Code
• Directors should 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 current 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 Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The documents of the meetings of the board/committees should 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 should 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 to 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 shall arrange related personnel to give timely response in respect of the questions raised by directors.

B. Remuneration of Directors and senior management

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

Principle of the Code
• The Company should set up formal and transparent procedures for setting policy on executive directors' remuneration for fixing the remuneration packages for all directors. No director should be involved in deciding his own remuneration.
The current 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, review of the remuneration policies and plans of the directors and managers of the Company. • In 2011, the Remuneration Committee convened one meeting to carry out assessment on the senior management and share appreciation rights grantees, and approved the remuneration plan of the senior management in 2010.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should establish a Remuneration Committee and a majority of its members should be independent non-executive directors	Yes	• The Company established a Remuneration Committee, of which chairman is an independent non-executive director and one of the members is an independent non-executive director. The terms of reference of the Remuneration Committee have been published on the Company's website.
• The remuneration committee should consult the chairman or the CEO in respect of the remuneration of other executive directors	Yes	• The Remuneration Committee has fully communicated with the Chairman and the General Manager in respect of the remuneration of the directors, supervisors and senior management.
• Functions of the remuneration committee	Yes	• The Company has set up the "Guidelines for the Works of the Remuneration Committee of China COSCO Holdings Company Limited" and clearly set out the duties of the committee.

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should make available its terms of reference, and shall be adequately resourced to discharge its duties	Yes	• The terms of reference of the Remuneration Committee have been published on the Company's website. 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.
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 and accounts	Yes	• The Company has disclosed the remuneration and names of the directors, supervisors and senior management in the annual reports and accounts.

C. Accountability and Audit

C1. Financial reporting

Principle of the Code
• The Board should present a clear and comprehensive assessment of the Company's performance, position and prospects.
The current best situation in the governance of China COSCO
• In all regular financial reports issued to shareholders, the Board has put efforts to make the contents comprehensive, and has complied with the regulatory requirements of both the stock exchanges in Hong Kong and Shanghai, 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 Code of Corporate Governance Practices - 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.
• The directors should acknowledge their responsibilities for preparing the accounts and auditors should 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.
• The board should make a balanced, clear and understandable assessment on the Company's performance in its regular reports, announcements involving price sensitive information 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.

Code provisions	Compliance	Procedures of Corporate Governance
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 should 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 30 days 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 should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholder's investment and the issuer's assets.
The current best situation in the governance of China COSCO
• The Board has authorized management to establish and promote its internal control system, to review the relevant financial, operational and regulatory control procedures from time to time, so as to protect the Company's assets and the shareholders' interests. Currently, the system is being further established and improved.
• 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 Code of Corporate Governance Practices - 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 shall 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 issued 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

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Principle of the Code

• The audit committee should 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.
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The current best situation in the governance of China COSCO

• The Board of the Company 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 them have professional skills and experience on financial management. One independent director has been appointed with professional qualification and professional experience in financial management.

• 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; review of material connected transactions and communications; supervisions and verifications on the Company's internal and external audits.

• In 2011, the Audit Committee has convened four meetings, wherein management and the Chief Financial Officer reported the Company's financial situation and material issues relating to internal control.
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Compliance procedures of the Code of Corporate Governance Practices - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee shall 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 minutes of meetings of the Audit Committee have detailed records on the matters considered in the meetings, and are confirmed by all the members present in the meetings.
• The former partner of the existing auditors shall not be a member of the audit committee	Yes	• Audit Committee chairman Mr. KWONG Che Keung, Gordon and members Mr. TEO Siong Seng and Ms. SUN Yueying are not former partners of the external auditors.
• The terms of reference of the audit committee shall be made public in a timely manner	Yes	• The Company has set up a written terms of reference of the Audit Committee, specifying the terms of reference and rules of procedures of the committee. The related contents have been set out on the Company's website.
• The board shall obtain recommendation from the audit committee on the appointment or removal of external auditors	Yes	• The Audit Committee has made proposals to the Board in respect of the election or removal of external auditors, which after consideration by the Board, are subject to approval by the general meeting.
• The audit committee shall be adequately resourced to discharge its duties	Yes	• The Company's supervision department and general office 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.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• Employees of the issuer can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee shall 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 set up of channels for reporting possible improprieties in financial reporting, internal control or other matters. The Company will carry out fair and independent investigation of these matters and take appropriate follow-up action.
• The relationship of the issuer and external auditors shall be monitored	Yes	• Mr. KWONG Che Keung Gordon, a member of the Audit Committee, acts as major representative between the Company and the external auditors, and is responsible for the monitoring and coordinating of their relationship.

D. Delegation by the Board

D1. Management Functions

Principle of the Code
• The issuer should 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 current best situation in the governance of China COSCO
• The main power of the Board includes 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 power to the special committees and management, and specify matters that must be approved by the Board.

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

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 should 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.
Recommended Best Practices		
• 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.
• The issuer shall have formal letters of appointment for directors, setting out the 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. Subordinate Committees of the Board

Principle of the Code
• The establishment of the subordinate committees of the board shall have written terms of reference, which clearly specify the rights and duties of the committees.
The current best situation in the governance of China COSCO • The Board of the Company 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 table below sets out the attendance in the meetings of the various 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
WEI Jiafu	—	—	—	—	—	4/4
MA Zehua[1]	—	—	—	—	—	—
ZHANG Liang[7]	—	—	—	—	2/2	4/4
SUN Yueying	—	1/1	4/4	—	—	4/4
SUN Jiakang[2]	—	1/1	—	—	—	1/1
XU Minjie[3]	—	1/1	—	—	—	1/1
TEO Siong Seng	—	—	3/3	—	2/2	—
FAN HSU Lai Tai, Rita[4]	—	—	—	—	1/1	—
KWONG Che Keung, Gordon[5]	—	—	3/3	—	—	—
Peter Guy BOWIE[6]	—	1/1	—	—	—	—
ZHANG Fusheng	—	—	—	—	—	4/4
XU Lirong[8]	—	—	—	1/1	—	4/4
CHEN Hongsheng[9]	—	—	—	—	—	—
LI Boxi[10]	—	1/1	—	—	—	—
Alexander Reid HAMILTON[11]	—	—	1/1	1/1	—	—
CHENG Mo Chi[12]	—	—	1/1	1/1	1/1	—

Notes:

(1) Mr. MA Zehua was appointed as a director of the Company with effect from 12 October 2011, and an executive Director and vice chairman of the Company with effect from 27 October 2011

(2) Mr. SUN Jiakang was appointed as a non-executive Director of the Company with effect from 17 May 2011 and was re-designated as an executive Director with effect from 27 October 2011

(3) Mr. XU Minjie was appointed as a non-executive Director of the Company with effect from 17 May 2011 and was re-designated as an executive Director with effect from 27 October 2011

(4) Dr. FAN HSU Lai Tai, Rita was appointed as an independent non-executive Director of the Company with effect from 17 May 2011

(5) Mr. KWONG Che Keung, Gordon was appointed as an independent non-executive Director of the Company with effect from 17 May 2011.

(6) Mr. Peter Guy BOWIE was appointed as an independent non-executive Director of the Company with effect from 17 May 2011

(7) Mr. ZHANG Fusheng resigned from the office of vice chairman and non-executive Director of the Company with effect from 25 August 2011

(8) Mr. XU Lirong resigned from the office of non-executive Director of the Company with effect from 25 August 2011

(9) Mr. CHEN Hongsheng ceased to be a non-executive Director of the Company with effect from 17 May 2011

(10) Ms. LI Boxi ceased to be an independent non-executive Director of the Company with effect from 17 May 2011

(11) Mr. Alexander Reid HAMILTON ceased to be an independent non-executive Director of the Company with effect from 17 May 2011

(12) Mr. CHENG Mo Chi ceased to be an independent non-executive Director of the Company with effect from 17 May 2011

Corporate Governance Report

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

Code provisions	Compliance	Procedures of Corporate Governance
• The board should prescribe sufficiently clear terms of reference of the committees, to enable such committees to discharge their functions properly	Yes	• The Board of the Company 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 should 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.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code
• The board should 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 current best situation in the governance of China COSCO
• The Board has endeavour to maintain communication with shareholders, and has taken annual general meetings as the major opportunities to have contact with shareholders, where all shareholders holding shares in the Company are entitled to attend the meetings. • Notices and circulars of general meetings shall be dispatched at least 45 days before the meetings, setting out details of business to be considered in the meetings and the voting procedures.

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

Code provisions	Compliance	Procedures of Corporate Governance
• In the general meetings, a separate resolution should be proposed by the chairman of the meeting in respect of each substantially separate issue	Yes	• Each actual independent matter submitted for consideration by the general meeting has been raised as individual resolution.
• The chairman of the board shall attend the annual general meetings, and arrange the chairman or members of the committees to be available to answer questions of shareholders at the meetings	Yes	• The chairman of the Board 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 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.

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 current 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 Company's supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, and appointed lawyers to issue legal opinions on the final results of voting. Results of voting were announced on designated newspapers and the website.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman of the general meeting should 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 make explanation on 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.

Auditors' Remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and RSM China Certified Public Accountants, LLP. as the PRC auditor of the Company for 2011.

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 RMB39,112,000, RMB10,650,000 and RMB2,106,000 respectively.

Nature of Service	2011 (RMB'000)	2010 (RMB'000) (Restated)
Audit service	**39,112**	41,577
Audit related service	**10,650**	11,213
Non-audit services		
– Tax related services	**2,106**	2,770
– Circular related services	**—**	1,388
– Other advisory services	**—**	1,756

Daily Routine of the Board

1. Meetings and resolutions of the Board

Session	Date of meeting	Details of resolutions	Publication of disclosure of resolutions	Date of disclosure of resolutions
23rd meeting of the second session of Board of Directors	29 March 2011	1. Implementation proposal of the internal controls of China COSCO 2. Administrative Measures of hedging of overseas fuel futures of China COSCO (Trial) 3. Investment Plan of China COSCO for 2011 4. The proposal of COSCO Shenzhen to construct 20 coastal special vessels and the implementation of the construction of eight vessels 5. Supporting of "Greening Yangtze River, Chongqing in Action（綠化長江重慶行動）" 6. Assessment of appointed directors and supervisors of China COSCO in 2010 7. Assessment of senior management of China COSCO in 2010 8. Revised remuneration plan of senior management of China COSCO	Securities Times, China Securities Journal, Shanghai Securities News	30 March 2011

Session	Date of meeting	Details of resolutions	Publication of disclosure of resolutions	Date of disclosure of resolutions
24th meeting of the second session of Board of Directors	28 April 2011	1. Debt Financing Plan of China COSCO for 2011 2. Retirement Plan of Old Vessels of China COSCO for 2011 3. Adjustment of supervisory committees of companies such as COSCO Container Lines Company Limited	Securities Times, China Securities Journal, Shanghai Securities News	29 April 2011
1st meeting of the third session of Board of Directors	17 May 2011	Allowance policy of independent directors and independent supervisors of the third session of the Board and the Supervisory Committee of China COSCO	Securities Times, China Securities Journal, Shanghai Securities News	18 May 2011
2nd meeting of the third session of Board of Directors	25 August 2011	Adjustment of estimated net residual value of vessels	Securities Times, China Securities Journal, Shanghai Securities News	26 August 2011

Session	Date of meeting	Details of resolutions	Publication of disclosure of resolutions	Date of disclosure of resolutions
3rd meeting of the third session of Board of Directors	27 October 2011	Debt Financing Adjustment Plan of China COSCO for 2011	Securities Times, China Securities Journal, Shanghai Securities News	28 October 2011
4th meeting of the third session of Board of Directors	22 November 2011	Acquisition of equity interests of Florens Capital Management Company Limited by COSCO (Cayman) Fortune Holdings Co., Ltd.	Securities Times, China Securities Journal, Shanghai Securities News	23 November 2011

2. The implementation of the resolutions of general meeting by the Board

1) In accordance with a resolution on Profit Distribution for 2010 passed at the 2010 annual general meeting, the Company distributed a final cash dividend of RMB0.09 (tax included) per share based on the total capital of 10,216,274,357 shares of the Company as at 31 December 2010, amounting to RMB919,464,692.13. It represented 28.3% and 27.5% of the distributable net profit of the year in the financial statements prepared in accordance with the China Accounting Standards and Hong Kong Accounting Standards, respectively. The cash dividend distribution was completed on 30 June 2011.

2) In accordance with a resolution on Appointment of RSM China Certified Public Accountants, LLP. as the PRC auditor of China COSCO for 2011 and re-appointment of PricewaterhouseCoopers as the international auditor of China COSCO for 2011 passed at the 2010 annual general meeting, the Company has appointed RSM China Certified Public Accountants, LLP. as the PRC auditor of China COSCO for 2011 and re-appointed PricewaterhouseCoopers as the international auditor of China COSCO for 2011.

3) In accordance with a resolution on Nomination of Director Candidates of the Third Session of the Board of Directors of China COSCO passed at the 2010 annual general meeting, Mr. WEI Jia Fu, Mr. ZHANG Fusheng, Mr. ZHANG Liang, Mr. XU Lirong, Ms. SUN Yueying, Mr. SUN Jiakang and Mr. XU Minjie were appointed as directors of the third session of the Board of Directors of China COSCO, and Mr. TEO Siong Seng, Dr. FAN HSU Lai Tai, Rita, Mr. KWONG Che Keung, Gordon, and Mr. Peter Guy BOWIE were appointed as independent directors of the third session of the Board of Directors of China COSCO.

4) In accordance with a resolution on Nomination of Supervisor Candidates of the Third Sesseion of the Supervisory Committee of China COSCO passed at the 2010 annual general meeting, Mr. LI Yunpeng, Mr. LUO Jiulian, Mr. YU Shicheng and Mr. MENG Yan were appointed as supervisors of the third session of the Supervisory Committee of China COSCO.

5) In accordance with a resolution on Allowance Policy of Independent Directors and Independent Supervisors of the Third Session of the Board and the Supervisory Committee of China COSCO passed at the first extraordinary general meeting of 2011, the Company completed the adjustment of the allowances of directors and supervisors of the third session of the Board of Directors and Supervisory Committee pursuant to the new policy on 17 May 2011.

6) In accordance with a resolution on Issue of USD Bonds by Overseas Subsidiaries of China COSCO and Provision of Guarantee by China COSCO passed at the second extraordinary general meeting of 2011, the Company has set up the issuer of the bonds and facilitated the issue upon the approval of State Administration of Foreign Exchange and subject to the international bond market.

7) In accordance with a resolution on Nomination of Director Candidates of the Third Session of the Board of Directors of China COSCO passed at the second extraordinary general meeting of 2011, Mr. MA Zehua was appointed as a director of the third session of the Board of Directors of China COSCO.

Description of General Meetings

Annual General Meeting

Session	Date of Meeting	Publication of resolutions approved	Date of disclosure of resolutions approved
Annual General Meeting of 2010	17 May 2011	Securities Times, China Securities Journal and Shanghai Securities News	18 May 2011

Extraordinary General Meeting

Session	Date of Meeting	Publication of resolutions approved	Date of disclosure of resolutions approved
1st Extraordinary General Meeting of 2011	5 July 2011	Securities Times, China Securities Journal and Shanghai Securities News	6 July 2011
2nd Extraordinary General Meeting of 2011	12 October 2011	Securities Times, China Securities Journal and Shanghai Securities News	13 October 2011

Directors' Report

The Board is pleased to present the Directors' Report of the year 2011 together with the audited financial statements of the Group for the year ended 31 December 2011.

Principal Activities

The Group is engaged in providing container shipping, dry bulk shipping, logistics, 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 2011 are set out in note 45 to the consolidated financial statements.

Results of the Group

The Group's results for the year ended 31 December 2011 are set out on page 146 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 are set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2011, 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 24 to the consolidated financial statements. The distributable reserves of the Company as at 31 December 2011 were RMB118,862,000, 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 24 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 26 to the consolidated financial statements.

Pre-emptive Rights

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

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 23 to the consolidated financial statements.

Directors' Report

Directors and Supervisors

The directors of the Company during the year 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		
MA Zehua (Vice Chairman)	12 October 2011(1)	N/A
SUN Jiakang	17 May 2011(2)	N/A
XU Minjie	17 May 2011(3)	N/A
JIANG Lijun (President)	28 February 2012 (4)	N/A
ZHANG Liang	6 June 2008	28 February 2012
Non-executive directors		
WEI Jiafu (Chairman)	6 June 2008(5)	N/A
ZHANG Fusheng	6 June 2008	25 August 2011
XU Lirong	6 June 2008	25 August 2011
SUN Yueying	6 June 2008	N/A
CHEN Hongsheng	6 June 2008	17 May 2011
LI Yunpeng	28 February 2012	N/A
Independent non-executive directors		
LI Boxi	6 June 2008	17 May 2011
Alexander Reid HAMILTON	6 June 2008	17 May 2011
CHENG Mo Chi	6 June 2008	17 May 2011
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

Note:

(1) On 12 October 2011, Mr. Ma Zehua became a non-executive Director, and was re-designated as an executive Director with effect from 27 October 2011.

(2) Mr. Sun Jiakang became a non-executive Director since 17 May 2011 who was re-designated as an executive Director with effect from 27 October 2011.

(3) Mr. Xu Minjie became a non-executive Director since 17 May 2011 who was re-designated as an executive Director with effect from 27 October 2011.

(4) With effect from 22 November 2011, Mr. Jiang Lijun became the president of the Company and became an executive Director with effect from 28 February 2012.

(5) With effect from 27 October 2011, Mr. Wei Jiafu was re-designated as non-executive Director.

The supervisors of the Company during the year and up to the date of this annual report were as follows:

Name	Positions	Date of appointment as Supervisors	Date of cessation as Supervisors
LI Yunpeng	Chairman of Supervisory Committee	6 June 2008	28 February 2012
WU Shuxiong	Supervisor	3 March 2005	6 January 2012
MA Jianhua	Supervisor	26 June 2007	N/A
LUO Jiulian	Supervisor	9 June 2009	N/A
YU Shicheng	Independent Supervisor	6 June 2008	27 October 2011
MENG Yan	Independent Supervisor	9 June 2009	N/A
GAO Ping	Supervisor	6 January 2012	N/A
SONG Dawei	Chairman of Supervisory Committee	28 February 2012	N/A
ZHANG Jianping	Supervisor	28 February 2012	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 of the four independent non-executive Directors are considered to be independent.

Biography of Directors, Supervisors and Members of the Senior Management

Biography of directors, supervisors and members of the senior management of the Company as at the date hereof are set out on pages 24 to 35 of this report.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's connected transactions, including the related party transactions as disclosed in note 44 to the consolidated financial statements, to the extent that they also constitute connected transactions, are disclosed in the annual report of the Company as follows:

1. On 28 October 2010, 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 provided by COSCO Finance to the Group (excluding COSCO Pacific and its subsidiaries) for the renewal of the financial services agreement which expired on 31 December 2010. The Financial Services Agreement has a term from 1 January 2011 to 31 December 2013 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.

   As COSCO is the controlling shareholder of the Company and COSCO Finance is a non-wholly owned subsidiary of COSCO, 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 28 October 2010.

2. On 28 October 2010, the Company and COSCO entered into a master vessel services agreement (the "Master Vessel Services Agreement") in relation to the mutual provision of vessel services between the Group and its associates and the COSCO Group and its associates for the renewal of the master vessel services agreement which expired on 31 December 2010. The Master Vessel Services Agreement has a term from 1 January 2011 to 31 December 2013 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 Servcies Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO 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 28 October 2010.

3. On 28 October 2010, the Company and COSCO entered into a master general services agreement (the "Master General Services Agreement") in relation to the mutual provision of general services between the Group and its associates and the COSCO Group and its associates for the renewal of the master general services agreement which expired on 31 December 2010. The Master General Services Agreement has a term from 1 January 2011 to 31 December 2013 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, COSCO 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 28 October 2010.

4. On 28 October 2010, the Company and COSCO entered into a master overseas agency services agreement (the "Master Overseas Agency Services Agreement") in relation to the provision of overseas agency services by the COSCO Group and its associates to the Group and its associates for the renewal of the master overseas agency services agreement which expired on 31 December 2010. The Master Overseas Agency Services Agreement has a term from 1 January 2011 to 31 December 2013 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 Overseas Agency Services Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO 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 28 October 2010.

5. On 28 October 2010, 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 between the Group and its associates and the COSCO Group and its associates for the renewal of the master seamen leasing agreement which expired on 31 December 2010. The Master Seamen Leasing Agreement has a term from 1 January 2011 to 31 December 2013 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 Seaman Leasing Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO 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 28 October 2010.

6. On 28 October 2010, the Company and COSCO entered into a master premises leasing agreement (the "Master Premises Leasing Agreement") in relation to the mutual leasing of premises between the Group and its associates and the COSCO Group and its associates for the renewal of the master premises leasing agreement and the master properties leasing agreement which expired on 31 December 2010. The Master Premises Leasing Agreement has a term from 1 January 2011 to 31 December 2013 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, COSCO 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 28 October 2010.

7. On 28 October 2010, the Company and COSCO entered into a master container services agreement (the "Master Container Services Agreement") in relation to the provision of container services by the COSCO Group and its associates to the Group and its associates for the renewal of the master container services agreement which expired on 31 December 2010. The Master Container Services Agreement has a term from 1 January 2011 to 31 December 2013 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, COSCO 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 28 October 2010.

8. On 28 October 2010, the Company and COSCO entered into a master solicitation activities agreement (the "Master Solicitation Activities Agreement") in relation to the provision of solicitation activities by the COSCO Group and its associates to the Group and its associates for the renewal of the master solicitation activities agreement which expired on 31 December 2010. The Master Solicitation Activities Agreement has a term from 1 January 2011 to 31 December 2013 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 Solicitation Activities Agreement gives a non-renewal notice in writing to the other party.

   As COSCO is the controlling shareholder of the Company, COSCO 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 28 October 2010.

9. On 28 October 2010, the Company and COSCO entered into a master port services agreement (the "Master Port Services Agreement") in relation to the provision of port services by the COSCO Group and its associates to the Group and its associates for the renewal of the master port services agreement which expired on 31 December 2010. The Master Port Services Agreement has a term from 1 January 2011 to 31 December 2013 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, COSCO 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 28 October 2010.

10. On 28 October 2010, the Company and COSCO entered into a time charter master agreement (the "Time Charter Master Agreement") in relation to the mutual provision of time charter of vessels between the Group and its associates on one side and COSCO Oceania Chartering Services Pty. Ltd. ("COSCO Bulk Oceania"), COSCO Europe Bulk Carrier Company Limited ("COSCO Bulk Europe"), COSCO Bulk Carrier Americas Company Limited ("COSCO Bulk Americas"), COSCO (Singapore) Pte Ltd. ("COSCO Singapore"), Xiamen COSCO Carrier Corporation ("Xiamen COSCO"), Sino-Poland Joint Stock Shipping Company ("Sino-Poland") and Sino-Tanzania Joint Shipping Company ("Sino-Tanzania") on the other side for the renewal of the time charter master agreement which expired on 31 December 2010. The Time Charter Master Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO 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 28 October 2010.

11. On 28 October 2010, the Company and COSCO entered into a freight forwarding master agreement (the "Freight Forwarding Master Agreement") in relation to the mutual provision of freight forwarding services between the COSCO Group and its associates and the Group and its associates. The Freight Forwarding Master Agreement has a term from 1 January 2011 to 31 December 2013 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, COSCO 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 28 October 2010.

12. On 28 October 2010, COSCO Maritime (UK) Limited ("COSCO UK") and COSCON, a wholly-owned subsidiary of the Company, entered into several extension letters to further extend the term of the seven sub-time charter agreements governing the sub-lease of seven vessels from COSCO to COSCON from 1 December 2010 to 30 November 2013.

    As COSCO is the controlling shareholder of the Company and COSCO UK is a wholly owned subsidiary of COSCO, COSCO UK 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 28 October 2010.

13. On 28 October 2010, the Company and COSCO entered into a voyage charter master agreement (the "Voyage Charter (including TCT) Master Agreement") in relation to the mutual provision of voyage charter and time charter on trip basis of vessels between the Group and its associates on one side and COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Sinapore, Xiamen COSCO, Sino-Poland and Sino-Tanzania on the other side for the renewal of the voyage charter master agreement which expired on 31 December 2010. The Voyage Charter (including TCT) Master Agreement has a term from 1 January 2011 to 31 December 2013.

    As COSCO is the controlling shareholder of the Company, COSCO 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 28 October 2010.

14. On 4 November 2010, Freightworld Pte Ltd ("Freightworld") (an indirect wholly-owned subsidiary of the Company through COSCON) and COSCO Corporation (Singapore) Ltd ("COSCO Corporation (Singapore)") entered into a sale and purchase agreement in relation to the sale and purchase of 700,001 shares in the capital of Costar Shipping Ptd Ltd beneficially owned by and registered in the name of COSCO Corporation (Singapore) for a total cash consideration of S$10,600,000.

    As COSCO Corporation (Singapore) is a 53.35%-owned subsidiary of COSCO, which in turn is the controlling shareholder of the Company, COSCO Corporation (Singapore) is a connected person of the Company under the Listing Rules.

    On 3 March 2011, Freightworld and COSCO Corporation (Singapore) entered into a supplemental deed to (1) extend the completion period under the above sale and purchase agreement by four months from the original deadline of four months from the date of the said agreement; and (2) allow Costar Shipping Ptd Ltd and its subsidiaries to declare and pay dividend for the financial year ended 31 December 2010 to their respective existing shareholders by completion.

    For further information relating to the above transaction, please refer to the announcements of the Company dated 4 November 2010 and 3 March 2011.

15. On 4 November 2010, Freightworld and COSCO Corporation (Singapore) entered into a sale and purchase agreement in relation to the sale and purchase of 1,400,000 shares in the capital of Coslink (M) Sdn Bhd beneficially owned by and registered in the name of COSCO Corporation (Singapore) for a total cash consideration of S$1,050,000.

    As COSCO Corporation (Singapore) is a 53.35%-owned subsidiary of COSCO, which in turn is the controlling shareholder of the Company, COSCO Corporation (Singapore) is a connected person of the Company under the Listing Rules.

    On 3 March 2011, Freightworld and COSCO Corporation (Singapore) entered into a supplemental deed to (1) extend the completion period under the above sale and purchase agreement by four months from the original deadline of four months from the date of the said agreement; and (2) allow Coslink (M) Sdn Bhd to declare and pay dividend for the financial year ended 31 December 2010 to their respective existing shareholders by completion.

    For further information relating to the above transaction, please refer to the announcements of the Company dated 4 November 2010 and 3 March 2011.

16. On 29 March 2011, Shanghai Ocean Shipping Co., Ltd. (an indirect wholly-owned subsidiary of the Company through COSCON) entered into a sale and purchase agreement with COSCO International Trading Company Limited for Shanghai Ocean Shipping Co., Ltd. to purchase and COSCO International Trading Company Limited to sell 50% of the equity interest in Shanghai Ocean International Trading Co., Ltd. for a total cash consideration of RMB7,264,372.39.

    As COSCO International Trading Company Limited is an indirect non-wholly owned subsidiary of COSCO, which in turn is the controlling shareholder of the Company, COSCO International Trading Company Limited is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 29 March 2011.

17. On 27 October 2011, the Board approved the proposal of entering into a capital increase agreement by the five wholly-owned subsidiaries of the Company (namely, COSCON, COSCO Bulk Carrier Co., Ltd., Qingdao Ocean Shipping Co. Ltd., China Ocean Shipping Agency Company Limited and COSCO International Freight Company Limited) with COSCO, its eight subsidiaries (namely Dalian Ocean Shipping Company, Guangzhou Ocean Shipping Co., Ltd., COSCO Shipping Co., Ltd., COSCO Shipbuilding Industry Company, COSCO Shipyard Group Co., Ltd., China Marine Bunker Supply Company, China Ocean Shipping Tally Company and Xiamen Ocean Shipping Co., Ltd.) and COSCO Finance Company Limited on or around 15 November 2011 in order to increase the registered capital of COSCO Finance Company Limited from RMB800 million to RMB1,600 million. The Company and its subsidiaries will contribute a total of RMB306 million. Upon completion of the proposed capital increase, the total equity interest held by the Group in COSCO Finance Company Limited will remain 38.25% and it will still be an associate of the Company.

