IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: This offering circular is being sent to you at your request and by accepting the e-mail and accessing the attached offering circular, you shall be deemed to represent to BOCI Asia Limited ("**BOCI**" or the "**Sole Global Coordinator**") and The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**", and together with BOCI, the "**Joint Lead Managers**") that (1) you and any customers you represent are not US persons (as defined in Regulation S under the US Securities Act of 1933, as amended (the "**Securities Act**")) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) that you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Joint Lead Managers nor their affiliates, directors, officers, employees, representatives, agents and each person who controls any of the Joint Lead Managers or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached document is being furnished in connection with an offering to non-US persons in offshore transactions in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the information in the attached offering circular is not complete and may be changed.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO US PERSONS. THIS OFFERING IS MADE SOLELY TO NON-US PERSONS IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

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YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

COSCO Finance (2011) Limited

(incorporated with limited liability under the laws of the British Virgin Islands)

US$1,000,000,000 4.00% Credit Enhanced Bonds due 2022
with the benefit of a Keepwell Deed provided by

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

The 4.00 per cent. Credit Enhanced Bonds due 2022 in the aggregate principal amount of US$1,000,000,000 (the "**Bonds**") will be issued by COSCO Finance (2011) Limited (the "**Issuer**"). The Issuer is a wholly-owned subsidiary of China COSCO Holdings Company Limited (the "**Company**").

Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") denominated in Renminbi and issued by Bank of China Limited, Beijing Branch (the "**LC Bank**"). See "Appendix 1 — Form of Standby Letter of Credit" for the form of the Standby Letter of Credit.

Interest on the Bonds is payable semi-annually in arrear on 3 June and 3 December in each year, with the first interest payment date on 3 June 2013. Payments on the Bonds will be made without deduction for or on account of taxes of the British Virgin Islands and the People's Republic of China to the extent described under "Terms and Conditions of the Bonds — Taxation".

The Company, the Issuer and The Hongkong and Shanghai Banking Corporation Limited as trustee will enter into a keepwell deed (the "**Keepwell Deed**"), as more fully described under "Description of the Keepwell Deed". The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the Bonds.

The Bonds constitute unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The Bonds mature on 3 December 2022 at their principal amount. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands and the People's Republic of China. At any time following the occurrence of a Change of Control (as defined herein), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some, of that holder's Bonds at 100% of their principal amount plus accrued interest up to, but excluding, the Change of Control Put Date (as defined herein). At any time after 3 December 2017, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption amount equal to the Make Whole Amount (as defined herein) plus interest accrued to the date fixed for redemption. See "Terms and Conditions of the Bonds — Redemption and Purchase".

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 16 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered only outside the United States in reliance on Regulation S under the Securities Act.

For a description of these and certain further restrictions on offers and sales of the Bonds, the Standby Letter of Credit and the distribution of this Offering Circular, see "Subscription and Sale".

The denomination of the Bonds shall be US$200,000 each and integral multiples of US$1,000 in excess thereof.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**HKSE**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors only. A confirmation of the eligibility for the listing of the Bonds has been received from the HKSE. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer and the Company. The Issuer and the Company accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Bonds are rated "A1" by Moody's Investors Service, Inc. ("**Moody's**"). Such rating of the Bonds does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by Moody's. Such rating should be evaluated independently of any other rating of the other securities of the Issuer, the Company or the LC Bank or of the Issuer, the Company or the LC Bank.

The Bonds will initially be represented by interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 3 December 2012 (the "**Issue Date**") with, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**").

Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator
BOC International

Joint Lead Managers and Joint Bookrunners

BOC International **HSBC**

Offering Circular dated 26 November 2012

IMPORTANT NOTICE

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

IN CONNECTION WITH THE ISSUE OF BONDS, BOCI ASIA LIMITED AND THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED AS STABILISING MANAGERS OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGERS, MAY OVER-ALLOT, PURCHASE AND SELL THE BONDS IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILISING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILISE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE BONDS. AS A RESULT, THE PRICE OF THE BONDS MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGERS (OR PERSONS ACTING ON THEIR BEHALF) WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGERS (OR ANY PERSONS ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE STABILISING MANAGERS, AND NOT FOR OR ON BEHALF OF THE ISSUER.

THIS OFFERING CIRCULAR CONTAINS PARTICULARS GIVEN IN COMPLIANCE WITH THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED FOR THE PURPOSE OF GIVING INFORMATION WITH REGARD TO THE ISSUER. THE ISSUER ACCEPTS FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR AND CONFIRMS, HAVING MADE ALL REASONABLE ENQUIRIES, THAT TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THERE ARE NO OTHER FACTS THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN MISLEADING.

Prospective investors in the Bonds should rely only on the information contained in this Offering Circular. None of the Issuer, the Company, BOCI Asia Limited ("**BOCI**"), acting as sole global coordinator, joint bookrunner and joint lead manager, and The Hongkong and Shanghai Banking Corporation Limited acting as joint bookrunner and joint lead manager (together with BOCI, the "**Joint Lead Managers**") has authorised the provision of information different from that contained in this Offering Circular, to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Company or any of the Joint Lead Managers. The information contained in this Offering Circular is accurate in all material respects only as of the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Bonds. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has not been a change in affairs of the Issuer, the Company, the Group or any of them or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

The distribution of this Offering Circular is limited to "professional investors" only, as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); or (b) for a person outside Hong Kong, a person to whom securities may be sold in accordance with a relevant exemption from public offer regulations in that jurisdiction.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The Issuer reserves the right to withdraw the offering of the Bonds at any time. The Issuer and the Joint Lead Managers also reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Bonds offered hereby. You should read this Offering Circular before making a decision whether to purchase the Bonds.

This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You may not reproduce or distribute this Offering Circular, in whole or in part, and you may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without prior written consent of the Issuer and the Company, is prohibited. By accepting delivery of this Offering Circular, each offeree agrees to the foregoing and to make no photocopies or other reproduction of this Offering Circular.

This Offering Circular is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC.

None of the Issuer, the Company and the Joint Lead Managers is making an offer to sell the Bonds in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Bonds may in certain jurisdictions be restricted by law. None of the Issuer, the Company and the Joint Lead Managers represents that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Company or the Joint Lead Managers which is intended to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. Each prospective purchaser of the Bonds must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Issuer, the Company and the Joint Lead Managers shall have any responsibility therefor.

You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Bonds. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offense. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act of 1933 and applicable state securities laws or exemption therefrom. You should be aware that you may be required to bear financial risks of this investment for an indefinite period of time.

No representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee or the Agents (each as defined in the Terms and Conditions of the Bonds) or any of their respective affiliates or advisors or agents as to the accuracy or completeness of the information set forth herein and you should not rely on anything contained in this Offering Circular as a promise or representation by the Joint Lead Managers, the Trustee or the Agents. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, advisers and agents have not independently verified the information contained herein (financial, legal or otherwise) and, to the fullest extent permitted by law, assume no responsibility for the contents, accuracy or completeness of any such information or for any other statement, made or purported to be made by the Joint Lead Managers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, advisers and agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this information memorandum or any such statement.

Each person receiving this Offering Circular acknowledges that: (a) such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (b) such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any person affiliated with the Joint Lead Managers, the Trustee or the Agents in connection with any investigation of the accuracy or completeness of such information or its investment decision; and (c) no person has been authorised to give any information or to make any representation concerning the Issuer, the Company and their respective affiliates, the Group, the SBLC Bank, the Standby Letter of Credit, the Keepwell Deed and the Bonds (other than as contained herein and information given by the duly authorised officers and employees of the Issuer in connection with investors' examination of the Issuer and the terms of the offering of the Bonds) and, if given or made, any such other information or representation should not be relied upon as having been authorised by us or the Joint Lead Managers, the Trustee or the Agents.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular, or any other information supplied in connection with the offering of the Bonds, should purchase the Bonds. In making an investment decision, you must rely on your own independent examination of the Issuer, the Company, the Group, the SBLC Bank, the Standby Letter of Credit, the Keepwell Deed and the terms of the offering, including the merits and risks involved. None of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents, or any of their respective affiliates or representatives is or are making any representation to you regarding the legality of an investment in the Bonds by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Circular to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. In this Offering Circular, the terms "**we**", "**us**", "**our**" and "**Group**" refer to China COSCO Holdings Company Limited and its subsidiaries and the term "**Company**" refers to China COSCO Holdings Company Limited individually, in each case unless the context otherwise requires. When we use the term "**Issuer**", we are referring to COSCO Finance (2011) Limited, a wholly-owned subsidiary of the Company, itself.

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Joint Lead Managers, the Trustee, the Agents or our or their respective directors and advisors, and neither we, the Joint Lead Managers, the Trustee, the Agents nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

In this Offering Circular, all references to "**US$**", "**US cents**" or "**US¢**" and "**US dollars**" are to United States dollars, the lawful currency of the United States; all references to "**HK$**", "**HK cents**" or "**HK¢**" and "**HK dollars**" are to Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC ("**Hong Kong**" or "**HK**"); and all references to "**RMB**" or "**Renminbi**" are to Renminbi, the lawful currency of the People's Republic of China.

Solely for the sake of convenience, this Offering Circular contains translations of certain Renminbi amounts into US dollar amounts. Unless indicated otherwise, the translation of Renminbi amounts into US dollar amounts has been made at the rate of CNY6.3530 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 29 June 2012. These translations should not be construed as representations that the Renminbi amounts could actually be converted into any US dollar amounts at the rates indicated or at all.

References to "**PRC**" and "**China**" are to the People's Republic of China and, for the purposes of this Offering Circular, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC ("**Macau**") or Taiwan. "**PRC government**" or the "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

In this Offering Circular, references to:

"BDI"	means Baltic Dry Index.
"China COSCO Bulk".....	means 中遠散貨運輸(集團)有限公司 (China COSCO Bulk Shipping (Group) Co., Ltd.), a company incorporated in the PRC on 26 October 2011 and a wholly-owned subsidiary of the Company.
"CIMC".................	means 中國國際海運集裝箱(集團)股份有限公司 (China International Marine Containers (Group) Co., Ltd., a company whose shares are traded on the Shenzhen Stock Exchange.
"COSA"	means COSCO Container Shipping Agency Company Limited (中遠集裝箱船務代理有限公司), a company incorporated in the PRC on 19 May 1999.

"COSCO"	means 中國遠洋運輸(集團)總公司 (China Ocean Shipping (Group) Company), a Chinese state-owned enterprise which is currently under the direct administration of SASAC.
"COSCO Bulk Carrier" ...	means 中遠散貨運輸有限公司 (COSCO Bulk Carrier Co., Ltd.), a company incorporated in the PRC on 26 October 1995.
"COSCO Corporation (Singapore)"............	means COSCO Corporation (Singapore) Limited, a company listed on the Singapore Stock Exchange (Stock Code: COSC.SI).
"COSCO Finance"	means COSCO Finance Co., Ltd. (中遠財務有限責任公司), a company incorporated in the PRC on 23 February 1994 and a subsidiary of COSCO.
"COSCO Group"	means COSCO and its subsidiaries.
"COSCO HK"	means COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司), a company incorporated in Hong Kong and a wholly-owned subsidiary of COSCO.
"COSCO HK Shipping" ...	means COSCO (H.K.) Shipping Co., Limited., a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company.
"COSCO International" ..	means COSCO International Holdings Limited, a company incorporated in Bermuda in 1991 whose shares are listed on HKSE (Stock Code: 517).
"COSCO Japan"..........	means COSCO Japan Co., Ltd.
"COSCO Logistics"	means 中國遠洋物流有限公司 (COSCO Logistics Company Limited), a company incorporated under the laws of the PRC on 21 April 1986 and a wholly-owned subsidiary of the Company.
"COSCO Pacific"	means COSCO Pacific Limited, a company listed on the Main Board of HKSE (Stock Code: 1199).
"COSCO Qingdao"	means 青島遠洋運輸有限公司 (Qingdao Ocean Shipping Co., Ltd.), a company incorporated in the PRC on 19 July 1985.
"COSCO Tianjin".........	means 天津遠洋運輸有限公司 (COSCO Tianjin Ocean Shipping Co., Ltd.), a company established in the PRC on 1 October 1970.
"COSCON"	means 中遠集裝箱運輸有限公司 (COSCO Container Lines Company Limited), a company established in the PRC on 11 November 1997 and a wholly-owned subsidiary of the Company.
"COSFRE"...............	means 中遠國際貨運有限公司 (COSCO International Freight Company Limited), a company established in the PRC on 25 October 1995 and owned as 90% by COSCON and 10% by COSA.
"DWT"	means deadweight tons.

"Florens" .... means Florens Container Holdings Limited, a subsidiary of COSCO Pacific.

"SASAC"................. means 中華人民共和國國務院國有資產監督管理委員會, the State-owned Assets Supervision and Administration Commission of the State Council.

"TEU" .... means twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet.

WARNING

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offering of the Bonds. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

FINANCIAL STATEMENTS

This Offering Circular contains the audited consolidated financial statements of the Company as at and for the year ended 31 December 2011 and the unaudited condensed consolidated interim financial information of the Company as at and for the six-month period ended 30 June 2012. This Offering Circular also contains the audited consolidated financial information of the Company as at and for the year ended 31 December 2010. Such financial information is derived from the Company's audited consolidated financial statements for the year ended 31 December 2011 which reflected the restatement made as a result of adoption of merger accounting for the acquisitions of equity interests of certain entities from COSCO and retrospective adoption of the HKFRS1 (Amendment) effective in 2011. The unaudited condensed consolidated interim financial information of the Company as at and for the six-month period ended 30 June 2011 set out in this Offering Circular is derived from the unaudited condensed consolidated interim financial information of the Company as at and for the six-month period ended 30 June 2012 which is set out elsewhere in this Offering Circular. The audited consolidated financial statements were prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The unaudited condensed consolidated interim financial information were prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the HKICPA.

FORWARD-LOOKING STATEMENTS

The Issuer and the Company have made certain forward-looking statements in this Offering Circular regarding, among other things, the Group's financial conditions, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer and the Company believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- The worsening of the imbalance between the supply and demand of container shipping capacities;
- The Group's results of operations and financial conditions materially affected by conditions in financial markets and the global economy;
- The highly cyclical and violate nature of the shipping industry;
- The highly competitive nature of the Group's business;
- Fluctuations in Baltic Dry Index, freight and charter rates and vessel values and increases in fuel prices;

- The availability of financing and the Group's existing indebtedness;
- The effect of interest rates on the Group's financing costs and its ability to fund its future operations through borrowing or otherwise;
- General economic conditions in the PRC and changes to regulatory and operating conditions in the markets in which the Group operates;
- Aging of vessels, equipment and other assets and costs of repairing;
- The continued availability and retention of qualified personnel;
- The possibility of war, other armed conflicts, terrorist attacks or requisitioned by governments without adequate consideration; and
- Our ability to identify factors other than those discussed under "Risk Factors" and elsewhere in this Offering Circular.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and the Company undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Company's or the Group's actual results could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Company expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

Overview

The Group is headquartered in the PRC. The Company was established in the PRC on 3 March 2005, and is the capital platform of COSCO. The Company provides a wide range of services including container shipping, dry bulk cargo 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 its wholly-owned subsidiary COSCON. As at 30 June 2012, COSCON operated a fleet of 166 vessels in aggregate, totaling 741,687 TEUs, which called at 152 ports in 47 countries and regions across the world, and operated on 84 international routes, 8 international feeder service routes, 22 PRC coastal service routes and 79 Pearl River Delta and Yangtze River feeder service routes. As at 30 June 2012, the total capacity of the Group's container vessels rank fourth in the world and first in the PRC. COSCON has an extensive sales and services network across the world. As at 30 June 2012, 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 30 June 2012, the Company operated 357 dry bulk cargo vessels, with a total shipping capacity of 32.43 million DWT. China COSCO Bulk is also the world's largest bulk cargo transportation fleet which ranked second in the world in terms of self and chartered carriage capacity combined.

The Group provides integrated logistics services (including third party logistics, shipping agency and freight forwarding) through COSCO Logistics. COSCO Logistics has established 409 branch offices in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas and is one of the leading international logistics company in the PRC.

The Group operates its terminal business through COSCO Pacific in which the Company owns approximately 42.71% equity interest as at 30 June 2012. As at 30 June 2012, COSCO Pacific had operated 95 berths in 19 ports in the world, ranking fifth in the world.

The Group operates its container leasing business through Florens, a subsidiary of COSCO Pacific. As at 30 June 2012, Florens owned and managed a container fleet of 1,797,377 TEUs. The container leasing business accounted for approximately 12.2% 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., in which COSCO Pacific holds 21.8% equity interest and of which COSCO Pacific is the second largest shareholder as at 30 June 2012.

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 achieve its aim to become the leading shipping and logistics supplier in the world.

Strengths

The Company believes that the Group's strengths include the following:-

- The Company is one of the market leaders in each of the segments of business it operates
- Ability to offer a comprehensive suite of container shipping services across the shipping value chain enables the Company to offer a "door-to-door" service and creates business synergies
- Extensive global networks
- The brand name "COSCO" is one of the most recognised brands in the domestic and global shipping industry, giving the Group a significant market advantage
- The Group values the importance of technical innovation and has established an advanced global information system
- The Group has a good credit record and maintains a long-term relationship with a number of financial institutions
- The Group's management have extensive shipping and management experience

Strategies

The Group's strategies include the following:-

- Adjusting the Group's development plans and business strategies
- Continue to expand and optimise its global networks and range of services to improve "door-to-door" services and meet the constantly changing demands of customers' global supply chains
- Continue to implement advanced information technology and other management systems to improve revenue performance, asset utilisation, operating efficiency and profitability
- Continue to implement strict cost control measures to enhance the Group's cost competitiveness and improve its return on assets
- Expand its investment in overseas and domestic container terminal, and expand and improve its container fleet capacity and structure
- Implement the strategy of constructing branch line and hub port to enhance network service
- Continue to seek expansion opportunities and develop the business in emerging markets

THE ISSUE

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions Relating to the Bonds in Global Form" shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	COSCO Finance (2011) Limited.
Issue.	US$1,000,000,000 aggregate principal amount of 4.00 per cent. Credit Enhanced Bonds due 2022.
Issue Price.	98.766 per cent.
Form and Denomination	The Bonds will be issued in registered form in the denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof.
Interest.	The Bonds will bear interest from and including 3 December 2012 at the rate of 4.00 per cent. per annum, payable semi-annually on 3 June and 3 December in each year.
Issue Date	3 December 2012.
Maturity Date	3 December 2022.
Standby Letter of Credit	The Bonds will have the benefit of an irrevocable Standby Letter of Credit denominated in Renminbi issued by Bank of China Limited, Beijing Branch as the LC Bank in favour of the Trustee, on behalf of the holders of the Bonds. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of holders of the Bonds upon the presentation of a demand by authenticated SWIFT sent by the Trustee to the effect (1) the Issuer has failed to comply with Condition 3(b) of the Terms and Conditions of the Bonds (the "**Conditions**") in relation to pre-funding an amount that is payable under the Conditions or (2) an Event of Default (as defined in the Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with the Conditions or (3) the Issuer has failed to pay the fees and expenses in connection with the Bonds or the Trust Deed when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer or (4) the payment made by the LC Bank pursuant to a previous demand presented by the Trustee in accordance with any of (1) or (2) or (3) above (each a "**Relevant Event**") was when converted into US dollars not sufficient to discharge in full the amounts payable under the Conditions or in connection with the Bonds or the Trust Deed for the purpose of the applicable Relevant Event.

	Following receipt by the LC Bank of a demand by 11:00 a.m. (Beijing time) on a Business Day, the LC Bank shall, by 11:00 a.m. (Beijing time) on the immediate next Business Day, pay to or to the order of the Trustee the amount in RMB specified in the demand to the account specified in the demand. The liability of the LC Bank under the Standby Letter of Credit shall be expressed and payable in RMB and shall not exceed an amount representing the amount (in US dollars) of the aggregate principal amount of the Bonds plus interest payable in accordance with the Conditions plus any fees and expenses payable by the Issuer in connection with the Bonds or the Trust Deed. The Standby Letter of Credit expires at 5:00 p.m. (Beijing time) on 3 January 2023. "Business Day" as defined in the Standby Letter of Credit means a day (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Beijing, Hong Kong and New York City. See "Terms and Conditions of the Bonds — Status and Standby Letter of Credit and Pre-funding — Standby Letter of Credit and Pre-funding", and "Appendix 1 — Form of Standby Letter of Credit".
Pre-funding	In order to provide for the payment of any amount in respect of the Bonds (other than the Make Whole Amount (as defined in the Conditions) payable under Condition 6(d), a "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement (as defined in the Conditions), by no later than the Business Day (the "**Pre-funding Date**") falling eight Business Days prior to the due date for such payment under the Conditions: (i) unconditionally pay or procure to be paid the Relevant Amount into an interest bearing US dollar account established in the name of the Issuer with the Pre-funding Account Bank (the "**Pre-funding Account**"); and (ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a payment and solvency certificate signed by any one Director of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

	If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, it shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full in accordance with the Conditions and shall by no later than 11:00 a.m. (Beijing time) on the second Business Day following the Pre-funding Date issue a demand notice to the LC Bank for the Renminbi equivalent of the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account, an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit, provided that the Trustee need not physically present the Standby Letter of Credit to the LC Bank and shall be entitled to draw down on the Standby Letter of Credit by way of a demand by authenticated SWIFT sent on its behalf. After the receipt by the LC Bank of such demand, the LC Bank shall by 11:00 a.m. (Beijing time) on the third Business Day following the Pre-funding Date, pay to or to the order of the Trustee the amount in Renminbi specified in the demand to the account specified in the demand. See "Terms and Condition of the Bonds — Status and Standby Letter of Credit and Pre-funding — Standby Letter of Credit and Pre-funding" and "Appendix 1 — Form of Standby Letter of Credit".
Status	The Bonds constitute unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Events of Default	The Bonds will contain certain events of default provisions, including without limitation, certain events of default in respect of the LC Bank, as further described in "Terms and Conditions of the Bonds — Events of Default".

Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8. In such event, the Issuer shall, subject to the limited exceptions specified in the Conditions, pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with interest accrued to the date fixed for redemption, at any time in the event of certain changes affecting taxes of the British Virgin Islands or the PRC, as further described in Condition 6(b).
Redemption for Change of Control.	A Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds at 100 per cent. of their principal amount, together with accrued interest up to, but excluding, the Change of Control Put Date, upon the occurrence of a Change of Control with respect to the Company or any successor entity. See Condition 6(c).
Make Whole Redemption	At any time after 3 December 2017, the Issuer may redeem the Bonds, in whole but not in part, at a redemption price equal to their Make Whole Amount together with interest accrued to the date fixed for redemption (collectively, the "**Make Whole Redemption Price**"), provided that, the Issuer shall, prior to giving such Make Whole Redemption Notice (as defined in the Conditions), (i) unconditionally pay or procure to be paid the Make Whole Redemption Price in full into the Pre-funding Account and (ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Redemption and Solvency Certificate signed by any one Director of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Make Whole Redemption Price paid into the Pre-funding Account in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding such redemption date (together, the "**Make Whole Redemption Confirmations**").

	If the Make Whole Redemption Price is not received in full by the Principal Paying Agent on or before the Business Day immediately preceding such redemption date, the Issuer's exercise of its right to redeem the Bonds under Condition 6(d) and such Make Whole Redemption Notice shall be immediately and automatically cancelled forthwith and shall cease to have any further effect. Nothing in Condition 6(d) shall prejudice the Issuer's right to issue a new Make Whole Redemption Notice after such cancellation. See "Terms and Conditions of the Bonds — Redemption and Purchase — Make Whole Redemption".
Undertakings	The Issuer undertakes that, among other things, so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution of the Bondholders: (a) it will not conduct any business or any activities other than the issue of the Bonds and the lending of the proceeds thereof to the Company's Subsidiaries and affiliates and any other activities reasonably incidental thereto; and (b) it will maintain a rating on the Bonds by a Rating Agency.
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Governing Law	English law.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent, Registrar, Transfer Agent, Pre-funding Account Bank and LC Proceeds Account Bank	The Hongkong and Shanghai Banking Corporation Limited.
Ratings	The Bonds are rated "A1" by Moody's. Such rating of the Bonds does not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by Moody's.
Listing	Application will be made to the HKSE for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors only. A confirmation of the eligibility for the listing of the Bonds has been received from the HKSE.
Use of Proceeds	See the section entitled "Use of Proceeds".
Keepwell Deed	The Company will enter into the Keepwell Deed with the Issuer and the Trustee, as more fully described under "Description of the Keepwell Deed". The Keepwell Deed does not constitute a guarantee by the Company of the payment of any obligation, indebtedness or liability of the Issuer.

A Summary of Payment Arrangements on each Scheduled Due Date under the Bonds

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with "Terms and Conditions of the Bonds", the Trust Deed and the Agency Agreement referred therein and "Appendix 1 — Form of Standby Letter of Credit". Words and expressions defined in the "Terms and Conditions of the Bonds" shall have the same meaning in this summary.

T-8 Business Days Pre-funding Date

- Issuer to pay or procure to be paid the Relevant Amount into the Pre-funding Account
- Issuer to deliver to the Trustee and the Principal Paying Agent by facsimile the Required Confirmations(1)

T-7 Business Days Notification

- **On or before 10:00 a.m. (Hong Kong time)** on the Business Day immediately following the date of receipt of the Relevant Amount into the Pre-funding Account, the Pre-funding Account Bank confirms the receipt of the Relevant Amount to the Principal Paying Agent(2)
- **By 10:00 a.m. (Hong Kong time),** if the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, the Trustee shall notify the LC Bank and LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and provide the Required Confirmations

T-6 Business Days SBLC Initial Demand Date

- **On or before 11:00 a.m. (Beijing time),** if the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, the Trustee shall issue a demand notice to the LC Bank for the RMB equivalent of the Relevant Amount in accordance with the Standby Letter of Credit(3)+(4)

T-5 Business Days SBLC Initial Transfer Date

On T-5 Business Days:

- **By 11:00 a.m. (Beijing time)**, LC Bank pays to or to the order of the Trustee the amount in RMB specified in the demand to the account specified in the demand (which shall be the LC Proceeds RMB Account) provided that the LC Bank has received the demand by 11:00 a.m. (Beijing time) on the immediate preceding Business Day
- Renminbi received by the LC Proceeds Account Bank in the LC Proceeds RMB Account will be exchanged for US dollars by the LC Proceeds Account Bank on the date such Renminbi amount is received at the prevailing USD/RMB spot exchange rate as determined by the LC Proceeds Account Bank acting in good faith
- LC Proceeds Account Bank to deposit the US dollar amount so exchanged into the LC Proceeds USD Account
- **Before close of business (Hong Kong time)**, the LC Proceeds Account Bank notifies the Trustee by facsimile of the RMB and US dollar amounts standing to the credit of the LC Proceeds RMB Account and the LC Proceeds USD Account
- **On T-3 Business Days:** Each of the above steps to be repeated for the amount received under the further demand

T-4 Business Days SBLC Shortfall Demand Date

- In the event that the payment made by the LC Bank pursuant to a previous demand presented by the Trustee under the Standby Letter of Credit was, when converted into US dollars, not sufficient to discharge in full the Relevant Amount, the Trustee shall, **on or before 11:00 a.m. (Beijing time)**, present a further demand to the LC Bank for such shortfall in Renminbi in accordance with the Standby Letter of Credit[5].

T-3 Business Days SBLC Shortfall Transfer Date

T-2 Business Days Payment to Principal Paying Agent

- If amounts have been drawn on the Standby Letter of Credit, **by no later than 3:00 p.m. (Hong Kong time)**, the LC Proceeds Account Bank confirms to Principal Paying Agent that the proceeds of demand received in Renminbi and as exchanged into US dollars and deposited into the LC Proceeds USD Account will be paid to the Principal Paying Agent

T-1 Business Day Payment to Principal Paying Agent

- In the event that the Issuer has paid the Relevant Amount into the Pre-funding Account and has given payment instructions to the Pre-funding Account Bank on the Pre-funding Date, **by 10:00 a.m. (Hong Kong time)**, the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent

OR

- In the event that amounts have been drawn under the Standby Letter of Credit, **before close of business (Hong Kong time)**, the LC Proceeds Account Bank to pay the US dollar amount deposited into the LC Proceeds USD Account in full to the Principal Paying Agent

T Bond Payment Date

- Principal Paying Agent to pay US dollar funds into Euroclear/Clearstream for same day value on T for the benefit of the Bondholders

Notes:

1. The Required Confirmations consist of: (a) a Payment and Solvency Certificate; and (b) a copy of the irrevocable payment instruction setting forth the request from the Issuer to the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.

2. The confirmation from the Pre-funding Account Bank to the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Principal Paying Agent may agree with the Pre-funding Account Bank.

3. The Trustee need not physically present the demand under the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a demand by authenticated SWIFT.

4. The exchange rate used for the demand will be the USD/RMB spot exchange rate at 10:00 a.m. (Hong Kong time) on the date of the demand as determined by the LC Proceeds Account Bank acting in good faith and notified to the Trustee.

5. The exchange rate used for the demand will be the USD/RMB spot exchange rate at 10:00 a.m. (Hong Kong time) on the date of the demand plus an estimated intraday range spread of the USD/RMB spot exchange rate for the immediate next Business Day, in each case, as determined by the LC Proceeds Account Bank acting in good faith and notified to the Trustee,

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 December 2010 and 2011 set forth below is derived from the Company's published audited consolidated financial statements for the year ended 31 December 2011 (which have been audited by PricewaterhouseCoopers, certified public accountants). The summary unaudited condensed consolidated interim financial information as at and for the six months ended 30 June 2011 and 2012 set forth below is derived from the Company's published unaudited condensed consolidated interim financial information for the six months ended 30 June 2012. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, such audited consolidated financial statements and unaudited condensed interim financial information of the Company and, including the notes thereto, included in this Offering Circular.

The Company's consolidated financial statements were prepared and presented in accordance with HKFRS. The Company's condensed consolidated interim financial information were prepared and presented in accordance with HKAS 34.

For the purpose of the summary financial information, the translation of Renminbi amounts into US dollar amounts has been made at the rate of RMB6.3530 to US$1.00.

Selected Financial Information for years ended 31 December 2010 and 2011

Consolidated Income Statement Data

	Year ended 31 December		
	2010	**2011**	**2011**
	(restated) (RMB'000)	**(audited) (RMB'000)**	**(unaudited) (US$'000)**
Revenue	96,487,636	84,639,178	13,322,710
Cost of services and inventories sold	(84,122,250)	(89,586,526)	(14,101,452)
Gross profit/(loss)	12,365,386	(4,947,348)	(778,742)
Other income, net	276,047	192,664	30,326
Selling, administrative and general expenses	(4,992,622)	(5,541,328)	(872,238)
Operating profit/(loss)	7,648,811	(10,296,012)	(1,620,654)
Finance income	1,163,565	2,115,483	332,990
Finance costs	(1,321,463)	(1,733,691)	(272,893)
	7,490,913	(9,914,220)	(1,560,557)
Share of profits less losses of			
— jointly controlled entities	682,639	714,750	112,506
— associates	1,036,037	1,345,241	211,749
Profit/(loss) before income tax	9,209,589	(7,854,229)	(1,236,302)
Income tax expenses	(1,195,844)	(1,031,036)	(162,292)
Profit/(loss) for the year	8,013,745	(8,885,265)	(1,398,594)
Profit/(loss) attributable to:			
Equity holders of the Company	6,785,497	(10,495,295)	(1,652,022)
Non-controlling interests	1,228,248	1,610,030	253,428
	8,013,745	(8,885,265)	(1,398,594)
	RMB	**RMB**	**US$**
Earnings/(loss) per share for (loss)/profit attributable to the equity holders of the Company			
— basic	0.6642	(1.0273)	(0.1617)
— diluted	0.6642	(1.0273)	(0.1617)
	RMB'000	**RMB'000**	**US$'000**
Distributions	14,627	92,687	14,589
Dividends	919,465	—	—

Consolidated Statement of Comprehensive Income Data

	Year ended 31 December		
	2010	2011	2011
	(restated) (RMB'000)	(audited) (RMB'000)	(unaudited) (US$'000)
Profit/(loss) for the year	8,013,745	(8,885,265)	(1,398,594)
Other comprehensive income/(loss)			
Available-for-sale financial assets			
— fair value losses, net of tax	(79,617)	(158,958)	(25,021)
— 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	(85,673)	(43,057)	(6,777)
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	—	(44,738)	(7,042)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary	—	(77,471)	(12,194)
Currency translation differences	(1,120,686)	(1,738,014)	(273,574)
Other comprehensive loss for the year, net of tax	(2,612,677)	(2,062,238)	(324,608)
Total comprehensive income/(loss) for the year	5,401,068	(10,947,503)	(1,723,202)
Total comprehensive income/(loss) for the year attributable to:			
— Equity holders of the	5,200,978	(12,098,996)	(1,904,454)
— Non-controlling interests	200,090	1,151,493	181,252
Total comprehensive income/(loss) for the year	5,401,068	(10,947,503)	(1,723,202)

Consolidated Balance Sheet Data

	Year ended 31 December		
	2010	2011	2011
	(restated) (RMB'000)	(audited) (RMB'000)	(unaudited) (US$'000)
ASSETS			
Non-current assets			
Property, plant and equipment	67,095,749	73,029,686	11,495,307
Investment properties	489,901	478,702	75,351
Leasehold land and land use rights	2,201,301	2,672,798	420,714
Intangible assets	210,495	196,051	30,860
Jointly controlled entities	4,572,020	4,978,206	783,599
Associates	10,910,150	11,164,646	1,757,382
Available-for-sale financial assets	634,607	481,725	75,826
Derivative financial assets	129,357	87,884	13,833
Deferred income tax assets	2,064,189	503,302	79,223
Restricted bank deposits	449,188	417,108	65,655
Loans to jointly controlled entities and associates	1,073,318	182,285	28,693
Other non-current assets	541,137	507,388	79,866
Total non-current assets	90,371,412	94,699,781	14,906,309
Current assets			
Inventories	2,116,866	3,387,032	533,139
Trade and other receivables	10,960,647	11,898,724	1,872,930
Tax recoverable	5,693	191	30
Restricted bank deposits	697,838	510,432	80,345
Cash and cash equivalents	46,683,220	46,962,725	7,392,212
	60,464,264	62,759,104	9,878,656
Assets held for sale	146,216	—	—
Total current assets	60,610,480	62,759,104	9,878,656
Total assets	150,981,892	157,458,885	24,784,965
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	10,216,274	10,216,274	1,608,102
Reserves	36,693,220	24,479,012	3,853,142
Proposed final dividend	919,465	—	—
	47,828,959	34,695,286	5,461,244
Non-controlling interests	14,471,896	15,475,167	2,435,884
Total equity	62,300,855	50,170,453	7,897,128
LIABILITIES			
Non-current liabilities			
Long-term borrowings	54,927,482	55,313,702	8,706,706
Provisions and other liabilities	1,302,883	1,402,583	220,775
Deferred income tax liabilities	3,530,789	2,489,582	391,875
Other non-current liabilities	377,073	89,576	14,100
Total non-current liabilities	60,138,227	59,295,443	9,333,456
Current liabilities			
Trade and other payables	20,392,291	23,798,925	3,746,092
Derivative financial liabilities	61,024	—	—
Short-term borrowings	1,669,381	2,850,888	448,747
Current portion of long-term borrowings	4,200,211	18,861,850	2,968,967
Current portion of provisions and other liabilities	1,264,313	1,560,547	245,639
Tax payable	955,590	920,779	144,936
Total current liabilities	28,542,810	47,992,989	7,554,381
Total liabilities	88,681,037	107,288,432	16,887,837
Total equity and liabilities	150,981,892	157,458,885	24,784,965
Net current assets	32,067,670	14,766,115	2,324,275
Total assets less current liabilities	122,439,082	109,465,896	17,230,584

Selected Financial Information for six-month periods ended 30 June 2011 and 2012

Condensed Consolidated Interim Income Statement Data

	Six-month period ended 30 June 2011	Six-month period ended 30 June 2012	Six-month period ended 30 June 2012
	(unaudited) **(RMB'000)**	**(unaudited)** **(RMB'000)**	**(unaudited)** **(US$'000)**
Revenues	42,007,265	42,562,724	6,699,626
Cost of services and inventories sold	(42,737,779)	(44,466,316)	(6,999,263)
Gross loss	(730,514)	(1,903,592)	(299,637)
Other income, net	501,387	717,288	112,905
Selling, administrative and general expenses	(2,464,666)	(2,491,329)	(392,149)
Operating loss	(2,693,793)	(3,677,633)	(578,881)
Finance income	386,148	436,822	68,758
Finance costs	(777,686)	(1,188,832)	(187,129)
Net related exchange gain/(loss)	431,904	(110,313)	(17,364)
Net finance income/(costs)	40,366	(862,323)	(135,735)
	(2,653,427)	(4,539,956)	(714,616)
Share of profits less losses of			
— jointly controlled entities	346,055	358,960	56,502
— associates	877,394	460,432	72,475
Loss before income tax	(1,429,978)	(3,720,564)	(585,639)
Income tax expenses	(360,657)	(398,947)	(62,797)
Loss for the period	(1,790,635)	(4,119,511)	(648,436)
(Loss)/profit attributable to:			
Equity holders of the Company	(2,757,578)	(4,871,535)	(766,809)
Non-controlling interests	966,943	752,024	118,373
	(1,790,635)	(4,119,511)	(648,436)
	RMB	**RMB**	**US$**
Loss per share for loss attributable to equity holders of the Company			
— basic	(0.2699)	(0.4768)	(0.0751)
— diluted	(0.2700)	(0.4768)	(0.0751)

Condensed Consolidated Interim Statement of Comprehensive Income Data

	Six-month periods ended 30 June 2011	Six-month periods ended 30 June 2012	Six-month periods ended 30 June 2012
	(unaudited) (RMB'000)	(unaudited) (RMB'000)	(unaudited) (US$'000)
Loss for the period	(1,790,635)	(4,119,511)	(648,436)
Other comprehensive (loss)/income			
Available-for-sale financial assets — fair value (loss)/gains, net of tax	(64,859)	34,800	5,478
Share of other comprehensive income of jointly controlled entities and associates	27,173	27,712	4,362
Release of reserves upon disposal of a jointly controlled entity	(44,738)	—	—
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary	(77,471)	—	—
Currency translation differences	(685,983)	122,967	19,356
Other comprehensive (loss)/income for the period, net of tax	(845,878)	185,479	29,196
Total comprehensive loss for the period	(2,636,513)	(3,934,032)	(619,240)
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Company	(3,427,607)	(4,740,100)	(746,120)
Non-controlling interests	791,094	806,068	126,880
Total comprehensive loss for the period	(2,636,513)	(3,934,032)	(619,240)

Condensed Consolidated Interim Balance Sheet Data

	As at 31 December 2011 (audited) RMB'000	As at 30 June 2012 (unaudited) RMB'000	As at 30 June 2012 (unaudited) (US$'000)
ASSETS			
Non-current assets			
Property, plant and equipment	73,029,686	76,315,066	12,012,445
Investment properties	478,702	515,483	81,140
Leasehold land and land use rights	2,672,798	2,611,738	411,103
Intangible assets	196,051	185,597	29,214
Jointly controlled entities	4,978,206	4,962,050	781,056
Associates	11,164,646	11,065,034	1,741,702
Available-for-sale financial assets	481,725	513,822	80,879
Derivative financial assets	87,884	64,985	10,229
Deferred income tax assets	503,302	473,594	74,547
Restricted bank deposits	417,108	485,125	76,362
Loans to a jointly controlled entity and an associate	182,285	213,708	33,639
Other non-current assets	507,388	532,478	83,815
Total non-current assets	94,699,781	97,938,680	15,416,131
Current assets			
Inventories	3,387,032	4,067,537	640,255
Trade and other receivables	11,898,915	14,764,673	2,324,047
Restricted bank deposits	510,432	515,193	81,094
Cash and cash equivalents	46,962,725	40,818,164	6,425,022
Total current assets	62,759,104	60,165,567	9,470,418
Total assets	157,458,885	158,104,247	24,886,549
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10,216,274	10,216,274	1,608,102
Reserves	24,479,012	19,734,804	3,106,376
	34,695,286	29,951,078	4,714,478
Non-controlling interests	15,475,167	16,020,364	2,521,701
Total equity	50,170,453	45,971,442	7,236,179
LIABILITIES			
Non-current liabilities			
Long-term borrowings	55,313,702	61,064,312	9,611,886
Provisions and other liabilities	1,402,583	1,356,963	213,594
Deferred income tax liabilities	2,489,582	2,573,951	405,155
Other non-current liabilities	89,576	—	—
Total non-current liabilities	59,295,443	64,995,226	10,230,635
Current liabilities			
Trade and other payables	23,798,925	26,468,981	4,166,374
Short-term borrowings	2,850,888	5,455,930	858,796
Current portion of long-term borrowings	18,861,850	12,723,884	2,002,815
Current portion of provisions and other liabilities	1,560,547	1,702,336	267,958
Tax payable	920,779	786,448	123,792
Total current liabilities	47,992,989	47,137,579	7,419,735
Total liabilities	107,288,432	112,132,805	17,650,370
Total equity and liabilities	157,458,885	158,104,247	24,886,549
Net current assets	14,766,115	13,027,988	2,050,683
Total assets less current liabilities	109,465,896	110,966,668	17,466,814

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial conditions or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer and the Company believe that the following factors may affect the Issuer's ability to fulfil its obligations under the Bonds. Additional considerations and uncertainties not presently known to the Issuer or the Company or which they currently deem immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Company is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer and the Company believe may be material for the purpose of assessing the market risks associated with the Bonds are also described below. The Issuer and the Company believe that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to repay principal, interest or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Issuer and the Company do not represent that the statements below regarding the risks of investment in the Bonds are exhaustive.

Risks Relating to the Issuer

The Issuer is a newly incorporated company

The Issuer was incorporated specifically for the purpose of raising finance through the issuance of the Bonds and will use the net proceeds from the issue of the Bonds to on-lend to the Company's offshore subsidiaries and affiliates for general corporate purposes of the Group. The Issuer has limited assets as recourse for Bondholders. The Issuer does not and will not have any business activities other than the issue of the Bonds, and its ability to make payments under the Bonds will depend on its receipt of timely remittance of funds from the Company and/or the Company's subsidiaries and other members of the Group.

The insolvency laws of the British Virgin Islands and other local insolvency laws may differ from bankruptcy law in jurisdictions with which the holders of the Bonds are familiar

As the Issuer is incorporated under the laws of the British Virgin Islands, an insolvency proceeding relating to the Issuer may involve British Virgin Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of jurisdictions with which the Bondholders are familiar. As a result, Bondholders may not enjoy the same level of protection as may be available under the laws of other jurisdictions.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof

The Issuer may, at its option at the Make Whole Price (as defined in the terms and conditions of the Bonds) and at maturity will, be required to redeem all or, in the case of a Change of Control, all or some only, of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

Risks Relating to the Group's Business

The worsening of the imbalance between the supply and demand of container shipping capacities may adversely affect the Group's performance

Since the global financial crisis in 2008, save for a brief recovery in 2010, there has been general indication that demands for container shipping may be exceeded by supply over the next few years. With the delivery of new vessels, according to industry statistics, it is expected that there will be a global delivery of container vessels with approximately 690,000 TEUs and 546 dry bulk vessels of 45.688 million DWTs in the second half of 2012. This may result in excessive shipping capacity in the market and lower our freight charges and thereby our profitability. To the extent that the enterprise value of the Group's container shipping operations is reduced as a result of poor freight rate and volume outlook, the Group's business, financial condition, results and/or operations may be adversely affected. As a result of the expected imbalance between supply and demand of container shipping capacity in the next few years, the market value and/or charter rates for container ships, dry bulk ships and containers may continue to decrease. As our business is particularly sensitive to the shipping volume and freight rates, such expected decrease in freight rates may adversely affect the Group's business, financial condition, results and/or operations.

The Group's results of operations and financial conditions have been and may further be materially affected by conditions in financial markets and the global economy

The Group's activities and results are substantially affected by international, regional and domestic economic conditions. In particular, there are concerns that the debt crisis in Europe and the United States will impinge upon the health of the global financial system. Significant dislocations and liquidity disruptions in recent years which have caused the spreads on prospective debt financings to widen considerably in the U.S. credit markets have materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases have resulted in the unavailability of certain types of debt financing. Continued uncertainty in the credit markets may negatively impact the Group's ability to access additional debt financing on reasonable terms. A prolonged downturn in the credit markets may cause the Group to seek alternative sources of potentially less attractive financing, and may require it to adjust its business plan accordingly.

In addition, the Eurozone faces uncertainty over the ability of certain nations to meet their debt obligations. Any such inability to meet debt obligations would have an adverse effect on national and global economies, financial institutions and the ongoing viability of the Euro. In addition, during the global economic downturn and the concurrent decrease in consumer demand, the PRC experienced a slowdown in its economic growth in the recent years. This may in turn adversely affect the Group's financial performance and ability to raise debt finance or other funding in the future and could lead to increased exchange rate risk. This reduction in available financing may affect the Group's ability to achieve its financial objectives. Among other things, it may be unable to finance its working capital requirements and its future acquisitions. Even where it is able to obtain financing, higher costs of borrowing may negatively affect its profitability and cash flow. Should any of the Group's existing committed loan facilities, including revolving credit facilities, be cancelled, reduced or otherwise not be made available to the Group, the Group's liquidity and cash flow position may be materially and adversely affected.

Any worsening of the global and regional economic conditions may lead to a further decrease in the demand for container shipping. The freight rates of our shipping businesses are very sensitive to economic fluctuations. For example, our businesses in container shipping and dry bulk cargo shipping deteriorated substantially in 2009 in line with the decline of the global economy. Our total revenue decreased substantially by 48.07% to RMB68,463 million (not being restated) for the year ended 31 December 2009 from RMB131,839 million (not being restated) for the year ended 31 December 2008. As a result of the brief recovery in 2010, we had a net profit of RMB8,014 million (restated) for the year ended 31 December 2010 but as the recovery of the global economy slowed down in 2011, the Group suffered a net loss of RMB8,885 million (audited) for the year ended 31 December 2011 and a loss of RMB4,120 million (unaudited) for the six months ended 30 June 2012. A downturn in the demand for container shipping would adversely affect the Group's business, financial condition, results and/or operations. It is difficult to predict how long these conditions will persist and how the Group's businesses and operating markets will be adversely affected. These conditions may be exacerbated by the continuing volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market wide liquidity problems, losses or defaults by other institutions. Accordingly, these conditions may adversely affect the Group's financial condition, results and/or operations in future periods.

The Group has substantial amounts of indebtedness, and it may not be able to meet its payment obligations under this indebtedness

The Group has a substantial amount of indebtedness. As at 30 June 2012, the Group's long-term and short-term borrowings amount to RMB73,788.2 million (including current portion of long-term borrowings of RMB12,723.9 million) and RMB5,455.9 million, respectively. The Group has historically serviced its obligations under this indebtedness and trade payables through cash generated from its operations, as well as through additional financing activities. There can be no assurance that the Group's cash flow will be sufficient to meet its payment obligations under its outstanding indebtedness or its trade payables in the future. The Group may be required to dedicate a substantial portion of its cash flow from operations to making payments on its indebtedness, thereby reducing the availability of cash for other corporate purposes. The Group may also be more vulnerable than its less leveraged competitors to economic downturns, tightening of credit controls in financial markets or other adverse developments in its business.

If the Group is unable to generate sufficient cash from its operations to meet its payment obligations as and when they fall due or to raise additional funds at commercially acceptable rates when necessary or at all, the Group may default on these obligations which may have an adverse effect on its business, financial condition, results of operations and prospects.

The Group is susceptible to the cyclical world-wide demand and pricing in its industries, which are highly dependent upon global economic conditions

The shipping industry is highly cyclical in nature. A general decline in global and regional economic conditions is likely to result in a decrease in the overall demand for international and domestic trade activities. Our business is particularly sensitive to the import and export volume of the PRC and demand for our services will increase with more import and export activities. Export volume of the PRC has been increasing over the past decade but in recent years, the growth rate of PRC's export has slowed down as a result of the appreciation of RMB and the global financial market turmoil. Improved conditions in the world economy and strength in the global trade-related industries will generally be necessary for the shipping industry to experience growth. However, it is uncertain whether such improved global and regional economic conditions will occur or be sustained and whether any such improvement in global and regional economic conditions will improve the performance of the shipping industry. The failure of global and regional economic conditions to improve, or any further deterioration in global and regional economic conditions, or further downward trends in the trade-related industries, or failure to sustain the import and export level of the PRC as well as failure to correct the problem of oversupply of shipping capacity, may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's results of operations may fluctuate significantly as a result of the seasonality of the shipping industry

The results of operations of the Group are affected by factors such as the impact of holidays on the demand for consumer goods and seasonal fluctuations of the shipping industry. Although peak shipping periods differ in some of the markets in which the Group currently operates, historically, the volumes shipped by the Group's container shipping business have generally been lower in the first half and higher in the second half of each year. However, as some of the operation costs of the Group are fixed in nature, the Group may not be able to make any necessary short-term adjustments. As a result, the results of operations of the Group may fluctuate significantly and comparisons of operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and may not be relied upon as indications of the overall performance of the Group.

The different sectors in which we operate our business are competitive

There are different levels of competition in each of the sectors in which the Group operates our business. In relation to the container shipping business, the Group faces competitions in areas including freight rates, the number of freights, transit time, port coverage, service reliability, inland transportation services, quality of customer services, value-added services and other customer requirements. These factors may result in the reduction of our freight charges in order to stay competitive. In addition, some international container shipping companies are investing in larger container vessels, technology, information system and equipment. In order to remain competitive, the Group may need to continue to improve in areas including ship structure, service capabilities, information systems, management efficiency and distribution networks. In relation to the dry bulk cargo shipping business, the entry barrier is relatively low and the market is more open and transparent. The types of bulk cargoes varies and discharge ports are located in scattered places. The Group faces competitions in areas including freight charges, port coverage, service reliability, ability to utilise dry bulk capacity, customer service, quality, value-added services and customer requirements. In relation to the logistic business, since the logistic industry of the PRC are still in the early stage of development, competition is fierce. Any changes to the laws relating to the logistics industries in the PRC may impact on the way in which COSCO Logistics operates its business. In relation to the terminal business, in light of the financial crises since 2008, global trade has substantially reduced which resulted in excess capacity throughtput. This may intensify the competition level faced by COSCO Pacific. As a consequence, the Group may have to lower its freight rates or charter hire rates or charges in order to attract customers, which in turn may also adversely affect its business, financial condition and results of operations. The Group may also experience a loss of market share if it is unable to compete effectively.