As COSCO is the controlling shareholder of the Company, COSCO and its subsidiaries are connected persons of the Company for the purpose of Chapter 14A of the Listing Rules.

For further information relating to the above transaction, please refer to the announcement of the Company dated 27 October 2011.

18. On 22 November 2011, COSCO Pacific and Florens Capital Management Company Limited ("Florens Capital") (both are non wholly-owned subsidiaries of the Company) entered into an agreement with COSCO (Cayman) Fortune Holding Co., Ltd., ("Fortune Holding") pursuant to which (1) Fortune Holding (or its nominee) shall subscribe for 1,000 ordinary shares of HK$1.00 each in the capital of Florens Capital, representing 50% of the issued share capital of Florens Capital as enlarged by the issue of the said subscription shares for cash at the subscription price of HK$1,000 in aggregate and advance a shareholder's loan of US$50,000,000 to Florens Capital; (2) Florens Capital shall increase its authorised share capital and allot and issue the said subscription shares to Fortune Holding (or its nominee); and (3) COSCO Pacific shall, among other things, guarantee the performance by Florens Capital of all of its obligations under the above agreement.

    The above subscription constitutes a deemed disposal by COSCO Pacific of 50% of its indirect interests in the issued share capital of Florens Capital within the meaning of Rule 14.29 of the Listing Rules. As COSCO is the controlling shareholder of the Company and Fortune Holding is a wholly-owned subsidiary of COSCO, Fortune Holding is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

    For further information relating to the above transaction, please refer to the announcement of the Company dated 22 November 2011.

The following table sets out the relevant annual caps and the actual figures for the year ended 31 December 2011 in relation to the continuing connected transactions of the Company.

The annual caps and actual figures in respect of the non-exempted continuing connected transactions of the Company

	Transaction	Annual Cap for the year ended 31 December 2011 ('000)	Actual Figure for the year ended 31 December 2011 ('000)
1	Sub-lease of time charters from COSCO to COSCON	RMB450,000	RMB355,453
2	Sub-time charters from COSCO to COSCON	RMB200,000	RMB123,995
3	Transactions under the 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	RMB13,789,466
(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	RMB237,212
4	Transactions under the Master General Services Agreement		
(a)	Purchase of general services from the COSCO Group and its associates	RMB130,000	RMB95,075
(b)	Provision of general services to the COSCO Group and its associates	RMB25,000	RMB6,065
5	Transactions under the Master Vessel services Agreement		
(a)	Purchase of vessel services from the COSCO Group and its associates	RMB19,500,000	RMB15,356,237
(b)	Provision of vessel services to the COSCO Group and its associates	RMB50,000	RMB21,772
6	Transactions under the Master Overseas Agency Services Agreement	RMB350,000	RMB149,785
7	Transactions under the Master Container Services Agreement	RMB200,000	RMB110,393
8	Transactions under the Master Solicitation Activities Agreement	RMB350,000	RMB203,169
9	Transactions under the Master Port Services Agreement	RMB1,250,000	RMB829,883
10	Transactions under the Master Seamen Leasing Agreement		
(a)	Purchase of services from the COSCO Group and its associates	RMB150,000	RMB45,233
(b)	Provision of services to the COSCO Group and its associates	RMB400,000	RMB122,049

Transaction		Annual Cap for the year ended 31 December 2011 ('000)	Actual Figure for the year ended 31 December 2011 ('000)
11	Transactions under the 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	RMB1,150,000	RMB135,264
(b)	Total charterhire receivable from COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland and Sino-Tanzania	RMB850,000	RMB134,462
12	Transactions under the Master Premises Leasing Agreement		
(a)	Rent and other fees and charges payable to the COSCO Group and its associates	RMB140,000	RMB104,168
(b)	Rent and other fees and charges receivable from the COSCO Group and its associates	RMB8,000	RMB3,029
13	Transactions under the Freight Forwarding Master Agreement		
(a)	Purchase of services from the COSCO Group and its associates	RMB130,000	RMB128,787
(b)	Provision of services to the COSCO Group and its associates	RMB5,000	RMB594
14	COSCO Pacific – COSCON Container Services Master Agreement	USD3,372	USD2,576
15	COSCO Pacific – COSCON Shipping Services Master Agreement	RMB1,097,176	RMB396,770
16	COSCO Pacific – APM Shipping Services Master Agreement	RMB443,599	RMB177,541

Review of Continuing Connected Transactions for the year 2011

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 16 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 agreement governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive directors of COSCO Pacific have reviewed the continuing connected transactions set forth as items 14 to 16 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 and 15 in the above table as she is a director both at the Company and at COSCO Pacific while the said transactions both involved COSCON, a subsidiary of the Company) and confirm that these transactions have been entered into:

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

(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 of Directors 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 15 to 17 in the above table) as identified by management for the year ended 31 December 2011 (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 into 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 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 15 to 17 in the above table and as identified by management for the year ended 31 December 2011 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 Stock Exchange.

Report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board of Directors

The Company has formulated the Terms of Reference of the Audit Committee, which defines duties and responsibilities of the audit committee, including the relationship with external accounting firm, the reviewing of the 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 report, and 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.

Before 17 May 2011, members of the audit committee of the Board of Directors were Mr. Alexander Reid Hamilton (chairman, independent non-executive director), Ms. Sun Yueying (non-executive director) and Mr. Cheng Mo Chi (independent non-executive director). Since 17 May 2011, members of the audit committee are Mr. Kwong Che Keung, Gordon (chairman, independent non-executive director), 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 to review the Company's annual report, interim report, establishment of internal control system, status of internal audit, internal audit plan and the re-appointment of auditors. In addition to the afore-mentioned formal meetings, Mr. Kwong Che Keung, Gordon visited COSCON and COSCO Bulk, subsidiaries of China COSCO in Shanghai and Tianjin on 13 and 14 February 2012 respectively, to inspect the internal control of connected transactions and the particulars and management of connected transactions of 2011.

During the reporting period, the audit committee reviewed the Company's annual financial report, interim financial report and the third quarterly report. During the annual audit, the audit committee focused on and supervised various tasks conducted by the PRC and international auditors to determine whether the audit plan arrangements have been strictly complied with. In order to fully understand the status of the audits of the annual financial reports, Mr. Kwong Che Keung, Gordon, the chairman of the audit committee, and Ms. Sun Yueying, a member of the audit committee, attended the meetings with the international auditor and the PRC auditor in Hong Kong and Beijing, respectively, to discuss their reports on auditing and held discussions about specific accounting. Representatives of management, the relevant business departments and PRC and international auditors also attended the above meetings. Minutes of the meetings were properly maintained.

Report on the performance of the remuneration committee under the Board of Directors

Members of the second session of the remuneration committee under the Board of Directors were Mr. CHENG Mo Chi (chairman, then an independent non-executive Director), Mr. XU Lirong (then a non-executive Director) and Mr. Alexander Reid HAMILTON (then an independent non-executive Director). The third session of the remuneration committee is chaired by Dr. FAN HSU Lai Tai, Rita (an independent non-executive Director). Other member is Mr. KWONG Che Keung, Gordon (an independent non-executive Director).

In 2011, the remuneration committee convened one meeting to consider and approve the annual performance appraisal on share appreciation rights grantees for the year 2010, the exercise of share appreciation rights, amendments of remuneration of the senior management, the management achievement appraisal and annual remuneration for senior management for 2010, and reviewed the duties performed by the remuneration committee for 2010. The committee also considered operation achievement appraisals for senior management and made recommendations to the Board accordingly.

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, pursuant to which administrative measures on the use of information by third parties. During the reporting period, for the 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 confidential in written form.

Responsibility of the Board on internal control

The Board of of the Compnay Directors conducted an assessment of the internal control system of the Company during the year and found that the system is effective and is in compliance with the laws and securities regulatory requirements of the PRC. Our internal control system is compatible to our management system and can provide reasonable protection to the integrity and completeness of the financial reports of the Company. It can also reasonably protect the Company from major risks, serious fraud and material procedural defects. It is believed that the Company's internal control system is appropriate and effective and can provide reasonable protection. The Company is able to assess its internal control system and take remedial measure when necessary to facilitate the development of the Company.

Due to the inherit limitation of the internal control system, it can only provide the Company a reasonable protection in respect of above items. However, we can improve our internal control system from time to time to eliminate any defects found. In 2012, the Company will further improve our internal control system in accordance with the requirement of the Basic Standards for Corporate Internal Control and its guidelines. The Company will set up internal control information system and management platform, and intensify the inspection and supervision to ensure the effectiveness of the internal control system.

Implementation of insider management system

According to the self-assessment, has insider made use of any inside information to deal with shares of the Company before the disclosure of material sensitive information which may affect the share price of the Company?

No.

During the reporting period, based on the principles of the "Measures on Information Disclosure"（信息披露管理辦法）, the Company formulated the "Measures for the Registration of People with Insider Information"（內幕信息知情人發記備案管理辦法）, which were approved and issued on the 21st meeting of the second session of the Board. The Company and its subsidiaries acknowledge the harm of insider trading and implemented the Administrative Measures on Insider Registration stringently. The Company designated the institutions and officers responsible for inside information management, established confidential responsibility and obligation of insider, and kept confidential and registration of significant events involving operation, finance, profit distribution, investment and financing, merger, acquisition and restructuring and changes in key personnel and related decision-making procedures pursuant to the confidentiality system and insider system.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2011, 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 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, Inc.	Interest of controlled corporation	183,672,977	7.12	29,624,297	1.15	—	—	(1)

Note:

(1) The 183,672,977 shares relate to the shares held by the following related entities of Blackrock, Inc.: 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 (Institutional) Canada Ltd, BlackRock Holdings Canada Limited, BlackRock Asset Management Canada Limited, BlackRock Australia Holdco Pty Ltd, BlackRock Asset Management Australia Limited, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited, BlackRock Advisors UK Ltd., BlackRock Luxembourg Holdco S.a.r.l., BlackRock Investment Management Ireland Holdings Ltd, BlackRock Asset Management Ireland Ltd, BlackRock Investment Management (UK) Ltd, BlackRock Holdings Deutschland GmbH, BlackRock Asset Management Deutschland AG, BlackRock Fund Managers Ltd and BlackRock International Ltd.. The short position of 29,624,297 shares relates to the shares held by the following related entities of Blackrock, Inc.: 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 International Holdings Inc., BR Jersey International LP, BlackRock HK Holdco Limited, BlackRock Asset Management North Asia Limited, BlackRock Group Limited and BlackRock Advisors UK Ltd..

Save as disclosed above, as at 31 December 2011, 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 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 2011, so far as was known to the directors of the Company, the shareholder having interest in 5% or more of the total issued share capital of the Company (including A shares and H shares of the Company) 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	—	—	—	—

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.

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 the Company's share value. The issuance of share appreciation rights does not involve any issuance of new shares, nor does it have any dilutive effect on the Company's 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 of the Company 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 of the Company 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 of the Company at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. The Company did not grant any share appreciation rights for the year 2011.

Movements of the share appreciation rights which were granted to Directors and Supervisors pursuant to the Share Appreciation Rights Plan during 2011 are set out below:

				Number of units of share appreciation rights						
Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2011	Transfer (to)/from other category during the year	Granted during the year	Exercised during the year	Outstanding as at 31 December 2011	Approximate % of issued share capital of the Company's H shares as at 31 December 2011	Note
WEI Jiafu	Beneficial owner	Personal	HK$3.195	680,000	—	—	—	680,000	0.03%	(1)
			HK$3.588	900,000	—	—	—	900,000	0.03%	(2)
			HK$9.540	880,000	—	—	—	880,000	0.03%	(3)
ZHANG Fusheng	Beneficial owner	Personal	HK$3.195	600,000	(600,000)	—	—	—	0.00%	(1),(5)
			HK$3.588	800,000	(800,000)	—	—	—	0.00%	(2),(5)
			HK$9.540	780,000	(780,000)	—	—	—	0.00%	(3),(5)
ZHANG Liang	Beneficial owner	Personal	HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
XU Lirong	Beneficial owner	Personal	HK$3.195	375,000	(375,000)	—	—	—	0.00%	(1),(6)
			HK$3.588	500,000	(500,000)	—	—	—	0.00%	(2),(6)
			HK$9.540	580,000	(580,000)	—	—	—	0.00%	(3),(6)
SUN Yueying	Beneficial owner	Personal	HK$3.195	450,000	—	—	—	450,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
SUN Jiakang	Beneficial owner	Personal	HK$3.195	—	375,000	—	—	375,000	0.01%	(1),(7)
			HK$3.588	—	500,000	—	—	500,000	0.02%	(2),(7)
			HK$9.540	—	480,000	—	—	480,000	0.02%	(3),(7)
XU Minjie	Beneficial owner	Personal	HK$3.195	—	75,000	—	—	75,000	0.003%	(1),(7)
			HK$3.588	—	90,000	—	—	90,000	0.003%	(2),(7)

Name of director/ supervisor	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2011	Transfer (to)/from other category during the year	Granted during the year	Exercised during the year	Outstanding as at 31 December 2011	Approximate % of issued share capital of the Company's H shares as at 31 December 2011	Note
CHEN Hongsheng	Beneficial owner	Personal	HK$3.195	525,000	(525,000)	—	—	—	0.00%	(1),(8)
			HK$3.588	700,000	(700,000)	—	—	—	0.00%	(2),(8)
			HK$9.540	680,000	(680,000)	—	—	—	0.00%	(3),(8)
LI Yunpeng	Beneficial owner	Personal	HK$3.195	450,000	—	—	—	450,000	0.02%	(1)
			HK$3.588	600,000	—	—	—	600,000	0.02%	(2)
			HK$9.540	580,000	—	—	—	580,000	0.02%	(3)
WU Shuxiong	Beneficial owner	Personal	HK$3.195	375,000	—	—	—	375,000	0.01%	(1)
			HK$3.588	500,000	—	—	—	500,000	0.02%	(2)
			HK$9.540	480,000	—	—	—	480,000	0.02%	(3)
MA Jianhua	Beneficial owner	Personal	HK$9.540	480,000	—	—	—	480,000	0.02%	(3)

Notes:

(1) The share appreciation rights were granted by the Company in units with each unit representing one H share of the Company 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 of the Company 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 of the Company 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) During the year, no share appreciation rights mentioned above were lapsed or cancelled.

(5) As Zhang Fusheng ceased to be a Director on 25 August 2011, his share appreciation rights, which accounted for 0.08% of the total H share capital in issue, were reclassified from the category of "Directors" to "Others".

(6) Xu Lirong ceased to be a Director with effect from 25 August 2011. His share appreciation rights, which accounted for 0.05% of the total H-Shares in issue, were reclassified from the category of "Directors" to "Others".

(7) Sun Jiakang and Xu Minjie became Directors with effect from 17 May 2011. Their rights under the Share Appreciation Rights Plan were reclassified from the category of "Senior Management" to "Directors".

(8) Chen Hongsheng ceased to be a Director with effect from 17 May 2011. His share appreciation rights, which accounted for 0.07% of the total H-Shares in issue, were reclassified from the category of "Directors" to "Others".

Share Options Scheme of COSCO Pacific

As at 31 December 2011, there were outstanding share options in relation to a share option scheme of COSCO Pacific, which was adopted by the shareholders of COSCO Pacific at its special general meeting held on 23 May 2003 (the "2003 Share Option Scheme").

Movements of the options, which have been granted under the 2003 Share Option Scheme, during the year are set out as below:

		Number of share option								
Category	Exercise price HK$	Outstanding as at 1 January 2011	Transterred (to)/ from other categories during the year	Granted during the year	Excerised during the year	Lapsed during the year	Outstanding as at 31 December 2011	Percentage of total issued share captial of COSCO Pacific as at 31 December 2011	Exercisable period	Note
Directors										
WEI Jiafu	13.75	1,000,000	–	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
ZHANG Fusheng	13.75	1,000,000	(1,000,000)	–	–	–	–	0.00%	03.12.2004-02.12.2014	(2),(4),(5)
CHEN Hongsheng	13.75	1,000,000	(1,000,000)	–	–	–	–	0.00%	03.12.2004-02.12.2014	(2),(4),(6)
SUN Yueying	13.75	1,000,000	–	–	–	–	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
SUN Jiakang	13.75	–	700,000	–	–	–	700,000	0.03%	01.12.2004-30.11.2014	(2),(4),(7)
XU Minjie	19.30	–	800,000	–	–	–	800,000	0.03%	19.04.2007-18.04.2017	(3),(4),(7)

Category	Exercise price HK$	Number of share option: Outstanding as at 1 January 2011	Transterred (to)/ from other categories during the year	Granted during the year	Excerised during the year	Lapsed during the year	Outstanding as at 31 December 2011	Percentage of total issued share captial of COSCO Pacific as at 31 December 2011	Exercisable period	Note
Supervisor										
LI Yunpeng	13.75	1,000,000	—	—	—	—	1,000,000	0.04%	03.12.2004-02.12.2014	(2),(4)
Others	9.54	2,369,000	—	—	(8,000)	—	2,361,000	0.09%	(refer to note 1)	
	13.75	16,812,000	1,300,000	—	(250,000)	(520,000)	17,342,000	0.64%	(refer to note 2)	
	19.30	15,260,000	(800,000)	—	—	(560,000)	13,900,000	0.51%	(refer to note 3)	
		39,441,000	—	—	(258,000)	(1,080,000)	38,103,000			

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 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 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 exercisable 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) Zhang Fusheng ceased to be a Director with effect from 25 August 2011. His rights under the 2003 Share Option Scheme were reclassified from the category of "Directors" to "Others".

(6) Chen Hongsheng ceased to be a Director with effect from 17 May 2011. His rights under the 2003 Share Option Scheme were reclassified from the category of "Directors" to "Others".

(7) Sun Jiakang and Xu Minjie became Directors with effect from 17 May 2011. Their rights under the 2003 Share Option Scheme were reclassified from the category of "Others" to "Directors".

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

As at 31 December 2011, the interests of the Company's 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 Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Issuers (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 of the Company	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 Supervisor	Capacity	Nature of interest	Number of A shares of the Company	Percentage of total issued A share capital of the Company
LI Yunpeng	Beneficial owner	Family	3,000	0.00004%
LUO Jiulian	Beneficial owner	Family	1,000	0.00001%

(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	WEI Jiafu	Beneficial owner	Personal	1,520,000	0.07%
COSCO Corporation (Singapore) Limited	SUN Yueying	Beneficial owner	Personal	1,400,000	0.06%

(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 2011 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 of the Company by the associated corporations of the Company during the year ended 31 December 2011 are set out as below:

					Number of share options							
Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2011	Transferred (to)/ from other categories during the year	Granted during year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011	Percentage of total issued share capital of associated corporation as at 31 December 2011	Note
COSCO Pacific	WEI Jiafu	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
	ZHANG Fusheng	Beneficial owner	Personal	HK$13.75	1,000,000	(1,000,000)	–	–	–	–	0.00%	(1),(4)
	CHEN Hongsheng	Beneficial owner	Personal	HK$13.75	1,000,000	(1,000,000)	–	–	–	–	0.00%	(1),(5)
	SUN Yueying	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
	SUN Jiakang	Beneficial owner	Personal	HK$13.75	–	700,000	–	–	–	700,000	0.03%	(1),(6)
	XU Minjie	Beneficial owner	Personal	HK$19.30	–	800,000	–	–	–	800,000	0.03%	(6),(7)
	LI Yunpeng	Beneficial owner	Personal	HK$13.75	1,000,000	–	–	–	–	1,000,000	0.04%	(1)
COSCO International	WEI Jiafu	Beneficial owner	Personal	HK$1.37	1,200,000	–	–	–	–	1,200,000	0.08%	(2)
	SUN Jiakang	Beneficial owner	Personal	HK$1.37	–	800,000	–	–	–	800,000	0.03%	(2),(8)
COSCO Singapore	SUN Yueying	Beneficial owner	Personal	S$1.23	700,000	–	–	–	(700,000)	–	0.00%	(3)

Notes:

(1) The share options were granted by COSCO Pacific during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercisable 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.

(2) These share options were granted on 2 December 2004 pursuant to the share option scheme of COSCO International Holdings Limited ("COSCO International"), 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.

(3) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company and a company listed on the Singapore Exchange Limited on 21 February 2006 and can be exercised at S$1.23 per share at any time between 21 February 2007 and 20 February 2011.

(4) Zhang Fusheng ceased to be a Director with effect from 25 August 2011. His rights under the 2003 Share Option Scheme were reclassified from the category of "Directors" to "Others".

(5) Chen Hongsheng ceased to be a Director with effect from 17 May 2011. His rights under the 2003 Share Option Scheme were reclassified from the category of "Directors" to "Others".

(6) Sun Jiakang and Xu Minjie became Directors with effect from 17 May 2011. Their rights under the 2003 Share Option Scheme were reclassified from the category of "Others" to "Directors".

(7) 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.

(8) Sun Jiakang became a Director with effect from 17 May 2011. His rights in the share options granted by COSCO International were reclassified to "Directors".

Save as disclosed above, as at 31 December 2011, 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 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 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 2011 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	RMB'000
Non-current assets	44,649,211
Current assets	13,429,990
Current liabilities	(20,870,509)
Non-current liabilities	(13,225,671)
Net assets	23,983,021
Share capital	3,155,535
Reserves	11,358,387
Non-controlling interests	9,469,099
Capital and reserves	23,983,021

As at 31 December 2011, the Group's share of net assets of these affiliated companies amounted to RMB2,466,127,000.

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 39 to the consolidated financial statements.

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 2011.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors of the Company has entered into a service contract with the Company. No Director or Supervisor of the Company 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 of the Company 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 2011.

Board Committees

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

Audit Committee

The Company has established an audit committee in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group, the completeness and accuracy of its accounts and to liaise on behalf of the directors of the Company with external auditors. As at the date of this annual report, the audit committee consists of two independent non-executive directors, Mr. Kwong Che Keung, Gordon (chairman of the audit committee) and Mr. TEO Siong Seng, and one non-executive director, Ms. SUN Yueying, who meet regularly with management of the Company and the Company's external auditors, review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the consolidated financial statements for the year ended 31 December 2011, and recommended their approval by the Board.

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 106 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2011, there were approximately 39,561 employees in the Group. Total staff cost for the Group for the year, including directors' remuneration, totaled approximately RMB8,514,571,000.

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 its container shipping, dry bulk shipping, logistics, container terminal, container leasing, freight forwarding and shipping agency business, the Group has organised many professional and comprehensive training programs during the period. 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.

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.

Donations

Donations made by the Group during the year amounted to RMB11,355,000.

Investor Relations

The Company has always viewed investor relations with great importance, and considers it to be part of our long term strategic management.

In 2011, the Company communicated with the investors in the capital market extensively through organizing domestic and overseas roadshows and reverse roadshows, holding corporate performance seminars, participating in domestic and foreign investor conferences, hosting visitors, and conducting phone conferences. The Company participated in a total of 14 (medium and large scaled) meetings and 245 one-on-one meetings. It was also engaged in direct communication with 1169 domestic and foreign corporate investors, strategic investors and analysts, responded to phone enquiries from over several thousands of individual investors, and promptly sent to investor when it comes across the Company's published announcements, circulars, public information on shipping market and analysts' reports via email. All these initiatives were well received by the investors.

The Company made use of its website to publish and update, in a timely manner, its announcements, regular reports, news, results announcements, and recordings of analysts' meetings and contact information of our investor relations personnel. The Company has also strived to make it easy for the press to conduct its reports, and provide access to public information from domestic and international financial medium, subject to relevant laws and regulations.

In addition to its external communication, the Company also valued opinion from the capital markets. Its investor relations department actively collected relevant opinion and suggestions for management to assist with decision-making.

The senior management and relevant personnel who were involved in investor relations have carried out the above tasks in strict compliance with the domestic and overseas regulatory requirements and have proactively performed their duties in accordance with the relevant laws and regulations.

Corporate Culture

The Company has always placed great emphasis on corporate culture, and established training, evaluation and incentive system to implant the key corporate culture concept of China COSCO. It has devoted to create a practical and harmonic atmosphere for corporate development.

By order of the Board of Directors
Wei Jiafu
Chairman

Beijing, the PRC
29 March 2012

Material Litigations

Material litigations and arbitrations

Unit: yuan Currency: RMB

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Status	Judgment and effects	Execution of judgment
COSCO Container Lines Company Limited	溫州市土畜產品對外貿易公司	Nil	Demurrage charges dispute	According to the judgement of the First Instance, the defendant shall compensate RMB8.1 million to COSCO Container Lines Company Limited. The defendant has filed an appeal.	US$11.79 million	Pending	N/A	N/A
Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK")	COSCO Pacific Limited and its wholly-owned subsidiary, Piraeus Container Terminal S.A.	Nil	Service fee dispute	ADK sued COSCO Pacific Limited and its wholly owned subsidiary, Piraeus Container Terminal S.A., for the default of payment of design services and project management services charges which amounted to approximately EUR5.8 million.	EUR 5.8 million	ADK 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 procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13 November 2012	N/A	N/A
Victims of personal injury and death case	COSCON and/or COSCO North America	Nil	Personal injury and death in a traffic accident	Basically settled	N/A	Settled	The Company had to compensate US$333,000 after negotiation with parties involved	Settled by insurance company
SOMPOL TRADING LIMITED	COSCO Bulk	Nil	Early return of a vessel	In respect of the possibility of calling JIN ZHOU, a vessel leased by the Company on a long term fixed charter, at ST Lawrence, a port in Canada, there was a dispute between the ship-owner and the Company on early return of the vessel.	US$18 million	Pending arbitration	N/A	N/A

Report of Supervisory Committee

1.1 Meetings of supervisory committee

Number of meetings	**5**
Meetings of supervisory committee	**Resolutions of the meetings of supervisory committee**
15th meeting of the second session of supervisory committee	1. Consider the report on the progress of the implementation of decisions made at the 2010 general meeting, the board of directors and the supervisory committee. 2. Review the "2010 Annual Report of China COSCO" (A Shares/ H Shares), "Summary of 2010 Annual Report of China COSCO" (A Shares) and "2010 Annual Results Announcement of China COSCO" (H Shares). 3. Consider the report on the financial position of the Company for the year 2010. 4. Review the 2010 annual financial report and audit report of the Company, prepared according to China accounting standards and Hong Kong Accounting Standards respectively. 5. Review the reports of funds utilization by controlling shareholders and other related parties in 2010. 6. Review the profit appropriation plan of China COSCO for the year 2010. 7. Consider the appointment of domestic and external auditors of China COSCO for the year 2011. 8. Review "the Administrative Measures of value preservation of overseas fuel futures of China COSCO (Trial)" 9. Review the self evaluation report of internal control of China COSCO for the year 2010. 10. Review the implementation proposal of the internal controls of China COSCO. 11. Consider the report of the on-site inspection of China Securities Regulatory Committee in Tianjin and the rectifications of the Company. 12. Review the report of supervisory committee of China COSCO for the year 2010. 13. Review the work plans of the supervisory committee of the Company for the year 2011. 14. Consider the candidates of the third session of supervisory committee.

Report of Supervisory Committee

Meetings of supervisory committee	Resolutions of the meetings of supervisory committee
16th meeting of the second session of supervisory committee	Consider the 2011 first quarterly report of China COSCO.
1st meeting of the third session of supervisory committee	1. Elect the chairman of the third session of supervisory committee of China COSCO. 2. Consider the report of the internal controls of China COSCO for the year 2011.
2nd meeting of the third session of supervisory committee	1. Review the "Report of China COSCO for the First Half of 2011" (A Shares/H Shares), "Summary of the Report of China COSCO for the First Half of 2011" (A Shares) and "Results Announcement of China COSCO for the First Half of 2011 (H Shares)". 2. Consider the financial report of China COSCO for the first half of 2011. 3. Review the estimated net residual value of the vessel adjustment.
3rd meeting of the third session of supervisory committee	1. Review the 2011 third quarterly report of the Company 2. Consider the resignation of Mr. Yu Shicheng as an independent director of China COSCO.