Political, economic and other risks in the markets where the Group has operations may cause serious disruptions to its business, which in turn may adversely affect the Group's business, financial condition, results and/or operations

The Group operates in ports in more than a hundred countries around the world, including in emerging markets. Many of the economies in the countries where the Group operates differ from the economies of most developed countries in many respects, including:

- extent of government involvement;
- political stability;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The Group's business will be subject to the political, economic and social conditions of the countries in which it has operations. For example, the Group will be exposed to risks of political unrest, strikes, war and economic and other forms of instability, such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, acts of God, terrorist attacks and other events beyond its control that may adversely affect local economies, infrastructures and livelihoods. These events could result in disruption to the Group's or its customers' businesses and seizure of, or damage to, its customers' cargoes. Such events could also cause the destruction of key equipment and infrastructure and the partial or complete closure of particular ports and sea passages, such as the Suez or Panama canals, potentially resulting in higher costs, or congestions of ports or sea passages, vessel delays or cancellations on some trade routes. Furthermore, these events could lead to reductions in, or in the growth rate of, world trade, which could in turn reduce demand for the Group's vessels and services.

These risks may cause serious disruptions to the Group's business, which in turn may adversely affect the Group's business, financial condition, results and/or operations.

Container vessel capacities have increased in recent years, leading to overload and congestion in certain ports

Global vessel capacity has increased in recent years, and is expected to increase over the next few years. Container vessel capacities have increased globally at a faster rate than the rate at which some container ports have increased their capacities. These factors have led to considerable delays in the processing of container shipments in affected ports. As a result of longer load and unload times, increases in container vessel capacities could lead to further port congestion, which could have a material adverse effect on container shipping traffic on affected service routes. This in turn would have a material adverse effect on the Group's business, financial condition and results of operations. Decisions on port expansions are made by national or local governments and are outside our control, determination or influence. Such decisions are made on the basis of local policies and concerns.

Fluctuations in the Baltic Dry Index may adversely affect the Group's business, financial condition, results of operations and prospects

Within the dry bulk shipping industry, the charter rate references most likely to be monitored are the charter rate indices issued by the Baltic Exchange, and in particular, the BDI. These indices are also used as indicators of fluctuation in the volume of global trade. The BDI is a benchmark of the dry bulk shipping industry and is an indication of the price of moving major raw materials by sea. The BDI is made up of an average of the Baltic Supramax, Panamax, Handysize and Capesize indices. These indices are based on actual charter rates under charters entered into by market participants as well as daily professional assessments provided to the Baltic Exchange by a panel of major shipbrokers. It is generally recognised as an economic indicator of the movement of the volume of global trade. An increase in the BDI is generally considered to indicate an increase in demand for dry bulk shipping, whereas a decrease in the BDI is generally considered to indicate a decrease in demand for dry bulk shipping, and the capital expenditures of dry bulk shipping companies are usually driven mainly by the BDI outlook.

Currently, the dry bulk shipping industry is experiencing excess capacity leading to lower charter rates. The fluctuations in the BDI result in an uncertain outlook for the dry bulk shipping industry, which typically has an impact on vessel owners' willingness to place new orders for bulk carrier vessels, which in turn affects the demand for the Group's services and products. Any fluctuations in the BDI may therefore adversely affect the Group's business, financial condition, results of operations and prospects.

Fluctuations in freight rates, charter hire rates and bunker price may adversely affect the Group's revenue and profitability

Freight rates and charter hire rates fluctuate with the change of supply of, and demand for, shipping services and shipping capacity. In addition, freight rates may fluctuate as a result of transactions in the freight rate futures market. As the Group charters its vessels, fluctuations in freight rates and charter hire rates may adversely affect its revenue and profitability and expose it to costs that it is unable to avoid due to time lags. These time lags occur because at any given point in time, ship chartering companies and carriers are bound by the terms of their charter agreements. Therefore, a ship chartering company cannot immediately raise its charter hire rates to reflect an increase in the market rates, but will have to wait until its current charter agreements expire. As the Group operates a ship chartering business, it may experience a certain period of time during which it is unable to adjust its charter hire rates to take into account increasing freight rates. As the nature, timing and degree of changes in freight rates and charter hire rates are unpredictable and beyond its control, volatility in freight rates and charter hire rates and the attendant time lag between the freight rate changes and its ability to respond to such changes may adversely affect the Group's revenue and profitability.

In addition, the Group is exposed to fluctuations in bunker prices, which represent part of the voyage expenses and is a significant operating cost item to the Group. The bunker costs of the Group amount to RMB17,225 million and RMB9,262 million for the year ended 31 December 2011 and for the six months ended 30 June 2012, respectively, and the bunker costs of COSCON and its subsidiaries amount to RMB11,147 million and RMB6,213 million for the year ended 31 December 2011 and for the six months ended 30 June 2012, respectively. If the Group fails to monitor the market conditions and bunker price fluctuations, the Group's profitability may be adversely affected.

The Group may be adversely affected by the aging of its vessels, equipment and other assets

Normal wear and tear of the vessels, equipment or other assets is a natural consequence of operations and results from exposure to the elements, including storms and salt water. The vessels which the Group operates with may also suffer from a breakdown of equipment and systems and are exposed to the dangers inherent in the use of heavy equipment necessary to load and unload cargo and prepare for transit. As a result, the Group's vessels, equipment or other assets and information systems used in our operations require periodic downtime for repairs and maintenance. If the time required for such repairs and maintenance exceeds the time anticipated, our revenue may be less than what is currently projected.

In general, the cost of maintaining a vessel in good operating condition and in compliance with the applicable laws and regulations increases with the age of the vessel. The Group will incur increased costs as vessel fleet ages. Similarly, the Group will incur increased maintenance costs as our equipment fleet, such as our container boxes, ages. Older vessels are more costly to maintain than more recently constructed vessels due to the normal wear and tear that occurs over the life of a vessel as well as improvements in technology that newer vessels benefit from. Cargo insurance rates are higher and fuel efficiency is lower, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards relating to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. Such increased operating costs may adversely affect the Group's earnings.

There can be no assurance that, as our vessels and equipment age, market conditions will justify those expenditures or enable the Group to operate these vessels and equipment profitably during the remainder of their useful lives. In addition, if any extraordinary or extensive repairs to the Group's vessels, equipment or other assets are required, due to any catastrophic event or otherwise, such vessels, equipment or other assets would not be available for use or deployment. The costs of such repairs are unpredictable and could be substantial. The loss of earnings including any contractual penalties incurred as a result while our vessels are being repaired and repositioned, as well as the actual cost of such repairs, would decrease the Group's earnings. While insurance proceeds may cover the costs associated with such repairs, they would only compensate for the loss of use to a limited degree. In the event of any such extraordinary or extensive repairs, the Group's operations could experience major disruptions. The loss of vessels, equipment or assets or the inability to use our vessels, equipment or assets may adversely affect the Group's business, financial condition and results of operations.

The costs of maintaining its vessels and keeping them in good repair may be unpredictable

As the vessels owned by the Group age, the costs to operate and maintain them in operation would increase. Further, any hidden problems or latent defects, when detected, may be expensive to repair and if not detected, may result in accidents or other incidents for which the Group may become liable to third parties. Further, if the Group's vessels suffer damage, they may need to be repaired at a drydocking facility and its vessels could have higher than normal off-hire days due to an unexpected drydocking. The costs of drydock repairs are unpredictable and can be substantial. The Group may have to pay drydocking costs that its insurance does not cover. This would increase costs, and reduce revenues while the ship is off-hire and may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not be able to maintain the size of owned or chartered-in fleet of vessels and containers, which would affect its ability to meet the shipping commitments

A principal focus of our strategy is maintaining a flexible fleet of vessels and containers through a combination of owned and chartered-in vessels and leased containers. As at 30 June 2012, the operating fleet of the Group included 166 container vessels with a total shipping capacity of 741,687 TEUs; 227 self-owned dry bulk vessels with a total capacity of 18,933,606 DWT; and 130 chartered-in dry bulk vessels with a total capacity of 13,494,799 DWT. The size of owned fleet may decrease if the Group is unable to find suitable replacements for the vessels and containers due to the risks associated with the construction of newbuildings and the purchase of containers. Similarly, the size of chartered fleet may decrease as each charter or lease is for a specific period of time, and the Group may not be able to find suitable vessels and containers at acceptable rates and charter or lease periods to replace them. A significant decrease in the number of vessels and containers in the fleet could adversely affect the Group's ability to market its business and have a material adverse effect on its business, financial condition and results of operations.

Changing trading patterns and sharpening trade imbalances may adversely impact our cost structure

The utilisation rate of the Group's container vessels varies depending on the dominant trade flows between different world regions. Vessel utilisation rate is generally higher when transporting cargo from net export regions to net import regions (i.e., the dominant leg). Considerable losses result from having to transport empty containers on the non-dominant leg without generating corresponding freight revenues. It is not guaranteed that the Group will always be successful in managing and minimizing the costs resulting from the non-dominant leg trade. Furthermore, sharpening imbalances in world trade patterns (i.e., rising trade deficits of net importers vis-á-vis net export regions) may exacerbate the imbalances between the dominant and non-dominant legs of our services, which, in turn, could have a material adverse effect on the Group's business, financial condition and results of operations.

An increase in fuel prices may have an adverse impact on the Group's business, financial condition, results of operations and prospects

The shipping industry is highly dependent on the ability of shipping companies to operate ships. One of the more significant expenses of operating ships is the cost of fuel. Fuel prices is unpredictable and influenced by events that are not within our control, including, political unrest in various parts of the world, Organisation of Petroleum Exporting Countries policies, the rapid growth of the economies of certain countries, including the PRC and India, the levels of inventory carried by industries, the amounts of reserves built by governments, disruptions to production and refining facilities and weather conditions. Specifically, fuel prices have been volatile since 2011 due to varying degrees of political instability, turmoil and public protests within the Middle Eastern countries including (without limitation) Bahrain, Egypt, Libya and Tunisia, as well as the natural disaster in Japan. Fuel prices have increased significantly over the past few years and were currently at historic high levels. There can be no assurance that fuel prices will not further fluctuate or increase in the future. If the price continue to rise or if we fail to implement measures effectively to hedge the risk of increase in price of fuel (e.g. entering into of hedging arrangements), our profitability, financial condition, business, results of operations and prospect may be adversely affected.

Future increases in the cost of fuel globally would significantly increase the cost of ship operations. The Group believes that an increase in fuel prices may affect its customers' profitability and the demand for orders of the Group's ships. The Group's dry bulk shipping operations is similarly affected by an increase in fuel prices. Accordingly, increases in fuel prices may adversely affect the Group's business, financial condition, the results of operations and prospects.

The Group's costs may increase due to changes in regulations in the shipping industry

The shipping industry is highly regulated and the Group's operations are subject to numerous international conventions, treaties, international and local laws and regulations in force in the jurisdictions in which the Group operate. These conventions, treaties, laws and regulations include those governing maritime operations, environmental protection, the management, transportation, discharge and release of hazardous materials, and human health and safety. In addition, the Group's operations are subject to international conventions and regulations adopted by relevant international organisations, such as the International Maritime Organisation's ISM Code. The ISM Code requires shipowners to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and for dealing with emergencies. Failure to comply with the ISM Code may subject the Group to increased liability, decreased insurance coverage for the affected ships, and may result in denial of access to, or detention in, certain ports. There are also increasing level of requirements in relation the emission of green-house gases. In addition, upon coming into force of the International Convention for the Control and Management of Ships Ballast Water and Sediments (2004), the costs for the Group will increase in ensuring that ballast water are discharged in a way consistent with the standard required by the convention.

In order to ensure compliance with the existing and future regulations, the Group incurs, and expects to continue to incur, substantial costs in obtaining the necessary permits or authorisations, meeting maintenance and inspection requirements, performing ship modifications or operational changes, developing and implementing emergency preparedness procedures and obtaining insurance coverage for environmental risks. The Group may not be able to pass on such costs to its customers. If PRC and/or international regulations applicable to the shipping industry become more stringent in the future or additional regulations or controls requiring the adoption of new requirements are introduced that the Group cannot satisfy in a cost efficient manner or the Group is unable to pass any additional costs resulting from these new requirements to its customers, its profits may be adversely affected. Future development of laws, regulations and international conventions may further increase the Group's cost of compliance or impact the fair market value of its fleet and therefore adversely affect the Group's business, financial condition, results of operations and prospects.

Significant fluctuations in exchange rates and further depreciation of US dollars may adversely affect the Group's profitability

The Group operates internationally and is exposed to foreign exchange rates from various currency exposures, for example, Hong Kong dollar, Euro, Renminbi and US dollars. The foreign exchange risk faced by the Group is primarily with respect to non-RMB denominated bank balances, receivable and payable balances and bank borrowings. Fluctuations in exchange rates may adversely affect the Group's profitability and such foreign exchange risk mainly arises from future commercial transactions, net investments in foreign operations and commitments arising from certain shipbuilding contracts. The Group currently does not have a regular and established hedging policy in place. As at 31 December 2011, with all other variables held constant, if RMB had strengthened/weakened by 10%, the Group's post-tax loss for the year would have decreased/increased by approximately RMB93.46 million (the post-tax profit for the year ended 31 December 2010 would have increased/decreased by RMB304.52 million (as restated)) and the equity as at 31 December 2011 would have increased/decreased by RMB93.46 million (the equity for the year ended 31 December 2010 would have increased/decreased by RMB304.52 million (as restated)) respectively as a result of the translation of the transaction using non-RMB currencies. Accordingly, any depreciation of the US dollar against the Renminbi could affect the Group's gross and operating margins. Any significant fluctuations between the Renminbi and US dollar, specifically, any appreciation of the Renminbi against the US dollar, will result in the Group incurring foreign exchange losses, which may adversely affect its business, financial condition, results of operations and prospects.

The Group is exposed to default by its customers and/or payment delays

There can be no assurance that all the Group's customers will be reputable and creditworthy and they may be unable to meet their contractual payment obligations to the Group, either in a timely manner or at all, or may otherwise default on these obligations. There is usually limited financial information available on these counterparties and, as such, the Group is exposed to counterparty risks to the extent that any of its customers fails to fulfill their obligations under the contracts which the Group enters into with them. The reasons for such non-payment or payment delays may include the customer's insolvency or bankruptcy, a general down-turn in the global economy, an inability by the customer to raise sufficient financing to honor its contractual obligations, and strategic or other business-related decisions by the customer. Any such non-payment or payment delays may have a material adverse effect on the Group's business and results of operations.

The Group may be unable to retain existing customers upon expiration of existing contracts or may be unable to attract new customers

No assurance can be given that the Group's customers will continue to use the services of the Group in the future. In addition, as some of the Group's contracts are longer-term in nature, such that even if freight rates rise or operating costs increase, the Group may not be able to make the necessary adjustments to the contractual rates to capitalise on such increased freight rates or address such increased operating costs until the existing contracts expire. Upon the expiration of existing contracts, there is also no assurance that the Group's customers will renew the contracts on similar terms or that suitable replacement contracts will be found.

If the Group cannot renew its sea use certificates or port riverbank use approval in a timely manner or comply with the terms of such certificate or approval or the PRC laws related thereto, its business, financial condition, results of operations and prospects may be adversely affected

According to the relevant sea area and port laws and regulations of the PRC (the "**PRC Sea Area and Port Regulations**"), including the sea areas use administration law and the port law and their relative implementation rules, businesses or constructions utilising the sea areas or port riverbank are required to obtain a sea area use right evidenced by a certificate (a "**Sea Area Use Certificate**") or the relative port riverbank use approval. Under the PRC Sea Area and Port Regulations, the PRC authorities have the right to require the cessation of operations, to demolish facilities belonging to holders of the relevant certificates and/or approval or to impose fines if the requisite rules are not followed by the relevant parties making use of the sea and port riverbank. If the Group is unable to renew the Sea Area Use Certificates or approval or breach the terms underlying their grant, the Group's business, financial condition, results of operations and prospects may be adversely affected.

The Group's business is dependent upon the availability of financing

The Group operates in a capital-intensive industry and requires the procurement of substantial new capital to finance the Group's operations, future development and growth. The Group presently sources such capital for its businesses primarily through a combination of internal cash, trade finance and external debt financing. The Group's growth strategy and the further expansion of its business will require significant additional investments and capital.

The Group's operations and expansion plans are dependent upon and limited by its ability to secure additional financing, on commercially favourably terms or at all. The terms of the Group's debt financing arrangements may require it to pledge collateral to the lenders and may contain restrictive financial covenants or covenants which increase its costs or restrict its business and operations. In addition, any equity funding that the Group is able to secure may only be possible if this is offered at a discount to the prevailing market price. The Group may not be able to raise the additional capital required to fund its operations and its growth, which would have a material adverse effect on its business, results of operations and prospects.

Financing agreements of the Group may contain certain restrictive covenants requiring it to maintain, among other things, certain security margins and/or financial ratios. These covenants may limit its ability to operate or expand its business in the manner it would otherwise choose. Further, should the Group breach any financial or other covenants contained in any of its financing agreements, it may be required to immediately repay its borrowings together with any related costs, which could adversely impact its business, results of operations and prospects. In addition, disruptions, uncertainty or volatility in the stock and credit markets may limit its access to capital. These market conditions may limit its ability to replace, in a timely manner, maturing liabilities and access the capital necessary to grow its business. Furthermore, a default on any one of the Group's loans may trigger a default under the terms of its other loans. Any a default under any of the Group's loans or trade payables may result in its lenders enforcing their security (if any) or the Group's suppliers terminating their relationships with the Group and could restrict its ability to raise future financing on favourable terms or at all. Any such event may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

While the Group has so far been able to borrow the funds necessary to finance operations in the current market environment, prolonged disruptions to the credit markets could limit its ability to borrow funds from its current funding sources or cause its continued access to funds to become more expensive. As a result, the Group may be forced to delay raising capital or pay unattractive interest rates, thereby, increasing its interest expense, decreasing its profitability and significantly reducing its financial flexibility, which may adversely affect its business, financial condition, results of operations and prospects.

The Group's financing costs are subject to changes in interest rates

The Group maintains a substantial level of bank facilities dominated in US dollars and Renminbi to finance its operations. Changes in the interest rates have affected and will continue to affect the Group's financing costs and ultimately, its results of operations. As of 30 June 2012, the majority of the Group's bank borrowings were variable rate borrowings and the interest rates for a large portion of the Group's bank borrowings were linked to either the benchmark lending rates published by the People's Bank of China ("**PBOC**") or LIBOR. Since 2006, the PBOC has changed the one-year benchmark lending rate on several occasions. The Group has and in the future will continue to have substantial debt. There can be no assurance that the PBOC will not raise lending rates, and any increase in these rates will increase the Group's financing costs. On the other hand, fluctuation on LIBOR may also increase the Group's financing costs. As a result, the interest costs associated with this debt may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's insurance coverage may not be sufficient to cover its liabilities arising from the inherent risks associated with its business activities

The Group's business operations subject it to inherent risks, such as grounding, sinking, fire, collisions, explosions and other marine and natural disasters, environmental pollution, loss of life, personal injury, cargo and property loss or damage, and business interruption caused by mechanical failure, human error, political action, labour strikes, adverse weather conditions and other circumstances or events. These events may cause a disruption or cessation in the Group's operations, and may adversely affect its business, financial condition, results of operations and prospects. The Group's insurance may not be adequate to cover all potential liabilities or risks to which it may be subject to. Further, there is no assurance that insurance will be generally available in the future or, if available, that the premiums will not increase or remain commercially justifiable. The occurrence of any of these events may result in the interruption of the Group's operations, damage to its reputation and subject the Group to significant losses or liabilities. If the Group incurs substantial liability and the insurance does not, or is insufficient to, cover its liability, its business, financial condition, results of operations and prospects may be adversely affected.

The Group's vessels may be requisitioned by governments without adequate compensation

A government could requisition or seize the Group's vessels (for example during periods of war or emergency). Under requisition for title, a government takes control of a vessel and becomes its owner. Under requisition for hire, a government takes control of a vessel and effectively becomes its charterer at charter rates dictated by such government and which may be substantially less than market rates. Although the Group would seek compensation in the event of a requisition, the amount and timing of payment, if any, would be uncertain. If any of the Group's vessels were to be requisitioned for title or hire by any government, the Group's business, financial condition, results of operations and prospects may be adversely affected.

The Group's vessels could be arrested by maritime claimants, which may adversely affect the Group's business, financial condition, results of operations and prospects

Under the terms of the Group's charters, vessels are placed off-hire (i.e. the charterer ceases to pay charter hire) for any period during which they are "arrested" for a reason not arising from the fault of the charterer. Under the maritime law in many jurisdictions, and under the International Convention on Arrest of Vessels, 1999, crew members, tort claimants, claimants for breach of certain maritime contracts, vessel mortgagees, suppliers of goods and services to a vessel, and shippers and consignees of cargo and others entitled to a maritime lien against the vessel may enforce their lien by "arresting" a vessel through court processes. In addition, in a limited number of jurisdictions, under the "sister vessel" theory of liability, a claimant may arrest not only the vessel with respect to which the claimant's maritime lien has arisen, but also any "associated" vessel owned or controlled by the legal or beneficial owner of that vessel. The arrest of one or more of its vessels could result in a material loss of earnings and cash flow for the Group or require the Group to pay substantial sums to have the arrest lifted, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to certain competition and antitrust laws

The European Union removed certain competition law (antitrust) exemptions for the shipping industry in 2008. These laws, which are now fully applicable to the Group's business, are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. They generally prohibit coordination or agreements among competitors that may lead to the formation of cartels or monopolisation of certain businesses, which adversely affect competition. Market dominance by a single shipping company under some circumstances may also constitute a violation of the law.

It is possible that shipping companies may face fines and other similar sanctions if they fail to comply with the regulatory regime. This may significantly impact the profitability of shipping companies that are found not to be in compliance. In the event that the Group is found not to be in compliance with the regulatory regime and sanctions are imposed on us, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group's business may be adversely affected by protectionist policies adopted by countries globally

There is a risk that countries could respond to the global economic downturn and financial crisis by resorting to protectionist measures in order to preserve domestic industries. Such measures include the raising of import tariffs, provision of subsidies to domestic industries and the creation of other trade barriers. A global trend towards protectionism would be harmful for the global economy in general, as protectionist measures would cause world trade to shrink further. This may in turn prolong the current economic recession.

If the risk of protectionism rises, there is a likelihood of the Group's businesses and prospects being adversely affected as the level of world trade declines. This is particularly so due to the fact that a large portion of the Group's business is conducted worldwide and the profitability of the Group's business is affected accordingly by the volume of global trade.

The Group cannot guarantee that it will continue to benefit from its exemption from being required under the U.S. Shipping Act to publish changes to its tariff rates 30 days in advance

COSCO is classified as a "controlled carrier" for the purposes of the U.S. Shipping Act. Under the U.S. Shipping Act, controlled carriers serving U.S. ports may offer transport services to customers either by filing confidentially with the Federal Maritime Commission ("**FMC**") certain service contracts and publishing the essential terms to the general public or by publishing the tariff rates on-line as required by the U.S. Shipping Act. The U.S. Shipping Act requires controlled carriers to publish any increase or decrease to their tariff rates 30 days in advance. On 1 April 2004, the FMC granted COSCO an exemption from certain provisions under section 9 of the U.S. Shipping Act, allowing it to reduce its tariff rates immediately upon publication, although the FMC has retained the right to revoke COSCO's exemption subject to the requirements of the U.S. Shipping Act. There can be no assurance that COSCO will be able to maintain its exemption from the restrictions on controlled carriers under the U.S. Shipping Act. Furthermore, under the U.S. Shipping Act, the FMC may, at any time after notice and a hearing, prohibit controlled carriers such as COSCO from publicising or using any rates, charges, classifications, rules or regulations in relation to U.S. trade lanes that the FMC finds to be unjust or unreasonable. Limitations on the ability of COSCO and its subsidiaries to change their rates, charges, classifications, rules or regulations may reduce the Group's competitiveness in relation to its U.S. trade lanes. However, over 95% of the Group's cargoes are transported under confidential contracts that are not subject to the requirement to publish changes in tariff rates 30 days in advance.

The shipping industry is subject to increased inspection procedures and new security regulations, which may cause disruption to the Group's business

International container shipping is subject to security and customs inspections and related procedures in countries of origin, destination, and trans-shipment points. These inspection procedures may result in cargo seizure, delays in the loading, off-loading, trans-shipment or delivery of containers and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, charterers.

Since the terrorist attacks of 11 September 2001, United States and Canadian authorities have increased container inspection rates of all imported containers. Government investment in nonintrusive container scanning technology has grown and there is interest in electronic monitoring technology, including so-called "e-seals" and "smart" containers, that would enable remote, centralised monitoring of containers during shipment to identify tampering with or opening of the containers, along with potentially measuring other characteristics such as temperature, air pressure, motion, and the presence of chemicals, biological agents and radiation.