1.2 The supervisory committee's independent opinions on whether the Company's operation is in compliance with the laws

The Board and the senior management of the Company have operated in a diligent, responsible and regulated manner in strict compliance with the Articles of Association and applicable laws of the jurisdiction where the Company is listed. The Company has optimised its internal control system by strengthening its standarisation and corporate governance.

The supervisory committee is not aware of any breach of applicable laws, Articles of Association and any harm to the interests of the Company by the Directors and senior management of the Company.

1.3 The supervisory committee's independent opinion on the Company's financial position

The supervisory committee has reviewed the Company's financial report for the year 2011, annual profit appropriation plan and the auditor's reports with no qualified opinion issued by the Company's domestic and international auditors. In the opinion of the supervisory committee, the standard auditor's reports with no qualified opinion issued by RSM China Certified Public Accountants, LLP. and PricewaterhouseCoopers objectively, fairly and truly reflect the Company's financial position and operation results with its profit appropriation plan matching existing operating conditions.

1.4 The supervisory committee's independent opinions on the Company's use of proceeds from the recent financing activity

After considering the report on the use of proceeds from the Company's management, the actual use of proceeds raised recently was consistent with the intended use and there was no change to the intended uses.

1.5 The supervisory committee's independent opinion on the Company's acquisition and disposal of assets

Not applicable.

1.6 The supervisory committee's independent opinion on the Company's connected transactions

The supervisory committee reviewed the Company's connected transactions during the reporting period. Each of the connected transactions was conducted at fair market price. Supervisory committee is not aware of any detriment to the interests of the shareholders or the Company.

1.7 The supervisory committee's independent opinion on the qualified opinion of accountants

Not applicable.

1.8 The supervisory committee's independent opinion on the relatively material discrepancy between the Company's actual profit and profit forecast

Has the Company disclosed any profit forecast or operational plans: Yes

No such discrepancy.

1.9 The supervisory committee's review and opinions on the self evaluation report of internal control

The supervisory committee has considered and approved the self evaluation report of internal control for the year 2011 and review opinions issued by the auditing firm. The supervisory committee had no objection to the self-assessment report of the Board.

1.10 The supervisory committee's view on changes of accounting policy and accounting estimation of the Company

The adjustment of estimated net residual value of vessels was reviewed and approved unanimously at the 2nd meeting of the third session of supervisory committee of the Company. The supervisory committee is of the opinion that the procedures of reviewing and approving the adjustment of estimated net residual value of vessels at the board meeting of the Company were in compliance with applicable laws and regulations and the Articles of Association of the Company, and the adjustment were in compliance with the requirements of China Accounting Standards. The supervisory committee agreed to the changes of accounting policy and accounting estimation.

Report of Supervisory Committee

Report of the supervisory committee for the year 2011

The Company's supervisory committee conscientiously performs its duties and conducts its work diligently in accordance with the laws and regulations of the location where the Company's shares were listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other legal regulations. During the reporting period, the Company convened five committee meetings, including four on-site meetings and one meeting by circulation of documents. The members of the supervisory committee attended all meetings of the supervisory committee in personal or by proxy.

Members of the supervisory committee were present at all meetings of the board of directors and general 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 and the resolutions of the board meetings and general meetings, the implementation of resolutions made at general meetings, the conduct of duties by the directors and the senior management, the financial position, the internal controls and connected transactions of the Company, so as to safeguard the interests of the shareholders and the Company in accordance with the laws and regulations.

The supervisory committee is of the opinion that the board of directors and the senior management of the Company have strictly complied with the Articles of Association and the relevant requirements of the applicable laws of the place of listing of the Company, and have to dutifully and diligently conduct the Company's operations within the relevant regulatory framework. The Company has optimised its internal control system by strengthening its system 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 interests of the Company.

The supervisory committee has carefully reviewed the 2011 financial report, the annual profit appropriation plan of the Company and the unqualified auditor's reports issued by the Company's internal and external auditors. The supervisory committee is of the opinion that the standard unqualified auditor's reports, issued by RSM China Certified Public Accountants, LLP. and PricewaterhouseCoopers provide an objective, fair and true view of the financial position and operating results of the Company, and the profit appropriation plan conforms to the Company's current operational status.

After considering the report on the use of proceeds from the Company's management, 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 connected transactions occurred during the reporting period and found that all transactions were conducted at fair market value without causing any detriment to the interests the Company or its shareholders. No insider transaction was identified and no circumstance causing any detriment to the interests its shareholders or any loss of assets of the Company existed.

The adjustment of estimated net residual value of vessels was reviewed and approved unanimously at the 2nd meeting of the third session of supervisory committee of the Company. The supervisory committee is of the opinion that the procedures of reviewing and approving the adjustment of estimated net residual value of vessels at the board meeting of the Company were in compliance with applicable laws and regulations and the Articles of Association of the Company, and the adjustment were in compliance with the requirements of China Accounting Standards. The supervisory committee agreed to the changes of accounting policy and accounting estimation.

In 2012, the supervisory committee will continue to strictly adhere to the Articles of Association and the relevant requirements, 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
29 March 2012

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 143 to 303, which comprise the consolidated and company balance sheets as at 31 December 2011, 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.

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 2011, and of the Group's loss 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, 29 March 2012

Consolidated Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000 (Restated)	As at 1 January 2010 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	6	73,029,686	67,095,749	63,025,178
Investment properties	7	478,702	489,901	512,187
Leasehold land and land use rights	8	2,672,798	2,201,301	2,174,448
Intangible assets	9	196,051	210,495	214,321
Jointly controlled entities	11	4,978,206	4,572,020	4,510,741
Associates	12	11,164,646	10,910,150	6,158,879
Available-for-sale financial assets	15	481,725	634,607	2,741,634
Derivative financial assets	21	87,884	129,357	113,051
Deferred income tax assets	16	503,302	2,064,189	2,236,989
Restricted bank deposits	18	417,108	449,188	76,172
Loans to jointly controlled entities and associates	13	182,285	1,073,318	1,335,972
Other non-current assets	17	507,388	541,137	495,469
Total non-current assets		94,699,781	90,371,412	83,595,041
Current assets				
Inventories	19	3,387,032	2,116,866	1,782,590
Trade and other receivables	20	11,898,724	10,960,647	8,699,678
Available-for-sale financial assets	15	—	—	140,529
Derivative financial assets	21	—	—	2,829
Tax recoverable		191	5,693	316,435
Financial assets at fair value through profit or loss		—	—	4,670
Restricted bank deposits	18	510,432	697,838	24,596
Cash and cash equivalents	18	46,962,725	46,683,220	44,255,856
		62,759,104	60,464,264	55,227,183
Assets held for sale	22	—	146,216	—
Total current assets		62,759,104	60,610,480	55,227,183
Total assets		157,458,885	150,981,892	138,822,224

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2011

	Note	As at 31 December 2011 RMB'000	2010 RMB'000 (Restated)	As at 1 January 2010 RMB'000 (Restated)
EQUITY				
Equity attributable to the equity holders of the Company				
Share capital	23	**10,216,274**	10,216,274	10,216,274
Reserves	24	**24,479,012**	36,693,220	32,720,034
Proposed final dividend	24	**—**	919,465	—
		34,695,286	47,828,959	42,936,308
Non-controlling interests		**15,475,167**	14,471,896	10,599,245
Total equity		**50,170,453**	62,300,855	53,535,553
LIABILITIES				
Non-current liabilities				
Long-term borrowings	25	**55,313,702**	54,927,482	53,117,454
Provisions and other liabilities	26	**1,402,583**	1,302,883	1,498,338
Derivative financial liabilities	21	**—**	—	55,192
Deferred income tax liabilities	16	**2,489,582**	3,530,789	3,076,024
Other non-current liabilities	27	**89,576**	377,073	—
Total non-current liabilities		**59,295,443**	60,138,227	57,747,008
Current liabilities				
Trade and other payables	28	**23,798,925**	20,392,291	17,798,553
Derivative financial liabilities	21	**—**	61,024	86,890
Short-term borrowings	29	**2,850,888**	1,669,381	3,703,366
Current portion of long-term borrowings	25	**18,861,850**	4,200,211	3,529,595
Current portion of provisions and other liabilities	26	**1,560,547**	1,264,313	1,523,134
Tax payable		**920,779**	955,590	898,125
Total current liabilities		**47,992,989**	28,542,810	27,539,663
Total liabilities		**107,288,432**	88,681,037	85,286,671
Total equity and liabilities		**157,458,885**	150,981,892	138,822,224
Net current assets		**14,766,115**	32,067,670	27,687,520
Total assets less current liabilities		**109,465,896**	122,439,082	111,282,561

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 143 to 303 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Jiang Lijun
Director

Balance Sheet

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,975	3,534
Intangible assets	9	2,289	1,160
Subsidiaries	10	52,109,130	51,109,130
Loans to subsidiaries	10	13,823,299	14,760,141
Deferred income tax assets	16	13,809	33,768
Total non-current assets		65,953,502	65,907,733
Current assets			
Prepayments, deposits and other receivables	20	15,011	12,913
Advances to and amounts due from subsidiaries	10	995,967	1,349,823
Cash and cash equivalents	18	6,923,245	3,638,989
Total current assets		7,934,223	5,001,725
Total assets		73,887,725	70,909,458
EQUITY			
Share capital	23	10,216,274	10,216,274
Reserves	24	38,348,652	38,373,528
Proposed final dividend	24	—	919,465
Total equity		48,564,926	49,509,267
LIABILITIES			
Non-current liabilities			
Long-term borrowings	25	18,716,229	14,754,140
Current liabilities			
Trade and other payables	28	591,580	687,683
Amounts due to subsidiaries	10	5,537,105	5,453,091
Tax payable		477,885	505,277
Total current liabilities		6,606,570	6,646,051
Total liabilities		25,322,799	21,400,191
Total equity and liabilities		73,887,725	70,909,458
Net current assets/(liabilities)		1,327,653	(1,644,326)
Total assets less current liabilities		67,281,155	64,263,407

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 143 to 303 were approved by the Board of Directors on 29 March 2012 and were signed on its behalf.

Mr. Wei Jiafu
Director

Mr. Jiang Lijun
Director

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Revenues	5	**84,639,178**	96,487,636
Cost of services and inventories sold	31	**(89,586,526)**	(84,122,250)
Gross (loss)/profit		**(4,947,348)**	12,365,386
Other income, net	30	**192,664**	276,047
Selling, administrative and general expenses	31	**(5,541,328)**	(4,992,622)
Operating (loss)/profit	32	**(10,296,012)**	7,648,811
Finance income	33	**2,115,483**	1,163,565
Finance costs	33	**(1,733,691)**	(1,321,463)
		(9,914,220)	7,490,913
Share of profits less losses of			
– jointly controlled entities	11	**714,750**	682,639
– associates	12	**1,345,241**	1,036,037
(Loss)/profit before income tax		**(7,854,229)**	9,209,589
Income tax expenses	34	**(1,031,036)**	(1,195,844)
(Loss)/profit for the year		**(8,885,265)**	8,013,745
(Loss)/profit attributable to:			
Equity holders of the Company	35	**(10,495,295)**	6,785,497
Non-controlling interests		**1,610,030**	1,228,248
		(8,885,265)	8,013,745
		RMB	RMB
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company			
– basic	37(a)	**(1.0273)**	0.6642
– diluted	37(b)	**(1.0273)**	0.6642

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

	Note	2011 RMB'000	2010 RMB'000
Distributions	36(a)	**92,687**	14,627
Dividends	36(b)	**—**	919,465

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000 (Restated)
(Loss)/profit for the year	**(8,885,265)**	8,013,745
Other comprehensive income/(loss)		
Available-for-sale financial assets		
– fair value losses, net of tax	**(158,958)**	(79,617)
– transferred to consolidated income statement upon sale	**—**	(47,537)
Cash flow hedges		
– transferred to consolidated income statement	**—**	(1,801)
Share of other comprehensive loss of jointly controlled entities and associates	**(43,057)**	(85,673)
Conversion of an available-for-sale financial asset to an associate		
– release of investment revaluation reserve	**—**	(1,605,002)
– share of reserves	**—**	327,639
Release of reserves upon disposal of a jointly controlled entity (note 22)	**(44,738)**	—
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary (note 41)	**(77,471)**	—
Currency translation differences	**(1,738,014)**	(1,120,686)
Other comprehensive loss for the year, net of tax	**(2,062,238)**	(2,612,677)
Total comprehensive (loss)/income for the year	**(10,947,503)**	5,401,068
Total comprehensive (loss)/income for the year attributable to:		
– Equity holders of the Company	**(12,098,996)**	5,200,978
– Non-controlling interests	**1,151,493**	200,090
Total comprehensive (loss)/income for the year	**(10,947,503)**	5,401,068

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2011, as previously reported	10,216,274	36,292,279	46,508,553	14,467,284	60,975,837
Adoption of merger accounting (note 24 (e))	–	27,140	27,140	4,612	31,752
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	–	1,293,266	1,293,266	–	1,293,266
Balance at 1 January 2011, as restated	10,216,274	37,612,685	47,828,959	14,471,896	62,300,855
Comprehensive loss					
Loss for the year	–	(10,495,295)	(10,495,295)	1,610,030	(8,885,265)
Other comprehensive income/(loss):					
Available-for-sale financial assets – fair value losses, net of tax	–	(119,703)	(119,703)	(39,255)	(158,958)
Share of other comprehensive loss of jointly controlled entities and associates	–	(38,605)	(38,605)	(4,452)	(43,057)
Release of exchange reserve upon disposal of a jointly controlled entity (note 22)	–	(19,112)	(19,112)	(25,626)	(44,738)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary (note 41)	–	(33,095)	(33,095)	(44,376)	(77,471)
Currency translation differences	–	(1,393,186)	(1,393,186)	(344,828)	(1,738,014)
Total other comprehensive loss	–	(1,603,701)	(1,603,701)	(458,537)	(2,062,238)
Total comprehensive (loss)/income for the year ended 31 December 2011	–	(12,098,996)	(12,098,996)	1,151,493	(10,947,503)

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
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	–	359	359	2,589	2,948
Contribution from non-controlling shareholders of subsidiaries	–	–	–	138,105	138,105
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(753,539)	(753,539)
2010 final dividend (note 36 (b))	–	(919,465)	(919,465)	–	(919,465)
Distributions (note 36 (a))	–	(90,800)	(90,800)	(1,887)	(92,687)
Conversion of jointly controlled entities to subsidiaries (note 41)	–	–	–	478,386	478,386
Acquisition of additional interest in a subsidiary (note 24(f)(i))	–	(20,999)	(20,999)	(2,600)	(23,599)
Conversion of a subsidiary to an associate	–	–	–	(4,353)	(4,353)
Others	–	(3,772)	(3,772)	(4,923)	(8,695)
Total contributions by and distributions to owners of the Company	–	(1,034,677)	(1,034,677)	(148,222)	(1,182,899)
As at 31 December 2011	10,216,274	24,479,012	34,695,286	15,475,167	50,170,453
Representing:					
Capital and reserves	10,216,274	24,479,012	34,695,286	15,475,167	50,170,453
2011 final dividend proposed	–	–	–	–	–
As at 31 December 2011	10,216,274	24,479,012	34,695,286	15,475,167	50,170,453

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2010, as previously reported	10,216,274	31,776,069	41,992,343	10,592,472	52,584,815
Adoption of merger accounting	—	30,912	30,912	6,773	37,685
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	—	913,053	913,053	—	913,053
Balance at 1 January 2010, as restated	10,216,274	32,720,034	42,936,308	10,599,245	53,535,553
Comprehensive income/(loss)					
Profit for the year	—	6,785,497	6,785,497	1,228,248	8,013,745
Other comprehensive income/(loss):					
Available-for-sale financial assets					
– fair value losses, net of tax	—	(74,444)	(74,444)	(5,173)	(79,617)
– transferred to consolidated income statement upon sale	—	(24,339)	(24,339)	(23,198)	(47,537)
Cash flow hedge					
– transferred to consolidated income statement	—	(1,801)	(1,801)	—	(1,801)
Share of other comprehensive loss of jointly controlled entities and associates	—	(38,442)	(38,442)	(47,231)	(85,673)
Conversion of an available-for-sale financial asset to an associate					
– release of investment revaluation reserve	—	(685,657)	(685,657)	(919,345)	(1,605,002)
– share of reserves	—	139,967	139,967	187,672	327,639
Currency translation differences	—	(899,803)	(899,803)	(220,883)	(1,120,686)
Total other comprehensive loss, as restated	—	(1,584,519)	(1,584,519)	(1,028,158)	(2,612,677)
Total comprehensive income for the year ended 31 December 2010, as restated	—	5,200,978	5,200,978	200,090	5,401,068

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000 (Note 24)	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Total contributions by and distributions to owners of the company recognised directly in equity					
Contribution from non-controlling shareholders of subsidiaries	—	—	—	175,756	175,756
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(605,855)	(605,855)
Distributions (note 36 (a))	—	(14,627)	(14,627)	—	(14,627)
Disposal of subsidiaries (note 40(d))	—	—	—	(6,171)	(6,171)
Acquisition of additional interest in a subsidiary (note 24(f)(ii))	—	(342,096)	(342,096)	239,567	(102,529)
Placement of shares by a subsidiary, net of issuance expense (note 24(f)(iii))	—	63,798	63,798	3,891,588	3,955,386
Acquisition of the shares from non-controlling shareholders	—	—	—	(1,674)	(1,674)
Share of other movement of an associate	—	(15,402)	(15,402)	(20,650)	(36,052)
Total contributions by and distributions to owners of the Company, as restated	—	(308,327)	(308,327)	3,672,561	3,364,234
As at 31 December 2010, as restated	10,216,274	37,612,685	47,828,959	14,471,896	62,300,855
Representing:					
Capital and reserves	10,216,274	36,693,220	46,909,494	14,471,896	61,381,390
2010 final dividend proposed	—	919,465	919,465	—	919,465
As at 31 December 2010, as restated	10,216,274	37,612,685	47,828,959	14,471,896	62,300,855

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from operating activities			
Cash (used in)/generated from operations	40(a)	**(5,262,493)**	10,618,463
Interest received		**873,653**	665,249
Income tax paid		**(487,128)**	(289,764)
Net cash (used in)/ generated from operating activities		**(4,875,968)**	10,993,948
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets		**(8,546,172)**	(8,498,932)
Acquisition of a subsidiary, net of cash acquired	40(c)	**(2,564)**	—
Investments in jointly controlled entities and associates		**(241,131)**	(3,021,090)
Purchase of available-for-sale financial assets		**(18,411)**	(5,524)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**1,558,522**	496,637
Cash received from disposal of jointly controlled entities and associates		**46,527**	24,794
Cash received from disposal of available-for-sale financial assets		**7,078**	156,166
Cash received from disposal of assets held for sale		**184,000**	—
Cash received from disposal of other financial assets at fair value through profit or loss		**—**	4,319
Loans granted to jointly controlled entities and associates		**—**	(853,326)
Repayments of loans granted to jointly controlled entities, associates		**247,549**	46,507
Cash paid for purchase of subsidiaries from COSCO Group		**(179,062)**	—
Dividends received from jointly controlled entities		**620,304**	523,606
Dividends received from associates		**570,188**	340,439
Dividends received from available-for-sale financial assets		**19,642**	16,508
Disposal of subsidiaries, net of cash disposed of	40(d)	**—**	(7,220)
Reclassification of a subsidiary to an associate		**(22,084)**	—
Reclassification of jointly controlled entites to subsidiaries		**83,413**	—
Acquisition of remaining equity interests from non-controlling interests	24(f)(i)	**(23,599)**	(1,674)
Cash paid for acquisition of additional interest in a subsidiary		**—**	(102,529)
Net cash used in investing activities		**(5,695,800)**	(10,881,319)

The notes on pages 154 to 303 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from borrowings		**27,172,726**	13,649,711
Repayments of borrowings		**(12,529,307)**	(12,058,065)
Proceeds from exercise of share options of a subsidiary by grantees		**2,948**	—
Dividend		**(919,465)**	—
Dividends paid to non-controlling interests		**(746,072)**	(625,516)
Contributions from non-controlling shareholders of subsidiaries		**138,105**	175,756
Interest paid		**(1,707,205)**	(1,301,370)
Other incidental borrowing costs and charges paid		**(54,247)**	(38,013)
Placement of shares from a subsidiary, net of issuance expense		**—**	3,955,386
Decrease/(increase) in restricted bank deposits		**355,796**	(862,176)
Prepayment for loan arrangement fee		**—**	(96,374)
Distributions to former shareholders of the subsidiaries	36(a)	**(6,324)**	(14,627)
Net cash generated from financing activities		**11,706,955**	2,784,712
Net increase in cash and cash equivalents		**1,135,187**	2,897,341
Cash and cash equivalents as at 1 January		**46,683,220**	44,255,856
Exchange losses		**(855,682)**	(469,977)
Cash and cash equivalents as at 31 December	18	**46,962,725**	46,683,220

The notes on pages 154 to 303 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 44). COSCO and its subsidiaries (other than the Group) are collectively referred to as "COSCO Group".

In June 2011, the Group had completed the acquisitions from COSCO Group the equity interests in Costar Shipping Pte Ltd., Coslink (M) Sdn Bhd, COSCO Uruguay S.A., COSCO Argentina Maritime S.A., COSCO Chile S.A. and COSCO Peru S.A. ("Acquired Entities"), which are engaged in shipping agency and freight forwarding business, for total cash considerations of RMB86,363,000. The acquired equity interests in these 6 Acquired Entities are 70%, 70%, 100%, 98%, 51% and 99% respectively.

The Acquired Entities' parent company is COSCO and the aforesaid transactions were regarded as business combinations under common control. The consolidated financial statements for the year ended 31 December 2010 and the financial position as at 31 December 2010 as disclosed in these consolidated financial statements have been restated as a result of adoption of merger accounting for the above business combinations under common control. Details of relevant statements of adjustments for the common control combinations on the Group's results for the year ended 31 December 2010 and the financial position as at 31 December 2010 are set out in note 24(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 29 March 2012.

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 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Consolidated Financial Statements have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss 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) Revised standards and amendments to standards which are effective in 2011 and adopted by the Group

HKICPA has issued the following revised standards and amendments to standards which are mandatory and adopted by the Group for the accounting periods on or after 1 January 2011.

In 2009, the Group has early adopted HKAS 24 (Revised) "Related Party Disclosure", which is effective for accounting periods on or after 1 January 2011.

Apart from this, the Group has also adopted the following amendments to standards during the year:

HKAS 1 (Amendment)	"Presentation of Financial Statements"
HKAS 27 (Amendment)	"Consolidated and Separate Financial Statements"
HKAS 34 (Amendment)	"Interim Financial Reporting"
HKFRS 1 (Amendment)	"First-time Adoption of Hong Kong Financial Reporting Standards"
HKFRS 3 (Amendment)	"Business Combinations"
HKFRS 7 (Amendment)	"Financial Instruments: Disclosures"

Except as described below, the adoption of the above does not have any significant impact to the Group's results for the year ended 31 December 2011 and the Group's financial position as at 1 January 2011 and 31 December 2011.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Revised standards and amendments to standards which are effective in 2011 and adopted by the Group (Continued)

The HKFRS 1 (Amendment) allows first-time adopters to use an event-driven fair value as deemed cost for assets and liabilities, even if the event occurs after the date of transition to HKFRS. Such revaluation has to take place during the period covered by the first-time adopters' first set of HKFRS financial statements. When such a remeasurement occurs, any adjustment to that event-driven fair value is recognised in equity. The HKFRS 1 (Amendment) provides a limited time frame for reporting entities that have previously applied HKFRS 1 to retrospectively apply this amendment. Consequently, the Group has opted to apply this amendment for the year ended 31 December 2011.

The effect of adopted HKFRS 1 (Amendment) is as follows:

Consolidated balance sheet as at 31 December 2011

	As at 31 December 2011, before adoption of HKFRS 1 (Amendment) RMB'000	Adoption of HKFRS 1 (Amendment) RMB'000	As at 31 December 2011 RMB'000
Property, plant and equipment	73,573,157	(543,471)	73,029,686
Investment properties	434,687	44,015	478,702
Leasehold land and land use rights	2,565,661	107,137	2,672,798
Jointly controlled entities	4,866,120	112,086	4,978,206
Available-for-sale financial assets	474,868	6,857	481,725
Deferred income tax assets	389,670	113,632	503,302
Other assets	75,314,466	—	75,314,466
Total assets	157,618,629	(159,744)	157,458,885
Equity attributable to the equity holders of the Company	34,877,914	(182,628)	34,695,286
Non-controlling interests	15,475,167	—	15,475,167
Total equity	50,353,081	(182,628)	50,170,453
Deferred income tax liabilities	2,466,698	22,884	2,489,582
Other liabilities	104,798,850	—	104,798,850
Total liabilities	107,265,548	22,884	107,288,432

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Revised standards and amendments to standards which are effective in 2011 and adopted by the Group (Continued)

Consolidated balance sheet as at 31 December 2010

	As at 31 December 2010, as previously reported RMB'000	Adoption of merger accounting (note 24(e)) RMB'000	As at 31 December 2010, after merger accounting RMB'000	Adoption of HKFRS 1 (Amendment) RMB'000	As at 31 December 2010, restated RMB'000
Property, plant and equipment	66,145,178	18,882	66,164,060	931,689	67,095,749
Investment properties	443,271	—	443,271	46,630	489,901
Leasehold land and land use rights	2,092,079	—	2,092,079	109,222	2,201,301
Jointly controlled entities	4,459,934	—	4,459,934	112,086	4,572,020
Available-for-sale financial assets	627,750	—	627,750	6,857	634,607
Deferred income tax assets	1,956,772	—	1,956,772	107,417	2,064,189
Other assets	73,816,831	107,294	73,924,125	—	73,924,125
Total assets	149,541,815	126,176	149,667,991	1,313,901	150,981,892
Equity attributable to the equity holders of the Company	46,508,553	27,140	46,535,693	1,293,266	47,828,959
Non-controlling interests	14,467,284	4,612	14,471,896	—	14,471,896
Total equity	60,975,837	31,752	61,007,589	1,293,266	62,300,855
Deferred income tax liabilities	3,509,983	171	3,510,154	20,635	3,530,789
Other liabilities	85,055,995	94,253	85,150,248	—	85,150,248
Total liabilities	88,565,978	94,424	88,660,402	20,635	88,681,037

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Revised standards and amendments to standards which are effective in 2011 and adopted by the Group (Continued)

Consolidated balance sheet as at 1 January 2010

	As at 1 January 2010, as previously reported RMB'000	Adoption of merger accounting (note 24(e)) RMB'000	As at 1 January 2010, after merger accounting RMB'000	Adoption of HKFRS 1 (Amendment) RMB'000	As at 1 January 2010, restated RMB'000
Property, plant and equipment	62,464,329	18,583	62,482,912	542,266	63,025,178
Investment properties	465,517	—	465,517	46,670	512,187
Leasehold and land use rights	2,058,623	—	2,058,623	115,825	2,174,448
Jointly controlled entities	4,398,655	—	4,398,655	112,086	4,510,741
Available-for-sale financial assets	2,734,777	—	2,734,777	6,857	2,741,634
Deferred income tax assets	2,129,159	—	2,129,159	107,830	2,236,989
Other assets	63,490,243	130,804	63,621,047	—	63,621,047
Total assets	137,741,303	149,387	137,890,690	931,534	138,822,224
Attributable to the equity holders of the Company	41,992,343	30,912	42,023,255	913,053	42,936,308
Non-controlling interests	10,592,472	6,773	10,599,245	—	10,599,245
Total equity	52,584,815	37,685	52,622,500	913,053	53,535,553
Deferred income tax liabilities	3,057,369	174	3,057,543	18,481	3,076,024
Other liabilities	82,099,119	111,528	82,210,647	—	82,210,647
Total liabilities	85,156,488	111,702	85,268,190	18,481	85,286,671

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Revised standards and amendments to standards which are effective in 2011 and adopted by the Group (Continued)

Consolidated income statement for the year ended 31 December 2011

	For the year ended 31 December 2011, before adoption of HKFRS 1 (Amendment) RMB'000	Adoption of HKFRS 1 (Amendment) RMB'000	For the year ended 31 December 2011 RMB'000
Cost of services and inventories sold	(89,577,315)	(9,211)	(89,586,526)
Selling, administrative and general expenses	(5,534,676)	(6,652)	(5,541,328)
Loss before income tax	(7,838,366)	(15,863)	(7,854,229)
Income tax expenses	(1,035,002)	3,966	(1,031,036)
Loss for the year	(8,873,368)	(11,897)	(8,885,265)
Loss attributable to equity holders of the Company	(10,483,398)	(11,897)	(10,495,295)
Loss per share for loss attributable to equity holders of the Company			
– basic	(1.0261)	(0.0012)	(1.0273)
– diluted	(1.0261)	(0.0012)	(1.0273)

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New and revised standards, amendments to standards and interpretations which are effective in 2011 and adopted by the Group (Continued)

Consolidated income statement for the year ended 31 December 2010

	For the year ended 31 December 2010, as previously reported RMB'000	Adoption of merger accounting (note 24(e)) RMB'000	For the year ended 31 December 2010, after merger accounting RMB'000	Adoption of HKFRS 1 (Amendment) RMB'000	For the year ended 31 December 2010, Restated RMB'000
Cost of services and inventories sold	(84,052,455)	2,809	(84,049,646)	(72,604)	(84,122,250)
Other income, net	270,845	2,741	273,586	2,461	276,047
Selling, administrative and general expenses	(4,944,009)	(41,888)	(4,985,897)	(6,725)	(4,992,622)
Profit before income tax	9,273,602	12,855	9,286,457	(76,868)	9,209,589
Income tax expenses	(1,189,030)	(4,248)	(1,193,278)	(2,566)	(1,195,844)
Profit for the year	8,084,572	8,607	8,093,179	(79,434)	8,013,745
Profit attributable to equity holders of the Company	6,858,465	6,466	6,864,931	(79,434)	6,785,497
Earnings per share for profit attributable to equity holders of the Company					
– basic	0.6713	0.0007	0.6720	(0.0078)	0.6642
– diluted	0.6713	0.0007	0.6720	(0.0078)	0.6642

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New and revised standards and amendments to standards that are relevant to the Group but not yet effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group

New and revised standards and amendments to standards		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets	1 July 2011
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015

The Group will apply the above new and revised standards and amendments to standards from 1 January 2012 or later periods. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

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.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

(iii) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are de-consolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (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.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(iv) Transaction with non-controlling interests

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. For purchases from non-controlling interests, 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 jointly controlled entity, 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.