Changes to the inspection procedures and container security may result in additional costs and obligations on carriers and may, in certain cases, render the shipment of certain types of goods by container uneconomical or impractical. Additional costs may arise from current inspection procedures or future proposals that may not be fully recoverable from customers through higher rates or security surcharges. An increase in security and customs inspections and related procedures may materially and adversely affect the Group's business, financial condition, results and/or operations.

The Group is exposed to risks of litigation and third party liabilities

The Group's operations involve inherent risks to both persons and property. For example, a collision at sea could result in the loss of cargo or the loss of life. Defending private actions can be costly and time-consuming. If a judgment against the Group were to be rendered, the Group may be exposed to substantial financial liabilities, which may be covered or adequately covered by insurance.

The Group's vessels operate in waters which are governed by the laws of the respective countries for the trading areas under their jurisdictions. In the event of a fuel spill or a leakage of hazardous cargoes in tank containers, including but not limited to petroleum or petrochemical products or damaged container cargo, the Group may be liable for containment, clean-up and salvage costs and other damages arising.

The Group may be unable to attract or retain sufficient skilled and/or qualified personnel

One of the key reasons for the Group's growth and success has been its ability to retain skilled and/or qualified personnel. The Group's continued success will depend on its ability to retain key management staff and train new employees. If members of its senior management team are unable or unwilling to continue in their present positions, the Group's business, financial condition, results of operations may be adversely affected. Moreover, the Group's competitors may also be expanding their operations and may require additional skilled and qualified personnel. As a result, the Group may, from time to time, experience difficulties in attracting and retaining highly skilled employees. If the Group is unable to maintain a sufficient number of skilled and qualified personnel required for its operation, this will constrain the Group's growth and may have an adverse effect on its business, financial condition, results of operations and prospects.

Labour shortages could increase the cost of labour and hinder the Group's productivity and ability to complete the construction of its vessels on time, which may adversely affect its business, financial condition, results of operations and prospects.

Labour problems may disrupt our operations

The Group generally enjoys healthy relations with its workforce and the labour unions of which its employees are members. However, in the event of any concerted union action such as work stoppages, the Group's operations may be disrupted. There is no assurance that the Group's relations with the labour unions will remain strong and will not deteriorate and strikes will not occur. Third party contractors providing various services to the Group in connection with its shipping businesses may also experience labour problems, which may have an impact on the provision of their services to the Group. In such events, the Group business, financial condition and results of operations may be adversely affected.

The Group's vessels may be exposed to attacks by pirates or terrorists or be damaged or lost due to natural calamities or other operational risk, which may adversely affect the Group's business, financial condition, results and/or operations

The Group's vessels may be attacked by pirates or terrorists. Pirate attacks continue to pose a problem for shipping lines. The Somalian coast and the Straits of Malacca, in particular, are known to be areas where pirates operate. Despite the fact that there is a diminishing number of reported cases of pirate attacks, the Group has taken measures to avoid it being the subject of pirate attacks, for example, sailing with other fleets. If the Group's measures to combat pirate attacks is not effective and we suffer attacks by pirates, the Group's business, financial condition, results and/or operations may be adversely affected.

In addition, terrorist attacks such as the attacks on the United States on 11 September 2001, and the continuing response of the United States to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in world financial markets and may affect the Group's financial condition, results and/or operations. The conflicts in the Middle East and Afghanistan may lead to additional acts of terrorism, regional conflict or other armed conflict around the world, which may contribute to further economic instability in the global financial markets. Terrorist attacks targeted at sea-going vessels may in the future also negatively affect the Group's business and directly impact its vessels or its customers.

More generally, the Group's vessels are exposed to a variety of natural calamities during operations, including marine disasters, violent storms, tidal waves, rogue waves and tsunamis. Any of these natural calamities could result in the Group's vessels grounding, sinking, colliding with other vessels or property, or the loss of life. If the Group's vessels suffer damage, they would need to be repaired. The costs of such repairs are unpredictable and could be substantial. The loss of earnings while the Group's vessels are being repaired and repositioned, as well as the actual cost of such repairs, would decrease the Group's earnings. Further, the Group's existing insurance policies may be insufficient to, or may not, cover any such resulting damage or loss, which could adversely affect the Group's business, financial condition, results and/or operations.

The outbreak of any severe communicable disease, if uncontrolled, could adversely affect the Group's business

The Group may experience shutdowns of its operations as a result of severe communicable disease, such as severe acute respiratory syndrome (SARS), avian influenza (H5N1 bird flu), and H1N1 flu, which may have an adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the spread of any severe communicable disease may affect the operations of the Group's suppliers and customers, as well as the Group's own operations including its key management and employees. Any of these events may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Acts of god, acts of war, terrorist attacks epidemics, political unrest, labour unrest and other similar events may result in political instability and volatility in the world's financial and commodities markets. Such instability could be caused by, among other things, terrorism, civil war, guerilla activities, military repression, civil disorder, crime, workforce instability, change in governmental policy or the ruling party, economic or other sanctions imposed by other countries, extreme fluctuations in currency exchange rates or high inflation. Any such events may cause damage or disruption to the Group's business, employees, facilities, markets and its customers, any of which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group may be unable to maintain its health, safety and environmental standards

The Group's operations are subject to laws and regulations that relate directly or indirectly to the offshore marine industries, including those relating to the discharge of oil or other contaminants into the environment and protection of the environment. The Group is required by its customers, governments and regulatory agencies to maintain health, safety and environmental standards in the course of providing its services. In the event of any change in these standards, the Group may have to incur additional expenses to comply with such changes. Any failure to maintain standards may result in the cancellation of the Group's present contracts, not being awarded new contracts or regulatory authorities imposing fines, penalties and sanctions on the Group, revoking its licences and permits or prohibiting the Group from continuing its operations, each of which could have an adverse effect on the Group. A failure to maintain healthy, safety and environmental standards could also result in injuries, death, damage to property and to the environment, and liability and damage to the Group's reputation, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The COSCO Group provides the Group with certain supplies, services and facilities, for which the Group currently may have limited alternative sources of supply

The Group has historically maintained a business relationship with the COSCO Group and has been provided with, among other things, certain supplies, services and facilities, which are significant to the business and operations of the Group, by the COSCO Group. These include, but are not limited to, the provision of vessel fuel and lubricants, overseas shipping agency, provision of container depots, provision of container terminal handling and storage services, provision of ship management services, and provision of seamen leasing. If the provision of these supplies, services and facilities by the COSCO Group is terminated, this could result in disruption of the Group's business and, if the Group is not able to replace any of them on substantially similar terms, this could increase the Group's future costs for such supplies, services and facilities and adversely affect the Group's profitability.

The Company is controlled by COSCO, and COSCO Pacific is controlled by the Company, and the interests of COSCO and the Company, respectively, could be different from the other shareholders of the Company and COSCO Pacific, respectively

As of 30 June 2012, COSCO directly and indirectly controls 52.80% of the Company's issued share capital. Consequently, COSCO will be able to exercise substantial influence over matters requiring shareholders' approval, including election of directors, approval of significant corporate transactions and approval of final dividend payments. The strategic goals and interests of COSCO may not always be aligned with the Group's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of the Group's controlling shareholder may also differ from those of the holders of the Bonds.

As at 30 June 2012, the Company has an indirect interest of approximately 42.71% in its HKSE-listed subsidiary, COSCO Pacific, and can control its major policy decisions. However, the directors of COSCO Pacific have fiduciary duties to act in the best interests of COSCO Pacific and all of its shareholders. As a result, the Group may not be able to cause COSCO Pacific to take all actions that the Group believes are beneficial to its shareholders nor may the Group have the ability to prevent COSCO Pacific from engaging in activities or pursuing strategic objectives that may not be in line with the Group's interests or overall strategic objectives.

There is no assurance that the current status of the Company's controlling shareholder will not change

The Company's controlling shareholder and the Issuer's ultimate controlling shareholder as at the date of this Offering Circular is COSCO which is a State-Owned Enterprise under the direct supervision of the SASAC.

As of the date of this Offering Circular, none of the Issuer, the Company and the COSCO Group has received any notice from SASAC that there will be changes to the COSCO Group's shareholding in the Company and the Issuer. However, there is no assurance that the COSCO Group will remain as the controlling shareholder of the Company and the Issuer. Any change in the shareholding interest of the COSCO Group in the Company and the Issuer may adversely affect the Group's business, financial condition, results of operations and prospects.

Our future success depends, in part, on the successful implementation of our strategies

We anticipate that successful implementation of our strategies and effective change of focus to more profitable sectors in different business cycles will be important for our future growth. Whether we succeed in pursuing new growth opportunities will depend on our ability to modify our business plans, expand our existing customer relationships, develop new customer relationships and take advantage of changing market conditions, which may include expanding or changing our geographic focus or entering into new strategic alliances or new markets.

The plans for growth will depend upon a number of factors, some of which we can control and some of which we cannot. These factors include, but are not limited to, our ability to modify our business plans, maintain, expand or develop our customer relationships, identify suitable newbuildings for purchase, identify businesses engaged in managing, operating or owning vessels for acquisition, joint ventures or alliances, hire, train and retain qualified personnel to manage and operate our growing business and fleet and identify additional new markets. The failure to manage any of these factors effectively, including our ability to identify, purchase, develop and integrate into our company any new vessels or businesses, could adversely affect our business, financial condition and results of operations.

Risks Relating to the PRC

A substantial part of the Group's assets are located in the PRC and a substantial part of the Group's revenue is sourced from the PRC. Accordingly, the Group's business, financial condition, results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

Changes in the PRC economic, political and social conditions, as well as government policies may adversely affect the Group's financial condition and results of operations

The Group's business, financial condition and results of operations depend to a significant extent on economic developments in the PRC. The PRC's economy differs from the economies of most other countries in many respects, including the degree of government intervention in the economy such as government control of foreign exchange and the allocation of resources, the general level of economic development and growth rates. While the PRC economy has experienced significant growth in the past 30 years, this growth has been uneven across different periods, regions and amongst various economic sectors. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. The PRC government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has, at times, implemented a number of measures, such as increasing the PBOC's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which had the effect of slowing the growth of credit availability. In 2008 and 2009, in response to the global financial crisis, the PRC government relaxed such requirements but, since early 2010, has begun to tighten such requirements again, partly in response to the recovery in the growth of the PRC economy. Any future actions and policies adopted by the PRC government could materially affect the Chinese economy, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is subject to environmental laws and regulations

The Group's production activities produce harmful emissions. The most harmful emissions from the Group's production processes are potentially volatile or noxious chemical compounds. Other emissions include metals, noise, odour and wastewater. The Group has attempted to minimise and control these emissions through proper management and by establishing procedures for the disposal of such emissions at its plants. The Group has obtained permits for discharging chemical by-products from the relevant environmental authorities in accordance with PRC law. The Group believes that it is in material compliance with all PRC environmental requirements applicable to its business operations. Should the Group fail to continue to comply with these requirements or to pass any inspections (including but not limited to noise pollution checks, industrial discharge inspections), the Group could be subject to fines or suspension of its operations, which could materially and adversely affect its business, financial condition, results of operations and prospects.

The Group's operations are subject to laws and regulations of the PRC relating to the protection of human health and the environment. These environmental laws and regulations concern, inter alia, emissions to the atmosphere, discharges to the land surface, subsurface strata, the generation, handling, storage, transportation, treatment and disposal of chemicals, raw materials, waste and other materials. As the PRC environmental, health and safety laws and regulations are continuously evolving, there is no assurance that the Group has always complied with such regulations on a historical basis or will continue to be in compliance with the applicable laws, or that the Group will not incur additional costs to comply with such laws and regulations. Failure to comply with any of these laws and regulations could result in the untimely delivery of goods, loss of revenue and income, the accrual of substantial costs and fines, the suspension or termination of the Group's contracts and tarnish the profile of the Group.

Compliance with environmental laws and other government regulations may increase the Group's cost of doing business

The Group is subject to various state and local environmental laws and regulations. These laws and regulations impose limitations on the discharge of pollutants into the environment and establish standards for the transportation, storage and disposal of hazardous waste. The government may impose significant fines or penalties for violations of these environmental laws and regulations. Some environmental laws impose joint and several "strict liability" for remediation of spills and releases of oil and hazardous substances. Under these laws and regulations, the Group could be liable for environmental damages without regard to negligence or fault on the Group's part. As a result, these laws expose the Group to potential liability for the conduct of or conditions caused by others. The Group may also be liable for the Group's acts that are or were in compliance with all applicable laws at the time such acts were performed. Environmental laws in the PRC have historically been subject to frequent change. The Group is unable to predict the future costs or other future effects of environmental laws on the Group's operations. In addition, any changes in environmental or other laws affecting the Group's business may further increase the Group's costs, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Rigid foreign exchange control by the PRC government may adversely affect the Group's ability to satisfy its foreign exchange liabilities

The Group has significant exposure to foreign currency risk as a substantial part of its obligations are denominated in foreign currencies, principally US dollars. Depreciation or appreciation of the Renminbi against foreign currencies affects its results significantly because a significant portion of its revenue and operating costs are denominated in Renminbi and its foreign currency payments generally exceed its foreign currency receipts. Even though the Group has a portion of its revenue that is denominated in US dollars and other foreign currencies, it is not able to hedge its foreign currency exposure effectively other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange ("**SAFE**"), or subject to certain restrictive conditions, entering into foreign exchange forward option contracts with authorised banks.

However, SAFE may limit or eliminate the Group's ability to purchase and retain foreign currencies in the future. In addition, foreign currency transactions under the capital account are still subject to limitations and require approvals from SAFE. This may affect its ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions. As such, the Group cannot assure you that it will be able to obtain sufficient foreign exchange to satisfy its foreign exchange liabilities.

Fluctuations in exchange rates may have an adverse effect on the Group's business, financial condition, results of operations and prospects

The value of the Renminbi against the US dollar and other currencies may fluctuate significantly and is affected by, among other things, the domestic and international economies, political conditions and the supply and demand of currency. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an appreciation in the value of the Renminbi against the US dollar. It is possible that the PRC government could adopt a more flexible currency policy, which could result in further and more significant revaluations of the Renminbi against the US dollar or any other foreign currency.

Uncertainty with respect to the PRC legal system, lack of uniform interpretation and effective enforcement may cause significant uncertainties to the Group's operations and the enforceability of the Standby Letter of Credit

As a substantial part of the Group's businesses are conducted, and a substantial part of the Group's assets are located, in the PRC, its operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade (including with respect to the commercial aviation industry), with a view to developing a comprehensive system of commercial law. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until some time after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group will be subject to uncertainties in its operations.

Payments of principal and interest in respect of the Bonds will have the benefit of the Standby Letter of Credit. According to the Foreign Security Measures and the Notice on Issues relating to the Administration of Foreign Security by Domestic Institutions (國家外匯管理局關於境內機構對外擔保管理問題的通知) promulgated by SAFE on July 30, 2010 (the "**Circular 39**") and various notices subsequently issued by various PBOC and National Development and Reform Commission ("**NDRC**") as referred to under "PRC REGULATONS-External Security Regime", no prior approval from or registration with relevant PRC governmental authorities is required for purpose of issuing or enforcing the Standby Letter of Credit. However, Circular 39 is promulgated recently and there is limited volume of published decisions on its interpretation and/or enforcement. There is no assurance that Circular 39 will not be amended in the future to provide for the requirement that the Standby Letter of Credit will require approval from, or registration with, the relevant PRC governmental authorities. In the event that such amendment is made with retroactive effect, there is no assurance that such approval or registration will be obtained or completed and the validity or enforceability of the Standby Letter of Credit in the PRC may be adversely affected.

Any withdrawal of, or changes to, tax incentives in the PRC may adversely affect the Group's results of operations and financial condition

Under the new PRC Enterprise Income Tax Law ("**EIT**"), the profits of a foreign invested enterprise arising in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0 per cent. In addition, under EIT, enterprises established under the laws of jurisdictions outside of China with their "de facto management bodies" located within China may be considered to be PRC resident enterprises for tax purposes. Under the Implementing Rules of the PRC Enterprise Income Tax Law issued on 6 December 2007, which took effect on 1 January 2008 ("**EIT Rules**"), "de facto management bodies" are defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Enterprises established before 16 March 2007 and enjoying preferential tax treatment prior to 1 January 2008 are entitled to such treatment within a transition period of five years. Certain of the Group's subsidiaries are entitled to preferential tax treatment, allowing them to enjoy a lower effective enterprise income tax rate until 2012. To the extent that there are any withdrawals of, or changes in, its preferential tax treatment, or increases in the applicable effective tax rate, the Group's tax liability may increase correspondingly.

The operations of the Group may be affected by rising inflation rates within the PRC

Inflation rates within the PRC have been on an uptrend in recent years. The PRC government has taken numerous monetary tightening measures, including raising interest rates and reserve requirement ratios, and curbing bank lending, to slow down economic growth and control price rises. Increasing inflationary rates are due to many factors beyond the Issuer's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond its expectations, the costs of its business operations may become significantly higher than the Issuer has anticipated for the future, and the Issuer may be unable to pass on such higher costs to its customers in amounts that are sufficient to cover increasing operating costs. As a result, further inflationary pressures within the PRC may have an adverse effect on the Group's liquidity and profitability, as well as the Group's business, financial condition, results of operations and prospects.

The Group is subject to labour laws and regulations in the PRC

Beginning in 2008, the PRC government began to implement new labour contract laws, which include certain requirements for insurance, training, vacation and leave minimums and other labour protections to be provided by companies for their employees. PRC companies are now required to enter into definitive employment contracts with all their employees that cover these requirements. These new labour laws and regulations may have an impact on the cost of labour in the PRC. The Group is unable to predict the future costs or other future effects of labour laws on its operations. Furthermore, any changes in the labour laws may increase the Group's costs, which could impact its business, financial condition, results of operations and prospects.

It may be difficult to effect service of process upon the Group or its directors or senior officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts

Most of the Group's directors and officers reside in the PRC and their assets may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of any other requirements. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in any of these jurisdictions may be difficult.

Risks Relating to the Bonds

The liquidity and price of the Bonds following the offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's and the Group's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates, fluctuations in prices for comparable companies, any adverse change in the credit rating, the revenues, earnings, results of operations or otherwise in the financial condition of the LC Bank could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

An investment in the Bonds is subject to interest rate risks

An investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Developments in the international financial markets may adversely affect the market price of the Bonds

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia.

Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis of 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Risks associated with limited liquidity of the Bonds

No public market exists for the Bonds. The Issuer will seek a listing of the Bonds on the HKSE. A confirmation of the eligibility of the listing of the Bonds has been received from the HKSE. No assurances can be given as to whether a trading market for the Bonds will develop or as to the liquidity of any such trading market. If any of the Bonds are traded after their initial issue, they may trade at a discount or premium from their initial offering price, depending on prevailing interest rates, the market for similar securities and the market for the Bonds and other factors, including general economic conditions and the Group's financial condition, performance and prospects. No assurance can be given as to the future price level of the Bonds after their initial issue. Although application has been made to list the Bonds on the HKSE, there is no assurance that the Issuer will obtain or be able to maintain a listing on the HKSE, or that, if listed, a liquid trading market will develop.

The credit ratings assigned to the Bonds may not reflect all risks

The Bonds have been provisionally assigned a rating of "A1" by Moody's. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entire by the relevant rating agency if in its judgment circumstances in the future so warrant. None of the Trustee, the Agents or the Group has any obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

Claims by holders of the Bonds are structurally subordinated to the Company's subsidiaries

The Issuer is a special purpose vehicle and its ability to make payments in respect of the Bonds depends largely on its receipt of timely remittance of funds from the Company and/or its subsidiaries and other members of the Group. The ability of the members of the Group to make such repayments to the Issuer or to pay such amounts to the Company may be subject to the profitability of the Group and applicable laws. Payments by other members of the Group to the Issuer are structurally subordinated to all existing and future liabilities and obligations of the Company's subsidiaries. Claims of creditors of such subsidiaries will have priority as to the assets of such subsidiaries over the Company and its creditors, including the Issuer.

The Bonds may not be a suitable investment for all investors

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;

- understand thoroughly the terms of the relevant Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Certain facts and statistics are derived from publications not independently verified by the Group, the Joint Lead Managers or our respective advisors

Facts and statistics in this Offering Circular relating to global economy and the shipping industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or our or their respective advisors and, therefore, neither we nor such parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about the Group than is available for public companies in certain other jurisdictions

There may be less publicly available information about companies listed in China and Hong Kong than is regularly made available by public companies in certain other countries. In addition, the Group's financial statements are prepared and presented in accordance with HKFRS, which differs in certain significant respects from US GAAP and the generally accepted accounting principles of other jurisdictions. The Group will follow the applicable corporate disclosure standards for debt securities listed on the SEHK, which standards may be different from those applicable to debt securities listed in certain other countries.

The Group will be subject to reporting obligations in respect of the Bonds to be listed on the HKSE. The disclosure standards imposed by the HKSE may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Modification and waivers

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (a) any modification of any of the provisions of the Trust Deed, the Agency Agreement, the Conditions, the Standby Letter of Credit and/or the Keepwell Deed that is, in the Trustee's opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions, the Trust Deed, the Keepwell Deed, the Agency Agreement and/or the Standby Letter of Credit that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders.

A change in English law which governs the Bonds may adversely affect holders of the Bonds

The Terms and Conditions of the Bonds are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System

Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (each of Euroclear and Clearstream, a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Bonds or Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate the Issuer will discharge its payment obligations under the Bonds by making payments to the common depositary for Euroclear and Clearstream, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

The Trustee may request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction

In certain circumstances (including giving of notice to the Issuer pursuant to Condition 9 and taking enforcement steps as contemplated in Condition 14), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

There is no guarantee provided by the Company in relation to the Bonds and the Keepwell Deed is not a guarantee of the payment obligations under the Bonds

The Company will enter into the Keepwell Deed in connection with the issuance of the Bonds. See "Description of the Keepwell Deed". Upon the occurrence of an event of default as set out in Condition 9 in the Terms and Conditions of the Bonds, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Bonds. Accordingly, the Company will only be obliged to make sufficient funds available to the Issuer, rather than assume the payment obligations of the Issuer under the Bonds as in the case of a guarantee.

Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed in arranging for sufficient funds to enable the Issuer to meet its obligations under the Bonds, such performance may be subject to obtaining prior consent or approvals from relevant PRC governmental authorities, including the NDRC, MOFCOM and SAFE.

In addition, under the Keepwell Deed, the Company will undertake with the Issuer, among other things, to cause the Issuer to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds. However, any claim by the Issuer against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which do not guarantee the Bonds), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which do not guarantee the Bonds) will have priority to the assets of such entities over the claims of the Issuer under the Keepwell Deed.

TERMS AND CONDITIONS OF THE BONDS

The following, save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds.

The issue of the US$ 1,000,000,000 4.00 per cent. Credit Enhanced Bonds due 2022 (the "**Bonds**" which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorised by a resolution of the Board of Directors of COSCO Finance (2011) Limited (the "**Issuer**") passed on 23 November 2012. The Bonds are constituted by a Trust Deed (the "**Trust Deed**") dated on or about 3 December 2012 between the Issuer, China COSCO Holdings Company Limited (the "**Company**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Certificates evidencing the Bonds. Copies of the Trust Deed, an agency agreement (the "**Agency Agreement**") dated on or about 3 December 2012 relating to the Bonds between the Issuer, the Company, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**"), as transfer agent (the "**Transfer Agent**"), as initial principal paying agent (the "**Principal Paying Agent**") and any other agents named in it, The Hongkong and Shanghai Banking Corporation Limited as the account bank (the "**Pre-funding Account Bank**") where the Pre-funding Account (as defined below) is held and The Hongkong and Shanghai Banking Corporation Limited as the account bank (the "**LC Proceeds Account Bank**") where the LC Proceeds RMB Account (as defined below) and the LC Proceeds USD Account (as defined below) are held and an irrevocable standby letter of credit (the "**Standby Letter of Credit**") dated on or about 3 December 2012 issued by Bank of China Limited, Beijing Branch (the "**LC Bank**"), are available for inspection during usual business hours at the specified office of the Principal Paying Agent (presently at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified offices for the time being of the Registrar and any Transfer Agents. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement and the Standby Letter of Credit.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" or "**holder**" in relation to a Bond means the person in whose name a Bond is registered.

2 Transfers of Bonds

(a) Transfer

One or more Bonds may be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent, as the case may be, may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request.

(b) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) Transfer or Exercise Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any and all tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(d) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond or (ii) during the period of seven days ending on (and including) any Record Date.

3 Status and Standby Letter of Credit and Pre-funding

(a) Status

The Bonds constitute unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) Standby Letter of Credit and Pre-funding

The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of the holders of the Bonds upon the presentation of a demand by authenticated SWIFT sent by the Trustee to the effect that (i) the Issuer has failed to comply with this Condition 3(b) in relation to pre-funding an amount that is payable under these Conditions or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 or (iii) the Issuer has failed to pay the fees and expenses in connection with the Bonds or the Trust Deed when due and such failure continues for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer or (iv) the payment made by the LC Bank pursuant to a previous demand presented by the Trustee in accordance with any of (i) or (ii) or (iii) of this Condition 3(b) (each a "**Relevant Event**") was when converted in US dollars not sufficient to discharge in full the amounts payable under the Conditions or in connection with the Bonds or the Trust Deed for the purpose of the applicable Relevant Event.

Each drawing on the Standby Letter of Credit will be payable in Renminbi to or to the order of the Trustee at the time and to the account specified in the demand presented to the LC Bank.

Renminbi received in respect of a demand will be deposited into the LC Proceeds RMB Account and exchanged for US dollars by the LC Proceeds Account Bank on the date such Renminbi amount is received at the prevailing US dollar/Renminbi spot exchange rate as determined by the LC Proceeds Account Bank acting in good faith and shall be deposited into the LC Proceeds USD Account. In the event that the amount of US dollars received by the Trustee as a result of such exchange is less than the sums due in respect of the Bonds or in connection with the Bonds or the Trust Deed for the purpose of the applicable Relevant Event, the Trustee shall, by no later than 11:00 a.m. (Beijing time) on the Business Day immediately following the date such Renminbi amount is received by the LC Proceeds Account Bank, make a further demand under the Standby Letter of Credit in respect of such shortfall.

Every payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds or the Trust Deed shall, to the extent of the US dollar proceeds exchanged from the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds or the Trust Deed.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in Renminbi and shall not exceed an amount representing the amount (in US dollars) of the aggregate principal amount of the Bonds plus interest payable in accordance with the Conditions plus any fees and expenses payable by the Issuer in connection with the Bonds or the Trust Deed. The Standby Letter of Credit expires at 5:00 p.m. (Beijing time) on 3 January 2023.

In order to provide for the payment of any amount in respect of the Bonds (other than the Make Whole Amount payable under Condition 6(d), a "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day (the "**Pre-funding Date**") falling eight Business Days prior to the due date for such payment under these Conditions:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any one Director of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**");

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date, it shall as soon as practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile of the Issuer's failure to pre-fund the Relevant Amount in full and provide the Required Confirmations in accordance with these Conditions and shall by no later than 11:00 a.m. (Beijing time) on the second Business Day following the Pre-funding Date issue a demand notice to the LC Bank for the Renminbi equivalent of the Relevant Amount (or if the Issuer has unconditionally paid or procured to be paid into the Pre-funding Account, an amount less than the full amount of the Relevant Amount and the Trustee has received Required Confirmations in respect of such lesser amount, an amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account) in accordance with the Standby Letter of Credit (each a "**Demand**"), provided that the Trustee need not physically present the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a demand by authenticated SWIFT sent on its behalf. After receipt by the LC Bank of such Demand, the LC Bank shall by 11:00 a.m. (Beijing time) on the third Business Day following the Pre-funding Date, pay to or to the order of the Trustee the amount in Renminbi specified in the Demand to the account specified in the Demand.

If the payment made by the LC Bank pursuant to the previous Demand is, when converted into US dollars, not sufficient to discharge in full the Relevant Amount (or, as the case may be, the amount representing the difference between the full amount of the Relevant Amount and the amount received in the Pre-funding Account), the Trustee shall, by no later than 11:00 a.m. (Beijing time) on the Business Day immediately following the date such Renminbi amount is received by the LC Proceeds Account Bank, present a further Demand to the LC Bank for such shortfall in Renminbi in accordance with the Standby Letter of Credit.

For the purposes of these Conditions:

"**Business Day**" means a day, other than a Saturday or a Sunday or a public holiday, on which banks are open for business in Beijing, Hong Kong and New York City;

"**LC Proceeds RMB Account**" means a Renminbi account established in the name of the Trustee with the LC Proceeds Account Bank;

"**LC Proceeds USD Account**" means a US dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

"**Pre-funding Account**" means an interest bearing US dollar account established in the name of the Issuer with the Pre-funding Account Bank; and

“**Payment and Solvency Certificate**” means a certificate stating the Relevant Amount in respect of the relevant due date of the Bonds and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 3(b) and (b) the Issuer is solvent, in substantially the form set forth in the Agency Agreement.

4 Undertakings

The Issuer undertakes, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

(a) it will not conduct any business or any activities other than the issue of the Bonds and the lending of the proceeds thereof to the Company’s Subsidiaries and affiliates and any other activities reasonably incidental thereto; and

(b) it will maintain a rating on the Bonds by a Rating Agency.

In these Conditions:

(i) “**Rating Agency**” means (1) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (“**Moody’s**”); or (2) if Moody’s shall not make a rating of the Bonds publicly available, the Issuer shall select and substitute Moody’s with either Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors or Fitch Ratings and its successors; and

(ii) “**Subsidiary**” means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer or the Company or the LC Bank (as the case may be).

5 Interest

The Bonds bear interest on their outstanding principal amount from and including 3 December 2012 at the rate of 4.00 per cent. per annum, payable semi-annually in arrear in equal instalments per Calculation Amount (as defined below) on 3 June and 3 December in each year (each an “**Interest Payment Date**”). Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 3 December 2012 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 3 December 2022 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the People's Republic of China (the "**PRC**", which shall for the purposes of these Conditions, exclude Hong Kong, Macau and Taiwan) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 26 November 2012, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (x) a certificate signed by any one Director of the Issuer stating that the obligation referred to in Condition 6(b)(i) above cannot be avoided by the Issuer taking reasonable measures available to it and (y) an opinion of independent legal or tax adviser of recognised standing addressed to the Trustee that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment or any such change in the application or official interpretation (as the case may be) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 6(b)(ii) above, in which event it shall be conclusive and binding on the Bondholders.

(c) Redemption for Change of Control

At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Change of Control Put Date at 100 per cent. of their principal amount, together with accrued interest to, but excluding, the Change of Control Put Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 6(c).

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Bondholders (in accordance with Condition 16) and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

For the purposes of these Conditions:

A "**Change of Control**" occurs when the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor ("**SASAC**") and any Person directly controlled by the central government of the PRC (such person and SASAC, a "**PRC Government Person**") ceases to directly or indirectly Control the Company or any successor entity.

"**Control**" means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of the Company and (ii) the right to appoint and/or remove all or the majority of the members of the Company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

A "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity).

(d) Make Whole Redemption

At any time after 3 December 2017, the Issuer may redeem the Bonds, in whole, but not in part, upon giving not less than 15 nor more than 45 days' notice (which notice shall be irrevocable (subject to the proviso below)) (a "**Make Whole Redemption Notice**"), at a redemption price equal to their Make Whole Amount together with interest accrued to the date fixed for redemption (collectively, the "**Make Whole Redemption Price**"), provided that, the Issuer shall, prior to giving such Make Whole Redemption Notice, (i) unconditionally pay or procure to be paid the Make Whole Redemption Price in full into the Pre-funding Account and (ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Redemption and Solvency Certificate signed by any one Director of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Make Whole Redemption Price paid into the Pre-funding Account in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding such redemption date (together, the "**Make Whole Redemption Confirmations**").

If the Make Whole Redemption Price is not received in full by the Principal Paying Agent on or before the Business Day immediately preceding such redemption date, the Issuer's exercise of its right to redeem the Bonds under this Condition 6(d) and such Make Whole Redemption Notice shall be immediately and automatically cancelled forthwith and shall cease to have any further effect. Nothing herein shall prejudice the Issuer's right to issue a new Make Whole Redemption Notice after such cancellation.

Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under these Conditions.

For the purposes of these Conditions:

"**Comparable Treasury Issue**" means the United States Treasury selected by the Independent Investment Bank as having a maturity comparable to the remaining term of the Bonds from the relevant date fixed for redemption to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date.

"**Comparable Treasury Price**" means, with respect to any redemption date for the Bonds, the average of three, or such lesser number as is obtained by the Independent Investment Bank, Reference Treasury Dealer Quotations for such redemption date of the Bonds.

"**Independent Investment Bank**" means an independent investment bank of international repute, appointed by the Issuer (and notice thereof is given to Bondholders by the Issuer in accordance with Condition 16) for the purposes of performing any of the functions expressed to be performed by it under these Conditions.

"**Make Whole Amount**" means, in respect of each Bond at the relevant date fixed for redemption, (i) the principal amount of such Bond or, if this is higher (ii) the amount equal to the sum of the present value of the principal amount of such Bond, together with the present values of the interest payable in the relevant Interest Periods from the relevant redemption date to the Maturity Date, in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 0.50 per cent., all as determined by the Independent Investment Bank.

"**Make Whole Determination Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Hong Kong and New York City.

"**Redemption and Solvency Certificate**" means a certificate stating the aggregate Make Whole Redemption Price in respect of the relevant date fixed for redemption of the Bonds and confirming that (i) a payment of the aggregate Make Whole Redemption Price has been made by the Issuer to the Pre-funding Account in accordance with this Condition 6(d) and (ii) the Issuer is solvent, in substantially the form set forth in the Agency Agreement.

"**Reference Treasury Dealer**" means each of the three nationally recognised investment banking firms selected by the Independent Investment Bank that are primary U.S. Government securities dealers.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date for the bonds, the average, as determined by the Independent Investment Bank, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Independent Investment Bank by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third Make Whole Determination Business Day immediately preceding the issue of the Make Whole Redemption Notice.

"**U.S. Treasury Rate**" means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third Make Whole Determination Business Day prior to the issue of the Make Whole Redemption Notice, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third Make Whole Determination Business Day prior to the issue of the Make Whole Redemption Notice or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Make Whole Determination Business Day immediately preceding the issue of the Make Whole Redemption Notice.

(e) Purchase

The Company, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 12(a).

(f) Cancellation

All Certificates representing Bonds purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 Payments

(a) Method of Payment

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in US dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in US dollars maintained by the payee with a bank. In this Condition 7(a)(ii), "**business day**" means a day, other than a Saturday or Sunday, on which the Registrar is open for business in the place of its specified office.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to an account in US dollars, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed, on the due date or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar and (iii) a Transfer Agent, in each case as approved by the Trustee.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

(f) Non-Payment Business Days

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Beijing, Hong Kong, New York City and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in US dollars, the place on which foreign exchange transactions may be carried on in US dollars in the principal financial centre of the country of such currency.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at the rate of up to and including 10 per cent., the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of 10 per cent. or any British Virgin Islands deduction or withholding is required, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(a) **Other Connection**: held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands other than the mere holding of the Bond; or

(b) **Surrender More Than 30 Days after the Relevant Date**: more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) **Payment to Individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9 Events of Default

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested by holders of at least 20 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (provided that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable. Upon any such notice being given to the Issuer, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with accrued interest. An "**Event of Default**" occurs if:

A. With respect to the Issuer

(a) **Non-Payment**: there has been a failure to pay the principal of or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of seven days; or

(b) **Breach of Other Obligations**: the Issuer or the Company does not perform or comply with any one or more of its other obligations in the Bonds, the Trust Deed or the Keepwell Deed which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee provided that if there has been a breach by the Issuer of its obligation to pre-fund any amount in respect of the Bonds in accordance with Condition 3(b) and such amount has subsequently been paid by the LC Bank following a drawing under the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 9(A)(b); or

(c) **Cross-Acceleration**: with respect to any other present or future indebtedness of the Issuer, the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or raised or any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, there occurs (i) an event of default or the like (howsoever described) which results in the acceleration of such indebtedness, guarantees and indemnities prior to its stated maturity, and/or (ii) the failure to make a principal payment when due, and the principal amount of any such indebtedness, guarantees and indemnities, together with the principal amount of any other such indebtedness, guarantees and indemnities which has been so accelerated or in respect of which there has been a failure to pay principal when due equals or exceeds US$100,000,000 or its equivalent; or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer, the Company or any Company Material Subsidiary and such distress, attachment, execution or other legal process is not discharged within 30 days; or

(e) **Security Enforced**: an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Issuer, the Company or any Company Material Subsidiary and such appointment is not discharged within 30 days; or

(f) **Insolvency**: the Issuer or the Company or any Company Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Company or any Company Material Subsidiary; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Company or any Company Material Subsidiary (except for a members' voluntary solvent winding-up of a Company Material Subsidiary), or the Issuer or the Company or any Company Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Company Material Subsidiary, whereby the undertaking and assets of the Company Material Subsidiary are transferred to or otherwise vested in the Issuer or the Company (as the case may be) or another of their respective Subsidiaries; or

(h) **Nationalisation**: any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or a substantial part of the assets of the Issuer, the Company or any Material Subsidiary; or

(i) **Ownership**: the Issuer ceases to be wholly-owned and controlled by the Company; or

(j) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or

(k) **Illegality**: it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed; or

(l) **Standby Letter of Credit**: the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or

(m) **Keepwell Deed**: the keepwell deed dated on or about 3 December 2012 entered into by the Company, the Trustee and the Issuer (the "**Keepwell Deed**") is not (or is claimed by the Company to not be) in full force and effect or the Company is in breach of its obligations thereunder, or the Keepwell Deed is modified, amended or terminated other than strictly in accordance with its terms or these Conditions; or

(n) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(A)(d) to 9(A)(h) (both inclusive).

B. With respect to the LC Bank

(a) **Cross-Acceleration**: any other present or future Public External Indebtedness of the LC Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 9(B)(a) have occurred equals or exceeds US$25,000,000 or its equivalent; or

(b) **Insolvency**: the LC Bank or any of its LC Bank Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the LC Bank or any of its LC Bank Material Subsidiaries; or

(c) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the LC Bank or any of its LC Bank Material Subsidiaries, or the LC Bank ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a LC Bank Material Subsidiary, whereby the undertaking and assets of the LC Bank Material Subsidiary are transferred to or otherwise vested in the LC Bank or another of its Subsidiaries; or

(d) **Illegality**: it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit; or

(e) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(B)(b) to 9(B)(c) (both inclusive).

In this Condition 9:

"**Company Material Subsidiary**" means any Subsidiary of the Company

(i) whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) attributable to the Company, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross revenues as shown by the latest published audited income statement of the Company and its consolidated Subsidiaries; or

(ii) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Company, as shown by its latest audited balance sheet, are at least 5 per cent. of the consolidated gross assets of the Company and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Company and its Subsidiaries, including the investment of Company and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and of associated companies and after adjustment for minority interests,

provided that, in relation to paragraphs (i) and (ii) above of this definition:

(1) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Company and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(2) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, gross revenues, pre-tax profit or gross assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Company;

(3) if at any relevant time in relation to any Subsidiary, no accounts are audited, its gross revenues, pre-tax profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Company; and

(4) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Company, then the determination of whether or not such subsidiary is a Company Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company; or

(iii) any Subsidiary of the Company to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Company Material Subsidiary, whereupon the Company Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Company Material Subsidiary and the Subsidiary to which the assets are so transferred shall become a Company Material Subsidiary, provided that on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Company prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Company Material Subsidiary shall be determined by virtue of the provisions of paragraphs (i) or (ii) above of this definition.

In addition, any Subsidiary which is not itself a Company Material Subsidiary shall nevertheless be treated as a Company Material Subsidiary in respect of any of the events referred to in this Condition 9 if its gross revenues or gross assets (or consolidated gross revenues or consolidated gross assets in the case of a Subsidiary which has Subsidiaries) when aggregated with the gross revenues or gross assets of each Subsidiary which is not itself a Company Material Subsidiary (or consolidated gross revenues or consolidated gross assets in the case of a Subsidiary which has Subsidiaries) with respect to which any of the events referred to in this Condition 9 has occurred during the preceding 12 months, exceeds 5 per cent. of the consolidated gross revenues or consolidated gross assets of the Company and its Subsidiaries.

A certificate signed by any Director of the Company confirming that a Subsidiary is or is not, or was or was not, a Company Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"**LC Bank**" means Bank of China Limited and "**LC Bank Material Subsidiary**" means a Subsidiary of the LC Bank whose total assets or total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for 5 per cent. or more of the consolidated assets or consolidated revenue of the LC Bank as at such date or for such period. If a LC Bank Material Subsidiary transfers all of its assets and business to another Subsidiary of the LC Bank, the transferee shall become a LC Bank Material Subsidiary and the transferor shall cease to be a LC Bank Material Subsidiary on completion of such transfer; and

"**Public External Indebtedness**" means any indebtedness of the LC Bank or any Subsidiary, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (x) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the People's Republic of China (for the purposes hereof not including the Hong Kong and Macau Special Administration Regions or Taiwan) (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (y) has an original maturity of more than 365 days.

10 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Standby Letter of Credit or the Keepwell Deed. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds or to change the method of calculating the Make Whole Amount, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution (v) to modify or release the Standby Letter of Credit or change the governing law of the Standby Letter of Credit (except as necessary to provide for the issuance of additional Bonds in accordance with Condition 13) or (vi) to modify or terminate the Keepwell Deed, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) Modification of the Conditions, Trust Deed, Agency Agreement Standby Letter of Credit and Keepwell Deed

The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable. The Issuer shall notify as soon as possible the Rating Agency of any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or the Keepwell Deed.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if (i) the Rating Agency has been informed of such issue; (ii) such issue will not result in any change in the then credit rating of the Bonds; (iii) a further or supplemental standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the principal of and interest payments due on such further securities) and (iv) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further standby letter of credit.

14 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer or the LC Bank as it may think fit to enforce the terms of the Trust Deed and the Bonds and, where appropriate, to draw down on the Standby Letter of Credit, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 20 per cent. in principal amount of the Bonds outstanding, and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on a report, confirmation or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Company, the LC Bank, the Trustee and the Bondholders.

16 Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of the Bonds shall also be published in a daily newspaper of general circulation in the United Kingdom (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper of general circulation in the United Kingdom, as approved by the Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

17 Contracts (Rights of Third Parties) Act 1999:

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with any Bonds ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, the Issuer has irrevocably submitted to the jurisdiction of such courts.

(c) Agent for Service of Process

Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Bonds.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the "**Conditions**" or the "**Terms and Conditions**") set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the Bonds in respect of which this Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System")** is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Company will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which this Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment: So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means Monday to Friday, inclusive except 25 December and 1 January.

Trustee's Powers: In considering the interests of the Bondholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) may consider such interests on the basis that such accountholders were the holder of the Bonds in respect of which such Global Certificate is issued.

Notices: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Terms and Conditions of the Bonds.

Bondholder's Redemption: The Bondholder's redemption option in Condition 6(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Transfers: Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation: Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

Meetings: For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each US$1,000 of the Bonds.

DESCRIPTION OF THE KEEPWELL DEED

*The statements under this heading are summaries of certain key provisions of the Keepwell Deed to be entered into between the Company, the Issuer and the Trustee (the "**Keepwell Deed**"). Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.*

Under the Keepwell Deed, the Company will undertake to the Issuer and the Trustee that it and its subsidiaries and affiliates will directly or indirectly together own and hold all the outstanding shares of the Issuer having the right to vote for election of members of the board of directors of the Issuer and will not directly or indirectly pledge or in any way encumber or otherwise dispose of any such shares of the Issuer, unless required to dispose of any or all such shares pursuant to a court decree or order of any governmental authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged. The Company will undertake with the Issuer and the Trustee that it shall cause the Issuer to have a consolidated net worth of at least US$1.00 at all times and to have sufficient liquidity to ensure timely payment by the Issuer of any amounts payable in respect of the Bonds in accordance with the Terms and Conditions of the Bonds and otherwise under the Trust Deed and the Agency Agreement.

The Company will further undertake with the Issuer and the Trustee in the Keepwell Deed that for so long as the Bonds are outstanding and save with the approval of the Trustee (and the Trustee shall promptly turn its attention to any request from the Company to give approval such that the decision as to whether to give such approval not be unreasonably delayed) or approval of the Bondholders by an Extraordinary Resolution of the Bondholders:

(i) not to agree to any amendment the Articles of Association of the Issuer (unless the Trustee shall have determined that such amendment is not materially prejudicial to the interest of the Bondholders);

(ii) to cause the Issuer to either use the proceeds from the offering of the Bonds itself or to lend such proceeds only to the Company's offshore subsidiaries and affiliates (the "**Relevant Subsidiary**"), and to cause such Relevant Subsidiary to pay the interest and principal regarding such intercompany loan on time;

(iii) to the extent the Relevant Subsidiary lends, novates or assigns any of the proceeds it receives from the Issuer from the offering of the Bonds, to cause the Relevant Subsidiary to lend, novate or assign such proceeds only to another Relevant Subsidiary or other Relevant Subsidiaries;

(iv) to cause the Issuer to remain in full compliance with Condition 4 of the Terms and Conditions of the Bonds and all applicable rules and regulations in the British Virgin Islands; and

(v) to ensure that the Issuer has sufficient funds to meet its obligations with respect to any and all fees, expenses and obligations of the Issuer, including but not limited to fees and expenses with respect to the corporate formation and administration of the Issuer.

The Keepwell Deed is not and will not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction.

The Company will acknowledge in the Keepwell Deed that the same is being entered into for the benefit of the Trustee on behalf of the holders of the Bonds, and agrees that the provisions of the Keepwell Deed may be enforced by the Trustee in that capacity.

The Keepwell Deed and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law.

The Contracts (Rights of Third Parties) Act 1999 will apply to the Keepwell Deed.

USE OF PROCEEDS

The gross proceeds from this offering will be approximately US$987,660,000 and we intend to use such gross proceeds, after payment of underwriting fees and commissions and other reasonable expenses payable in connection with this offering, to on-lend to the Company's offshore subsidiaries and affiliates for their general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

Capitalisation and Indebtedness of the Group

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalisation of the Group as at 30 June 2012 and adjusted to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering:

	As at 30 June 2012			
	Actual	Actual	As adjusted	As adjusted
	(RMB'000)	(US$'000)[2]	(RMB'000)	(US$'000)[2]
Total borrowings — current portion				
Long-term borrowings	12,723,884	2,002,815	12,723,884	2,002,815
Short-term borrowings	5,455,930	858,796	5,455,930	858,796
	18,179,814	2,861,611	18,179,814	2,861,611
Total borrowings — non-current portion				
Long-term borrowings	61,064,312	9,611,886	61,064,312	9,611,886
Bonds to be issued	—	—	6,274,604	987,660
	61,064,312	9,611,886	67,338,916	10,599,546
Equity				
Share capital	10,216,274	1,608,102	10,216,274	1,608,102
Reserves	19,734,804	3,106,375	19,734,804	3,106,375
Non-controlling interests	16,020,364	2,521,701	16,020,364	2,521,701
	45,971,442	7,236,178	45,971,442	7,236,178
Total capitalisation [1]	107,035,754	16,848,064	113,310,358	17,835,724
Current portion of total borrowings and total capitalisation	125,215,568	19,709,675	131,490,172	20,697,335

Note:

(1) Total capitalisation represents the sum of "total borrowings — non-current portion" and equity.

(2) The translation of Renminbi amounts into US dollar amounts has been made at the rate of RMB6.3530 to US$1.

Except as otherwise disclosed in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 30 June 2012.

Capitalisation and Indebtedness of the Issuer

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. As at the date of this Offering Circular, 10,000 ordinary shares, which are held indirectly by the Company, had been issued and credited as fully paid, representing the entire issued capital of the Issuer.

The following table sets forth the capitalisation of the Issuer as at the date of this Offering Circular, as adjusted to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering:

	Unaudited	
	Actual	As adjusted
	(US$)	
Borrowings — non-current		
Bonds to be issued	—	987,660,000
Share capital	10,000	10,000
Total capitalisation[1]	10,000	987,670,000

Note:

(1) Total capitalisation represents the sum of "borrowings — non-current" and share capital.

BANK OF CHINA LIMITED

The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Company have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Company, the Joint Lead Managers, the Trustee and the Agents has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds will have the benefit of the Standby Letter of Credit which will be issued by the Bank of China Limited, Beijing Branch as the LC Bank. Under PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by the Bank of China Limited ("**BOC**"), and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, BOC would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit.

Overview

BOC is a limited liability company incorporated in the PRC and is headquartered in Beijing with operations in mainland China, Hong Kong, Macau and overseas regions. The shares of BOC are traded on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. BOC has been assigned a rating of "A1" by Moody's and "A" by Standard & Poor's Rating Group.

BOC is one of the four largest commercial banks in the PRC in terms of total assets with the most extensive international presence among PRC commercial banks. With an international network in 33 countries and regions, its scope of business encompasses these main areas: commercial banking, investment banking and insurance. Commercial banking is BOC's traditional core business. It includes corporate banking, personal banking and financial market business (mainly treasury operations). The combination of commercial banking, investment banking and insurance businesses has created a universal banking platform that allows BOC to provide integrated services to its customers.

For the years ended 31 December 2010 and 2011, BOC's consolidated operating profit was RMB141,116 million and RMB168,128 million, respectively.

Principal Business Activities

BOC's principal lines of business consist of commercial banking, investment banking and insurance. Commercial banking is further split into corporate banking, personal banking and financial market business (primarily treasury operations).

Commercial Banking

Commercial banking business is BOC's traditional main business. It comprises three major lines of business: corporate banking business, personal banking business and financial market business (mainly treasury operations).

BOC grants loans denominated in Renminbi or in foreign currencies. BOC determines the interest rates on loans denominated in Renminbi in domestic operations by reference to the rates set by the PBOC based on, among other factors, macroeconomic conditions. The PBOC sets Renminbi benchmark lending rates from time to time with respect to different types of loans of varying maturities.

BOC may lend at rates higher than these benchmark rates, but are subject to up to 10% limitation imposed by the PBOC when it lends at rates lower than these benchmark rates. Changes in the PRC government monetary policy or in the Renminbi benchmark lending rates would affect BOC's lending operations. For loans denominated in foreign currencies, BOC determines the interest rates in accordance with prevailing rates in the international capital markets plus a premium. In order to minimise BOC's exposure to foreign exchange and interest rate risks, BOC seeks to match its loans and guarantees to liabilities denominated in the same currencies and to engage in such economic hedging transactions through interest rate and cross currency swaps.