(vi) Jointly controlled entities/associates

A jointly controlled entity is a joint venture established as a corporation, partnership or other entity in which the ventures have their respective interests and establish a contractual arrangement among them to define joint control over the economic activity of the entity.

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 jointly controlled entities/associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities/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.

The initial accounting on the acquisition of jointly controlled entities/associates and conversion of a jointly controlled entity/associate to a subsidiary involve identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities.

When the Group increases its interest in an existing jointly controlled entity/associate and continues to have joint control or significant influence without obtaining control, the cost of acquiring the additional interest is added to the carrying value of the jointly controlled entity/associate. Goodwill arising on the purchase of the additional interest is calculated by comparing the cost and the fair value of net assets acquired at the date the additional interest is acquired. There is no step up of the previously held interest to fair value as there is no change in status of the investment.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(vi) Jointly controlled entities/associates (Continued)

The cost of a jointly controlled entity/associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the jointly controlled entity's/associate's profits and other comprehensive income, and such share of profits and other comprehensive income is recorded through other comprehensive income. Any other comprehensive income recognised in prior periods in relation to the previously held stake in the acquired jointly controlled entity/associate is reversed through other comprehensive income. Goodwill arising on each purchase is calculated by comparing the cost and the fair value of net assets acquired at the date the interest is acquired. Acquisition-related costs are treated as part of the investment in the jointly controlled entity/associate.

If the ownership interest in a jointly controlled entity/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 jointly controlled entities'/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 jointly controlled entity/an associate equals or exceeds its interest in the jointly controlled entity/associate, 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 jointly controlled entity/associate.

Unrealised gains on transactions between the Group and its jointly controlled entities/associates are eliminated to the extent of the Group's interest in the jointly controlled entities/associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in jointly controlled entities/associates are recognised in the consolidated income statement.

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

Accounting policies of subsidiaries, jointly controlled entities 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 jointly controlled entities 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 the income statement within "finance income or cost". All other foreign exchange gains and losses are presented in the income statement 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.

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 jointly controlled entity 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 jointly controlled entities 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 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 the income statement 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)).

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

(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, jointly controlled entities 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 more frequently 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, jointly controlled entities, 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, jointly controlled entities or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity 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 held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally though a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2 Summary of significant accounting policies (Continued)

(j) 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 the income statement 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 the income statement over the lease periods.

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

(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(y)(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(y)(iv) below.

2 Summary of significant accounting policies (Continued)

(k) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: 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) 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 trade and other receivables, cash and cash equivalents and restricted bank deposits in the balance sheet (notes 2(n) and 2(o)).

(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.

2 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

(ii) Recognition and measurement

Regular 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 the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

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

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

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. 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 the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2(n).

2 Summary of significant accounting policies (Continued)

(l) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

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

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. Movements on the hedging reserve in shareholders' equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedge item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Non-hedge derivatives are classified as a current asset or liability.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedged fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the income statement. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within finance costs.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

2 Summary of significant accounting policies (Continued)

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

(ii) Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs.

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

(iii) Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

Certain derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

(m) 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)

(n) Trade and other receivables

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

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

(o) 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.

(p) 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)

(q) 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.

(r) 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 income statement over the period of the borrowings using the effective interest method.

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

(s) 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 the income statement 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 the income statement on a straight- line basis over the expected lives of the related assets.

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 Summary of significant accounting policies (Continued)

(t) Employee benefits (Continued)

(iii) 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 the income statement 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 recognised in the income statement directly in the period in which they arise.

Past-service costs are recognised immediately in the income statement, unless the changes to the retirement benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension 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.

(iv) 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)

(t) Employee benefits (Continued)

(v) 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 the income statement.

(vi) 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 the income statement.

(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)

(u) 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, jointly controlled entities 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, jointly controlled entities 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)

(v) 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.

(w) Vessels financing, sale and lease back transactions

A series of financing, sale and leasing back of vessels transactions with bank and financial institutions, which are closely interrelated, negotiated as a single transaction, and takes place concurrently or in a continuous sequence, is considered linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole.

The cash benefit achieved under these vessels financing and leasing arrangements is deferred and accounted for as a reduction in the effective interest rate for the borrowings from the bank and financial institutions by amortising the cash benefit over the period from the date of commencement of the vessels financing arrangements to eventual settlement dates.

Under these vessels financing and leasing arrangements, non-current liabilities have been decreased by the loan receivables, those liabilities and loan receivables (and income and charges arising therefrom) are netted off, in order to reflect the overall commercial effect of the arrangements when viewed as a whole. Such netting off has been effected where a right is held to insist on net settlement of the liability and receivable at any time and where no significant risk is borne in respect of the gross amounts.

(x) 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)

(y) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for 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 basis:

(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)

(y) 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)

(z) 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.

(aa) 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 the income statement in the year in which they are incurred.

(ab) 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.

(ac) 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 RMB625,472,000 (2010: RMB769,939,000) for 1% increase/reduction 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 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 2011, with all other variables held constant, if non-functional currencies had strengthened/ weakened by 10%, the Group's post-tax loss for the year would have increased/decreased by approximately RMB93,462,000 (2010 restated: post-tax profit for the year would have decreased/increased by RMB304,520,000) and the equity as at 31 December 2011 would have increased/decreased by approximately RMB93,462,000 (2010 restated: RMB304,520,000) 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 bank balances and deposits, and certain loans to jointly 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 2011, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance income would have resulted in a decrease/an increase in the Group's post-tax loss for the year by approximately RMB10,632,000 (2010 restated: post-tax profit for the year would have increased/decreased by RMB25,605,000) and the equity as at 31 December 2011 would have increased/decreased by RMB10,632,000 (2010 restated: RMB25,605,000).

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 2011, the Group had no bunker forward contracts (2010: 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 and cash and cash equivalents with banks and financial institutions; derivative financial instruments transacted with banks, financial institutions and shipping companies through shipping agents or brokers, 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 listed or tier 1 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) 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 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.

(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 and does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

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 2011, the Group's operating loss and loss for the year amounted to RMB10,296,012,000 and RMB8,885,265,000 respectively. The net operating cash outflow amounted to RMB4,875,968,000.

The Directors of the Company believe that based on the Group's available unused banking facilities in excess of RMB36,406,134,000 and its cash and cash equivalents of RMB46,962,725,000, 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 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 2011				
Bank and other borrowings	**23,337,124**	**12,766,403**	**28,811,484**	**19,380,484**
Trade and other payables (excluding advance from customers) (note 28)	**20,466,247**	**—**	**—**	**—**
As at 31 December 2010 (Restated)				
Bank and other borrowings	7,089,521	22,317,943	24,350,794	13,499,033
Derivative financial liabilities (note 21)	61,024	—	—	—
Trade and other payables (excluding advance from customers) (note 28)	17,521,220	—	—	—

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 2011				
Bank and other borrowings	**812,500**	**812,500**	**11,421,149**	**10,217,764**
Trade and other payables (note 28)	**591,580**	**—**	**—**	**—**
Amounts due to subsidiaries (note 10)	**5,537,105**	**—**	**—**	**—**
As at 31 December 2010				
Bank and other borrowings	594,500	594,500	11,406,500	6,087,500
Trade and other payables (note 28)	687,683	—	—	—
Amounts due to subsidiaries (note 10)	5,453,091	—	—	—

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 2011, the net debt to equity ratio is summarised as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
Long-term borrowings (note 25)	**74,175,552**	59,127,693
Short-term borrowings (note 29)	**2,850,888**	1,669,381
Total borrowings	**77,026,440**	60,797,074
Less: Cash and cash equivalents (note 18)	**(46,962,725)**	(46,683,220)
Net debt	**30,063,715**	14,113,854
Total equity	**50,170,453**	62,300,855
Net debt to equity ratio	**59.9%**	22.7%

The increase in net debt to equity ratio during 2011 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 adjust the return capital to equity holders, 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).

— 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 assets and liabilities that are measured at fair value as at 31 December 2011.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial assets (note 21)	—	87,884	—	87,884
Available-for-sale financial assets (note 15)	237,904	199,493	44,328	481,725
Total assets	237,904	287,377	44,328	569,609
Liabilities				
Borrowings under fair value hedge	—	1,346,943	—	1,346,943
Total liabilities	—	1,346,943	—	1,346,943

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2010.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000 (Restated)	Total RMB'000 (Restated)
Assets				
Derivative financial assets (note 21)	—	129,357	—	129,357
Available-for-sale financial assets (note 15)	330,026	257,945	46,636	634,607
Total assets	330,026	387,302	46,636	763,964
Liabilities				
Derivative financial liabilities (note 21)	—	61,024	—	61,024
Borrowings under fair value hedge	—	1,454,689	—	1,454,689
Total liabilities	—	1,515,713	—	1,515,713

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 regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as trading securities or available for sale.

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 value of interest rate swaps is based on the market price quoted by dealers as at the balance sheet date.

— The fair value of FFA is determined using quoted forward freight market rates as at the balance sheet date.

— The fair value of financial guarantee contracts is determined by reference to the fees charged in an arm's length transaction for similar services or the interest rate differentials charged by lenders on the related borrowings with and without the guarantees granted by the Group.

— Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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 container vessels, dry bulk vessels and containers.

Based on management's review, there is no impairment indication for containers and dry bulk vessels (except for those mentioned below). For container vessels and certain dry bulk vessels, management was in the view that impairment indication exists and impairment assessment for these vessels has been performed.

The recoverable amounts of container vessels and certain dry bulk 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 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 continued use of container vessels and dry bulk vessels (including the amount to be received for the disposal of container vessels and dry bulk 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 for the value-in-use calculation, there was no impairment for such vessels for the year.

(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.

Had the useful lives been different by 10% from management's estimates as at 31 December 2011 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been RMB294,668,000 lower or RMB441,260,000 higher for the year ended 31 December 2011.

4 Critical accounting estimates and judgements (Continued)

(ii) Estimated useful lives and residual values of container vessels, dry bulk vessels and containers (Continued)

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.

During the year ended 31 December 2011, management re-assessed the residual value of container vessels and dry bulk vessels. The Directors concluded that the residual value should be revised upward referring to the expected scrap value of steel in an active market to reflect more fairly the residual value of these assets. This change in accounting estimates has been accounted for prospectively. The net book value of property, plant and equipment as at 31 December 2011 has been increased and the loss before income tax for the year ended 31 December 2011 has been decreased by the same amount of approximately RMB199,859,000 by way of a decrease in depreciation charge for the year as a result of such change.

Had the residual values been different by 10% from management's estimates as at 31 December 2011 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been RMB73,571,000 lower or RMB79,642,000 higher for the year ended 31 December 2011.

(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 obligated 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 RMB1,414,780,000 (31 December 2010: RMB1,171,623,000) for onerous contracts at 31 December 2011 (note 26 (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 26(b)).

Had the estimated freight rates for the onerous contracts as at 31 December 2011, with all other variables held constant, increased or decreased by 10% from management's estimates, the provision for onerous contracts would have been decreased by RMB31,073,000 or increased by RMB31,073,000.

4 Critical accounting estimates and judgements (Continued)

(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 (see also (v) below), 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 a voyage been different by 10% from management's estimates as at 31 December 2011 by 10%, the voyage expenses would have been RMB322,544,000 lower or RMB322,544,000 higher in the future periods.

(v) Voyages in progress

The Group recognises a percentage of estimated total revenues and expenses for any voyage remain incomplete at end of a reporting period. The percentage is calculated based on the number of days completed to the estimated voyage period. If the actual voyage period was different from the estimate, the estimated revenue and voyage expenses would be affected in the following reporting period (see also (iv) above).

Had the actual time proportion been different by 10% from management's estimates as at 31 December 2011, the gross loss would have been RMB21,133,000 lower or RMB15,591,000 higher if it were shorter or longer.

(vi) Control over COSCO Pacific

In May 2010, COSCO Pacific placed its 449,000,000 shares to institutional investors at HK$10.4 per share. Upon the completion of the placing, the Group's equity interest in COSCO Pacific decreased from 51.2% to 42.72%. During the year, COSCO Pacific issued shares on exercising of share options, the Group's equity interest in COSCO Pacific further decreased to 42.71%. The Group remains as the single largest shareholder of COSCO Pacific.

Management has exercised its critical judgement when determining whether the Group has de facto control over COSCO Pacific by considering the following:

(a) the Group has obtained effective control over majority 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, 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 de facto control over COSCO Pacific and the Group's 42.71% equity interest in COSCO Pacific is accounted for and consolidated into the consolidated financial statements of the Company as a subsidiary.

4 Critical accounting estimates and judgements (Continued)

(vii) Income taxes, business taxes and withholding taxes

The Group is subject to income taxes, business taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes, business 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 income 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 16).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability as at 31 December 2011 would have been increased by the same amount of RMB3,071,686,000.

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 16).

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:

	2011 RMB'000	2010 RMB'000 (Restated)
Container shipping (note a)	**40,248,387**	45,266,545
Dry bulk shipping (note b)	**22,298,770**	31,727,366
Logistics	**17,192,511**	15,212,320
Container terminal operations	**1,746,694**	1,254,555
Container leasing, management and sale (note c)	**932,057**	863,873
Turnover	**82,418,419**	94,324,659
Crew service income	**340,171**	380,698
Others	**1,880,588**	1,782,279
Total revenues	**84,639,178**	96,487,636

Notes:

(a) Turnover from container shipping includes time charterhire income under agreements of RMB343,297,000 for the year ended 31 December 2011 (2010: RMB478,141,000).

(b) Turnover from dry bulk shipping includes time charterhire income under agreements of RMB9,284,328,000 for the year ended 31 December 2011 (2010: RMB18,843,968,000).

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

	2011 RMB'000	2010 RMB'000
Operating lease rentals	**809,422**	632,953
Finance lease income	**4,805**	1,402
Proceeds from sale of resaleable containers	**117,830**	229,518
	932,057	863,873

5 Revenues and segment information (Continued)

Operating segments

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

— Container shipping and related business

— Dry bulk shipping and related business

— Logistics

— Container terminal operations and related business

— Container leasing, management, sale and related business

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

Segment assets consist primarily of property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, derivative financial assets, restricted bank deposits, other non-current assets, inventories, receivables, and cash and cash equivalents. Segment liabilities consist primarily of long-term borrowings, short-term borrowings, provisions and other liabilities, derivative financial liabilities, other non-current liabilities and payables. Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investments in jointly controlled entities and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

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

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2011							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations 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
Income statement								
Total revenues	41,436,683	23,361,685	17,270,621	2,138,503	1,785,996	11,827	(1,366,137)	84,639,178
Inter-segment revenues	(30,707)	(11,572)	(78,110)	(391,809)	(853,939)	—	1,366,137	—
Revenues (from external customers)	41,405,976	23,350,113	17,192,511	1,746,694	932,057	11,827	—	84,639,178
Segment (loss)/profit	(6,358,892)	(5,424,666)	626,524	492,741	805,801	(437,520)	—	(10,296,012)
Finance income								2,115,483
Finance costs								(1,733,691)
Share of profits less losses of								
– jointly controlled entities	(7,954)	41,012	57,584	624,108	—	—	—	714,750
– associates	4,594	7,534	87,935	384,191	—	860,987	—	1,345,241
Loss before income tax								(7,854,229)
Income tax expenses								(1,031,036)
Loss for the year								(8,885,265)
Depreciation and amortisation	1,267,868	1,241,828	160,736	325,836	577,448	15,483	—	3,589,199
Provision/ (reversal of provision) for impairment of trade and other receivables, net	68,442	40,950	10,496	22	(2,189)	—	—	117,721
Amortised amount of transaction costs on long-term borrowings	35,361	16,970	—	—	6,762	6,908	—	66,001
Provision for onerous contracts for the year	—	1,426,411	—	—	—	—	—	1,426,411
Additions to non-current assets	2,024,667	2,257,828	328,199	6,023,461	2,806,844	130,888	—	13,571,887

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2010 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations 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
Income statement								
Total revenues	46,396,578	32,792,726	15,297,871	1,349,012	1,698,956	18,565	(1,066,072)	96,487,636
Inter-segment revenues	(35,213)	(15,768)	(85,551)	(94,457)	(835,083)	—	1,066,072	—
Revenues (from external customers)	46,361,365	32,776,958	15,212,320	1,254,555	863,873	18,565	—	96,487,636
Segment profit/(loss)	3,592,254	2,991,462	649,625	143,747	690,008	(418,285)	—	7,648,811
Finance income								1,163,565
Finance costs								(1,321,463)
Share of profits less losses of								
– jointly controlled entities	17,433	114,370	45,319	505,517	—	—	—	682,639
– associates	4,238	11,458	76,050	272,546	—	671,745	—	1,036,037
Profit before income tax								9,209,589
Income tax expenses								(1,195,844)
Profit for the year								8,013,745
Depreciation and amortisation	1,401,479	1,211,741	148,873	158,399	594,409	13,820	—	3,528,721
(Reversal of provision)/ provision for impairment of trade and other receivables, net	(673)	(19,803)	(14,455)	298	(2,275)	—	—	(36,908)
Amortised amount of transaction costs on long-term borrowings	26,729	18,023	—	—	7,625	6,541	—	58,918
Unrealised fair value loss on FFA, net	—	61,024	—	—	—	—	—	61,024
Provision for onerous contracts for the year	—	1,176,814	—	—	—	—	—	1,176,814
Additions to non-current assets	2,167,386	3,871,589	606,799	4,741,858	1,703,662	28,475	—	13,119,769

5 Revenues and segment information (Continued)

Operating segments (Continued)

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

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2010 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations 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	49,574,550	51,961,204	9,007,440	7,477,924	11,167,131	26,813,663	(24,426,213)	131,575,699
Jointly controlled entities	421,395	710,330	387,907	3,052,388	—	—	—	4,572,020
Associates	30,946	108,256	510,822	5,222,255	—	5,037,871	—	10,910,150
Loans to jointly controlled entities and associates	—	14,731	—	1,058,587	—	—	—	1,073,318
Available-for-sale financial assets	70,876	155,893	242,270	165,568	—	—	—	634,607
Assets held for sale	—	—	—	146,216	—	—	—	146,216
Unallocated assets								2,069,882
Total assets								150,981,892
Segment liabilities	38,695,532	27,141,988	4,858,562	4,247,701	6,026,979	27,650,109	(24,426,213)	84,194,658
Unallocated liabilities								4,486,379
Total liabilities								88,681,037

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 1 January 2010 (Restated)							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal operations 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	42,660,500	50,488,921	7,638,141	6,244,917	11,550,756	22,261,085	(19,463,275)	121,381,045
Jointly controlled entities	436,723	724,947	405,225	2,943,846	—	—	—	4,510,741
Associates	37,526	101,635	495,533	915,706	—	4,608,479	—	6,158,879
Loans to jointly controlled entities and associates	—	20,951	—	1,315,021	—	—	—	1,335,972
Available-for-sale financial assets	120,336	151,016	285,259	2,325,552	—	—	—	2,882,163
Unallocated assets								2,553,424
Total assets								138,822,224
Segment liabilities	35,849,330	27,333,061	5,352,662	4,071,499	6,549,753	21,619,492	(19,463,275)	81,312,522
Unallocated liabilities								3,974,149
Total liabilities								85,286,671

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

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

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2011 RMB'000	2010 RMB'000 (Restated)
Container shipping and related business		
– America	12,283,093	14,311,207
– Europe	9,589,310	12,666,954
– Asia Pacific	6,665,410	7,004,605
– China domestic	11,294,373	10,746,679
– Other international market	1,573,790	1,631,920
Dry bulk shipping and related business		
– International shipping	21,340,071	30,765,224
– PRC coastal shipping	2,010,042	2,011,734
Logistics, container terminal operations and related business, corporate and other operations		
– Europe	699,866	671,160
– Asia Pacific	199,058	203,459
– China domestic	18,052,108	15,610,821
Unallocated	932,057	863,873
Total	84,639,178	96,487,636

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

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

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

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

	As at 31 December 2011 RMB'000	As at 31 December 2010 RMB'000 (Restated)	As at 1 January 2010 RMB'000 (Restated)
China domestic	**32,959,497**	26,900,442	23,208,999
Non-China domestic	**3,013,998**	2,551,221	2,393,590
Unallocated	**56,951,225**	56,551,267	51,481,456
Total	**92,924,720**	86,002,930	77,084,045

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 2011, as previously reported	6,063,567	33,212,004	43,520,900	10,663,560	1,553,079	2,647,744	9,614,480	107,275,334
Adoption of merger accounting (note 24(e))	18,980	—	—	—	8,775	14,183	—	41,938
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	38,956	3,533,254	2,947,689	—	31,185	(22,497)	53,199	6,581,786
As at 1 January 2011, as restated	6,121,503	36,745,258	46,468,589	10,663,560	1,593,039	2,639,430	9,667,679	113,899,058
Currency translation differences	(18,352)	(875,690)	(1,411,906)	(541,843)	(11,097)	(47,720)	(326,767)	(3,233,375)
Reclassification between categories and transfer to investment properties, leasehold land and land use rights and intangible assets	511,865	—	3,001,943	—	8,096	151,520	(3,713,461)	(40,037)
Acquisition of a subsidiary (note 40(c))	—	—	—	—	—	917	—	917
Conversion of jointly controlled entities to subsidiaries (note 41)	2,649,952	—	—	—	3	1,191,994	576,539	4,418,488
Additions	55,631	—	23,912	2,795,854	46,398	426,863	5,269,566	8,618,224
Disposals/write-off	(6,865)	(101,910)	(313,854)	(1,543,165)	(89,354)	(95,148)	(73,430)	(2,223,726)
Conversion of a subsidiary to an associate	—	—	—	—	—	(1,319)	—	(1,319)
Transfer to inventories (note 6(d))	—	—	—	(181,372)	—	—	—	(181,372)
As at 31 December 2011	9,313,734	35,767,658	47,768,684	11,193,034	1,547,085	4,266,537	11,400,126	121,256,858

6 Property, plant and equipment (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
Accumulated depreciation and impairment								
As at 1 January 2011, as previously reported	1,039,484	13,389,022	22,445,802	2,128,251	865,835	1,261,762	—	41,130,156
Adoption of merger accounting (note 24(e))	5,681	—	—	—	4,149	13,226	—	23,056
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	10,937	3,359,576	2,269,998	—	27,714	(18,128)	—	5,650,097
As at 1 January 2011, as restated	1,056,102	16,748,598	24,715,800	2,128,251	897,698	1,256,860	—	46,803,309
Currency translation differences	(4,935)	(329,332)	(630,071)	(108,707)	(5,839)	(10,726)	—	(1,089,610)
Depreciation charge for the year	268,780	1,068,311	1,136,692	567,831	84,958	305,586	—	3,432,158
Conversion of a subsidiary to an associate	—	—	—	—	—	(1,237)	—	(1,237)
Disposals/write-off	(6,758)	(93,978)	(274,009)	(240,346)	(80,886)	(84,228)	—	(780,205)
Transfer to inventories (note 6(d))	—	—	—	(137,243)	—	—	—	(137,243)
As at 31 December 2011	1,313,189	17,393,599	24,948,412	2,209,786	895,931	1,466,255	—	48,227,172
Net book value								
As at 31 December 2011	8,000,545	18,374,059	22,820,272	8,983,248	651,154	2,800,282	11,400,126	73,029,686

6 Property, plant and equipment (Continued)

(Restated)

	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 2010, as previously reported	5,220,568	29,838,750	40,639,936	10,069,520	1,503,046	2,492,840	12,743,541	102,508,201
Adoption of merger accounting (note 24(e))	18,429	—	—	—	9,794	13,275	—	41,498
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	36,940	3,641,390	2,682,473	—	31,194	(22,497)	42,554	6,412,054
As at 1 January 2010, as restated	5,275,937	33,480,140	43,322,409	10,069,520	1,544,034	2,483,618	12,786,095	108,961,753
Currency translation differences	(3,102)	(558,019)	(804,024)	(323,126)	(6,982)	(9,147)	(192,279)	(1,896,679)
Reclassification from leasehold land upon adoption of HKAS 17 (Amendment)	138,738	—	—	—	—	—	—	138,738
Reclassification between categories and transfer to investment properties, leasehold land and land use rights and intangible assets	681,473	4,396,065	4,518,267	—	107,575	120,493	(9,978,758)	(154,885)
Additions	50,190	142,608	49,604	1,695,409	68,151	103,673	7,052,621	9,162,256
Disposals/write-off	(21,733)	(715,536)	(617,667)	(171,341)	(78,650)	(58,687)	—	(1,663,614)
Disposal of subsidiaries (note 40(d))	—	—	—	—	(41,089)	(520)	—	(41,609)
Transfer to inventories (note 6(d))	—	—	—	(606,902)	—	—	—	(606,902)
As at 31 December 2010, as restated	6,121,503	36,745,258	46,468,589	10,663,560	1,593,039	2,639,430	9,667,679	113,899,058

6 Property, plant and equipment (Continued)

(Restated)

	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
Accumulated depreciation and impairment								
As at 1 January 2010, as previously reported	848,907	12,849,381	22,215,508	2,154,565	833,227	1,142,284	—	40,043,872
Adoption of merger accounting (note 24(e))	5,119	—	—	—	5,490	12,306	—	22,915
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	7,501	3,650,245	2,204,869	—	25,782	(18,609)	—	5,869,788
As at 1 January 2010, as restated	861,527	16,499,626	24,420,377	2,154,565	864,499	1,135,981	—	45,936,575
Currency translation differences	(1,763)	(236,788)	(323,649)	(56,804)	(3,217)	(5,278)	—	(627,499)
Reclassification from leasehold land upon adoption of HKAS 17 (Amendment)	24,596	—	—	—	—	—	—	24,596
Depreciation charge for the year	182,394	1,156,881	1,153,633	586,256	121,601	178,189	—	3,378,954
Disposals/write-off	(10,652)	(671,121)	(534,561)	(127,516)	(62,520)	(51,536)	—	(1,457,906)
Disposal of subsidiaries (note 40(d))	—	—	—	—	(22,665)	(496)	—	(23,161)
Transfer to inventories (note 6(d))	—	—	—	(428,250)	—	—	—	(428,250)
As at 31 December 2010, as restated	1,056,102	16,748,598	24,715,800	2,128,251	897,698	1,256,860	—	46,803,309
Net book value								
As at 31 December 2010, as restated	5,065,401	19,996,660	21,752,789	8,535,309	695,341	1,382,570	9,667,679	67,095,749

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 2011	4,707	9,680	14,387
Additions	—	2,961	2,961
As at 31 December 2011	4,707	12,641	17,348
Accumulated depreciation			
As at 1 January 2011	3,336	7,517	10,853
Depreciation charge for the year	539	981	1,520
As at 31 December 2011	3,875	8,498	12,373
Net book value			
As at 31 December 2011	832	4,143	4,975
Cost			
As at 1 January 2010	4,707	9,028	13,735
Additions	—	652	652
As at 31 December 2010	4,707	9,680	14,387
Accumulated depreciation			
As at 1 January 2010	2,451	6,256	8,707
Depreciation charge for the year	885	1,261	2,146
As at 31 December 2010	3,336	7,517	10,853
Net book value			
As at 31 December 2010	1,371	2,163	3,534

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 2011				
Cost	**7,205,157**	**4,137,611**	**27,010,341**	**38,353,109**
Accumulated depreciation and impairment	**(1,363,087)**	**(893,578)**	**(15,783,174)**	**(18,039,839)**
	5,842,070	**3,244,033**	**11,227,167**	**20,313,270**
As at 31 December 2010 (Restated)				
Cost	5,882,507	4,718,183	31,533,605	42,134,295
Accumulated depreciation and impairment	(1,108,335)	(995,975)	(18,637,766)	(20,742,076)
	4,774,172	3,722,208	12,895,839	21,392,219

(b) As at 31 December 2011, container vessels, dry bulk vessels and vessels under construction with aggregate net book values of RMB9,848,214,000, RMB10,092,045,000 and RMB2,732,896,000 (2010 restated: RMB10,913,988,000, RMB5,694,575,000 and RMB 406,348,000) respectively were pledged as security for loan facilities granted by banks (2010: by banks and a third party) (note 25(i)).