Corporate Banking

BOC offers a broad range of corporate banking products and services to its corporate customers, including state-owned enterprises, private enterprises, foreign-invested enterprises, financial institutions and government agencies. These products and services include loans and advances, deposits, financial institutional banking business, bill discounting, trade-related services and trade finance and other fee-based products and services. Corporate banking contributes the majority of its profit.

BOC offers the following corporate banking products and services in Renminbi and foreign currencies:

— *Loan Business*

BOC's principal corporate loan products include Renminbi-denominated and foreign currency-denominated loans. These corporate loan products may mainly take the form of fixed asset loans, working capital loans, bill discounting and trade finance. BOC provides fixed asset loans to its corporate customers to meet their funding needs for infrastructure projects, acquisition of machinery and equipment and real property development. Working capital loans are extended to meet its corporate customers' working capital or cash flow needs. Bill discounting involves providing its customers with short-term financing in exchange for their bills of exchange issued or accepted by other commercial banks and corporations.

— *Liabilities and Fee-based Businesses*

BOC accepts deposits from its corporate customers in Renminbi and major foreign currencies such as US dollar, Hong Kong dollar, Euro, Japanese Yen and British pound. With the rapid growth of the Chinese economy, BOC proactively adjusted its deposit currency structure and have taken in more corporate deposits denominated in Renminbi.

— *Financial Institutional Banking Business*

BOC's financial institutional banking business includes local and foreign currency deposit taking, local and foreign currency clearing, custody, fund distribution, asset management services, insurance agency business, securities and futures clearing, bond distribution, clearing agency and foreign currency note services for financial institutions and correspondent banking services.

— *International Settlement and Trade Finance*

BOC was the first Chinese bank to offer and have been providing trade-related services since 1915. Its key products and services include international settlement, trade finance, factoring, letters of guarantee and forfeiting.

— *Other Corporate Banking Business*

BOC offers a wide range of payment and settlement services to corporate customers, including bank drafts, promissory notes, checks, remittances, banker's acceptances, collections, simplified orders for multi-payments, bulk payments, and receipt of funds and custody of bills.

Personal Banking

BOC offers a broad range of personal banking products and services, including loans, deposits, wealth management services, foreign exchange services and card services.

Saving Deposits

BOC accepts deposits in Renminbi as well as certain major foreign currencies. Its range of foreign currencies available for deposit products is one of the most comprehensive among PRC commercial banks. It mainly offers demand deposits and time deposits to its personal banking customers.

Personal Loans

BOC's personal loans and advances business primarily consist of mortgage loans, automobile loans, credit card loans, loans for business purposes, educational loans and revolving credit lines.

Personal Fee-based Business

BOC's personal fee-based business includes domestic and foreign currency remittance, personal exchange settlement and sales, foreign currency exchange, insurance products agency, mutual fund distribution, and agency payment and collection.

Wealth Management Services

Wealth management services are the key focus of BOC's personal banking business. BOC believes its long history of providing foreign exchange services, its extensive international network, strong brand name and close customer relationship provide BOC with advantages in attracting and retaining wealth management customers. In view of expanding personal customer base and optimising customer structures, BOC implemented a customer segmentation strategy in line with the development of a differentiated three-tier wealth management model and promoted its "BOC Wealth Management" brand.

Bank Card Business

BOC provides various types of bank card products and services in response to different customer needs, including single credit cards denominated in dual currencies, quasi-credit cards, debit cards and agent services for cards issued by other issuers. BOC further diversified its cards systems by issuing different kinds of debit cards such as co-branded card, campus card and theme card. For special occasions, it issued the Great Wall Animal Sign Card, Great Wall National Fitness Card, and the 60th National Celebration of China Debit Card. It has also commenced issuing debit cards in overseas branches, such as in its Frankfurt and Tokyo branches.

Financial Market Business

The financial market business mainly includes proprietary trading of local and foreign currency instruments and franchises trading, investments in local and foreign currency securities or indices, debt market business, agency wealth management and asset management, the financial agency business and custody business. BOC conducts its treasury operations mainly through its five trading centres, located in Beijing, Shanghai, Hong Kong, London and New York.

Securities Investments

BOC's securities investments business consists of both RMB-denominated and foreign currency-denominated investments. Its RMB-denominated investments are mainly comprised of Treasury bonds, PBOC bills, financial institutions bonds and debenture bonds. BOC's foreign currency-denominated investments are mainly comprised of government bonds, debenture bonds and structured bonds.

Trading

BOC's global trading primarily consists of proprietary and market-making businesses. BOC's domestic market of foreign exchange settlement and sale includes precious metals trading and RMB-denominated bonds trading. It engages in both RMB purchase and sales and RMB inter-bank lending and borrowing, along with its newly-launched RMB settlement business for cross-border trade. BOC has

Custody Business

BOC cooperates closely with dozens of fund companies and provided various wealth management products for collective separately managed accounts, achieving the largest market share through this approach. It provides innovative custody services for securities firms' separately managed accounts, infrastructure investment and independent supervision for insurance plans, and banks' collective investment plans.

Commercial Banking Business in Hong Kong, Macau and Overseas

Hong Kong

BOC conducts commercial banking business in Hong Kong through its subsidiary Bank of China (HK) Limited ("**BOCHK**"). BOCHK's place of business in Hong Kong is located at Bank of China Tower, 1 Garden Road, Central, Hong Kong. As a major commercial bank in Hong Kong, BOCHK offers a comprehensive range of financial products and services to personal and corporate customers through an extensive service network in Hong Kong as well as other distribution channels. BOCHK is one of the three note-issuing banks in Hong Kong. It provides cross-border services to customers in Hong Kong, China and overseas countries and regions.

Other Regions

BOC has continued to develop its commercial banking business in other regions and its network extends to other parts of Asia Pacific, Europe and North America.

Investment Banking and Insurance

Investment Banking

— BOCI

BOC conducts investment banking business through BOCI, through its offices in the PRC, Hong Kong, Singapore, the US and the UK, offers clients a comprehensive range of investment banking products and services, including listings, debt financing, mergers and acquisitions, financial advisory, securities sales and trading, fixed income, direct investment, asset management, leveraged and structured finance and private wealth management, among others.

— BOCIM

Bank of China Investment Management Co., Ltd. ("**BOCIM**") is a joint-venture fund management company between BOC and BlackRock, Inc.

— Insurance

BOC conducts its insurance business through BOCG Insurance, its wholly-owned subsidiary registered in Hong Kong. BOCG Insurance mainly engages in general insurance as well as life assurance through BOCG Life Assurance Company Limited, which is jointly owned with BOC Hong Kong (Holdings) Limited. In addition, BOCG Insurance conducts property insurance business in the Chinese mainland through its wholly-owned subsidiary BOC Insurance.

Investment Business

— *BOCG Investment*

BOC is engaged in direct investment and investment management business through its wholly-owned subsidiary BOCG Investment. Based in Hong Kong, BOCG Investment conducts its business mainly in the Chinese mainland while exploring business opportunities all over the world. Its business scope includes equity investment, non-performing asset (NPA) investment, real estate investment and management.

— *BOC Aviation*

BOC Aviation is a leading Asia-based aircraft leasing company, with a fleet of modern aircraft flying with over 40 airlines worldwide. In addition, BOC Aviation also offers a wide range of lease management and aircraft finance services, both directly and through its parent company BOC. BOC Aviation is headquartered in Singapore, with representatives based in Europe and the US.

Board of Directors

The board of directors of BOC at the date of this Offering Circular comprised of:

Name	Title
XIAO Gang	Chairman
Li Lihui	Vice Chairman and President
LI Zaohang	Executive Director and Executive Vice President
WANG Yongli	Executive Director and Executive Vice President
CAI Haoyi	Non-executive Director
SUN Zhijun	Non-executive Director
LIU Lina	Non-executive Director
JIANG Yansong	Non-executive Director
ZHANG Xiangdong	Non-executive Director
ZHANG Qi	Non-executive Director
Anthony Francis NEOH	Independent Non-executive Director
HUANG Shizhong	Independent Non-executive Director
HUANG Danhan	Independent Non-executive Director
CHOW Man Yiu, Paul	Independent Non-executive Director
Jackson P. TAI	Independent Non-executive Director
Nout WELLINK	Independent Non-executive Director

Financial Information

Financial information for year ended 31 December 2011

The audited summary consolidated financial information set forth in the tables below have been extracted from the audited consolidated financial statements of BOC for the year ended 31 December 2011 contained in its annual report for the year ended 31 December 2011 and should be read in conjunction with the notes to the consolidated financial statements contained herein.

BOC's audited consolidated financial statements as at and for the year ended 31 December 2011 were prepared and presented in accordance with IFRS.

Consolidated Income Statement Data

	Year ended 31 December	
	2010	**2011**
	(RMB million)	
Interest income	313,533	413,102
Interest expense	(119,571)	(185,038)
Net interest income	193,962	228,064
Fee and commission income	59,214	70,018
Fee and commission expense	(4,731)	(5,356)
Net fee and commission income	54,483	64,662
Net trading gains	3,491	7,858
Net gains on investment securities	3,380	3,442
Other operating income	21,202	24,272
Operating income	276,518	328,298
Operating expenses	(122,409)	(140,815)
Impairment losses on assets	(12,993)	(19,355)
Operating profit	141,116	168,128
Share of results of associates and joint ventures	1,029	516
Profit before income tax	142,145	168,644
Income tax expense	(32,454)	(38,325)
Profit for the year	109,691	130,319
Attributable to:		
Equity holders of the Bank	104,418	124,182
Non-controlling interests	5,273	6,137
	109,691	130,319
Earnings per share for profit attributable to equity holders of the Bank during the year (Expressed in RMB per ordinary share)		
— Basic	0.39	0.44
— Diluted	0.39	0.43
Profit for the year	109,691	130,319
Other comprehensive income:		
Fair value gains on available for sale financial assets:		
Amount taken to equity	4,660	2,642
Less: related income tax impact	(756)	(546)
Amount transferred to income statement	(6,163)	(3,228)
Less: related income tax impact	1,117	555
Subtotal	(1,142)	(577)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	97	254
Less: related income tax impact	1	—
Subtotal	98	254
Exchange differences on translating of foreign operations	(2,973)	(6,430)
Less: net amount transferred to income statement from other comprehensive income	120	647
Subtotal	(2,853)	(5,783)
Other	140	95
Other comprehensive losses for the year, net of tax	(3,757)	(6,011)
Total comprehensive income for the year	105,934	124,308
Total comprehensive income attributable to:		
Equity holders of the Bank	101,358	119,640
Non-controlling interests	4,576	4,668
	105,934	124,308

Consolidated Balance Sheet Data

	As at 31 December	
	2010	**2011**
	(RMB million)	
ASSETS		
Cash and due from banks and other financial institutions	636,126	590,964
Balances with central banks	1,573,922	1,919,651
Placements with and loans to banks and other financial institutions	213,716	618,366
Government certificates of indebtedness for bank notes issued	42,469	56,108
Precious metals	86,218	95,907
Financial assets at fair value through profit or loss	81,237	73,807
Derivative financial assets	39,974	42,757
Loans and advances to customers, net	5,537,765	6,203,138
Investment securities	1,974,087	1,926,952
— available for sale	656,738	553,318
— held to maturity	1,039,386	1,074,116
— loans and receivables	277,963	299,518
Investment in associates and joint ventures	12,631	13,293
Property and equipment	123,568	138,234
Investment properties	13,839	14,616
Deferred income tax assets	24,041	19,516
Other assets	100,272	116,757
Total assets	10,459,865	11,830,066
LIABILITIES		
Due to banks and other financial institutions	1,275,814	1,370,943
Due to central banks	73,415	81,456
Bank notes in circulation	42,511	56,259
Placements from banks and other financial institutions	230,801	265,838
Derivative financial liabilities	35,711	35,473
Due to customers	7,733,537	8,817,961
Bonds issued	131,887	169,902
Other borrowings	19,499	26,724
Current tax liabilities	22,775	29,353
Retirement benefit obligations	6,440	6,086
Deferred income tax liabilities	3,919	4,486
Other liabilities	207,406	209,691
Total liabilities	9,783,715	11,074,172
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	279,147	279,147
Capital reserve	114,988	115,359
Treasury shares	(138)	(25)
Statutory reserves	40,227	52,165
General and regulatory reserves	71,195	81,243
Undistributed profits	148,355	209,816
Reserve for fair value changes of available for sale securities	4,015	3,642
Currency translation differences	(13,624)	(18,185)
	644,165	723,162
Non-controlling interests	31,985	32,732
Total equity	676,150	755,894
Total equity and liabilities	10,459,865	11,830,066

Financial information for the six months ended 30 June 2012

The summary unaudited financial information set forth in the tables below has been extracted from the BOC's Interim Report for the six-month period ended 30 June 2012 which was published by BOC on 18 September 2012 and have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Consolidated Income Statement Data

	Six-month period ended 30 June 2011	**Six-month period ended 30 June 2012**
	(restated)	**(unaudited)**
	(RMB million)	
Interest income	190,774	253,121
Interest expense	(80,559)	(129,067)
Net interest income	110,215	124,054
Fee and commission income	37,603	36,721
Fee and commission expense	(2,629)	(2,471)
Net fee and commission income	34,974	34,250
Net trading gains	4,263	5,461
Net gains on investment securities	3,336	1,052
Other operating income	13,186	14,848
Operating income	165,974	179,665
Operating expenses	(63,256)	(73,518)
Impairment losses on assets	(12,287)	(9,237)
Operating profit	90,431	96,910
Share of results of associates and joint ventures	346	225
Profit before income tax	90,777	97,135
Income tax expense	(20,543)	(22,133)
Profit for the period	70,234	75,002
Attributable to:		
Equity holders of the Bank	66,556	71,601
Non-controlling interests	3,678	3,401
	70,234	75,002
Earnings per share for profit attributable to equity holders of the Bank during the period (Expressed in RMB per ordinary share)		
— Basic	0.24	0.26
— Diluted	0.23	0.25

	Six-month period ended 30 June 2011	Six-month period ended 30 June 2012
	(restated)	(unaudited)
	(RMB million)	
Profit for the period	70,234	75,002
Other comprehensive income:		
Fair value gains on available for sale, financial assets:		
Amount recorded in equity	4,821	5,604
Less: related income tax impact	(508)	(1,378)
Amount transferred to income statement	(3,677)	(707)
Less: related income tax impact	454	289
Subtotal	1,090	3,808
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(7)	(46)
Less: related income tax impact	2	(1)
Subtotal	(5)	(47)
Exchange differences from the translation of foreign operations	(1,933)	626
Less: net amount transferred to income statement from other comprehensive income	202	238
Subtotal	(1,731)	864
Other	47	29
Other comprehensive gain/(losses) for the period, net of tax	(599)	4,654
Total comprehensive income for the period	69,635	79,656
Total comprehensive income attributable to:		
Equity holders of the Bank	66,419	75,557
Non-controlling interests	3,216	4,099
	69,635	79,656

Consolidated Balance Sheet Data

	As at 30 June 2012	As at 31 December 2011
	(unaudited)	**(audited)**
	(RMB million)	
ASSETS		
Cash and due from banks and other financial institutions	808,369	590,964
Balances with central banks	2,187,913	1,919,651
Placements with and loans to banks and other financial institutions	589,274	618,366
Government certificates of indebtedness for bank notes issued	61,931	56,108
Precious metals	118,339	95,907
Financial assets at fair value through profit or loss	76,891	73,807
Derivative financial assets	40,690	42,757
Loans and advances to customers, net	6,605,842	6,203,138
Investment securities	1,986,788	1,926,952
— available for sale	607,136	553,318
— held to maturity	1,084,736	1,074,116
— loans and receivables	294,916	299,518
Investment in associates and joint ventures	12,604	13,293
Property and equipment	138,577	138,234
Investment property	16,313	14,616
Deferred income tax assets	17,987	19,264
Other assets	164,072	116,732
Total assets	12,825,590	11,829,789
LIABILITIES		
Due to banks and other financial institutions	1,582,242	1,370,943
Due to central banks	115,949	81,456
Bank notes in circulation	62,070	56,259
Placements from banks and other financial institutions	267,408	265,838
Derivative financial liabilities	31,978	35,473
Due to customers	9,482,564	8,817,961
Bonds issued	171,708	169,902
Other borrowings	30,344	26,724
Current tax liabilities	20,152	29,353
Retirement benefit obligations	5,593	6,086
Deferred income tax liabilities	3,360	2,966
Other liabilities	260,605	209,691
Total liabilities	12,033,973	11,072,652
EQUITY		
Capital and reserves attributable to equity holders of the Bank		
Share capital	279,147	279,147
Capital reserve	115,389	115,403
Treasury shares	(33)	(25)
Statutory reserves	52,265	52,165
General and regulatory reserves	81,431	81,243
Undistributed profits	238,650	210,599
Reserve for fair value changes of available for sale securities	6,929	3,642
Currency translation differences	(17,583)	(18,260)
	756,195	723,914
Non-controlling interests	35,422	33,223
Total equity	791,617	757,137
Total equity and liabilities	12,825,590	11,829,789

Auditor

The consolidated financial statements of BOC for the year ended 31 December 2011 have been audited by PricewaterhouseCoopers, Certified Public Accountants.

General Information

BOC's registered office is located at No.1 Fuxingmen Nei DaJie, Beijing, China, 100818. The BOC's website address is http://www.boc.cn. Information contained on BOC's website is subject to change from time to time. No representation is made and the Issuer, the Company and the Joint Lead Managers do not take any responsibility for any information contained on the BOC's website.

Copies of the latest annual and interim report of BOC, as well as its public filings, can be downloaded free of charge from the website of the Hong Kong Stock Exchange on the internet at www.hkex.com.hk.

DESCRIPTION OF THE ISSUER

Formation

The Issuer is a limited liability company incorporated in the British Virgin Islands on 18 October 2011. Its registered office is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The Issuer is an indirectly wholly-owned subsidiary of the Company.

Business Activity

As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than those relating to the proposed issue of the Bonds and the on-lending of the proceeds thereof to the Company's offshore subsidiaries and affiliates, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

Directors and Officers

The directors of the Issuer are He Jiale, Feng Jinhua and Li Jin.

Share Capital

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00. As at the date of this Offering Circular, 10,000 ordinary shares, which are held by Cosco Investments Limited, a wholly-owned subsidiary of the Company, had been issued and credited as fully paid. None of the equity securities of the Issuer was listed or dealt in on any stock exchange and no listing or permission to deal in such securities was being or was proposed to be sought as at the date of this Offering Circular.

Financial Information

As at the date of this Offering Circular, save for the issue of the Bonds and other activities reasonably incidental thereto, the Issuer had no business nor assets and therefore, it has not prepared any financial information since its incorporation.

DESCRIPTION OF THE GROUP

Overview

The Group is headquartered in the PRC. The Company was established in the PRC on 3 March 2005, and is the capital platform of COSCO. The Company provides a wide range of services including container shipping, dry bulk cargo 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 its wholly-owned subsidiary COSCON. As at 30 June 2012, COSCON operated a fleet of 166 vessels in aggregate, totaling 741,687 TEUs, which called at 152 ports in 47 countries and regions across the world, and operated on 84 international routes, 8 international feeder service routes, 22 PRC coastal service routes and 79 Pearl River Delta and Yangtze River feeder service routes. As at 30 June 2012, the total capacity of the Group's container vessels rank fourth in the world and first in the PRC. COSCON has an extensive sales and services network across the world. As at 30 June 2012, 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 30 June 2012, the Company operated 357 dry bulk cargo vessels, with a total shipping capacity of 32.43 million DWT. China COSCO Bulk is also the world's largest bulk cargo transportation fleet which ranked second in the world in terms of self and chartered carriage capacity combined.

The Group provides integrated logistics services (including third party logistics, shipping agency and freight forwarding) through COSCO Logistics. COSCO Logistics has established 409 branch offices in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas and is one of the leading international logistics company in the PRC.

The Group operates its terminal business through COSCO Pacific in which the Company owns approximately 42.71% equity interest as at 30 June 2012. As at 30 June 2012, COSCO Pacific had operated 95 berths in 19 ports in the world, ranking fifth in the world.

The Group operates its container leasing business through Florens, a subsidiary of COSCO Pacific. As at 30 June 2012, Florens owned and managed a container fleet of 1,797,377 TEUs. The container leasing business accounted for approximately 12.2% 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., in which COSCO Pacific holds 21.8% equity interest and of which COSCO Pacific is the second largest shareholder as at 30 June 2012.

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 achieve its aim to become the leading shipping and logistics supplier in the world.

Competitive Strengths

The Group believes that the following represents the Group's key strengths:

The Company is one of the market leaders in each of the segments of business it operates

The Group is a market leader in the integrated container shipping industry both internationally and in China and is also one of the market leaders in each of the segments of business it operates. With respect to its dry bulk cargo shipping business, the Company operated 357 dry bulk cargo vessels, with a total shipping capacity of 32.43 million DWT as at 30 June 2012, being the world's largest dry bulk cargo fleet which ranked second in the world in terms of self and chartered carriage capacity combined. The total capacity of the Group's container vessels rank fourth in the world as at 30 June 2012. The Company's wholly-owned subsidiary, COSCO Logistics, is one of the leading international logistics company in the PRC as at 30 June 2012. In addition, COSCO Pacific has also grown to become the world's fifth largest container terminal operator.

The following sets forth some of the awards and recognition which we have received for our services rendered:

- COSCON has won the "Top 10 Integrated Service Prize and Best China-Oceania Carrier" at the ninth China Freight Industry Awards ("CFIA") held in June 2012. This is the ninth consecutive time that COSCON has been recognised by the CFIA

- The Company was awarded the Corporate Social Responsibility Award for overseas listed Chinese companies by CEBEX Group in 2011

- COSCO Pacific received "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" given by The Asset magazine and won the "Best Investor Relations Company" given by Corporate Governance Asia magazine in 2011

- COSCON won gold medals for Best China-U.S. Carrier, Best China-Oceania Carrier, Best China-Southeast Asia Carrier and several silver and bronze medals awarded by CFIA in 2011

- COSCO Pacific was named "The Hong Kong Outstanding Enterprise" by the Economist Digest magazine for the seventh consecutive year in 2010

- COSCO Logistics ranked first in the 2010 China Logistics Top 100 list

- COSCON was awarded the "Carrier of the year — Far East Ocean" prize at the CIFFA Eastern Region Forwarder's Choice Awards 2011 in Montreal, Canada. It was the tenth year in a row that COSCON has won this prize

- The Company was listed and ranked as 450th in the FT Global 500 released by Financial Times in 2010. This was the third time the Company was included in this ranking

- The Company received the Best Shipping Company in Asia Award from Euromoney in 2010

- The Company received the Social Responsibility Award for Listed Corporation from www.people.com.cn in 2011

- The Company was rated Top 10 Most Competitive Hong Kong Listed Chinese Companies in 2009 by Institute of Industrial Economics of CASS and China Business Journal

Ability to offer a comprehensive suite of container shipping services across the shipping value chain enables the Company to offer a "door-to-door" service and creates business synergies

The Group offers a comprehensive range of "door-to-door" integrated container shipping services that represents a core part of the global supply chains for its customers. We believe that the Group's ability to offer these integrated services enables the Group to meet the needs of its customers more efficiently and enhance customer loyalty, and allows the Group to maximize its profitability.

The Group believes this integrated model consolidates and supports the well-balanced and strategically focused development of each of these individual businesses. With container shipping, dry bulk cargo shipping, container terminals, container leasing and logistics businesses within the same Group, the Group believes it will be able to enhance and create synergies between the members of the Group, including in relation to the complementary nature of their businesses and sharing industry information. In addition, the Company owns one of the leading logistics companies in the PRC, which through the provision of value-added services, increases its attractiveness in the industry and helps to expand the logistics business. The capital platform of the Company also provides a variety of financing sources for the development of COSCO Logistics. We believe that the Group's range of businesses renders the Group less susceptible to cyclical fluctuations in the container shipping industry.

Extensive global networks

The Group believes that its networks, including its shipping routes, container terminals, container depots and sales and service networks, are among one of the most extensive in the world. As at 30 June 2012, COSCON's vessel fleet called at 152 ports in 47 countries and regions across the world, and operated on 84 international routes, 8 internal feeder service routes, 22 PRC coastal service routes and 79 Pearl River Delta and Yangtze River feeder service routes. As at 30 June 2012, COSCON owned over 400 sales and service points in the PRC and overseas. With respect to its logistics business, the Group, through its wholly-owned subsidiary COSCO Logistics, has eight regional companies located in Dalian, Beijing, Qingdao, Shanghai, Ningbo, Xiamen, Guangzhou and Wuhan, and established 409 branch offices in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas as at 30 June 2012. In addition, COSCO Pacific operated 95 berths in 19 ports in the world as at 30 June 2012, ranking fifth in the world. As at 30 June 2012, the revenues of the Group generated outside PRC amount to more than 50% of the total revenues of the Group.