As at 31 December 2011, 28 vessels under construction with net book value of RMB5,107,399,000 (2010: 28 vessels with net book value of RMB 3,567,887,000) were pledged to obtain banking facilities of approximately RMB11,032,195,000 (equivalent to US$1,750,892,000), of which RMB579,922,000 (equivalent to US$89,796,000) has been drawn down by the Group. In addition, the Group prepaid loan arrangement fee and other related costs for obtaining such loan facilities amounting to RMB94,062,000 (2010: RMB96,374,000) (note 17) of which RMB30,343,000 (2010: nil) was capitalised to long-term borrowing during the year.

(c) As at 31 December 2011, buildings and other property, plant and equipment with net book value of RMB52,315,000 and RMB121,462,000 (2010: RMB54,494,000 and RMB 138,388,000) respectively were pledged as security for long-term bank borrowings and loan from an associate (note 25(i)).

(d) During the year, the Group transferred containers with aggregate net book values of RMB44,129,000 (2010: RMB178,652,000) to inventories.

(e) The net book value of a vessel held under finance lease as at 31 December 2011 amounted to RMB44,182,000 (2010: RMB48,061,000) (note 25(j)).

6 Property, plant and equipment (Continued)

(f) In 2006, the Group entered into agreements with certain bank and financial institution pursuant to which the Group participated in financing, sale and leasing back of two vessels (the "Vessel Financing Lease Arrangements"). These two vessels with net book values of RMB691,189,000 (equivalent to approximately US$109,697,000) as at 31 December 2011 (2010: RMB757,176,000 (equivalent to approximately US$114,330,000)) are accounted for as property, plant and equipment.

As at 31 December 2011, the balance of RMB350,708,000 (equivalent to approximately US$55,660,000) (2010: RMB405,765,000 (equivalent to approximately US$61,269,000)) in respect of the arrangements was included in bank loans under long-term borrowings (note 25(i)).

(g) The depreciation of the dry-docking costs for the year ended 31 December 2011 and the net book value of the dry-docking costs as at 31 December 2011 were RMB63,528,000 and RMB72,878,000 (2010: RMB83,702,000 and RMB101,098,000) respectively.

(h) During the year, interest expenses of RMB89,226,000 (2010: RMB104,277,000) were capitalised in vessel costs during the vessel construction period (note 33).

(i) As at 31 December 2011, deposits paid by the Group in relation to construction work of vessels not yet commenced, amounting to RMB2,588,097,000 (2010: RMB3,589,782,000) were included in assets under construction.

(j) The accumulated impairment losses of property, plant and equipment as at 31 December 2011 amounted to RMB2,434,347,000 (2010 restated: RMB 2,497,303,000).

7 Investment properties

	Group 2011 RMB'000	2010 RMB'000 (Restated)
Cost	**661,744**	648,218
Accumulated depreciation	**(171,843)**	(136,031)
Net book value as at 1 January	**489,901**	512,187
Currency translation differences	**(1,055)**	(766)
Reclassification from leasehold land and land use rights	**322**	3,426
Conversion of a jointly controlled entity to a subsidiary (note 41)	**18,967**	—
Additions	**5,219**	10,813
Reclassification (to)/from property, plant and equipment	**(8,320)**	991
Disposals	**—**	(7,740)
Depreciation	**(26,332)**	(29,010)
Net book value as at 31 December	**478,702**	489,901
Cost	**673,690**	661,744
Accumulated depreciation	**(194,988)**	(171,843)
Net book value as at 31 December	**478,702**	489,901

The fair value of the investment properties as at 31 December 2011 was RMB2,117,707,000 (2010: RMB1,877,769,000). 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 2011 RMB'000	2010 RMB'000 (Restated)
In Hong Kong, held on:		
Leases of over 50 years	**17,907**	24,302
In China Mainland, held on:		
Leases of over 50 years	**18,967**	—
Leases of between 10 to 50 years	**439,171**	462,823
Leases of less than 10 years	**2,657**	2,776
	460,795	465,599
Total	**478,702**	489,901

8 Leasehold land and land use rights

	Group	
	2011	2010
	RMB'000	RMB'000
		(Restated)
Cost	**2,392,415**	2,340,008
Accumulated amortisation	**(191,114)**	(165,560)
Net book value as at 1 January	**2,201,301**	2,174,448
Currency translation differences	**(178)**	(1,009)
Additions	**76,876**	63,978
Conversion of a jointly controlled entity to a subsidiary (note 41)	**424,952**	—
Reclassification from property, plant and equipment	**39,980**	141,176
Reclassification to property, plant and equipment	**—**	(114,142)
Reclassification to investment properties upon adoption of HKAS 17 (Amendment)	**(322)**	(3,426)
Disposals	**(3,209)**	(5,429)
Amortisation	**(66,602)**	(54,295)
Net book value as at 31 December	**2,672,798**	2,201,301
Cost	**2,931,789**	2,392,415
Accumulated amortisation	**(258,991)**	(191,114)
Net book value as at 31 December	**2,672,798**	2,201,301

8 Leasehold land and land use rights (Continued)

Note:

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value, are analysed as follows:

	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)
Outside Hong Kong, held on:		
Leases of over 50 years	17,825	20,766
Leases of between 10 to 50 years	2,654,973	2,180,535
Total	2,672,798	2,201,301

9 Intangible assets

	Group Goodwill RMB'000	Group Computer software RMB'000	Group Total RMB'000	Company Computer software RMB'000
Year ended 31 December 2011				
Opening net book value	26,471	184,024	210,495	1,160
Currency translation differences	—	(3,347)	(3,347)	—
Additions	—	23,856	23,856	1,660
Reclassification from property, plant and equipment	—	8,377	8,377	—
Conversion of a jointly controlled entity to a subsidiary (note 41)	—	8,894	8,894	—
Acquisition of a subsidiary (note 40(c))	—	112	112	—
Amortisation	—	(51,262)	(51,262)	(531)
Disposal/write-off	—	(1,074)	(1,074)	—
Closing net book value	26,471	169,580	196,051	2,289
At 31 December 2011				
Cost	26,471	793,483	819,954	4,032
Accumulated amortisation	—	(623,903)	(623,903)	(1,743)
Net book value	26,471	169,580	196,051	2,289

9 Intangible assets (Continued)

	Group			Company
		Computer		Computer
	Goodwill	software	Total	software
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2010				
Opening net book value	26,471	187,850	214,321	1,621
Currency translation differences	—	(1,836)	(1,836)	—
Additions	—	39,477	39,477	—
Reclassification from property, plant and equipment	—	12,718	12,718	—
Amortisation	—	(53,623)	(53,623)	(461)
Disposal/write-off	—	(562)	(562)	—
Closing net book value	26,471	184,024	210,495	1,160
At 31 December 2010				
Cost	26,471	761,881	788,352	2,371
Accumulated amortisation	—	(577,857)	(577,857)	(1,211)
Net book value	26,471	184,024	210,495	1,160

Amortisation of intangible assets of RMB4,139,000 and RMB47,123,000 (2010: RMB3,712,000 and RMB49,911,000) are included in the "Cost of services and inventories sold" and "Selling, administrative and general expenses" respectively in the consolidated income statement.

10 Subsidiaries

	Company	
	2011	2010
	RMB'000	RMB'000
Non-current assets		
Unlisted investments		
At cost	38,237,860	37,237,860
Equity loan to a subsidiary (note a)	13,871,270	13,871,270
	52,109,130	51,109,130
Loans to subsidiaries (note c)	13,823,299	14,760,141
Current assets		
Amounts due from subsidiaries (note a)	574,067	939,423
Advances to subsidiaries (note b)	421,900	410,400
	995,967	1,349,823
Current liabilities		
Amounts due to subsidiaries (note a)	(5,537,105)	(5,453,091)

Notes:

(a) The equity loan to a subsidiary is unsecured, interest free and of investment in nature. 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 and 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 RMB13,799,228,000 (2010: RMB14,754,140,000) to subsidiaries are unsecured and were funded by the proceeds from the issue of notes by the Company. The terms of repayment and interest rates charged for the loans to the subsidiaries were identical with the terms of notes issued by the Company (note 25(c)(i)) except for a loan of RMB5,000,000,000 (2010: Nil) to a subsidiary was interest free for the year ended 31 December 2011.

The remaining loan balance of RMB24,071,000 (2010: RMB6,001,000) is unsecured, interest free and has no fixed terms of repayment.

As at 31 December 2011, the fair value of the loans to subsidiaries amounted to RMB13,471,000,000 (2010: RMB14,379,000,000).

(d) Details of the principal subsidiaries as at 31 December 2011 are shown in note 45(a).

11 Jointly controlled entities

	Group		
	As at 31 December		As at 1 January
	2011	2010	2010
	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)
Share of net assets	**4,587,531**	4,160,002	4,098,232
Goodwill on acquisitions (note a)	**261,128**	274,465	282,981
Loan (note b)	**129,547**	137,553	129,528
	4,978,206	4,572,020	4,510,741

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of RMB198,069,000, RMB33,786,000 and RMB28,562,000 (2010: RMB208,185,000, RMB35,511,000 and RMB30,021,000) respectively. The movement during the year was mainly resulted from currency translation differences.

(b) The loan to a jointly controlled entity is equity in nature, unsecured, interest free and 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 interests in respective jointly controlled entities:

	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 2011	**9,195,178**	**(4,573,745)**	**(33,902)**	**(3,916,450)**	**(714,750)**
31 December 2010 (Restated)	12,388,605	(7,833,763)	(394,840)	(3,974,920)	(682,639)
1 January 2010 (Restated)	12,172,851	(7,663,002)	(411,617)	(4,535,797)	(567,136)

(d) The Company has no directly owned jointly controlled entity as at 31 December 2011 and 2010. Details of the principal jointly controlled entities as at 31 December 2011 are shown in note 45(b).

As at 31 December 2011, there were no significant contingent liabilities relating to the Group's interests in jointly controlled entities. In addition, none of the jointly controlled entities had any significant contingent liabilities.

12 Associates

	Group 2011 RMB'000	Group 2010 RMB'000
Share of net assets		
Listed shares	**4,889,879**	4,449,332
Unlisted shares (note a)	**5,203,828**	5,082,701
	10,093,707	9,532,033
Goodwill on acquisitions (note a)	**178,183**	187,283
Loans (note a)	**892,756**	1,190,834
	11,164,646	10,910,150
Market value of listed shares	**6,624,174**	12,210,418

Notes:

(a) In June 2010, the Group's subsidiary, COSCO Pacific completed the acquisition of additional 9.64% equity interest in Sigma Enterprises Limited ("Sigma"), previously an available-for-sale financial asset of the Group, and 5.12% equity interest in Wattrus Limited ("Wattrus"), as a shareholder with 79.4% interest in Sigma, and shareholders' loans to Sigma and Wattrus, for a total consideration of US$520,000,000 (equivalent to approximately RMB3,547,388,000). After the acquisition, COSCO Pacific held 16.49% equity interest in Sigma and 5.12% equity interest in Wattrus, representing an effective equity interest of 20.55% in Sigma.

The directors of COSCO Pacific considered that COSCO Pacific has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus and therefore has accounted for Sigma and Wattrus as associates since then.

The carrying amount of goodwill on acquisitions of associates mainly represented the goodwill on acquisition of equity interests in Sigma and Wattrus of RMB130,233,000 and RMB47,402,000 (2010: RMB136,885,000 and RMB 49,823,000) respectively. The movement during the year was mainly resulted from currency translation differences.

These loans to associates are equity in nature, unsecured, interest free and not repayable within twelve months.

(b) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective 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 2011	**35,080,448**	**(23,365,369)**	**(1,621,372)**	**(16,242,709)**	**(1,345,241)**
31 December 2010	30,283,798	(19,159,605)	(1,592,160)	(12,907,095)	(1,036,037)

(c) The Company had no directly owned associate as at 31 December 2011 and 2010. Details of the principal associates as at 31 December 2011 are shown in note 45(c).

13 Loans to jointly controlled entities and associates

	2011 RMB'000	2010 RMB'000
Loans to jointly controlled entities (note a)	—	884,572
Loans to associates (note b)	182,285	188,746
	182,285	1,073,318

Notes:

(a) As at 31st December 2010, the loans to jointly controlled entities were unsecured. Except for the loan to a jointly controlled entity of RMB616,368,000 which bore interest at 0.6% per annum above the US dollar LIBOR and was wholly repayable on or before 30 June 2013 and not repayable within twelve months; the remaining balances were interest free and not repayable within twelve months.

On 1 January 2011, a jointly controlled entity converted to a subsidiary (note 41). Upon the conversion, the loan to the jointly controlled entity of RMB616,368,000 was reclassified to a loan to a subsidiary of COSCO Pacific. The remaining balance was transferred to other receivable during the year.

(b) The loans to associates are unsecured, bears interest at 2% (2010: 2%) per annum above the 10-year Belgium prime rate and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

14 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables RMB'000	Assets at fair value through profit and loss RMB'000	Derivatives used for hedging RMB'000	Available-for-sale RMB'000	Total RMB'000
Assets as per consolidated balance sheet					
As at 31 December 2011					
Available-for-sale financial assets (note 15)	—	—	—	481,725	481,725
Derivative financial assets (note 21)	—	—	87,884	—	87,884
Trade and other receivables (excluding prepayments and deposits) (note 20)	9,228,598	—	—	—	9,228,598
Loans to jointly controlled entities and associates (note 13)	182,285	—	—	—	182,285
Bank deposits and cash and cash equivalents (note 18)	47,890,265	—	—	—	47,890,265
Finance lease receivable (note 17(b))	116,829	—	—	—	116,829
Total	57,417,977	—	87,884	481,725	57,987,586
As at 31 December 2010 (Restated)					
Available-for-sale financial assets (note 15)	—	—	—	634,607	634,607
Derivative financial assets (note 21)	—	—	129,357	—	129,357
Trade and other receivables (excluding prepayments and deposits) (note 20)	8,888,184	—	—	—	8,888,184
Loans to jointly controlled entities and associates (note 13)	1,073,318	—	—	—	1,073,318
Bank deposits and cash and cash equivalents (note 18)	47,830,246	—	—	—	47,830,246
Finance lease receivable (note 17(b))	24,668	—	—	—	24,668
Total	57,816,416	—	129,357	634,607	58,580,380

14 Financial instruments by category (Continued)

	Liabilities at fair value through profit and loss RMB'000	Other financial liabilities RMB'000	Total RMB'000
Liabilities as per consolidated balance sheet			
As at 31 December 2011			
Trade and other payables (excluding advance from customers) (note 28)	**—**	**20,466,247**	**20,466,247**
Borrowings (notes 25, 29)	**—**	**77,026,440**	**77,026,440**
Total	**—**	**97,492,687**	**97,492,687**
As at 31 December 2010 (Restated)			
Trade and other payables (excluding advance from customers) (note 28)	—	17,521,220	17,521,220
Borrowings (notes 25, 29)	—	60,797,074	60,797,074
Derivative financial liabilities (note 21)	61,024	—	61,024
Total	61,024	78,318,294	78,379,318

14 Financial instruments by category (Continued)

Company

	Loans and receivables RMB'000
Assets as per balance sheet	
As at 31 December 2011	
Other receivables (note 20)	**15,011**
Loans to and receivables from subsidiaries (note 10)	**14,819,266**
Cash and cash equivalents (note 18)	**6,923,245**
Total	**21,757,522**
As at 31 December 2010	
Other receivables (note 20)	12,913
Loans to and receivables from subsidiaries (note 10)	16,109,964
Cash and cash equivalents (note 18)	3,638,989
Total	19,761,866

	Other financial liabilities RMB'000
Liabilities as per balance sheet	
As at 31 December 2011	
Other payables and accruals (note 28)	**591,580**
Payables to subsidiaries (note 10)	**5,537,105**
Borrowings (note 25)	**18,716,229**
Total	**24,844,914**
As at 31 December 2010	
Other payables and accruals (note 28)	687,683
Payables to subsidiaries (note 10)	5,453,091
Borrowings (note 25)	14,754,140
Total	20,894,914

15 Available-for-sale financial assets

	Group 2011 RMB'000	2010 RMB'000 (Restated)
As at 1 January	**634,607**	2,882,163
Additions	**55,405**	13,066
Disposals	**(7,545)**	(145,602)
Net fair value loss recognised in equity	**(193,943)**	(102,334)
Currency translation differences	**(6,799)**	(5,195)
Conversion of an available-for-sale financial asset to an associate (note 12(a))	**—**	(2,007,491)
As at 31 December	**481,725**	634,607
Available-for-sale financial assets represent the following:		
Listed investments in the PRC (note a)	**237,904**	330,026
Unlisted investments (note b)	**243,821**	304,581
	481,725	634,607

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 container terminal operations in Tianjin of Mainland China.

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

	2011 RMB'000	2010 RMB'000 (Restated)
RMB	**444,455**	634,443
Korean WON	**37,270**	164
	481,725	634,607

16 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% to 46% for the year (2010: 11% to 46%).

The movement on the net deferred tax assets/(liabilities) is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
As at 1 January	**(1,466,600)**	(839,035)	**33,768**	38,342
Currency translation differences	**11,725**	2,096	**—**	—
Charged to consolidated income statement (note 34)	**(566,390)**	(652,378)	**(19,959)**	(4,574)
Credited to other comprehensive income (note 34(e))	**34,985**	22,717	**—**	—
As at 31 December	**(1,986,280)**	(1,466,600)	**13,809**	33,768

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2011, the Group had tax losses of RMB25,988,177,000 (2010 restated: RMB9,037,803,000) 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 RMB25,781,661,000 (2010: RMB8,898,489,000) will expire through year 2016.

16 Deferred income tax assets/(liabilities) (Continued)

As at 31 December 2011, the unrecognised deferred income tax liabilities were RMB3,071,686,000 (2010: RMB1,644,535,000), 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 2011 amounted to RMB13,053,312,000 (2010: RMB6,991,097,000).

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, associates and jointly controlled entities RMB'000	Accelerated tax depreciation RMB'000	Fair value gain RMB'000	Others RMB'000	Total RMB'000
(Restated)					
As at 1 January 2010	(2,630,004)	(218,297)	(96,599)	(170,468)	(3,115,368)
Currency translation differences	4,940	2,345	—	(38)	7,247
(Charged)/credited to consolidated income statement	(349,625)	(97,896)	253	1,883	(445,385)
Credited to other comprehensive income	—	—	22,717	—	22,717
As at 31 December 2010 and 1 January 2011	(2,974,689)	(313,848)	(73,629)	(168,623)	(3,530,789)
Currency translation differences	**10,845**	**4,476**	**(1,609)**	**159**	**13,871**
(Charged)/credited to consolidated income statement	**1,110,003**	**(122,708)**	**—**	**5,056**	**992,351**
Credited to other comprehensive income	**—**	**—**	**34,985**	**—**	**34,985**
As at 31 December 2011	**(1,853,841)**	**(432,080)**	**(40,253)**	**(163,408)**	**(2,489,582)**

16 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets

	Tax loss RMB'000	Staff benefit RMB'000	Accelerated accounting depreciation RMB'000	Onerous contracts RMB'000	Accruals RMB'000	Fair value loss RMB'000	Others RMB'000	Total RMB'000
(Restated)								
As at 1 January 2010	1,199,205	274,827	228,453	296,505	100,835	35,520	140,988	2,276,333
Currency translation differences	(2,830)	(1,870)	(35)	—	—	—	(416)	(5,151)
(Charged)/credited to consolidated income statement	(22,110)	(10,228)	(60,610)	(86,516)	44,564	(20,264)	(51,829)	(206,993)
As at 31 December 2010 and 1 January 2011	1,174,265	262,729	167,808	209,989	145,399	15,256	88,743	2,064,189
Currency translation differences	(282)	(343)	(127)	—	—	—	(1,394)	(2,146)
(Charged)/credited to consolidated income statement	(1,156,879)	(21,081)	(17,189)	(209,063)	(145,399)	(15,256)	6,126	(1,558,741)
As at 31 December 2011	17,104	241,305	150,492	926	—	—	93,475	503,302

Company

Deferred income tax assets

	Staff benefit RMB'000
As at 1 January 2010	38,342
Charged to income statement	(4,574)
As at 31 December 2010 and 1 January 2011	33,768
Charged to income statement	(19,959)
As at 31 December 2011	13,809

16 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	
	2011 RMB'000	2010 RMB'000 (Restated)
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	461,371	1,568,355
Deferred income tax assets to be recovered within 12 months	41,931	495,834
	503,302	2,064,189
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	(2,228,252)	(3,365,323)
Deferred income tax liabilities to be settled within 12 months	(261,330)	(165,466)
	(2,489,582)	(3,530,789)
Deferred income tax liabilities (net)	(1,986,280)	(1,466,600)

17 Other non-current assets

	Group	
	2011 RMB'000	2010 RMB'000
Prepaid operating lease payments (note a)	382,263	426,940
Financial lease receivables (note b)	116,829	24,668
Prepayment for loan arrangement fee and other related costs (note 6(b))	22,368	96,374
	521,460	547,982
Less: current portion of financial lease receivables (note b)	(14,072)	(6,845)
	507,388	541,137

Notes:

(a) Prepaid operating lease payments

The amount 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 Other non-current assets (Continued)

(b) Finance lease receivables

Group	Gross receivables RMB'000	Unearned finance income RMB'000	Provision RMB'000	finance value of minimum lease payment receivable RMB'000
As at 31 December 2011				
Not later than one year	**22,645**	**(7,899)**	**(674)**	**14,072**
Later than one year and not later than five years	**73,216**	**(21,331)**	**(239)**	**51,646**
Later than five years	**59,491**	**(8,380)**	**—**	**51,111**
	155,352	**(37,610)**	**(913)**	**116,829**
Less: Amount included under current assets (note 20)	**(22,645)**	**7,899**	**674**	**(14,072)**
	132,707	**(29,711)**	**(239)**	**102,757**
As at 31 December 2010				
Not later than one year	9,999	(2,512)	(642)	6,845
Later than one year and not later than five years	20,386	(3,640)	(960)	15,786
Later than five years	2,309	(272)	—	2,037
	32,694	(6,424)	(1,602)	24,668
Less: Amount included under current assets (note 20)	(9,999)	2,512	642	(6,845)
	22,695	(3,912)	(960)	17,823

As at 31 December 2011, the Group entered into 10 (2010: 10) finance lease contracts for leasing of certain containers, 1 (2010: nil) finance lease contract for leasing of a vessel and 1 (2010: 1) finance lease contract for leasing of equipment and vehicle. The average term of the finance lease contracts is 5 years (2010: 5 years) for container leasing, 9.75 years for vessel leasing and 8 years (2010: 7.5 years) for equipment and vehicle leasing. The cost of assets acquired for the purpose of letting under finance leases amounted to RMB133,750,000 as at 31 December 2011 (2010: RMB61,766,000), and unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately RMB6,300 (2010: RMB20,000).

18 Bank deposits and cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
Non-current portion				
Restricted bank deposits (note a)	417,108	449,188	—	—
Current portion				
Restricted bank deposits (note a)	510,432	697,838	—	—
Balances placed with COSCO Finance Co., Ltd ("COSCO Finance") (note b)	11,561,455	5,743,067	832,236	280,449
Bank balances and cash - unpledged	35,401,270	40,940,153	6,091,009	3,358,540
	47,473,157	47,381,058	6,923,245	3,638,989
Total bank deposits and cash and cash equivalents (note c)	47,890,265	47,830,246	6,923,245	3,638,989
Less: restricted bank deposits	(927,540)	(1,147,026)	—	—
Cash and cash equivalents	46,962,725	46,683,220	6,923,245	3,638,989

Notes:

(a) Restricted bank deposits mainly held as security for borrowings and bank guarantees and facilities (notes 25(i) and 29(b)).

(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		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)		
US dollar	14,412,423	15,377,807	14,844	15,593
RMB	31,861,412	29,962,630	6,654,043	3,342,236
EURO	557,791	421,810	—	—
HK dollar	572,005	1,560,137	254,358	281,160
Other currencies	486,634	507,862	—	—
	47,890,265	47,830,246	6,923,245	3,638,989

18 Bank deposits and cash and cash equivalents (Continued)

(d) Time deposits placed with PRC banks and COSCO Finance with original maturities over three months amounting to RMB12,846,747,000 (2010: RMB14,601,330,000) were treated as cash and cash equivalents as 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 2011 were in the range of 0.05% to 5.43% per annum (2010: 0.15% to 5.19% per annum); these deposits have a maturity day in the range of 2 days to 730 days (2010: 2 days to 730 days). The deposits earn interests at floating rates based on prevailing market rates.

19 Inventories

	Group	
	2011	2010
	RMB'000	RMB'000
Bunkers	2,190,106	1,722,219
Merchandises	959,607	149,784
Spare parts and consumable stores	150,911	129,143
Resaleable containers	58,798	89,755
Marine supplies and others	27,610	25,965
	3,387,032	2,116,866

20 Trade and other receivables

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		
Trade receivables (note a)				
– third parties	**5,749,772**	5,610,890	**—**	—
– fellow subsidiaries	**111,897**	163,437	**—**	—
– jointly controlled entities	**27,245**	44,835	**—**	—
– associates	**14,289**	11,662	**—**	—
– other related companies	**49,463**	73,339	**—**	—
	5,952,666	5,904,163	**—**	—
Bills receivables (note a)	**361,280**	196,613	**—**	—
	6,313,946	6,100,776	**—**	—
Prepayments, deposits and other receivables				
– third parties (note b)	**4,473,238**	3,864,864	**15,011**	12,913
– fellow subsidiaries (note d)	**286,287**	318,623	**—**	—
– jointly controlled entities (note d)	**402,109**	303,846	**—**	—
– associates (note d)	**259,687**	203,301	**—**	—
– other related companies (note d)	**149,385**	162,392	**—**	—
	5,570,706	4,853,026	**15,011**	12,913
Current portion of financial lease receivables (note 17(b))	**14,072**	6,845	**—**	—
Total	**11,898,724**	10,960,647	**15,011**	12,913

20 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 2011, the ageing analysis of trade and bills receivables is as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
1-3 months	**5,907,524**	5,849,551
4-6 months	**321,360**	148,271
7-12 months	**66,673**	88,758
Over 1 year	**176,945**	198,696
Trade and bills receivables, gross	**6,472,502**	6,285,276
Less: impairment of		
1-3 months	**(29,700)**	(35,276)
4-6 months	**(1,877)**	(1,225)
7-12 months	**(9,229)**	(4,023)
Over 1 year	**(117,750)**	(143,976)
Provision for impairment	**(158,556)**	(184,500)
	6,313,946	6,100,776

As at 31 December 2011, the Group's trade and bills receivables of RMB5,298,014,000 (2010 restated: RMB5,130,020,000) 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.

20 Trade and other receivables (Continued)

As at 31 December 2011, trade receivables of RMB814,425,000 (2010: RMB805,590,000) 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:

	2011 RMB'000	2010 RMB'000
1-3 months	**579,810**	684,255
4-6 months	**195,712**	78,108
7-12 months	**8,407**	15,811
Over 1 year	**30,496**	27,416
	814,425	805,590

As at 31 December 2011, trade receivables of RMB360,063,000 (2010: RMB349,666,000) were considered as impaired by management, of which amounts of RMB158,556,000 (2010: RMB184,500,000) were provided for.

Movements on the provision for impairment of trade receivables are as follows:

	2011 RMB'000	2010 RMB'000
As at 1 January	**184,500**	239,101
Provision for receivable impairment	**24,563**	28,689
Receivables written off during the year as uncollectible	**(24,983)**	(23,729)
Reversal of provision	**(24,029)**	(56,741)
Currency translation differences	**(1,495)**	(2,820)
As at 31 December	**158,556**	184,500

The creation and release of provision for impaired receivables have been included in the consolidated income statement (note 30). 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.

20 Trade and other receivables (Continued)

(b) Prepayments, deposits and other receivables due from third parties

	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)	Company 2011 RMB'000	Company 2010 RMB'000
Prepayments and deposits	2,670,126	2,072,463	—	—
Claims receivables	157,538	135,658	—	—
Other receivables less provision (note c)	1,645,574	1,656,743	15,011	12,913
	4,473,238	3,864,864	15,011	12,913

(c) As at 31 December 2011, the Group's net other receivables of RMB1,645,574,000 (2010 restated: RMB1,656,743,000) were considered fully collectible by management. As at 31 December 2011, the Group's other receivables of RMB253,731,000 (2010: RMB153,795,000) were impaired and full provision was made by management.

Movements on the provision for impairment of other receivables are as follows:

	2011 RMB'000	2010 RMB'000
As at 1 January	153,795	163,422
Provision for receivable impairment	126,488	7,219
Receivables written off during the year as uncollectible	(17,251)	(819)
Reversal of provision	(9,301)	(16,075)
Currency translation differences	—	48
As at 31 December	253,731	153,795

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

(e) The carrying amount of trade and other receivables (excluding prepayments and deposits) are denominated in the following currencies:

	Group 2011 RMB'000	Group 2010 RMB'000 (Restated)	Company 2011 RMB'000	Company 2010 RMB'000
US dollar	3,657,246	3,544,542	—	—
RMB	4,410,745	3,838,342	13,122	12,264
EURO	505,644	769,988	—	—
HK dollar	171,614	186,570	1,889	649
Other currencies	483,349	548,742	—	—
	9,228,598	8,888,184	15,011	12,913

(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.

21 Derivative financial assets/liabilities

	Group			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Freight forward agreements ("FFA") (note a)				
– derivatives at fair value				
through profit or loss	—	—	—	61,024
Interest rate swaps				
– fair value hedges (note b)	87,884	—	129,357	—
Total	87,884	—	129,357	61,024
Less: non-current portion				
Interest rate swaps				
– fair value hedges (note c)	(87,884)	—	(129,357)	—
Current portion	—	—	—	61,024

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial assets in the consolidated balance sheet.

Notes:

(a) FFA

As at 31 December 2011, the Group had no outstanding freight forward agreements.

As at 31 December 2010, the Group had no outstanding freight forward agreements to sell and 1 outstanding freight forward agreement to buy approximately 365 days of the various Baltic Index at various prices, which expired through December 2011.

(b) Interest rate swap contracts

The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (equivalent to approximately RMB1,260,180,000) (2010: US$200,000,000 (equivalent to approximately RMB1,324,540,000)) which were committed with interest rates ranging from 1.05% to 1.16% (2010: 1.05% to 1.16%) per annum above LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by COSCO Pacific (note 25(c)(ii)).

22 Assets held for sale

	2011 RMB'000	2010 RMB'000
A jointly controlled entity	—	146,216

As at 31 December 2010, COSCO Pacific intended to dispose of its 50% equity interest in Qingdao Cosport International Container Terminals Co., Ltd. ("Qingdao Cosport Terminal"), a then jointly controlled entity. Accordingly, this investment was reclassified as asset held for sale as at 31 December 2010.

On 10 March 2011, COSCO Pacific entered into an agreement with Qingdao Port (Group) Co., Ltd., the other shareholder of Qingdao Cosport Terminal, to dispose of the aforesaid equity interest at a consideration of RMB184,000,000. COSCO Pacific completed the disposal on 28 April 2011 with a profit after tax of approximately RMB82,156,000.

23 Share capital and equity linked benefits

(a) Share capital

	2011		2010	
	Number of shares (thousands)	Nominal value RMB'000	Number of shares (thousands)	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 2011, the A-Shares rank pari passu, in all material respects, with H-Shares. Nonetheless, 159,724,067 A-Shares are subject to certain restrictions upon transfer.

Date of issue	Number of shares issued	Trading date
26 June 2007	159,724,067	September 2012

On 26 June 2007, the Company issued 6,338,737,233 new A-Shares, of which 4,554,869,787 A-Shares issue in exchange of the Domestic shares held by COSCO and 1,783,867,446 new A-Shares through public offering at RMB8.48 each on the Shanghai Stock Exchange. The 4,554,869,787 A-Shares held by COSCO are subject to a lock-up period of 36 months from 26 June 2007.

During the period between 12 September 2008 and 11 September 2009, COSCO purchased 18,662,678 A-Shares of the Company from the public on the Shanghai Stock Exchange. Together with 159,724,067 restricted shares, COSCO transferred 178,386,745 shares to National Council for Social Security Fund in September 2009 in accordance with the PRC statutory requirements. The lock-up period for the 159,724,067 restricted shares automatically extended for three years from the transfer date.

23 Share capital and equity linked benefits (Continued)

(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. 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.

Movements in the number of SARs granted by the Company during the year ended 31 December 2011 and 2010 are set out below.

			For the year ended 31 December 2011 Number of units of SARs				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2011
16 December 2005 ("2005 SARs")	between 16 December 2007 to 15 December 2015	HK$3.195	15,267,000	—	—	—	15,267,000
5 October 2006 ("2006 SARs")	between 5 October 2008 to 4 October 2016	HK$3.588	19,135,000	—	—	—	19,135,000
4 June 2007 ("2007 SARs")	between 4 June 2009 to 3 June 2017	HK$9.540	24,400,000	—	—	(50,000)	24,350,000
			58,802,000	—	—	(50,000)	58,752,000

23 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010
			For the year ended 31 December 2010 Number of units of SARs				
16 December 2005 ("2005 SARs")	between 16 December 2007 to 15 December 2015	HK$3.195	15,267,000	—	—	—	15,267,000
5 October 2006 ("2006 SARs")	between 5 October 2008 to 4 October 2016	HK$3.588	19,230,000	—	—	(95,000)	19,135,000
4 June 2007 ("2007 SARs")	between 4 June 2009 to 3 June 2017	HK$9.540	24,485,000	—	—	(85,000)	24,400,000
			58,982,000	—	—	(180,000)	58,802,000

The fair values of 2005 SARs, 2006 SARs and 2007 SARs as at 31 December 2011 as determined using the binomial valuation model ranged from HK$1.39 per unit to HK$2.21 per unit (2010: HK$4.47 per unit to HK$5.94 per unit). The significant inputs into the model were spot price of HK$3.82 as at 31 December 2011, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 70.75%, 74.37% and 71.67% for 2005 SARs, 2006 SARs and 2007 SARs respectively (2010: 71.18% for 2005 SARs and 68.39% for 2006 SARs and 2007 SARs 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 RMB166,622,000 (2010: a credit of RMB37,387,000).

As at 31 December 2011, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB107,684,000 (2010: RMB274,306,000) and the total intrinsic value of the exercisable SARs was RMB11,335,000 (2010: RMB114,291,000).

23 Share capital and equity linked benefits (Continued)

(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 2011 and 2010. COSCO Pacific has no legal or constructive obligation to repurchase or settle the options in cash.

Movements of the share options granted by COSCO Pacific during the year ended 31 December 2011 and 2010 are set out below:

			For the year ended 31 December 2011 Number of share options				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year note (iv)	Lapsed during the year	Outstanding as at 31 December 2011
During the period from 28 October 2003 to 6 November 2003	Note (i)	HK$9.54	2,369,000	—	(8,000)	—	2,361,000
During the period from 25 November 2004 to 16 December 2004	Note (ii)	HK$13.75	21,812,000	—	(250,000)	(520,000)	21,042,000
During the period from 17 April 2007 to 19 April 2007	Note (iii)	HK$19.30	15,260,000	—	—	(560,000)	14,700,000
			39,441,000	—	(258,000)	(1,080,000)	38,103,000

23 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2010
			For the year ended 31 December 2010 Number of share options				
During the period from 28 October 2003 to 6 November 2003	Note (i)	HK$9.54	2,369,000	—	—	—	2,369,000
During the period from 25 November 2004 to 16 December 2004	Note (ii)	HK$13.75	22,972,000	—	—	(1,160,000)	21,812,000
During the period from 17 April 2007 to 19 April 2007	Note (iii)	HK$19.30	16,370,000	—	—	(1,110,000)	15,260,000
			41,711,000	—	—	(2,270,000)	39,441,000

Notes:

(i) 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 28 October 2003 to 6 November 2003. And the share options will be 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. And 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. And the share options will be expired during the period 17 April 2017 to 19 April 2017.

(iv) The exercise of the 258,000 (2010: nil) share options during the year yielded the proceeds, net of transaction costs, of RMB2,948,000 (2010: nil).

23 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

(v) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2011		2010	
	Average exercise price per share HK$	Number of share options	Average exercise price per share HK$	Number of share options
As at 1 January	**15.64**	**39,441,000**	15.69	41,711,000
Exercised	**13.62**	**(258,000)**	—	—
Lapsed	**16.63**	**(1,080,000)**	16.46	(2,270,000)
As at 31 December	**15.63**	**38,103,000**	15.64	39,441,000

The weighted average closing price of the COSCO Pacific's shares on the dates when the share options were exercised in 2011 was HK$15.26 per share.

Notes to the Consolidated Financial Statements

24 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	Retained profits RMB'000	Total RMB'000
As at 1 January 2011, as previously reported	37,884,239	3,369	(445,499)	648,417	100,618	(7,014,293)	5,115,428	36,292,279
Adoption of merger accounting (note e)	11,097	—	—	—	—	(7,193)	23,236	27,140
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	1,154,790	—	—	—	—	1,662,071	(1,523,595)	1,293,266
As at 1 January 2011, as restated	39,050,126	3,369	(445,499)	648,417	100,618	(5,359,415)	3,615,069	37,612,685
Comprehensive income/(loss)								
Loss for the year	—	—	—	—	—	—	(10,495,295)	(10,495,295)
Other comprehensive income/(loss)								
Available-for-sale financial assets - fair value losses, net of tax	—	—	—	—	(119,703)	—	—	(119,703)
Share of other comprehensive income/(loss) of jointly controlled entities and associates	—	(1,166)	13,400	—	(48,672)	(364)	(1,803)	(38,605)
Release of reserves upon disposal of a jointly controlled entity	—	—	(8,082)	—	—	(14,833)	3,803	(19,112)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary(note 41)	—	—	—	—	—	(33,095)	—	(33,095)
Currency translation differences	—	—	—	—	—	(1,393,186)	—	(1,393,186)
Total other comprehensive income	—	(1,166)	5,318	—	(168,375)	(1,441,478)	2,000	(1,603,701)
Total comprehensive income/(loss) for the year ended 31 December 2011	—	(1,166)	5,318	—	(168,375)	(1,441,478)	(10,493,295)	(12,098,996)

24 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	Retained profits RMB'000	Total RMB'000
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	—	—	—	—	—	—	359	359
Distributions	—	—	—	—	—	—	(90,800)	(90,800)
2010 final dividend (note 36(b))	—	—	—	—	—	—	(919,465)	(919,465)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	(20,999)	(20,999)
Other	—	—	(3,772)	—	—	—	—	(3,772)
Total contributions by and distributions to owners of the Company	—	—	(3,772)	—	—	—	(1,030,905)	(1,034,677)
As at 31 December 2011	39,050,126	2,203	(443,953)	648,417	(67,757)	(6,800,893)	(7,909,131)	24,479,012
Representing:								
Capital and reserves	39,050,126	2,203	(443,953)	648,417	(67,757)	(6,800,893)	(7,909,131)	24,479,012
2011 final dividend proposed	—	—	—	—	—	—	—	—
As at 31 December 2011	39,050,126	2,203	(443,953)	648,417	(67,757)	(6,800,893)	(7,909,131)	24,479,012

24 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	Retained profits RMB'000	Total RMB'000
As at 1 January 2010, as previously reported	37,884,239	6,629	30,247	567,656	1,047,738	(5,571,390)	(2,189,050)	31,776,069
Adoption of merger accounting (note e)	11,097	—	—	—	—	(7,370)	27,185	30,912
Adjustment for adoption of HKFRS 1 (Amendment) (note 2(a))	1,154,790	—	—	—	—	1,202,424	(1,444,161)	913,053
As at 1 January 2010, as restated	39,050,126	6,629	30,247	567,656	1,047,738	(4,376,336)	(3,606,026)	32,720,034
Comprehensive income/(loss)								
Profit for the year	—	—	—	—	—	—	6,785,497	6,785,497
Other comprehensive income/(loss)								
Available-for-sale financial assets								
– fair value losses, net of tax	—	—	—	—	(74,444)	—	—	(74,444)
– transferred to consolidated income statement upon sale	—	—	—	—	(24,339)	—	—	(24,339)
Cash flow hedges								
– transferred to consolidated income statement	—	(1,801)	—	—	—	—	—	(1,801)
Share of other comprehensive loss of jointly controlled entities and associates	—	(2,001)	(523)	—	(25,009)	(10,909)	—	(38,442)
Conversion of an available-for-sale financial asset to an associate (note 12(a))								
– release of investment revaluation reserve	—	—	—	—	(685,657)	—	—	(685,657)
– share of reserves	—	—	—	—	—	—	139,967	139,967
Currency translation differences	—	—	—	—	—	(904,015)	4,212	(899,803)
Total other comprehensive income/(loss)	—	(3,802)	(523)	—	(809,449)	(914,924)	144,179	(1,584,519)
Total comprehensive income/(loss) for the year ended 31 December 2010	—	(3,802)	(523)	—	(809,449)	(914,924)	6,929,676	5,200,978

24 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	Retained profits RMB'000	Total RMB'000
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Distributions	—	—	—	—	—	—	(14,627)	(14,627)
Acquisition of additional interest in a subsidiary (note (f)(ii))	—	—	—	—	—	—	(342,096)	(342,096)
Placement of shares by a subsidiary, net of issuance expense (note (f)(iii))	—	542	(481,017)	—	(137,671)	(68,155)	750,099	63,798
Transfer to statutory reserve fund (note a)	—	—	—	80,761	—	—	(80,761)	—
Share of other movement of an associate	—	—	5,794	—	—	—	(21,196)	(15,402)
Total contributions by and distributions to owners of the Company	—	542	(475,223)	80,761	(137,671)	(68,155)	291,419	(308,327)
As at 31 December 2010	39,050,126	3,369	(445,499)	648,417	100,618	(5,359,415)	3,615,069	37,612,685
Representing:								
Capital and reserves	39,050,126	3,369	(445,499)	648,417	100,618	(5,359,415)	2,695,604	36,693,220
2010 final dividend proposed	—	—	—	—	—	—	919,465	919,465
As at 31 December 2010	39,050,126	3,369	(445,499)	648,417	100,618	(5,359,415)	3,615,069	37,612,685

24 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 2011	**39,134,574**	**648,417**	**2,852,794**	**(3,342,792)**	**39,292,993**
Loss for the year	**—**	**—**	**(24,876)**	**—**	**(24,876)**
2010 final dividends	**—**	**—**	**(919,465)**	**—**	**(919,465)**
As at 31 December 2011	**39,134,574**	**648,417**	**1,908,453**	**(3,342,792)**	**38,348,652**
Representing:					
Capital and reserves	**39,134,574**	**648,417**	**1,908,453**	**(3,342,792)**	**38,348,652**
2011 final dividend proposed	**—**	**—**	**—**	**—**	**—**
As at 31 December 2011	**39,134,574**	**648,417**	**1,908,453**	**(3,342,792)**	**38,348,652**

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2010	39,134,574	567,656	2,125,949	(3,342,792)	38,485,387
Profit for the year	—	—	807,606	—	807,606
Transfer to statutory reserve fund (note a)	—	80,761	(80,761)	—	—
As at 31 December 2010	39,134,574	648,417	2,852,794	(3,342,792)	39,292,993
Representing:					
Capital and reserves	39,134,574	648,417	1,933,329	(3,342,792)	38,373,528
2010 final dividend proposed	—	—	919,465	—	919,465
As at 31 December 2010	39,134,574	648,417	2,852,794	(3,342,792)	39,292,993

24 Reserves (Continued)

Company (Continued)

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.

For the year ended 31 December 2010, the Company appropriated RMB80,761,000, being 10% of its net profit to the statutory reserve fund.

(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 2011 represented capital reserve and other reserves of jointly controlled entities 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.

24 Reserves (Continued)

Company (Continued)

(e) Business combinations under common control

The Group adopts merger accounting for common control combinations in respect of the acquisition of Acquired Entities as mentioned in note 1.

Statements of adjustments for business combinations under common control on the consolidated balance sheet as at 31 December 2010 and the Group's results for the year then ended are as follows:

		Adoption of merger accounting				
	As previously reported RMB'000	Adoption of HKFRS 1 (Amendment) RMB'000	Acquired Entities RMB'000	Note	Adjustments RMB'000	As restated RMB'000
Year ended 31 December 2010						
Revenues	96,438,544	—	96,538	(i)	(47,446)	96,487,636
Profit before income tax	9,273,602	(76,868)	12,855		—	9,209,589
Income tax expenses	(1,189,030)	(2,566)	(4,248)		—	(1,195,844)
Profit for the year	8,084,572	(79,434)	8,607		—	8,013,745

	As previously reported RMB'000	Adoption of HKFRS 1 (Amendment) RMB'000	Acquired Subsidiaries RMB'000	Note	Adjustments RMB'000	As restated RMB'000
As at 31 December 2010						
Assets						
Non-current assets	89,037,051	1,313,901	21,293	(ii)	(833)	90,371,412
Current assets	60,504,764	—	233,856	(iii)	(128,140)	60,610,480
Total assets	149,541,815	1,313,901	255,149		(128,973)	150,981,892
Equity						
Capital and reserves						
Share capital	10,216,274	—	14,742	(ii)	(14,742)	10,216,274
Reserves	35,372,814	1,293,266	17,729	(ii)	9,411	36,693,220
Proposed final dividend	919,465	—	—		—	919,465
	46,508,553	1,293,266	32,471		(5,331)	47,828,959
Non-controlling interests	14,467,284	—	114	(ii)	4,498	14,471,896
Total equity	60,975,837	1,293,266	32,585		(833)	62,300,855
Liabilities						
Non-current liabilities	60,117,421	20,635	171		—	60,138,227
Current liabilities	28,448,557	—	222,393	(iii)	(128,140)	28,542,810
Total liabilities	88,565,978	20,635	222,564		(128,140)	88,681,037
Total equity and liabilities	149,541,815	1,313,901	255,149		(128,973)	150,981,892

24 Reserves (Continued)

Company (Continued)

(e) Business combinations under common control (Continued)

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2010.

(ii) Adjustments to eliminate the investment costs and share capital of the Acquired Entities against reserves and non-controlling interests.

(iii) Adjustments to eliminate the inter-group balances as at 31 December 2010.

No other significant adjustments were made to the net assets and net profit of any entities as a result of the common control combinations to achieve consistency of accounting policies.

(f) Transactions with non-controlling interests

(i) In June 2011, the Group completed the acquisition of 30% equity interest in Costar Shipping Pte Ltd. at a cash consideration of SGD4,500,000 (equivalent to approximately RMB23,599,000). Costar Shipping Pte Ltd. has become a wholly owned subsidiary of the Group. As a result of the transaction, there was a decrease in non-controlling interests of RMB2,600,000 and a decrease in equity attributable to equity holders of the Company of RMB20,999,000 for the year ended 31 December 2011.

(ii) In March 2010, the Company completed the acquisition of 49% equity interest in COSCO Logistics from COSCO Pacific Logistics Company Limited ("COSCO Pacific Logistics"), a non-wholly owned subsidiary of the Company, at a cash consideration of RMB2,000,000,000 plus a special distribution by COSCO Logistics to COSCO Pacific Logistics of RMB143,200,000. COSCO Logistics has become a wholly owned subsidiary of the Company. As a result of the transaction, there was an increase in non-controlling interests of RMB239,567,000 and a decrease in equity attributable to equity holders of the Company of RMB342,096,000.

(iii) In April 2010, COSCO Pacific issued 449,000,000 new shares at HK$10.4 per share through placing and recorded net proceeds of approximately US$584,122,000 (equivalent to approximately RMB3,955,386,000). The proceeds raised were mainly used for acquisitions and investments such as Sigma and Wattrus, capital expenditure, general corporate purposes, as well as to further strengthen the balance sheet and liquidity position of COSCO Pacific. After the placement, the shareholding of the Group, decreased from 51.20% at 31 December 2009 to 42.72% at 31 December 2010. As a result of the transaction, there was an increase in non-controlling interests of RMB3,891,588,000 and an increase in equity attributable to equity holders of the Company of RMB63,798,000.

25 Long-term borrowings

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Bank loans				
– secured (note i)	14,687,934	13,220,105	—	—
– unsecured	37,483,896	28,807,947	—	—
Loans from COSCO Finance				
– secured (note i)	17,040	25,559	—	—
– unsecured	126,018	—	—	—
Other loans				
– secured (note i)	—	89,155	—	—
– unsecured	294	314	—	—
Finance lease obligations (note j)	98,585	115,301	—	—
Notes (note c)	20,691,819	16,869,312	18,716,229	14,754,140
Loans from non-controlling shareholders of subsidiaries (note d)	1,069,966	—	—	—
Total long-term borrowings	74,175,552	59,127,693	18,716,229	14,754,140
Current portion of long-term borrowings	(18,861,850)	(4,200,211)	—	—
	55,313,702	54,927,482	18,716,229	14,754,140

25 Long-term borrowings (Continued)

Notes:

(a) The long-term borrowings are analysed as follows:

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Wholly repayable within five years				
– Bank loans	40,685,671	31,384,973	—	—
– Loans from COSCO Finance	143,058	25,559	—	—
– Other loans	294	89,469	—	—
– Notes	11,905,590	12,015,172	9,930,000	9,900,000
– Finance lease obligations	98,585	—	—	—
– Loans from non-controlling shareholders of subsidiaries	1,069,966	—	—	—
	53,903,164	43,515,173	9,930,000	9,900,000
Not wholly repayable within five years				
– Bank loans	11,486,159	10,643,079	—	—
– Finance lease obligations	—	115,301	—	—
– Notes	8,786,229	4,854,140	8,786,229	4,854,140
	20,272,388	15,612,520	8,786,229	4,854,140
	74,175,552	59,127,693	18,716,229	14,754,140

25 Long-term borrowings (Continued)

(b) As at 31 December 2011, the long-term borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank loans				
– within one year	**18,841,003**	4,090,733	**—**	—
– in the second year	**8,507,483**	21,212,648	**—**	—
– in the third to fifth years	**16,223,255**	9,976,448	**—**	—
– after the fifth year	**8,600,089**	6,748,223	**—**	—
	52,171,830	42,028,052	**—**	—
Loans from COSCO Finance				
– within one year	**8,512**	8,526	**—**	—
– in the second year	**134,546**	8,527	**—**	—
– in the third to fifth years	**—**	8,506	**—**	—
	143,058	25,559	**—**	—
Other loans				
– within one year	**294**	89,270	**—**	—
– in the second year	**—**	199	**—**	—
	294	89,469	**—**	—
Finance lease obligations				
– within one year	**12,041**	11,682	**—**	—
– in the second year	**13,037**	12,656	**—**	—
– in the third to fifth years	**73,507**	44,631	**—**	—
– after the fifth year	**—**	46,332	**—**	—
	98,585	115,301	**—**	—
Notes				
– in the second year	**1,975,590**	—	**—**	—
– in the third to fifth years	**9,930,000**	12,015,172	**9,930,000**	9,900,000
– after the fifth year	**8,786,229**	4,854,140	**8,786,229**	4,854,140
	20,691,819	16,869,312	**18,716,229**	14,754,140
Loans from non-controlling shareholders of subsidiaries				—
– in the second year	**619,964**	—	**—**	—
– in the third to fifth years	**450,002**	—	**—**	—
	1,069,966	—	**—**	—
	74,175,552	59,127,693	**18,716,229**	14,754,140

25 Long-term borrowings (Continued)

(c) Details of the notes as at 31 December 2011 are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Principal amount	**21,483,100**	17,483,100	**19,000,000**	15,000,000
Discount on issue	**(15,718)**	(15,718)	**—**	—
Notes issuance cost	**(399,790)**	(315,789)	**(384,891)**	(300,890)
Proceeds received	**21,067,592**	17,151,593	**18,615,109**	14,699,110
Currency translation differences	**(585,521)**	(490,170)	**—**	—
Accumulated amortised amounts of				
– discount on issue	**10,352**	9,828	**—**	—
– notes issuance cost	**110,931**	64,342	**101,120**	55,030
Effect of fair value hedge	**88,465**	133,719	**—**	—
	20,691,819	16,869,312	**18,716,229**	14,754,140

(i) Notes issued by the Company

Notes with principal amount of RMB10,000,000,000 were issued by the Company to investors on 21 April 2009. The notes carried a fixed interest yield of 3.77% per annum and were issued at a price equal to the principal amount. The notes bear interest from 22 April 2009, payable annually in arrears. The notes will mature on 22 April 2014 at their principal amount.

Notes with principal amount of RMB5,000,000,000 were issued by the Company to investors on 3 September 2010. The notes carried a fixed interest yield of 4.35% per annum and were issued at a price equal to the principal amount. The notes bear interest from 6 September 2010, payable annually in arrears. The notes will mature on 6 September 2020 at their principal amount.