The brand name "COSCO" is one of the most recognised brands in the domestic and global shipping industry, giving the Group a significant market advantage

As at 31 December 2011, China Ocean Shipping (Group) Company, or COSCO, together with its subsidiaries, was the world's second largest shipping group in terms of DWT and one of the leading business groups in the PRC. Since the commencement of the Group's container shipping business in 1973, the Group has, with the permission of COSCO, been using the trademarks "COSCO" and "中远", in conducting its business. COSCO enjoys a strong reputation for high quality services and has received numerous awards for its punctuality and quality of service. COSCO Pacific, listed on the HKSE, has built up a good corporate reputation and received numerous awards for its corporate governance, and has been a Hang Seng Index constituent stock since June 2003. The Company believes that the above brands are some of the most recognised and well-respected brands in the domestic and global shipping industry, giving the Group a significant market advantage. In addition, given the long history of COSCO in the domestic shipping industry, we believe that the brand name "COSCO" will provide the Group with a leading edge in developing and expanding the domestic market. In addition, the brand name of "PENAVICO" used by COSCO Logistic is also widely recognised in the shipping agency business. The "Florens" trademark has been used by the Group before the Company was listed in the HKSE and is believed to be one of the most well-known trademarks in the container leasing industry.

The Group values the importance of technical innovation and has established an advanced global information system

The Group exerted efforts in the research and development of innovative technologies to enhance its competitiveness and to establish itself as an innovative enterprise. 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) organised by National Development and Reform Commission achieved its target and passed the inspection in 2011. "Dynamic Control and 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. The Company launched research projects of "Technology Applications for Supply Chain Control", "Domestic Trading Service Platform" and "Enterprise Asset Management of Terminals" aiming to further improve service levels. We believe that our infrastructure for information technology is constantly improving as we widely apply our information technology system in our businesses, refining our information management system in the process, which in turn improves the corporate governance and risk prevention and mitigation of the Company.

The Group has also achieved the following research and development:

- The Group participated in the national key technology research and development program known as "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 was granted two invention patents and two software copyrights in 2011

- The Group participated in the actual-ship experiment known as "COSCO Ballast Water Purification Techniques (遠洋船舶壓載水物理淨化處理技術)" under the national "11th 5-year plan" key technology research and development program. This research team was awarded "Excellent Team of the National 11th 5-Year Plan Science and Technology Program (十一五國家科技計劃優秀執行團隊)" by the Ministry of Science and Technology of the PRC"

- COSCO Logistics applied the "Trans-Oceanic Transportation Technology of Large Aircraft Parts technology (飛機大部件跨洋運輸技術)" in its Tianjin Air Bus A320 Project in 2010, which won the "Second-class Scientific and Technological Progress Award of the China Institute of Navigation (中國航海學會科技進步二等獎)" and is currently applying for national patent

- In 2011, COSCO HK completed its independent research and development of both the 50,000-ton Yangtzi-River coastal bulk cargo carrier and the 65,000-ton south-China coastal bulk cargo carrier. Being the Group's first ever independent research and development program for cargo carrier manufacturing in the past 50 years after its establishment, these two types of cargo carriers adopted 12 most advanced international technologies for energy-saving and environment protection, and thus are believed to be currently the newest and most advanced, environment-friendly and energy-saving vessel

- COSCON adopts a globalised system for managing shipping information and the entire operation process. It also developed its intelligent business system which assist the Group's in making strategic decisions in relation to production, operation and management. It pays close attention to its client service by constant and continuous research and development of e-business products, through which it has significantly expanded the channel for communication with its customers and thus can provide thoughtful clients information service

- With various independently developed systems, such as the Shipping Management Information System (SMIS) and the Bulk Goods Shipping Management System (BMS), China COSCO Bulk can operate its own bulk goods ocean shipping business efficiently

- COSCO Logistics has developed the FOCUS system which is a large scale multimodal information technology platform which was used by COSCO Logistics since 2005

- The pilot project of "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)" under direction of the National Development and Reform Commission was completed in 2011

The Group has a good credit record and maintains a long-term relationship with a number of financial institutions

The Group has a good credit record and maintains a good and long-term relationship with a number of financial institutions including the Bank of China and the Agriculture Bank of China. The Group repays its bank loans according to schedule and does not have record of material breach of loan agreements. Leveraging on the good track record of the Group, it continues to explore opportunities to cooperate with other financial institutions with a view to broaden the channels of financing of the Group.

The Group's management have extensive shipping and management experience

The COSCO Group has over 50 years of shipping experience since it commenced business in 1961, while COSCON has over 30 years of experience in the container shipping business. COSCO Pacific has over 20 years and over ten years of experience in the container leasing and container terminals businesses, respectively, and a number of the most senior management members in its container leasing business have over 20 years of experience in that business. Some of the executive directors and senior management of the Group have over 30 years of experience in the international shipping industry, have experienced many cycles in the shipping market, and have in-depth understanding and knowledge of the demands of international and domestic customers.

The Group emphasizes on human resources development

Human resources are the most important resources to the Group. The Group sees human resources development as an important part of the Group's strategy. It values talent and innovative ideas, and is striving to improve management and optimise the structure. It implement the "talent thriving enterprise" strategy. The Group promotes "Three 300 project" (namely, 300 corporate management professionals, 300 technology talents, 300 ship management professionals). Based on the development strategies, the Group cultivates leaders and professionals in shipping, logistics and terminal businesses. Meanwhile, it trains its professionals in corporate management, finance and information technology. With global perspective and local operations, the Group combines company culture with local culture, western management system with eastern culture, which attracts and inspires talents all over the world and builds up a solid human resources base.

The Group has the following key competitive strengths in relation to each of its business sectors

The Group is principally engaged in providing integrated container shipping, dry bulk cargo shipping, logistic services, container terminals and container leasing to international and domestic customers. In relation to each of these business sectors, it believes it has the following key competitive strengths:

- Container shipping business — The Group provides high quality "door-to-door" container shipping services covering five different routes: (i) Trans-Pacific; (ii) Asia-Europe (including the Mediterranean region); (iii) Intra-Asia (including Australia); (iv) other international areas (including Trans-Atlantic routes) and (v) the PRC.

- Dry bulk cargo shipping business — Leveraging on the long operation history of this business, the Group has a comprehensive fleet of bulk carriers which is of different size to cater for the delivery of major bulk cargoes and minor bulk cargoes. The Group believes it runs a broad range of routes with a variety of vessels suitable to transport different kinds of cargoes. As at 30 June 2012, it operated 357 dry bulk vessels with a total of 32,428,405 DWT.

- Logistics business — With more than 400 domestic and overseas business branches established, the Group believes that it is the largest logistics supplier in the PRC, providing a comprehensive range of projects. As at 30 June 2012, it has eight regional companies located in Dalian, Beijing, Qingdao, Shanghai, Ningbo, Xiamen, Guangzhou and Wuhan and has 409 branch office in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas.

- Container terminals business — The Group believes that it has a clear development strategy and has established a certain position in the market. As at 30 June 2012, the Group operates and manages 27 terminal companies with 134 berths in total, including 122 container terminal berths, 2 vehicle terminal berths and 10 bulk cargo berths. A total of 95 container terminal berths were in operation, with an operation capacity of 56,850,000 TEUs. It invested extensively in ports both in the PRC and overseas. The support of COSCO Pacific's parent company, COSCO, together with that of China COSCO and sister companies, means that COSCO Pacific can rely on the second largest shipping fleet in the world to enhance its core competitiveness and strengthen its leading position in the container terminals business. The profitability of COSCO Pacific has been stable.

- Container leasing business — Leveraging on the number of highly qualified maritime professionals and the advanced global information system it operates, the Group provides excellent services to its customer and we believe that we have achieved a high market share in the PRC for the business of container leasing.

Strategies

The goal of the Group is to continuously improve its competitive strengths to become one of the leading global integrated shipping companies in the world in terms of size, range of services, profitability and customer satisfaction. The Company faces severe challenges with the slow recovery of the global economy and the continuously glooming shipping industry. In its combat against such challenges, the Group has modified its business plan, its focus on development of certain sectors of the shipping industry and business strategies in order to further implement the Group's strategic plans.

Adjusting the Group's development plans and business strategies

In response to the slowdown in the growth of the global economy and the shipping industry remaining lackluster, the Group has adjusted its "12th-5-year-development-goal" as follows:

- *Container Shipping Business* — in light of global market changes and customer needs, adjust and improve the fleet structure and optimise the layout of routes, including the expansion of business along the coastal regions of China, with a view to enhance global competitiveness

- *Dry Bulk Cargo Shipping Business* — In light of market changes, strategically adjust and control, using scientific methods, the types of vessels, the age of the vessels and high-cost vessels, including eliminating aged vessels and replacing them with energy-saving vessels; establish long-term cooperative relationship with core customers and expand the proportion of business with them to enhance the stability of business

- *Logistics Business* — focus on the logistics business striving to make COSCO Logistics one of the most profitable integrated logistics services providers in China

- *Terminal Business* — improve its domestic terminal network through COSCO Pacific, and use COSCO Pacific as a platform to expand its terminal network globally and to accelerate the change from owning terminals to controlling terminals, from strategic investments in terminals to management of terminals and from single-function terminals to multi-functional terminals

Continue to expand and optimise its global networks and range of services to improve "door-to-door" services and meet the constantly changing demands of customers' global supply chains

Increasingly, customers are seeking a "one-stop-shop" carrier to provide "door-to-door" container shipping services on a global basis. To match its customers' increasingly global supply chains, the Group intends to expand and adjust its global networks, including its shipping routes, container terminals, container depots and sales and service networks, and leveraging on the networks of its strategic partners, to improve its "door-to-door" services. In addition, the Group plans to strengthen and develop the domestic railway connection platform with a focus on the transfer of business in the midwest region and southwestern sea. The Group also plans to strengthen cooperation with railway companies to facilitate the container storage, customs inspection, repair and cleaning of containers and door-to-door delivery. The Group has plans to further acquire overseas network companies from COSCO in strategically important locations such as South-East Asia, Europe and, in particular, emerging markets. We believe that these measures will strengthen the Group's ability to provide integrated services across the entire container shipping value chain.

Continue to implement advanced information technology and other management systems to improve revenue performance, asset utilisation, operating efficiency and profitability

The Group intends to continue to implement advanced information technology and other management systems throughout its operations and expand its e-commerce capabilities. With the increasing popularity of the IRIS-2 system globally, the Group has set up various MIS (management information system), EDI (global data exchange platform), e-commerce systems, and disaster recovery management systems. For example, COSCON has implemented comprehensive information system in its production process to facilitate integration between the headquarters and field operations; between loading port and discharge port; and between logistics and container management. In the first half of 2012, COSCON started the implementation of SAP and the optimisation of its management information system in China. COSCON is the first domestic shipping company to introduce an e-commerce platform which provides information such as tracking of vessel and container, online booking, remote printing of bill of lading, etc. COSCON's SAP financial management system and platform which enables global tracking of vessels enhance the security of operation. In addition, COSCO Logistics initiated the major data and authorisation of SAP and upgraded the shipping agency system. China COSCO Bulk further pushed forward the construction and application of its information system as scheduled. The Group intends to continue to launch research projects on information technology and implement information technology as necessary. We believe that these strategies will enhance the Group's revenue performance, asset utilisation, operating efficiency and profitability.

Continue to implement strict cost control measures to enhance the Group's cost competitiveness and improve its return on assets

The Group intends to continue to implement strict cost control measures in order to achieve the lowest cost base and enhance the overall competitiveness of the Group. These cost control measures include: (1) strengthening yield management and client management throughout the Group's operations, and achieving cost reductions through e-commerce; (2) maximising the benefits of economies of scale through joint investments, joint services and cooperative alliances; (3) deployment of larger container vessels to increase the average vessel carrying capacity and lower the average cost per TEU; (4) enhancing operational management, to improve efficiency and lower administrative expenses; (5) improving profit management and analysis, focusing on expansion in target high margin markets and regions identified through constant customer and project evaluation; (6) practice fuel consumption management and control the costs by monitoring different stages of the process (i.e. consumption, usage evaluation and payment); (7) reduce fuel consumption through different means including the installation of eco-assistant sailing software, use of fuel-friendly paints, timely adjustment of the ship's draft, reduction of speed in appropriate voyage, inspection of vessels to identify those with abnormal fuel consumption, and strengthening maintenance, supervision and inspection of the vessel's equipment and (8) implementing overall budget management system, effectively integrating the business budgets, investment budgets, labour costs and finance costs with an aim to control costs in the challenging market.

We believe that these cost control measures will, as well as improving the Group's overall costs competitiveness, enable the Group to be less susceptible to cyclical fluctuations in the shipping business.

Expand its investment in overseas and domestic container terminals, and expand and improve its container fleet capacity and structure

The Group, through COSCO Pacific, intends to expand its investment in container terminals to take advantage of the Group's increasing shipping capacity and the increasing demand for handling capacity at container terminals in the PRC, Europe and the United States. The Group will direct its investment to three major regions in the PRC: the Bohai Rim region, Yangtze River region and Pearl River region, and to hub ports in Europe and the United States, and other hub ports around the world. The Group plans to achieve this through a combination of COSCO Pacific increasing its investments in, and participating in the expansion of, terminals in which it has investments, making new investments in other terminals and participating in the construction and operation of greenfield container terminals. These intended future investments, as well as strengthening the Group's container terminals business, are expected to also benefit the Group's container shipping business by facilitating easier access to berthing capacity at terminals in which it has investments.

The Group, through Florens, intends to continue to expand its container fleet and to seek to increase the proportion of long-term leases to lock in customers and secure stable cash flows. Through these strategies, and the continuing improvement of its service standards, the Group intends to further enhance its reputation as a reliable lessor to its customers and nurture partnerships with strategically important clients.

Implement the strategy of constructing branch line and hub port to enhance network service

In relation to the container shipping business, the Group has the following strategies to enhance network service:

- *Europe and North Africa* — continue to consolidate and strengthen the Mediterranean feeder network construction using Piraeus as a hub port; study the feasibility of developing the Piraeus port for transshipment port in North Africa (Libya) route; and conduct research to open up routes in the north-western Europe Baltic area, Ireland and Poland.

- *The Middle East* — open up the Jebel Ali — Dammam route using Jebel Ali as the transshipment hub port; and open up the route of Jeddah – Hodeidah route using Jeddah as the hub port.

- *Southeast Asia* — using Singapore as the hub port and using the feeder to provide shipping in the southeast Asia region; using Singapore as the transshipment port to connect shipment from Europe and the United States to Asia Pacific Persian Gulf Red Sea, South America, Australia and New Zealand.

- *PRC* — analyse the use of Ningbo as the hub port for shipment to/from Qingdao, Tianjin and Dalian; and broaden shipment from the port of North China to overseas via Ningbo.

Continue to seek expansion opportunities and develop the business in emerging markets

The Group intends to continue to evaluate opportunities to expand its capacity and scope of services, through potential earnings accretive mergers, acquisitions and strategic alliances, in order to enhance the Group's industry position. The Group is constantly evaluating opportunities to expand its businesses, but currently has no firm commitment or timetable regarding any target companies.

The Group intends to focus on developing shipping routes in the emerging markets, including South East Asia, Middle East, South America and Africa and redesigning the shipping routes such that the Group will be able to benefit from the more profitable regions in the world.

Specific strategies for each individual business operation

The Group intends to continue to implement the following specify strategies tailored for each individual business operations:

- Container Shipping Business:
  - Increase the unit revenue of container operations and achieve two-way balance of cargo transportation to the fullest extent
  - Focus on perfecting and promoting the European and American and international shipping routes and other shipping routes, strengthening alliances and restoring the liner freight rates for the main shipping routes
  - Implement a system for free-on-board and overseas cargo capacities, increasing these cargo capacities and utilisation rate
  - Further increase capacities for special cargoes, including oversize cargoes and refrigerated cargoes and enhancing the unit revenue of containers
  - Continue to improve punctuality of shipping schedules and provide excellent services to customers
  - Focus on developing shipping routes in the emerging markets, including South East Asia, Middle East, South America and Africa and redesigning the shipping routes such that the Group will be able to benefit from the more profitable regions in the world
  - Stabilise freight charges and focus on serving large customers
  - Reform the sales and marketing structure, for example, establish a system for selection and removal of salesperson, establish unanimous remuneration structure, and enhance assessment of salesperson
  - Further reform the security management system to enhance safety
  - Enhance risk management and financial management by way of improving accounting and financial management of domestic ports, enhancing credit period management and enhancing communication with overseas subsidiaries to reconcile financial aspects
  - Tighten costs control over ship maintenance expenditure
- Dry Bulk Cargo Shipping Business:
  - Utilising the strength of the Group in providing integrated shipping businesses, focus on expanding markets and customer base, increasing the proportion of basic cargo
  - In response to the changing market environment, adopt appropriate restraining measures on its business strategies
  - Adjust the ratio between self-owned and chartered-in vessels by using scientific means of measurements depending on the market demands for different size of vessels
  - Adjust the carriage capacity properly based on the market conditions and supply structure

    - Develop the dry bulk shipping business along the coastal lines and increasing the market share at China's coastal regions

- Logistics Business:

    - Strive to remain as one of the leading logistics companies in China in the sector of electronic, aviation, chemical and power logistics

    - Increase its market share by entering into and developing the logistics centres in the central and western parts of China

    - Drive COSCO Logistics to become "the most profitable integrated logistics service providers in China"

- Terminal Business:

    - Implement the concept of "Shifting from strategic investments to shareholding management of terminals, from regional to global investments and from single-function to multi-functional terminals"

    - Strength management control, focus on achieving return on net assets and building a team of experienced management and senior personnel to run the terminal business

We believe the above strategies and development focus will assist the Group in striving to maintain its status as one of the leading global integrated shipping companies.

Measures to achieve our goals

The Group intends to adopt the following measures in achieving its goals:

- Strengthen its market research and analysis to improve judgment on the market trends. Through thorough analysis of the market trends, the Group will be able to grasp the movements and change of the global market and thereby enabling the Group to make its business decisions through scientific means

- Implement and perfect management of its budgets and plans. Gradually carry out the integration of budgets and plans relating to business, investments, labor costs and finance and institute a system to monitor and analyze the implementation of plans

- Insist on the strategy of focusing on large customers and obtaining stable cargo flow. Build-up a stable business model based on the source of cargo with a view to increase its market share

- Strengthen its cost control measures. Lowering the purchasing costs for fuel, marine lubricant oil and shipping parts, implementing the system of travelling at lower speed and emphasizing on freight rates return

- Speed up the process of eliminating aging vessels. The Group will be able to lower its loss by disposing aging vessels at an early stage. In addition, the Group can realise a gain by selling vessels which are low in face value

- Improve the structure of the fleet by demolishing aging vessels and manufacturing new vessels. With the view of controlling costs, the Group will continue to build environmentally-friendly ships which are higher in fuel efficiency, thereby improving the average age of the vessels of the Group and the fuel consumption by the Group as a whole

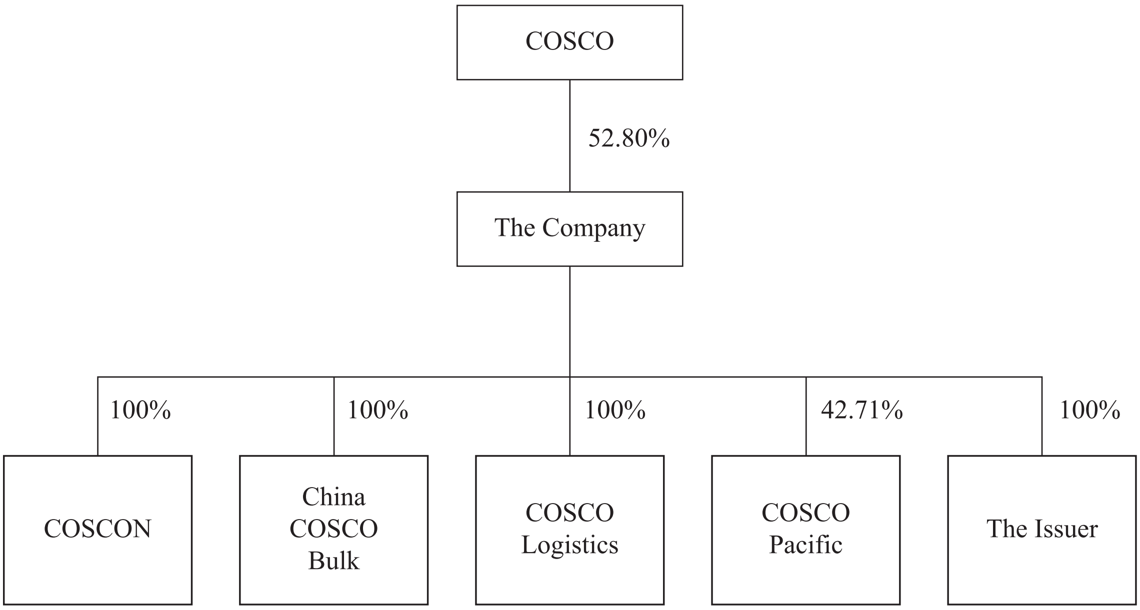
- Make use of the interaction between different systems to enable the sharing of resources. Improve the existing business and management resources to enable each subsidiary of the Group to exert its business advantages and to allow for the sharing of resources, business and customers amongst the Group

- Actively seek support from the government policies and ensure the implementation of national trade security strategies by making use of the status of State-owned shipping company

- In relation to the container shipping business, the Group intends to decrease the number of routes in the area of Trans-Pacific and Asia-Europe (including the Mediterranean region) but increase the number of routes in the area of Intra-Asia (including Australia) and the PRC

Simplified Corporate Structure

The following is a simplified corporate structure chart setting out the relationship of COSCO, the Company, the Issuer and four principal subsidiaries of the Company as at the date of this Offering Circular:-

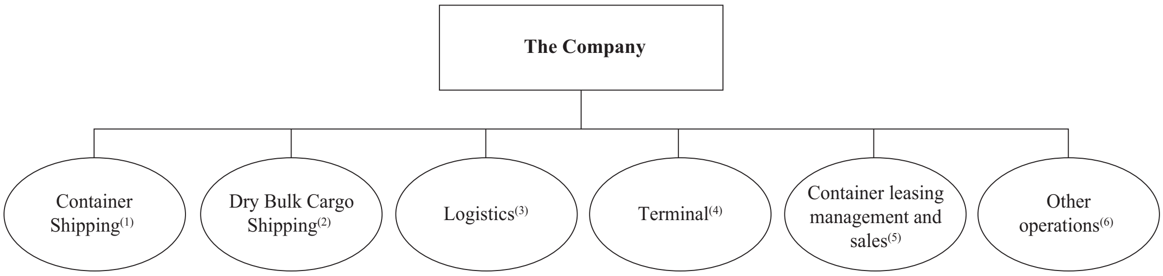


Business

Introduction

The Group is principally engaged in providing integrated container shipping, dry bulk cargo shipping, logistic services, container terminals and container leasing to international and domestic customers. The Company has four principal subsidiaries, namely, COSCON, China COSCO Bulk, COSCO Logistic, and COSCO Pacific.

The Group's principal businesses can be diagrammatically represented as follows:



Notes:

(1) The Group's container shipping business is carried on by COSCON and also by certain of its subsidiaries.

(2) The Group operates its dry bulk cargo shipping business through China COSCO Bulk and also by certain of its subsidiaries.

(3) The Group's logistics business is carried on by the Company's wholly-owned subsidiary, COSCO Logistics.

(4) The Group's container terminals and related business is carried on through COSCO Pacific's subsidiaries, jointly controlled entities and associated companies.

(5) The Group's container leasing business is carried on by COSCO Pacific's wholly-owned subsidiary, Florens.

(6) The Group's other operations primarily comprise COSCO Pacific's ownership interests of 21.8% in CIMC.

COSCON, which is wholly-owned by the Company and is headquartered in Shanghai, is mainly engaged in the container shipping business.

The Group's dry bulk cargo shipping business is operated by China COSCO Bulk through its wholly-owned subsidiaries COSCO Bulk Carrier, COSCO Qingdao and COSCO HK Shipping.

The Group provides its integrated logistics services (including third party logistics shipping agency and freight forwarding) through COSCO Logistics.

COSCO Pacific, which is indirectly owned as to approximately 42.71% by the Company as at 30 June 2012 and is headquartered in Hong Kong, is mainly engaged in the container terminals and container leasing businesses. COSCO Pacific is listed on the HKSE (stock code: 1199) and is a constituent stock of the Hang Seng Index. COSCO Pacific has interests in and operates a number of container terminals at major hub ports in Asia and Europe, including mainland China, Hong Kong, Singapore and Belgium. As well as serving independent third party container shipping companies, COSCO Pacific's investments in container terminals enhance COSCON's ability to secure terminal capacity for its container shipping business. COSCO Pacific jointly manages the majority of the container terminals in which it has an interest. COSCO Pacific carries on its container leasing business through its wholly-owned subsidiary, Florens. Florens leases containers to independent third party customers and also provides COSCON with a significant proportion of the containers used by COSCON in its container shipping business.

The Company believes that the businesses provided by each of the four primary subsidiaries are complementary and create synergies, thereby enhancing the competitiveness of the Group.

Description of the Group's Business Sectors

The various sectors of shipping business which the Group operates as at the date of this Offering Circular are described below.

1. Container Shipping and Related Businesses

The Group operates its container shipping and related businesses through COSCON, its wholly-owned subsidiary. With the support of the freight forwarding and shipping agency services provided by its PRC subsidiaries, COSFRE and COSA, and certain of its overseas subsidiaries, COSCON provides its customers with high quality "door-to-door" container shipping services for a wide range of medium to high-end industrial products and consumer products (including raw materials, semi-finished products and finished products).

The container shipping and related businesses provided by the Group can be categorised by five different routes: (i) Trans-Pacific, (ii) Asia-Europe (including the Mediterranean region), (iii) Intra-Asia (including Australia), (iv) other international areas (including Trans-Atlantic routes) and (v) the PRC.