Notes with principal amount of RMB4,000,000,000 were issued by the Company to investors on 29 November 2011. The notes carried a fixed interest yield of 5.45% per annum and were issued at a price equal to the principal amount. The notes bear interest from 30 November 2011, payable annually in arrears. The notes will mature on 30 November 2018 at their principal amount.

(ii) Notes issued by COSCO Pacific

Notes with principal amount of US$300,000,000 (equivalent to approximately RMB2,483,100,000) were issued by a subsidiary of COSCO Pacific to investors on 3 October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US$1,899,000 (equivalent to approximately RMB15,718,000). The notes bear interest from 3 October 2003, payable semi-annually in arrears. The notes are guaranteed unconditionally and irrevocably by COSCO Pacific and listed on Singapore Exchange Securities Trading Limited.

Unless previously redeemed or repurchased by COSCO Pacific, the notes will mature on 3 October 2013 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of COSCO Pacific at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(d) Loans from non-controlling shareholders of subsidiaries are unsecured. Balances of RMB400,000,000 bear interest at 6.77% per annum and repayable in 2014. Balances of US$56,329,000 (equivalent to approximately RMB354,921,000) bear interest at 0.6% per annum above US dollar LIBOR and repayable in 2013 and 2014. Balance of US$50,000,000 (equivalent to approximately RMB315,045,000) is interest free and not repayable in the next twelve months.

25 Long-term borrowings (Continued)

(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 2011				
Total borrowings	51,867,347	13,212,579	9,095,626	74,175,552
Effect of interest rate swaps	—	(1,260,180)	—	(1,260,180)
	51,867,347	11,952,399	9,095,626	72,915,372
As at 31 December 2010				
Total borrowings	41,748,024	12,469,309	4,910,360	59,127,693
Effect of interest rate swaps	—	(1,324,540)	—	(1,324,540)
	41,748,024	11,144,769	4,910,360	57,803,153

(f) The effective interest rates per annum of the long-term borrowings as at 31 December 2011 were as follows:

	2011			
	US dollar	RMB	EURO	SGD
Bank loans	0.9% to 3.3%	3.2% to 7.7%	2.6%	2.3%
Loans from COSCO Finance	—	5.4% to 6.2%	—	—
Other loans	—	—	1.5%	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	1.4%	6.8%	—	—

	2010			
	US dollar	RMB	EURO	SGD
Bank loans	0.8% to 3.5%	4.9% to 6.2%	2.2%	2.3%
Loans from COSCO Finance	—	5.2% to 5.4%	—	—
Other loans	1.6%	—	1.5%	2.5% to 4.3%
Finance lease obligations	8.3%	—	—	—
Notes	5.9%	3.8% to 4.4%	—	—

25 Long-term borrowings (Continued)

(g) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	52,171,830	42,028,052	52,136,366	41,609,366
Loans from COSCO Finance	143,058	25,559	143,058	25,559
Other loans	294	89,469	294	89,469
Finance lease obligations	98,585	115,301	98,585	115,301
Notes	20,691,819	16,869,312	20,441,713	16,627,700
Loans from non-controlling shareholders of subsidiaries	1,069,966	—	1,069,966	—
	74,175,552	59,127,693	73,889,982	58,467,395

The fair values are based on cash flows discounted by respective rates as set out in note 25(f) above.

(h) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2011	2010
	RMB'000	RMB'000
US dollar	47,377,547	39,575,089
RMB	25,974,267	19,127,214
EURO	823,597	425,242
Singapore dollar	141	148
	74,175,552	59,127,693

(i) The secured bank loans and loans from COSCO Finance as at 31 December 2011 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 RMB22,846,932,000 (2010 restated: RMB17,207,793,000) (notes 6(b) and 6(c));

(ii) Two vessels with aggregate net book value of RMB691,189,000 (2010: RMB757,176,000) under Vessel Financing Lease Arrangements (note 6(f));

(iii) Assignments of the charter, rental income and earnings, requisition compensation and insurance relating to certain container vessels;

(iv) Shares of certain subsidiaries; and

(v) Bank accounts of certain subsidiaries (note 18(a)).

25 Long-term borrowings (Continued)

(j) The Group entered into a finance lease arrangement pursuant to which the Group has an option to purchase the vessel at a consideration of US$7,200,000 (equivalent to approximately RMB45,366,480) prior to the expiry of the lease.

The finance lease payable is repayable in various installments up to 2016. Interest is charged on the outstanding balance at 8.3% per annum.

As at 31 December 2011, the Group's finance lease payable was repayable as follows:

	2011 RMB'000	2010 RMB'000
Finance lease payable – minimum lease payments:		
– within one year	20,238	21,272
– in the second to fifth years	108,465	85,088
– after the fifth year	—	50,187
	128,703	156,547
Future finance charges on finance lease	(30,118)	(41,246)
Present value of finance lease payable	98,585	115,301

The present value of the finance lease payable is as follows:

	2011 RMB'000	2010 RMB'000
– within one year	12,041	11,682
– in the second to fifth years	86,544	57,287
– after the fifth year	—	46,332
	98,585	115,301

26 Provisions and other liabilities

	Retirement benefit obligations RMB'000 (note a)	Provision for onerous contracts RMB'000 (note 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 2011					
As at 1 January 2011	1,161,867	1,171,623	191,487	42,219	2,567,196
Decrease during the year	(188,984)	(1,163,975)	(10,682)	(6,200)	(1,369,841)
Provisions for the year	340,416	1,426,411	5,899	14,869	1,787,595
Currency translation differences	(1,434)	(19,279)	—	(1,107)	(21,820)
As at 31 December 2011	1,311,865	1,414,780	186,704	49,781	2,963,130
Less: current portion of provisions and other liabilities	(211,309)	(1,348,448)	—	(790)	(1,560,547)
Non-current portion of provisions and other liabilities	1,100,556	66,332	186,704	48,991	1,402,583

Notes to the Consolidated Financial Statements

26 Provisions and other liabilities (Continued)

	Retirement benefit obligations RMB'000 (note a)	Provision for onerous contracts RMB'000 (note 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 2010					
As at 1 January 2010	1,304,570	1,419,030	266,194	31,678	3,021,472
Decrease during the year	(192,520)	(1,415,525)	(79,633)	(15,692)	(1,703,370)
Provisions for the year	50,796	1,176,814	4,926	26,878	1,259,414
Currency translation differences	(979)	(8,696)	—	(645)	(10,320)
As at 31 December 2010	1,161,867	1,171,623	191,487	42,219	2,567,196
Less: current portion of provisions and other liabilities	(85,315)	(1,171,623)	—	(7,375)	(1,264,313)
Non-current portion of provisions and other liabilities	1,076,552	—	191,487	34,844	1,302,883

26 Provisions and other liabilities (Continued)

Notes:

(a) Retirement benefit obligations

	Group	
	2011	2010
	RMB'000	RMB'000
Balance sheet obligations for:		
Multi-employer defined benefits plans for US employees (note (i))	26,700	30,841
Early-retirement benefits for PRC employees (note (ii))	415,368	582,052
Post-retirement benefits for PRC employees (note (ii))	869,797	548,974
	1,311,865	1,161,867
Expensed in income statement for (note 38):		
Early-retirement benefits for PRC employees (note (ii))	(37,488)	36,596
Post-retirement benefits for PRC employees (note (ii))	377,904	14,200
	340,416	50,796

(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.

26 Provisions and other liabilities (Continued)

(a) Retirement benefit obligations (Continued)

(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 2011 totalled are RMB1,285,165,000 (2010: RMB1,131,026,000).

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2011			2010		
	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	582,052	548,974	1,131,026	679,048	591,048	1,270,096
Amounts (credited)/charged to the consolidated income statement	(37,488)	377,904	340,416	36,596	14,200	50,796
Benefits paid	(129,196)	(57,081)	(186,277)	(133,592)	(56,274)	(189,866)
As at 31 December	415,368	869,797	1,285,165	582,052	548,974	1,131,026

The amounts of retirement benefit costs recognised in the consolidated income statement comprise:

	2011			2010		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	16,957	20,491	37,448	19,218	20,755	39,973
Past service costs	(31,040)	328,711	297,671	59,254	5,948	65,202
Actuarial gain/(loss)	(23,405)	28,702	5,297	(41,876)	(12,503)	(54,379)
	(37,488)	377,904	340,416	36,596	14,200	50,796

The principal actuarial assumptions used were as follows:

	2011		2010	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	2.9% - 3.2%	3.9% - 4.0%	3.4% - 3.8%	4.2% - 4.7%
Pension benefits inflation rates	0% -10%	0% -4.8%	0% -10%	0% -4.8%

26 Provisions and other liabilities (Continued)

(b) Provision for onerous contracts

As at 31 December 2011, the Group had a provision of RMB1,414,780,000 (2010: RMB1,171,623,000) 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 2011, 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 amounted to approximately RMB23,655,068,000 (2010: RMB36,003,790,000).

27 Other non-current liabilities

As at 31 December 2011, the balances represent the outstanding payable to COSCO (Zhoushan) Shipyard Co., Ltd. ("COSCO Zhoushan") and COSCO (Dalian) Shipyard Co., Ltd. ("COSCO Dalian") (fellow subsidiaries) in relation to the construction costs payable for three dry bulk vessels (31 December 2010: to COSCO Zhoushan, COSCO Dalian and Nantong COSCO KHI Ship Engineering Co., Ltd. ("NACKS", a jointly controlled entity of COSCO) for five dry bulk vessels). The balances are unsecured, interest fee and payable within two to three years after the delivery of vessels. As at 31 December 2011, amount of RMB269,174,000 (31 December 2010: RMB192,919,000) was repayable within one year and was included in trade and other payables as current liabilities.

The carrying amounts of other non-current liabilities approximate their fair value.

Notes to the Consolidated Financial Statements

28 Trade and other payables

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000
Trade payables (note a)				
– third parties	**5,751,287**	5,679,828	**—**	—
– fellow subsidiaries	**1,351,055**	882,182	**—**	—
– jointly controlled entities	**120,686**	135,498	**—**	—
– associates	**4,105**	52,129	**—**	—
– other related companies	**29,183**	54,073	**—**	—
	7,256,316	6,803,710	**—**	—
Bills payables (note a)	**1,382,349**	831,341	**—**	—
	8,638,665	7,635,051	**—**	—
Advances from customers	**3,332,678**	2,871,071	**—**	—
Other payables and accruals (note b)	**11,110,346**	9,348,203	**580,063**	671,566
Consideration payable to COSCO (note c)	**—**	92,699	**—**	—
Construction payable to (note 27)				
– a fellow subsidiary	**269,174**	91,658	**—**	—
– a related company	**—**	101,261	**—**	—
	269,174	192,919	**—**	—
Due to related companies (note e)				
– COSCO	**2,379**	2,379	**—**	—
– fellow subsidiaries	**116,776**	72,350	**—**	—
– jointly controlled entities	**213,457**	63,535	**5,797**	16,117
– associates	**34,794**	5,799	**5,720**	—
– other related companies	**80,656**	108,285	**—**	—
	448,062	252,348	**11,517**	16,117
Total	**23,798,925**	20,392,291	**591,580**	687,683

28 Trade and other payables (Continued)

Notes:

(a) As at 31 December 2011, the ageing analysis of trade and bills payables is as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
1 - 6 months	8,070,837	7,052,973
7 - 12 months	184,927	243,497
1 - 2 years	187,808	228,648
2 - 3 years	122,289	71,373
Above 3 years	72,804	38,560
	8,638,665	7,635,051

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	
	2011 RMB'000	2010 RMB'000 (Restated)	2011 RMB'000	2010 RMB'000
Salary and welfare payables	1,966,947	2,399,303	79,996	179,624
Accruals for voyages costs	2,483,845	1,485,486	—	—
Accruals for vessel costs	2,897,446	2,592,935	—	—
Interest payables	444,192	401,743	350,590	331,477
Others	3,317,916	2,468,736	149,477	160,465
	11,110,346	9,348,203	580,063	671,566

(c) The balance represents the outstanding consideration payable to COSCO for the acquisition of entire equity interests in COSCO Shanghai in 2009. The balance was fully settled in January 2011.

28 Trade and other payables (Continued)

(d) The carrying amounts of trade and other payables (excluding advances from customers) are denominated in the following currencies:

	2011 RMB'000	2010 RMB'000 (Restated)
US dollar	**7,963,020**	6,418,971
RMB	**10,779,938**	9,512,247
EURO	**594,509**	648,386
HK dollar	**235,588**	151,104
Other currencies	**893,192**	790,512
Total	**20,466,247**	17,521,220

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

(f) The carrying amounts of trade and other payables (excluding advances from customers) approximate their fair values.

29 Short-term borrowings

	2011 RMB'000	2010 RMB'000
Bank loans – unsecured	**2,730,888**	1,330,052
– secured (note b)	**—**	325,757
Other loan- unsecured (note c)	**50,000**	572
COSCO Finance-unsecured	**70,000**	13,000
	2,850,888	1,669,381

29 Short-term borrowings (Continued)

Notes:

(a) The effective interest rates of short-term borrowings as at 31 December 2011 were in the range of 1.10% to 7.22% (2010: 1.14% to 5.31%) per annum.

(b) The secured bank loan as at 31 December 2010 was secured by a bank account of a subsidiary (note 18(a)).

(c) The balance as at 31 December 2011 is from a jointly controlled entity, unsecured, interest bearing at 5.45% per annum and repayable on or before 19 July 2012.

(d) 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:

	2011 RMB'000	2010 RMB'000
US dollar	1,512,887	125,431
RMB	1,338,001	843,000
EURO	—	572
JPY	—	700,378
	2,850,888	1,669,381

30 Other income, net

	2011 RMB'000	2010 RMB'000 (Restated)
Dividend income from listed and unlisted investments	20,273	16,585
Government subsidies	374,431	120,237
Gain/(loss) on disposal of property, plant and equipment, net		
– container vessels	4,662	26,751
– dry bulk vessels	161,336	242,182
– containers	(16,317)	11,620
– others	17,917	25,232
Gain/(loss) on disposal of a subsidiary	5	(2)
(Loss)/gain on disposal of available-for-sale financial assets	(464)	59,266
Gain on disposal of jointly controlled entities and associates	83,202	743
Gain on release of exchange reserve upon conversion from a jointly controlled entity to a subsidiary	76,474	—
Net (loss)/gain on derivatives at fair value through profit or loss		
– FFA	(4,838)	35,269
– forward foreign exchange contracts	—	2,667
Reversal of provision for impairment of trade and other receivables	33,330	72,816
Provision for impairment of trade and other receivables	(151,051)	(35,908)
Net exchange loss	(439,866)	(362,140)
Donations	(11,355)	(24,317)
Others	44,925	85,046
Total	192,664	276,047

31 Expenses by nature

	2011 RMB'000	2010 RMB'000 (Restated)
Cost of services and inventories sold		
Container shipping and dry bulk shipping costs		
– Equipment and cargo transportation costs	15,402,798	14,861,350
– Voyage costs (note a)	21,259,071	16,630,913
– Vessel costs (note b)	24,877,403	26,649,572
– Provision for onerous contracts for the year	1,426,411	1,176,814
– Others	834,110	882,255
Freight forwarding and shipping agency costs	19,302,233	19,453,405
Terminal operating and other direct costs	1,409,379	1,047,113
Cost of inventories sold	3,882,304	1,958,897
Container depreciation and other direct costs	732,541	689,025
Business tax	460,276	772,906
Total	89,586,526	84,122,250
Selling, administrative and general expenses		
Administrative staff costs	3,623,067	3,355,120
Depreciation and amortisation	316,098	312,437
Rental expense	193,605	185,072
Office expense	216,511	189,270
Transportation and travelling expense	201,490	207,432
Entertainment expense	228,075	184,777
Legal and professional fees	157,107	106,855
Telecommunication and utilities	91,464	94,531
Repair and maintenance expense	67,222	56,102
Others	446,689	301,026
Total	5,541,328	4,992,622

Notes:

(a) Voyage costs mainly comprised bunkers, port charges and commission expenses.

(b) Vessel costs mainly comprised operating lease rentals and depreciation of vessels.

32 Operating (loss)/profit

Operating (loss)/profit stated after charging/(crediting) the following:

	2011 RMB'000	2010 RMB'000 (Restated)
Auditors' remuneration	**49,762**	52,790
Amortisation		
– leasehold land and land use rights	**66,602**	54,295
– intangible assets	**51,262**	53,623
– concession	**12,845**	12,839
Cost of bunkers consumed	**17,224,808**	12,771,307
Cost of inventories sold		
– resaleable containers	**109,307**	171,637
– marine suppliers and others	**66,078**	102,551
– merchandises	**3,706,919**	1,684,709
Depreciation		
– container vessels	**1,068,311**	1,156,881
– dry bulk vessels	**1,136,692**	1,153,633
– containers	**567,831**	586,256
– other property, plant and equipment	**659,324**	482,184
– investment properties	**26,332**	29,010
Operating lease rentals		
– container vessels	**3,688,657**	3,489,910
– dry bulk vessels	**13,520,172**	16,808,124
– containers	**1,108,388**	906,027
– leasehold land and buildings	**324,411**	263,067
– other property, plant and equipment	**275,378**	262,193
Rental income of investment properties	**(22,055)**	(53,143)

33 Finance income and costs

	2011 RMB'000	2010 RMB'000 (Restated)
Finance income		
Interest income from:		
– deposits with COSCO Finance (note 18(b))	**(161,165)**	(93,831)
– loans to jointly controlled entities (note 13(a))	**—**	(10,895)
– loans to associates (note 13(b))	**(9,552)**	(10,699)
– banks	**(745,663)**	(513,759)
Net exchange gain	**(1,199,103)**	(534,381)
	(2,115,483)	(1,163,565)
Finance costs		
Interest expenses on:		
– bank loans	**981,730**	773,048
– other loans wholly repayable within five years	**21,464**	2,243
– loans with COSCO Finance (notes 25 and 29)	**5,578**	22,279
– finance lease obligations (note 25(j))	**9,353**	10,726
– notes (note 25(c))	**672,267**	508,608
Fair value loss/(gain) on derivative financial instruments	**36,063**	(20,152)
Fair value adjustment of notes attributable to interest rate risk	**(39,724)**	26,260
	(3,661)	6,108
	1,686,731	1,323,012
Amortised amount of transaction costs on long-term borrowings	**66,001**	58,918
Amortised amount of discount on issue of notes	**1,028**	1,144
Other incidental borrowing costs and charges	**69,157**	42,666
Less: amount capitalised in construction in progress (note 6(h))	**(89,226)**	(104,277)
	1,733,691	1,321,463
Net finance (income)/costs	**(381,792)**	157,898

34 Income tax expenses

	2011 RMB'000	2010 RMB'000 (Restated)
Current income tax		
– PRC enterprise income tax (note a)	384,135	388,632
– Hong Kong profits tax (note b)	4,405	4,913
– Overseas taxation (note c)	74,431	150,582
Under/(over) provision in prior years	1,675	(661)
	464,646	543,466
Deferred income tax (note 16)	566,390	652,378
	1,031,036	1,195,844

Notes:

(a) PRC enterprise income tax ("EIT")

The provision for EIT is based on the statutory rate of 25% on the assessable income of each of the PRC companies of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the year, except for certain PRC companies, which are taxed at reduced rates ranging from 12% to 24% (2010: 11% to 22%) based on different local preferential policies on income tax and approval by relevant tax authorities.

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(c) Overseas taxation

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates. These rates range from 13% to 46% (2010: 13% to 46%) during the year.

34 Income tax expenses (Continued)

(d) The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
(Loss)/profit before income tax	(7,854,229)	9,209,589
Less: Share of profits less losses of jointly controlled entities and associates	(2,059,991)	(1,718,676)
	(9,914,220)	7,490,913
Calculated at a tax rate of 25% (2010: 25%)	(2,478,555)	1,872,728
Effect of different tax rates of domestic and overseas entities	18,197	(9,231)
Income not subject to income tax	(769,931)	(1,096,515)
Expenses not deductible for taxation purposes	635,901	860,726
Utilisation of previously unrecognised tax losses	(10,579)	(787,934)
Tax losses not recognised	3,131,553	116,250
Reversal of previously recognised income tax (assets)/liabilities	(108,562)	103,994
Withholding income tax upon distribution of profits and payment of interest	135,944	95,681
Other temporary differences not recognised	475,393	40,806
Under/(over) provision in prior years	1,675	(661)
Income tax expenses	1,031,036	1,195,844

Notes to the Consolidated Financial Statements

34 Income tax expenses (Continued)

(e) The tax credit relating to components of other comprehensive income are as follows:

	2011			2010 (Restated)		
	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000	Before tax RMB'000	Tax credit RMB'000	After tax RMB'000
Available-for-sale financial assets						
– fair value losses	(193,943)	34,985	(158,958)	(102,334)	22,717	(79,617)
– transferred to consolidated income statement upon sale	–	–	–	(63,383)	15,846	(47,537)
Cash flow hedges						
– transferred to consolidated income statement	–	–	–	(2,401)	600	(1,801)
Share of other comprehensive loss of jointly controlled entities and associates	(43,057)	–	(43,057)	(85,673)	—	(85,673)
Conversion of an available-for-sale financial asset to an associate						
– release of investment revaluation reserve	–	–	–	(1,605,002)	—	(1,605,002)
– share of reserves	–	–	–	327,639	—	327,639
Release of reserves upon-disposal of a jointly controlled entity	(44,738)	–	(44,738)	—	—	—
Release of exchange reserve for conversion of a jointly controlled entity to a subsidiary	(77,471)	–	(77,471)	—	—	—
Currency translation differences	(1,738,014)	–	(1,738,014)	(1,120,686)	—	(1,120,686)
Other comprehensive income for the year	(2,097,223)	34,985	(2,062,238)	(2,651,840)	39,163	(2,612,677)
Current tax		–			16,446	
Deferred tax (note 16)		34,985			22,717	
Total		34,985			39,163	

(f) Business tax

Pursuant to various PRC business tax rules and regulations, the Group is required to pay business tax to relevant local tax bureaus as below.

Revenues derived from container shipping and dry bulk business for inbound shipment and freight forwarding and shipping agencies, and terminal operations provided by the Group in the PRC are subject to business tax at rates ranging from 3% to 5% during the year. The related business tax is included in the cost of services and inventories sold.

35 (Loss)/profit attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB24,876,000 (2010: profit of RMB807,606,000).

36 Distributions and dividends

(a) Distributions

	2011 RMB'000	2010 RMB'000 (Restated)
Consideration in connection with the purchase of Acquired Entities (note i)	86,363	—
Distribution to former shareholders (note ii)	6,324	14,627
	92,687	14,627

(i) The amount represented consideration paid by the Group for acquisition of Acquired Entities from COSCO Group during the year (note 1). These acquisitions were regarded as business combinations under common control.

(ii) The amounts represented distribution by the Acquired entities to their former shareholders.

(b) Dividends

	2011 RMB'000	2010 RMB'000
Final dividend, proposed, of RMB Nil (2010: RMB0.09) per share	—	919,465

Notes:

(i) The Board of Directors do not recommend the payment of a final dividend for the year ended 31 December 2011.

(ii) At the meeting held on 29 March 2011, the Directors proposed a final cash dividend of RMB0.09 per share, totalling RMB919,465,000 for the year ended 31 December 2010. The final cash dividend, which was approved at the annual general meeting of the Company held on 17 May 2011, was paid in June 2011 and had been reflected as an appropriation of retained profits for the year ended 31 December 2011.

37 (Loss) /earnings per share

(a) Basic

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

	2011	2010 (Restated)
(Loss)/profit attributable to equity holders of the Company (RMB)	(10,495,295,000)	6,785,497,000
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic (loss)/profit per share (RMB)	(1.0273)	0.6642

(b) Diluted

Diluted (loss)/profit per share is calculated based on the (loss)/profit 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.

	2011	2010 (Restated)
(Loss)/profit attributable to equity holders of the Company (RMB)	(10,495,295,000)	6,785,497,000
Adjustment on the effect of dilution	(210,675)	(161,793)
	(10,495,505,675)	6,785,335,207
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Diluted (loss)/earnings per share (RMB)	(1.0273)	0.6642

38 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2011 RMB'000	2010 RMB'000 (Restated)
Wages, salaries and crew expenses (including bonus and share-based payments)	**5,670,893**	5,187,151
Housing benefits (note a)	**341,064**	309,203
Retirement benefits costs		
– defined benefit plans (including multi-employer defined benefit plans) (note 26(a))	**340,416**	50,796
– defined contribution plans (note b)	**720,181**	1,122,669
Welfare and other expenses	**1,442,017**	1,415,684
	8,514,571	8,085,503

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 7% to 25% 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 5% 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 2011 and 2010 to reduce future contributions.

Contributions totalling RMB344,828,000 (2010 restated: RMB333,387,000) payable to various retirement benefit plans as at 31 December 2011 are included in trade and other payable.

(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 39 of the Consolidated Financial Statements.

39 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:

	2011 RMB'000	2010 RMB'000
Independent non-executive directors		
– fees	1,980	1,286
Executive and other non-executive directors		
– fees	475	1,254
– salaries and allowances	5,396	5,354
– benefits in kind	(32,864)	(7,572)
	(26,993)	(964)
Supervisors		
– salaries and allowances	1,948	3,333
– benefits in kind	(9,647)	(2,084)
– retirement benefit contributions	57	57
– others	1	1
	(7,641)	1,307
Senior management		
– salaries and allowances	5,674	11,388
– benefits in kind	(9,930)	(1,672)
– retirement benefit contributions	182	411
– others	28	37
	(4,046)	10,164
	(36,700)	11,793

Benefits in kind for the year ended 31 December 2011 disclosed above mainly included amortised cost and change in fair value with a net credit of RMB53,345,000 (2010: RMB12,601,000) on outstanding SARs not yet exercised by Directors, supervisors and senior management (note 23(b)).

39 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments

Details of the remuneration of each of the Directors are set out below:

	Year ended 31 December 2011			
Name of Directors	Fees	Salaries and allowances	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr.Wei Jiafu	—	1,200	(7,076)	(5,876)
Mr.Zhang Fusheng	—	720	(6,270)	(5,550)
Mr.Ma Zehua	—	192	—	192
Mr.Zhang Liang	—	859	(1,383)	(524)
Mr.Xu Lirong	204	—	(4,139)	(3,935)
Ms.Sun Yueying	82	—	(4,690)	(4,608)
Mr.Sun Jiakang	65	130	(3,888)	(3,693)
Mr.Xu Minjie	45	2,295	62	2,402
Mr.Chen Hongsheng	79	—	(5,480)	(5,401)
Mr.Teo Siong Seng	416	—	—	416
Ms.Fan Hsu Lai Tai Rita	609	—	—	609
Mr.Kwong Che Keung Gordon	299	—	—	299
Mr.Peter Guy Bowie	293	—	—	293
Ms.Li Boxi	117	—	—	117
Mr.Hamilton Alexander Reid	123	—	—	123
Mr.Cheng Mo Chi	123	—	—	123
	2,455	5,396	(32,864)	(25,013)

39 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors' emoluments (Continued)

	Year ended 31 December 2010			
Name of Directors	Fees	Salaries and allowances	Benefits in kind	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wei Jiafu	—	1,983	(1,597)	386
Mr. Zhang Fusheng	—	1,785	(1,415)	370
Mr. Zhang Liang	—	1,586	(277)	1,309
Mr. Li Jianhong	303	—	(1,059)	(756)
Mr. Xu Lirong	323	—	(928)	(605)
Ms. Sun Yueying	306	—	(1,059)	(753)
Mr. Chen Hongsheng	322	—	(1,237)	(915)
Ms. Li Boxi	316	—	—	316
Mr. Hamilton Alexander Reid	331	—	—	331
Mr. Cheng Mo Chi	327	—	—	327
Mr. Teo Siong Seng	312	—	—	312
	2,540	5,354	(7,572)	322

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.

39 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 2011	2010
Directors	1	—
Employees	4	5
	5	5

The details of emoluments paid to the five highest paid individuals, have included one (2010: Nil) Directors of the Company as disclosed in note 39(b) above. Details of emoluments paid to the remaining four (2010: five) highest paid non-director individuals for the year ended 31 December 2011 are as follows:

	2011 RMB'000	2010 RMB'000
– Salaries and allowances	7,381	12,187
– Benefits in kind	190	376
– Discretionary bonuses	1,807	1,829
– Retirement benefit contributions	29	31
– Others	10	—
	9,417	14,423

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals 2011	2010
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,620,000 to RMB2,030,000)	—	1
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,030,000 to RMB2,430,000)	3	2
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,430,000 to RMB2,840,000)	1	1
HK$3,500,001 to HK$6,000,000 (equivalent to approximately RMB2,840,000 to RMB4,860,000)	—	1
	4	5

40 Notes to the consolidated cash flow statement

(a) Reconciliation of (loss)/profit before income tax to cash (used in)/generated from operations:

	2011 RMB'000	2010 RMB'000 (Restated)
(Loss)/profit before income tax	**(7,854,229)**	9,209,589
Depreciation		
– property, plant and equipment	**3,432,158**	3,378,954
– investment properties	**26,332**	29,010
Amortisation		
– intangible assets	**51,262**	53,623
– leasehold land and land use rights	**66,602**	54,295
– concession	**12,845**	12,839
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes	**67,029**	60,062
Dividend income from listed and unlisted investments	**(20,273)**	(16,585)
Share of profits less losses of		
– jointly controlled entities	**(714,750)**	(682,639)
– associates	**(1,345,241)**	(1,036,037)
Loss/(gain) on disposal of available-for-sale financial assets	**464**	(59,266)
Gain on disposal of other financial assets at fair value through profit or loss	**—**	(859)
Interest expenses	**1,597,505**	1,218,735
Interest income	**(916,380)**	(629,184)
Net gain on disposal of property, plant and equipment	**(167,598)**	(305,785)
Net gain on disposal of a jointly controlled entity and associates	**(83,202)**	(743)
Net (gain)/loss of disposal of a subsidiary	**(5)**	2
Other incidental borrowing costs and charges	**69,157**	42,666
Provision for onerous contracts	**1,426,411**	1,176,814
Net exchange gain	**(759,237)**	(172,241)
Operating (loss)/profit before working capital changes	**(5,111,150)**	12,333,250
Increase in inventories	**(1,225,432)**	(155,624)
Increase in trade and other receivables	**(374,338)**	(1,897,779)
Increase in trade and other payables	**2,627,667**	2,103,980
(Decrease)/increase in other tax payable	**(10,934)**	115,592
Decrease in finance lease receivables	**(76,805)**	13,053
Decrease in provisions and other liabilities	**(1,030,477)**	(1,631,090)
Changes on financial instruments at fair value through profit or loss	**(61,024)**	(80,046)
Changes on other financial assets at fair value through profit or loss	**—**	1,210
Increase in restricted bank deposits	**—**	(184,083)
Cash (used in)/generated from operations	**(5,262,493)**	10,618,463

40 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

The Group has accounted for COSCO Port (Nansha) Limited ("CP Nansha") and Tianjin Tianrong International Cargo Transportation Development Co., Ltd. ("Tianjin Tianrong") as subsidiaries since 1 January 2011 as the Group has the power to govern the financial and operating policies of CP Nansha and Tianjin Tianrong, the then jointly controlled entities of the Group. Details of the conversion of CP Nansha from a jointly controlled entity to a subsidiary are set out in note 41.

In 2011, the Group only has significant influence over COSCO WALLEM Ship Management Co., Ltd. ("COSCO WALLEM"), a then subsidiary of the Group and no longer control. Accordingly, the Group has accounted for COSCO WALLEM as an associate since then.

In 2010, loan advanced to investee company of RMB388,422,000 was reclassified as equity loan to an associate.

(c) Acquisition of a subsidiary

On 27 March 2011, Tianjin Ocean Shipping Co., Ltd entered into an agreement to purchase additional 49% equity interests in COSCO Tianjin International Forwarding Agency Co., Ltd, a then jointly controlled entity, at a cash consideration of RMB5,589,000. The transaction was completed on 25 April 2011. Since then, the company has become a wholly owned subsidiary of the Group.

The assets and liabilities arising from the acquisition were as follows:

	2011 RMB'000
Fair value at date of business combination	
Property, plant and equipment	917
Intangible assets	112
Deferred income tax assets	23
Inventories	605
Trade and other receivables	7,509
Cash and cash equivalents	3,025
Trade and other payables	(749)
Tax payable	(36)
Fair value of net assets	11,406
Less: share of net assets held by the Group before acquisition	(5,817)
	5,589

COSCO Tianjin International Forwarding Agency Co., Ltd contributed revenues of RMB9,271,000 and net profit of RMB458,000 to the Group for the period from 26 April 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, revenues and profit for the year ended 31 December 2011 contributed to the Group would have been RMB11,846,000 and RMB474,000 respectively.

40 Notes to the consolidated cash flow statement (Continued)

(d) Disposal of subsidiaries

On 31 March 2010, the Group disposed of its 55% equity interest in COSCO Beijing Auto-logistics Co., Ltd., a non-wholly owned subsidiary.

On 10 May 2010, the Group disposed of its 100% equity interest in Penavico Zhenjiang Property Management Company for a consideration of RMB2,579,000.

Net cash outflow in respect of disposal of subsidiaries is analysed as follows:

	2010 RMB'000
Property, plant and equipment	18,448
Trade and other receivables	13,508
Bank deposits and cash and cash equivalents	9,799
Trade and other payables	(25,196)
Tax payable	(265)
Net assets disposed of	16,294
Less: Non-controlling interests disposed of	(6,171)
	10,123
Cash consideration	2,579
Less: Cash and cash equivalents disposed of	(9,799)
Net cash outflow on disposal of subsidiaries	(7,220)

41 Conversion of jointly controlled entities to subsidiaries

During the year, certain jointly controlled entities changed into subsidiaries because the Group has obtained the power to govern the financial and operating policies of these entities. One of them is CP Nansha and the Group has accounted for CP Nansha as a subsidiary from 1 January 2011 onwards. During the year, the Group recorded a gain on release of exchange reserve upon conversion from a jointly controlled entity to a subsidiary of RMB77,471,000.

The assets and liabilities arising from the conversion of CP Nansha from a jointly controlled entity to a subsidiary were as follows:

	2011 RMB'000
Fair value at date of business combination	
Property, plant and equipment	4,417,480
Investment properties	18,967
Leasehold land and land use rights	424,952
Intangible assets	8,894
Trade and other receivables	140,878
Cash and cash equivalents	63,028
Long term borrowings	(2,873,146)
Trade and other payables	(183,237)
Short term borrowings	(835,003)
Current portion of long term borrowings	(199,999)
Tax payable	(2,152)
	980,662
Non-controlling interests	(472,761)
Fair value of the interest originally held by the Group as a jointly controlled entity	507,901

CP Nansha contributed revenues of RMB612,812,000 and net profit of RMB11,179,000 to the Group for the year ended 31 December 2011.

42 Contingent liabilities and financial guarantee

(a) The Group is subject to claims in respect of a number of litigations currently under way. The litigations are, including but not limited to, claims arising from damage to vessels during transportation, loss of goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts, personal injury case of truck traffic accident and non-payment of fees of certain terminals.

As at 31 December 2011, the Group is unable to ascertain the likelihood and amounts of the claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that, while the claims have not been provided for in the Consolidated Financial Statements, either the Group's insurance coverage is adequate to cover any final claims to be settled or the final claims amounts will be insignificant to the Group.

(b) Guarantee

	The Group	
	2011	2010
	RMB'000	RMB'000
Bank guarantee to an associate at face value	**177,684**	195,403

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 2011, the Company provided guarantees to banks for credit facilities granted to its subsidiaries of RMB806,011,000 (2010: RMB231,132,000).

43 Commitments

(a) Capital commitments

Group

	2011 RMB'000	2010 RMB'000
Authorised but not contracted for		
Containers	4,773,348	1,653,165
Terminal equipment	1,178,533	935,774
Buildings	1,720,232	2,359,457
Other property, plant and equipment	6,429	26,675
Intangible assets	52,389	7,586
Investments	500	16,568
	7,731,431	4,999,225
Contracted but not provided for		
Containers	55,007	917,045
Containers vessels and dry bulk vessels	16,185,423	19,026,134
Terminal equipment	2,251,255	1,904,039
Buildings	251,025	268,255
Other property, plant and equipment	64,498	45,657
Investments in terminals	2,581,296	3,955,427
Intangible assets	40,388	32,756
	21,428,892	26,149,313

Company

As at 31 December 2011 and 2010, the Company has no significant capital commitment.

Amounts of capital commitments relating to the Group's interest in the jointly controlled entities not included in the above are as follows:

	2011 RMB'000	2010 RMB'000
Authorised but not contracted for	90,846	79,049
Contracted but not provided for	53,684	21,736
	144,530	100,785

43 Commitments (Continued)

(b) Operating lease arrangement - where the Group is the lessor

As at 31 December 2011, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2011 RMB'000	2010 RMB'000
Containers vessels and dry bulk vessels		
– not later than one year	**1,435,906**	3,114,288
– later than one year and no later than five years	**467,442**	913,412
– later than five years	**238,009**	347,011
	2,141,357	4,374,711
Containers (note)		
– not later than one year	**696,092**	553,929
– later than one year and no later than five years	**1,613,534**	1,200,020
– later than five years	**571,202**	91,440
	2,880,828	1,845,389
Investment properties and other property, plant and equipment		
– not later than one year	**106,948**	17,750
– later than one year and no later than five years	**219,440**	23,433
– later than five years	**10,878**	1,262
	337,266	42,445
	5,359,451	6,262,545

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.

43 Commitments (Continued)

(c) Operating lease commitments - where the Group is the lessee

As at 31 December 2011, the Group had future aggregate minimum payments under non-cancellable operating leases/ time charter arrangements as follows:

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Containers vessels and dry bulk vessels				
– not later than one year	12,833,316	16,309,817	—	—
– later than one year and no later than five years	25,683,401	35,252,261	—	—
– later than five years	17,487,537	22,594,991	—	—
	56,004,254	74,157,069	—	—
Concession of Piraeus Port (note 17(a))				
– not later than one year	231,243	233,954	—	—
– later than one year and no later than five years	1,125,057	1,115,223	—	—
– later than five years	25,082,585	27,965,092	—	—
	26,438,885	29,314,269	—	—
Containers				
– not later than one year	587,928	419,100	—	—
– later than one year and no later than five years	1,552,884	667,174	—	—
– later than five years	60,937	732	—	—
	2,201,749	1,087,006	—	—

43 Commitments (Continued)

(c) Operating lease commitments - where the Group is the lessee (Continued)

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000
Leasehold land, buildings and other property, plant and equipment				
– not later than one year	242,850	216,376	34,408	—
– later than one year and no later than five years	290,863	300,028	—	—
– later than five years	17,865	174,789	—	—
	551,578	691,193	34,408	—
	85,196,466	105,249,537	34,408	—

44 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.

44 Significant related party transactions (Continued)

	2011 RMB'000	2010 RMB'000 (Restated)
Transactions with COSCO		
Revenues		
Management fee income (note a)	**11,827**	18,565
Expenses		
Sub-charter expenses (note b)	**123,995**	129,989
Rental expenses (note c)	**43,013**	34,408
Others		
Purchase of equity interest in Acquired Entities (note d)	**86,363**	—
Transactions with fellow subsidiaries and the related entities of COSCO (including jointly controlled entities and associates)		
Revenues		
Container shipping income (note c)	**203,169**	285,738
Freight forwarding and shipping agency income (note c)	**6,688**	10,288
Charterhire income (note c)	**50,259**	—
Vessel services income (note c)	**28,613**	44,812
Crew service income (note c)	**101,054**	70,449
Vessel management income (note c)	**3,429**	3,627
Expenses		
Vessel costs		
Sub-charter expenses (note b)	**355,453**	416,194
Charterhire expenses (note c)	**35,999**	—
Vessel services expenses (note c)	**482,231**	478,333
Crew expenses (note c)	**45,235**	39,076
Voyage costs		
Bunker costs (note c)	**14,827,817**	9,927,234
Port charges (note c)	**829,883**	821,198
Equipment and cargo transportation costs		
Commission and rebates (note c)	**149,371**	162,765
Cargo and transhipment and equipment and repositioning expenses (note c)	**28,185**	133,928
Freight forwarding expenses (note c)	**106,796**	95,944
Logistics related expenses (note c)	**79,598**	2,818
General service expenses (note c)	**59,172**	45,920
Management fee expenses (note c)	**10,817**	8,680
Rental expenses (note c)	**64,535**	63,407
Electricity and fuel expenses (note c)	**8,299**	—

44 Significant related party transactions (Continued)

	2011 RMB'000	2010 RMB'000 (Restated)
Others		
Installments paid for ship building contracts (note e)	**1,196,898**	2,574,522
Transactions with jointly controlled entities of the Group		
Revenues		
Freight forwarding and shipping agency income (note c)	**1,553**	27,679
Charterhire income (note c)	**383,322**	209,499
Management fee and service fee income (note c)	**26,885**	26,632
Handling, storage and transportation income (note c)	**19**	11,965
Vessel service income (note c)	**1,385**	1,835
Crew service income (note c)	**19,035**	17,111
Expenses		
Vessel costs		
Charterhire expenses (note c)	**32,452**	27,171
Vessel service expenses (note c)	**800**	—
Voyage costs		
Port charges (note c)	**748,595**	740,516
Equipment and cargo transportation costs		
Commission and rebates (note c)	**—**	271
Freight forwarding expenses (note c)	**—**	2,728
General service expenses (note c)	**32,862**	11,839
Rental expenses (note c)	**3,621**	4,842
Others		
Proceeds from disposal of a vessel (note f)	**23,250**	6,501

44 Significant related party transactions (Continued)

	2011 RMB'000	2010 RMB'000 (Restated)
Transactions with associates of the Group		
Revenues		
Crew service income (note c)	10,000	12,725
Management fee and service fee income (note c)	962	718
Handling storage and transportation income (note c)	8,254	7,516
Expenses		
Vessel costs		
Port charges (note c)	214,768	233,597
Container freight charges (note c)	7,466	9,060
Equipment and cargo transportation costs		
Commission and rebate (note c)	308	727
General service expenses (note c)	—	194
Others		
Purchase of containers (note g)	1,390,502	1,073,059
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Crew service income (note c)	10,995	33,024
Logistics related income (note c)	—	215,470
Terminal handling and storage income (note c)	145,335	—
Refund of port construction fee (note c)	6,697	—
Expenses		
Commission and rebate (note c)	—	270
Container handling and logistics services fee (note c)	76,594	50,928
Electricity and fuel expenses (note c)	55,857	11,809
Logistics related expenses	—	1,239
Others		
Port construction fee and high-frequency communication fee (note h)	38,084	17,369

44 Significant related party transactions (Continued)

Notes:

(a) On 22 April 2009, following the reorganisation and fine-tuning of corporate structure of the Company, the Company entered into a three-year Master Entrust Management Services Agreement with COSCO to manage non-listed wholly owned and direct holding companies of COSCO. Management fee income is charged based on the management cost incurred plus appropriate profit.

(b) COSCO and its subsidiaries leased 10 vessels to COSCO Container Lines Company Limited and Shanghai Pan Asia Shipping Company Limited by way of sub-time charter arrangement. The daily charterhire rate for each vessel was agreed on a mutual basis.

(c) These transactions of revenues and expenses in nature 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, based on statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

(d) In June 2011, the Group completed the acquisitions from COSCO Group the equity interests in Acquired Entities for total considerations of RMB86,363,000 (note 1).

(e) During 2006 to 2009, the Group entered into ship building contracts with NACKS (a related company), COSCO Zhoushan and COSCO Dalian (fellow subsidiaries) (collectively the "Shipyards"), pursuant to which the Shipyards will construct certain bulk carriers for the Group. Instalments are paid in accordance with the payment schedules with reference to the construction progress or mutually agreed between the Group and the Shipyards.

(f) On 16 July 2009, a subsidiary of COSCO Bulk entered into agreement with PT. COSBULK Indonesia Global Shipping to dispose of a dry bulk vessel at a consideration of US$5,830,000 (equivalent to approximately RMB39,829,000) of which would be settled in first down payment of US$1,030,000 (equivalent to approximately RMB7,037,000) and remaining portion of US$4,800,000 (equivalent to approximately RMB32,792,000) would be settled in 20 installments. In 2011, total proceeds received by the Group amounted to US$3,600,000 (equivalent to approximately RMB23,250,000) (2010: US$960,000 (equivalent to approximately RMB6,501,000)). As at 31 December 2011, all consideration receivable has been settled.

(g) The purchases of containers from subsidiaries of China International Marine Containers (Group) Co., Ltd., the associate of the Group, were conducted at terms as set out in the agreements entered into between the Group and the respective party in concern.

(h) Port construction fee and high-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(i) The transactions of revenues (mainly including container shipping income and charterhire income) and expenses (mainly including port charges) in nature conducted with government-related entities were based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

44 Significant related party transactions (Continued)

Balances with related parties

Other than those disclosed elsewhere in the Consolidated Financial Statements, the outstanding balance with related entities at year end are as follows:

	2011 RMB'000	2010 RMB'000 (Restated)
Bank deposits		
– state-owned banks (note)	**24,888,859**	24,443,474
Loans		
– state-owned banks (note)	**44,532,118**	32,841,665

Note:

The deposits and loans were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates were set at prevailing market rates. Interest income from deposits with state-owned banks is RMB582,280,000 (2010: RMB401,989,000), and interest expenses on loans from state-owned banks is RMB488,562,000 (2010: RMB519,302,000).

45 Particulars of principal subsidiaries, jointly controlled entities and associates

At 31 December 2011, the Group had the following principal subsidiaries, jointly controlled entities 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 2011, 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
Capital held directly					
China COSCO Bulk Shipping (Group) Company Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB11,696,755,600	100%
COSCO Container Lines Company Limited	PRC/Worldwide	Container transportation	Limited liability company	RMB6,088,763,082	100%
COSCO Pacific Investment Holdings Limited	Hong Kong	Investment holding	Limited liability company	500 ordinary shares of HK$1,000 each	100%
COSCO Logistics Co., Ltd	PRC	Freight forwarding, warehousing, deport and cargo terminal service	Limited liability company	RMB3,183,029,851	100%
Capital held indirectly					
COSCO Bulk Carrier Co., Ltd.	PRC/Worldwide	Bulk cargo transportation	Limited liability company	RMB6,290,000,000	100%
Qingdao Ocean Shipping Co.,Ltd.	PRC/Worldwide	Provision of passenger and cargo transportation services	Limited liability company	RMB3,214,000,000	100%
Shenzhen Ocean Shipping Company Limited	PRC	Vessel owning and investment holding	Limited liability company	RMB1,195,709,081	100%
Prosperity Investment 2011 Limited	British Virgin Islands	Investment holding	Limited liability company	US$100,000	100%
Shanghai Pan Asia Shipping Company Limited	PRC	Container transportation	Limited liability company	RMB1,259,983,844	100%
Tianjin Binhai COSCO Container Logistics Co., Ltd.	PRC	Container stack, cargo storage and cargo Transportation	Limited liability company	RMB190,000,000	56.10%
Shanghai Ocean Shipping Co., Ltd.	PRC	Vessel management and manning service	Limited liability company	RMB320,000,000	100%

45 Particulars of principal subsidiaries, jointly controlled entities 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
Capital held indirectly (Continued)					
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	Limited liability company	RMB200,000,000	100%
COSCO Container Shipping Agency Company Limited	PRC	Shipping agency	Limited liability company	RMB80,000,000	100%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding	Limited liability company	RMB50,000,000	100%
Shanghai COSCON Development Co., Ltd.	PRC	Container stack, cargo Storage and cargo Transportation	Limited liability company	RMB403,000,000	100%
COSCO Container Line Agencies Limited	Hong Kong	Shipping agency	Limited liability company	1,000,000 shares of HK$1 each	100%
COSCO Container Lines Europe GmbH	German/Europe	Shipping agency	Limited liability company	EURO1,500,000	100%
COSCO Container Lines Japan Co., Ltd.	Japan	Marine services	Limited liability company	JPY40,000,000	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%
COSCO (Cayman) Mercury Co., Ltd.	Cayman Islands/ Hong Kong	Investment holding	Limited liability company	50,000 ordinary shares of US$1 each	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%
Tianjin Ocean Shipping Co., Ltd.	PRC	Bulk cargo transportation and investment holding	Limited liability company	RMB868,581,699	100%

45 Particulars of principal subsidiaries, jointly controlled entities 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
Capital held indirectly (Continued)					
COSCO Bulk Carrier Holdings (Cayman) Limited	Cayman Islands/ Singapore	Investment holding	Limited liability company	US$ 50,000	100%
COSCO Europe Bulk Shipping GmbH	Hamburg, Germany/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	EUR 500,000	50%
COSCO Bulk Carrier Americas Inc.	Delaware, America/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	US$ 500,000	51%
COSCO Oceania Chartering Pty Ltd	New South Wales, Australia/ Worldwide	Vessel chartering	Sino-foreign equity joint venture	AUD 20,002	51%
COSCO (Qingdao) Investment Holding Co., Ltd.	PRC	Business management, house leasing, Investment holding	Limited liability company	RMB239,000,000	100%
Golden View Investment Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	2 ordinary shares of US$1 each	100%
COSCO (Hong Kong) Shipping Co., Ltd.	Hong Kong	Provision of agency and management services	Limited liability company	3 ordinary shares of HK$1 each	100%
COSCO Pacific Limited	Bermuda	Investment holding	Limited liability company	2,711,783,573 shares of HK$ 0.1 each	42.71%
COSCO Investments Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	100%
Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	30.51%

45 Particulars of principal subsidiaries, jointly controlled entities 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
Capital held indirectly (Continued)					
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	US$36,800,000	21.78%
Yangzhou Yuanyang International Ports Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$61,500,000	23.74%
Jinjiang Pacific Ports Development Co., Ltd.	PRC	Operation of terminal	Limited liability company	US$49,900,000	34.17%
Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB1,396,850,000	29.90%
Piraeus Container Terminal S.A.	Greece	Operation of container terminal	Limited liability company	EURO34,500,000	42.71%
COSCO Ports (Nansha) Limited	British Virgin Islands/PRC	Investment in a container terminal	Limited liability company	US$10,000	28.23%
Florens Container Holdings Limited	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	22,014 ordinary shares of US$1 each	42.71%
Zhen Sea Shipping Company limited	British Virgin Islands/Hong Kong	Investment holding	Limited liability company	500,000 ordinary shares of US1$ each	100%
Bright Sea Management Limited	British Virgin Islands/ Hong Kong	Investment holding	Limited liability company	1 ordinary share of US$1 each	100%
COSCO Diamond Limited	Hong Kong	Treasury	Limited liability company	2,000 shares of US$1 each	100%
COSCO International Air Freight Co., Ltd	PRC	Air freight forwarding	Limited liability company	RMB48,417,396	100%

45 Particulars of principal subsidiaries, jointly controlled entities 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
Capital held indirectly (Continued)					
China Ocean Shipping Agency Company Limited	PRC	Shipping agency and freight forwarding	Limited liability company	RMB113,372,000	100%
COSCO Logistics (Shanghai) Distribution Co.,Ltd.	PRC	Logistics	Limited liability company	RMB13,000,000	100%
COSCO Logistics Warehousing & Distribution Co., Ltd.	PRC	Logistics	Limited liability company	RMB113,880,675	100%
COSCO Supply Chain Management Co., Ltd.	PRC	Logistics	Limited liability company	RMB63,150,000	100%
COSCO Chemical Logistics (Shanghai) Co., Ltd.	PRC	Logistics	Limited liability company	RMB81,701,621	100%
COSCO Logistics (Guangzhou) Heavy Transportation Co.,Ltd.	PRC	Logistics	Limited liability company	RMB125,000,000	88%
COSCO Logistics (Hong Kong) Company Limited	PRC	Logistics	Limited liability company	HK$38,789,500	100%
COSCO Logistics (Zhoushan) Co., Ltd.	PRC	Logistics and warehousing	Limited liability company	RMB20,000,000	55%
COSCO Logistics (Luzhou) Co., Ltd.	PRC	Warehousing	Limited liability company	RMB10,000,000	80%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(b) Jointly controlled entities

As at 31 December 2011, the Company had indirect interests in the following principal jointly controlled entities:

Name	Place of incorporation/ establishment and operations	Principal activities	Type of legal entity	Issued/registered and fully paid up capital	Attributable equity interest held
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB624,000,000	8.54%
Tianjin Port Euroasia International Container Terminal Co.,Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,260,000,000	12.81%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	Sino-foreign joint venture	US$308,000,000	8.54%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB1,246,450,000	8.54%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	Sino-foreign joint venture	RMB1,900,000,000	12.81%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	Limited liability company	SGD65,900,000	20.93%
C & I Shipholding S.A.	Panama	Vessel owning and chartering	Limited liability company	US$15,600,000	60%
COSCO-Development Shipping Co.,Ltd.	PRC	Vessel owning and chartering	Limited liability company	RMB200,000,000	17.97%
Tianjin YuanHua Shipping Co., Ltd	PRC	Cargo transportation and vessel chartering	Limited liability company	RMB 360,000,000	56.17%
Shanghai Ocean Hotel Co.,Ltd.	PRC	Hotel operation	Limited liability company	RMB313,720,000	58.07%
Tangshan COSCO Container Logistics Co., Ltd.	PRC	Container Stack, Cargo Storage, and Cargo Transportation	Limited liability company	RMB170,000,000	51%

45 Particulars of principal subsidiaries, jointly controlled entities and associates (Continued)

(c) Associates

As at 31 December 2011, 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 held
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	Limited liability company	RMB800,000,000	38.25%
China Ocean Shipping Agency Tianjin Company	PRC	Shipping Agency	Limited liability company	RMB101,220,000	40%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	Limited liability company	RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	9.31%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	Limited liability company	RMB730,000,000	8.54%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	Limited liability company	1,856,250 ordinary shares of US$ 100 each	8.54%
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	8.54%
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	2.19%
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	7.04%

Notes:

(i) The English names of certain subsidiaries, jointly controlled entities 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 jointly controlled entities as disclosed above are more than 50%, the Group does not have unilateral control over these jointly controlled entities.

Five Year Financial Summary

For the year ended 31 December 2011

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**84,639,178**	96,487,636	68,462,154	131,838,916	112,232,794
(Loss)/profit before income tax	**(7,854,229)**	9,209,589	(6,213,500)	15,670,552	26,112,562
Income tax expenses	**(1,031,036)**	(1,195,844)	(450,586)	(2,973,856)	(4,825,751)
(Loss)/profit for the year	**(8,885,265)**	8,013,745	(6,664,086)	12,696,696	21,286,811
(Loss)/profit attributable to:					
- Equity holders of the Company	**(10,495,295)**	6,785,497	(7,467,812)	11,606,134	19,481,867
- Non-controlling interests	**1,610,030**	1,228,248	803,726	1,090,562	1,804,944
	(8,885,265)	8,013,745	(6,664,086)	12,696,696	21,286,811

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**157,458,885**	150,981,892	137,741,303	120,010,202	117,359,805
Total liabilities	**(107,288,432)**	(88,681,037)	(85,156,488)	(58,103,803)	(60,203,320)
Total equity	**50,170,453**	62,300,855	52,584,815	61,906,399	57,156,485

Notes:

(a) The financial figures for the year 2010 and 2011 were extracted from the 2011 Consolidated Financial Statements.

(b) The financial figures for the year 2007 to 2009 were extracted from the 2010 annual report. No retrospective adjustments for the common control combinations in 2009 were made on the financial figures for the year 2007 to 2008. And no retrospective adjustments for adoption of HKFRS 1 (Amendment) and the common control combinations in 2011 were made on the financial figures for the year 2007 to 2009.

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