The shipping volume and revenues of the Group's container shipping and related business for the two years ended 31 December 2010 and 2011 and the six months ended 30 June 2012 are set out below:

	For the year ended 31 December		**For the six months ended 30 June**	
	(unaudited)		**(unaudited)**	
	2010	**2011**	**2011**	**2012**
	TEUs	**TEUs**	**TEUs**	**TEUs**
Trans-Pacific	1,572,128	1,604,708	747,776	862,849
Asia-Europe (including the Mediterranean region)	1,287,481	1,475,582	717,305	873,881
Intra-Asia (including Australia)	1,617,463	1,712,177	810,353	894,229
Other international (including Trans-Atlantic routes)	202,073	269,798	124,418	152,607
PRC	1,536,226	1,847,776	839,782	997,969
Total	6,215,371	6,910,041	3,239,634	3,781,535

	For the year ended 31 December		**For the six months ended 30 June**	
	(unaudited) (Note)		**(unaudited)**	
	2010 (restated)	**2011**	**2011**	**2012**
	(RMB'000)		**(RMB'000)**	
Trans-Pacific	14,284,238	12,229,736	5,913,156	6,925,330
Asia-Europe (including the Mediterranean region)	12,080,341	9,229,445	4,889,916	5,980,546
Intra-Asia (including Australia)	6,705,628	6,401,974	3,047,142	3,529,185
Other international (including Trans-Atlantic routes)	1,625,011	1,566,445	731,433	734,528
PRC	3,405,221	3,751,478	1,757,328	1,984,883
Sub-total	38,100,439	33,179,078	16,338,975	19,154,472
Chartered out	478,141	343,297	180,872	158,425
Related Business	7,782,785	7,883,601	3,729,177	3,793,623
Total	46,361,365	41,405,976	20,249,024	23,106,520

Note: The data is extracted from the 2011 annual report of the Company.

Trans-Pacific Market

The Group commenced operations in the Trans-Pacific market in 1981. As at 30 June 2012, the Group operated approximately 20 routes in the Trans-Pacific region. These trade lanes are operated between major international shipping ports in the PRC and other countries in the Asia Pacific region (including Shanghai, Ningbo, Qingdao, Tianjin, Dalian, Xiamen, Shekou, Hong Kong, Kaohsiung, Keelung, Nansha, Yantian, Busan, Tokyo, Kobe, Shimizu, Nagoya, Kwangyang, Yokohama and Hochiminh city) and major international shipping ports in the United States, Canada and countries in the Gulf of Mexico region (including New York, Wilmington, Savannah, Boston, Norfolk, Charleston, Long Beach, Oakland, Prince Rupert, Vancouver, Seattle, Colon, Houston, Tacoma, Los Angeles and Larzaro Cardenas).

Asia-Europe (including the Mediterranean region) Market

The Group commenced operations in the Asia-Europe (including the Mediterranean region) market in 1989. As at 30 June 2012, the Group operated approximately 13 routes in the Asia-Europe (including the Mediterranean region). These trade lanes are operated between major international shipping ports in the PRC and other Asia cities (including Shanghai, Ningbo, Shekou, Singapore, Port Klang, Yantian, Hong Kong, Jeddah, Qingdao, Xiamen, Tanjung Pelepas, Colombo, Kaohsiung, Taipei, Busan and Xingang) and major international shipping ports in Europe and countries in the Mediterranean regions (including Piraeus, Kumport, Constantza, Ilyichevsk, Felixstowe, Hamburg, Rotterdam, Le Havre, Zeebrugge, Antwerp, Thamesport, Barcelona, Portsaid, Ashdod, Genoa, Fos, Napoli, Livorno and La Spezia).

Intra-Asia (including Australia) Market

The Group commenced operations in the Intra-Asia (including Australia) market in 1978. As at 30 June 2012, the Group operated approximately 5 routes in the Intra-Asia (including Australia). These trade lanes are operated between major international shipping ports in the PRC and countries in the Asia Pacific regions (including Singapore, Brisbane, Sydney, Melbourne, Hong Kong, Tokyo, Kobe, Busan, Yantian, Auckland, Napier, Lyttelton, Tauranga, Yokohama, Osaka, Kaohsiung, Xiamen and Shekou).

International (including Trans-Atlantic routes) Market

The Group commenced operations in the international (including Trans-Atlantic routes) market in 1997. As at 30 June 2012, the Group operated approximately 7 routes in the international market. These trade lanes are operated between major international shipping ports around the world (including Antwerp, Bremehaven, Rotterdam, Le Havre, Barcelona, Valencia, New York, Norfolk, Savannah, Haifa, Santos, Rio Grande, Itapoa, Shanghai, Ningbo, Hong Kong, Singapore, Kaohsiung and Yantian).

PRC Market

The container shipping business of the Group within the PRC comprises of coastal services which connect major costal and river ports in China. As at 30 June 2012, approximately 23 voyages per week were made by approximately 28 vessels travelling between these coastal cities and a total of 64 vessels holding approximately 350 voyages per week travel between the 85 calling ports in the Pearl River region. In addition, as at 30 June 2012, approximately 92 vessels conducted approximately 150 voyages per week between approximately 32 calling ports along the Yangtze River region. As at 30 June 2012, the Group operates approximately 22 PRC coastal service routes and approximately 79 Pearl River Delta and Yangtze River feeder service routes.

Feeder services

Feeder routes connect a particular port to a route that would otherwise not call at that port and, therefore, supplement and expand the coverage of the main routes and improve the efficiency of the shipping routes network. The Group operates a range of feeder services, which connect overseas ports with other overseas ports, overseas ports with other domestic ports, and domestic ports with other domestic ports, in each case for the shipment of foreign traded goods. These feeder services are operated to enhance the coverage of the routes and optimise the transportation of goods between ports and, consequently, the actual services frequently fluctuate in terms of the sailing schedules, ports of call and number of routes depending on the needs and volume of the trade lanes which they serve.

Alliances

Many international container shipping companies enter into long-term cooperative alliances by way of joint services and slot exchange and purchase arrangements on inter-continental trade lanes.

CKYH Consortium

In September 1996, COSCON, Kawasaki Kisen Kaisha and Yang Ming Line commenced a tripartite cooperative arrangement in relation to container shipping. In March 2002, Hanjin Shipping joined this tripartite cooperative arrangement, and the CKYH Consortium was formed with these four members. The members of the CKYH Consortium collaborate in container shipping across the eastbound/westbound routes through arrangements such as long-term joint services and slot exchange and purchase arrangements amongst the consortium members.

COSCON collaborated with members of the CKYH Consortium in operating routes on the international routes to provide services to major international ports along the Far East/North America, Far East/Europe and Europe/North America routes (including Trans-Atlantic routes).

The CKYH Alliance has started its cooperation with Evergreen and CSCL on 14 shipping lines across the Far-east-European and the Far-east-Mediterranean areas, which include 10 Far-east-European lines and 4 Far-east-Mediterranean lines. Such strengthened collaboration with non-alliance companies not only will lead to optimised selection of berth harbours for the purpose of saving cost, but also will offer better high-quality client service by enhancing the voyage coverage and efficiency of major harbor services, as well as shorter delivery time.

Joint service agreements

Under these agreements, the parties are required to provide a certain number of vessels for a particular joint service trade lane. The parties to the joint service agreements can benefit from reduction of capacity contribution and operating costs, expansion of coverage of trade lanes and increase in calling frequency. Typically, joint service agreements have a fixed term or are for indefinite terms terminable upon notice by any party. We believe that these joint service agreements enable the Group to utilise its limited carrying capacity more effectively, without bearing the heavy investment in capital expenditure and associated risks of developing a trade lane on its own.

Slot exchange and purchase agreements

Slot exchange and purchase agreements are agreements entered into by two or more shipping companies in connection with purchasing, selling or exchanging slots in their trade lanes for a particular period of time. The Group enters into slot exchange and purchase agreements both to provide container slots to its customers in a particular route and market where the Group does not usually provide services and to acquire additional capacity in trade lanes and markets already operated by the Group. These arrangements allow the Group to offer its customers increased container slots and/or more frequent shipping schedules along a particular route with a lower capital expenditure than if the Group were to rely solely on its own fleet. Typically, slot exchange and purchase agreements are for indefinite terms terminable upon notice by any party.

Fleet

The Group's key aim in acquiring new vessels and chartering vessels is to optimise its vessel fleet structure to reflect the development and the needs of the container shipping market and its customers. Another overall objective is to reduce the fixed cost per TEU, by increasing the aggregate capacity of its total container vessel fleet as a whole and the average capacity per vessel. In addition, the Group will seek to reduce the average age of its container vessel fleet as, generally, newer vessels tend to be quicker, more efficient and cheaper to maintain.

The container vessels operated by the Group can be divided into two main categories: owned and chartered. The majority of the containers used by the Group are owned by Florens and COSCON, and COSCON leases containers from Florens. With respect to the chartered vessels, they are either time-chartered or bareboat chartered. Under time charters, the charterer is responsible for the operation of the vessel and for costs such as bunkers, port charges and storage costs, while the vessel owner is only responsible for manning the vessel and paying other fixed costs such as maintenance and repair work. Under bareboat charters, the vessel owner only provides the vessel, while the charterer is responsible for all other matters relating to the operation and management of the vessel, including obtaining insurance for vessel, maintenance and repair work. As at 30 June 2012, the operating fleet of the Group included 166 container vessels with total shipping capacity of 741,687 TEUs. As at 30 June 2012, the Group had an order book of 22 container vessels with a total shipping capacity of 166,300 TEUs.

Year	**Self-owned**		**Chartered-in**		**Total**	
	Number of vessels	**TEUs**	**Number of vessels**	**TEUs**	**Number of vessels**	**TEUs**
2012	4	17,000	—	—	4	17,000
2013	14	95,900	—	—	14	95,900
2014	4	53,400	—	—	4	53,400
	22	166,300	—	—	22	166,300

Containers

The containers used by the Group in its container shipping business are a combination of primarily owned containers as well as leased containers, comprising mainly standard containers and some special containers (such as those with temperature controls or other special features). The majority of the containers used by the Group are owned by Florens and COSCON, and COSCON leases containers from Florens.

Container shipping value chain

The container shipping value chain refers to services across the entire chain of container shipping transportation services, including not only "port-to-port" services but also planning, implementation and control of transportation, warehousing management, packaging, delivery and freight agency of cargoes from the place of supply to the place of demand.

As fellow subsidiaries of the Company, COSCON, COSCO Logistics, China COSCO Bulk and COSCO Pacific and their respective subsidiaries enable the Group to provide integrated container shipping, dry bulk cargo shipping, container leasing, container terminals and logistics services to its customers across the container shipping value chain. We believe that the ability of the Group to provide this range of integrated container shipping services across the shipping value chain enables the Group to maximise revenues, enhance efficiency and reduce operating costs, resulting in increased profitability. The Group's businesses and investments encompass the following components of the shipping value chain:

- Container manufacturing — COSCO Pacific holds interests in a number of container manufacturing companies, including a 21.8% interest in CIMC as at 30 June 2012, the world's largest container manufacturer. COSCO Pacific is the second largest shareholder of CIMC.

- Container leasing — COSCO Pacific's wholly-owned subsidiary, Florens, provides container leasing services to customers around the world.

- Container depots — COSCON and Florens have access to a network of appointed container depots around the world and can provide customers with pick up and drop off points for leased containers.

- Logistics — COSCO Logistics provides logistics services both products and projects. COSA provides shipping agency services solely in connection with COSCON's container shipping operations, while COSCO Logistics provides shipping agency services to third party customers and COSCON.

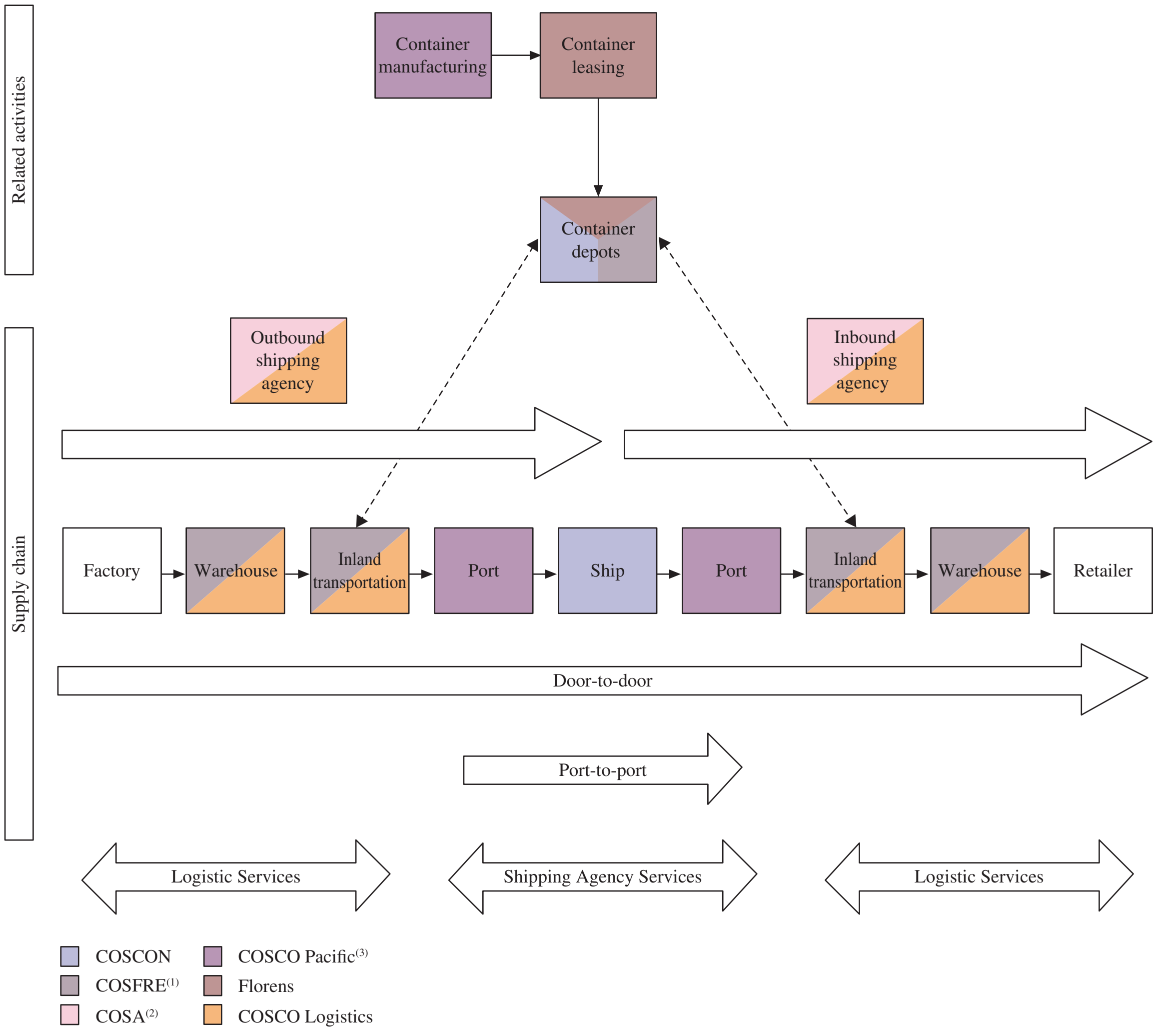
- Inland transportation — the Group provides inland transportation services to transport freight from factories to ports and from ports to warehouses. COSFRE and certain of COSCON's overseas subsidiaries provide inland transportation services primarily for COSCON and its customers, while COSCO Logistics provides inland transportation services to third party customers and COSCON.

- Ports — COSCO Pacific holds interests in and operates a network of container terminals at major hub ports in Asia and Europe, including mainland China, Hong Kong, Singapore and Belgium.

- Ships — COSCON operates a large container vessel fleet, which transports containers from port to port.

- Warehouses — to facilitate the storage and forwarding of freight to the retailer, COSFRE provides warehousing services primarily for COSCON and its customers, while COSCO Logistics provides warehousing services to third party customers and COSCON.

The Group's capabilities in providing services across the container shipping value chain may be diagrammatically represented as follows:



Notes:

(1) COSFRE provides freight forwarding services primarily to COSCON and its customers.

(2) COSA provides shipping agency services solely in connection with COSCON's container shipping operations.

(3) COSCO Pacific manages, or jointly manages, the majority of the container terminals in which it has an interest. COSCO Pacific also holds interests in a number of container manufacturing companies.

The Group provides one-stop services to its customers and enters into long-term strategic agreements with its important customers, to develop long-term relationships and mutual benefits. For example, the Group may set up its order systems to end directly in its customers' factories and warehouses, in order to provide on-site slot booking, packing, sealing, customs clearance and order/bill printing services.

Through the provision of this type of one-stop service, the Group is able to help its customers to improve efficiency and reduce costs in transportation and supply chain management.

Synergies

We believe that the Group's service capabilities across the container shipping value chain create a number of synergies which enhance the Group's competitiveness in the container shipping, dry bulk cargo shipping, container terminals, container leasing and logistics markets.

COSCO Pacific's container manufacturing business supports Florens' container leasing business in allowing adequate container fleet growth to match the demand of COSCON and its other customers.

In recent years, one of the trends in the container terminals industry has been to attract strategic investors or partners, such as leading container terminal operators and leading shipping companies, to invest or cooperate in existing and new container terminal projects. Container terminal operators bring experience and expertise, while shipping companies are able to bring increased and stable container traffic. COSCON is expected to provide COSCO Pacific's invested and/or operated terminals with container traffic flow, so as to reduce the related investment and operation risks. In addition, the ability of COSCO Pacific to secure future investments in attractive container terminals is expected to be enhanced by its closer association with COSCON. Further, COSCON's ability to secure berthing capacity may be enhanced at terminals in which COSCO Pacific has an interest.

The Group also provides integrated logistics total solutions which enable it to provide door-to-door services to its customers.

The subsidiaries of the Group can share industry information, which allows, on the one hand, the Company to make strategic decisions at a Group level in a more effective and timely manner and, on the other hand, the subsidiaries of the Company to make more effective decisions relating to the day-to-day management and strategies of their individual and complementary businesses.

The Group has implemented advanced information technology systems in each of its container shipping, container leasing, dry bulk shipping, logistics and terminal businesses. The Group is able to, where appropriate, better leverage these systems to mutually enhance the operating efficiency of each of its business sectors in order to maximise the integration and synergies of operations.

Sales and Service Networks

We believe that the Group's worldwide sales and service networks have one of the most extensive coverages and highest densities in the international container shipping industry. These networks represent one of the Group's most important competitive advantages, because they form a worldwide platform from which to provide sales and services and to launch marketing efforts, and are also one of the Group's important foundations for its business development.

The Group's sales and service network can be divided into two major parts: (i) the sales and service network in the PRC and (ii) the sales and service network overseas.

PRC Sales and Service Network

Sales for the Group's PRC container shipping business are mainly conducted through COSFRE's and COSA's extensive network of 266 freight forwarding and shipping agency sales and service points throughout different major cities in 30 provinces, municipalities and autonomous regions in the PRC. We believe that the extensive coverage and high density of the Group's PRC sales and service network places the Group in a leading position in the PRC market.

The Group provides a wide range of freight forwarding and shipping agency services through its PRC sales and service network. By relying on the Group's container transportation network and overseas sales and service network, the Group can utilise its PRC barge services (along the Yangtze River and the Pearl River), land transportation and railway resources to integrate the services provided by carriers in different regions and to facilitate the entire transportation process, enabling the Group to provide its customers, including COSCON (to which COSFRE primarily provides its services), with a one-stop "door-to-door" service across the shipping value chain. The Directors believe that the integrated services capabilities of the Group make the Group one of the leading providers of domestic freight forwarding and shipping agency services in the PRC.

Overseas Sales and Service Network

Sales for the Group's international container shipping business are mainly conducted through the 79, 41 and 72 sales and service points in Asia Pacific, America and Europe, respectively.

2. *Dry Bulk Cargo Shipping Business*

Dry bulk cargo, cargo transported in large quantities and is used in many industries such as manufacturing and construction, is generally categorised into major bulk cargo and minor bulk cargo, both of which are shipped in bulk vessels. Major bulk cargoes include (but are not limited to), iron ore, coal and grain. Minor bulk cargoes include (but are not limited to), iron and steel products, fertilisers, agricultural products, mineral cargo (including metal concentrates), cement, forest products and metal products.

The Group operates its dry bulk cargo shipping business by owned and chartered-in vessels.

The Group's dry bulk cargo shipping business is operated by China COSCO Bulk through its wholly-owned subsidiaries COSCO Bulk Carrier, COSCO Qingdao and COSCO HK Shipping.

COSCO Bulk Carrier Co., Ltd.

COSCO Bulk Carrier is one of the three management companies of China COSCO Bulk. It provides professional ship maintenance management, marine management and seafarer management services. It owns over 90 large bulk carriers of various types including Capesize, Panamax and Handysize, with a total carrying capacity of more than six million DWTs. These bulk carriers are collectively operated by China COSCO Bulk to provide dry and bulk cargo shipping services for domestic and international customers. In addition, COSCO Bulk Carrier owns more than 8,000 seafarers who have received special ratified certificates and are eligible to work on aboard in all kind of vessels, ranging from container vessels, bulk carriers, tankers, passenger ships, general cargo ships all around the world. COSCO Bulk Carrier also engages in vessel building and trading like shipbuilding supervision, marine shipping technical consultation, second-hand ships trading as well as peripheral services such as providing assistance to ship-owners in technology negotiation, business negotiation, drawings check, sites inspection, marine equipment manufacture supervision and check before acceptance.

Qingdao Ocean Shipping Co., Ltd.

COSCO Qingdao is one of the core enterprises under China COSCO Bulk. It has 23 bulk carriers with approximately 2,000,000 DWT. The fleet calls on more than 360 ports of over 100 countries and regions, and its scale and carrying capacity are at top amongst the Chinese shipping enterprises. It provides various shipbuilding, repairing and managing services through a number of its subsidiaries.

COSCO (H.K.) Shipping Co., Ltd.

As at 30 June 2012, COSCO HK Shipping owns 133 dry and bulk ships of various types, with the total carrying capacity of over 10 million DWTs and provides high quality, safe, highly efficient transportation services for global customers. COSCO HK Shipping is a global dry bulk cargo carrier transporting cargos including bulk coal, grain, steel and steel products, fertilizer and metal mineral/non-metal mineral. In addition to dry bulk cargo shipping business, it has been operating the ship charter-in and partial cargo shipment businesses since 1999.

Fleet

As at 30 June 2012, the Group operated 357 dry bulk vessels with a total of 32,428,405 DWT. 227 vessels were self-owned with a total of 18,933,606 DWT. The average age of the vessels was 14.19 years. 130 vessels were chartered-in with a total of 13,494,799 DWT.

Capacity of dry bulk vessels as at 30 June 2012 is as follows:

Existing capacity	**Self-owned**		**Chartered-in**		**Total**	
Vessel type	**Number**	**DWT**	**Number**	**DWT**	**Number**	**DWT**
Capesize	43	8,722,104	46	8,118,172	89	16,840,276
Panamax	72	5,153,375	49	3,774,739	121	8,928,114
Handymax and Handysize	112	5,058,127	35	1,601,888	147	6,660,015
Total	227	18,933,606	130	13,494,799	357	32,428,405

As at 30 June 2012, the Group had an order of 18 dry bulk vessels amounting to a total of 1,674,000 DWT.

Sales and Service Networks

China COSCO Bulk has operational platforms in its Beijing headquarters and in Hong Kong. It also has operational companies in Hong Kong, Europe, America, Australia, Singapore and Indonesia; and service institutes in Africa, Japan, Korea and India. It provides ocean shipping services of grains, ores and sands, coals, fertilizers, steels, timbers, agricultural products and cements.

3. Logistics Services

The Group's logistics services are provided through the Company's wholly-owned subsidiary, COSCO Logistics. COSCO Logistics is headquartered in Beijing with eight regional companies located in Dalian, Beijing, Qingdao, Shanghai, Ningbo, Xiamen, Guangzhou and Wuhan, and established 409 branch offices in 29 provinces, municipalities and autonomous regions in the PRC, Hong Kong and overseas as at 30 June 2012 and is one of the leading international logistics company in the PRC.

COSCO Logistics provides integrated logistics total solutions for customers from home and abroad in household and electronic appliances, dangerous chemicals, aviation, electric power and petrochemicals. In addition to third party logistics business, COSCO Logistics also conducts shipping agency business through PENAVICO and freight forwarding business.

The business volumes of major segments of COSCO Logistics are set out in the table below.

	For the year ended 31 December (unaudited)		**For the six months ended 30 June (unaudited)**	
	2010	**2011**	**2011**	**2012**
Third party logistics				
Product logistics				
Home appliance logistics ('000 pcs)	79,633	80,560	45,408	54,957
Chemical logistics (in ten thousand tons)	10,693	14,672	134.54	197
Project logistics (RMB million)	1,250	1,270	820	850
Shipping agency business (vessels)	93,581	94,621	43,582	43,489
Freight forwarding business				
Sea-freight				
Bulk cargoes ('000 tons)	196,828	204,616	93,910	108,306
Containers (TEUs)	2,288,405	2,478,911	1,186,405	1,194,753
Air-freight (tons)	97,849	111,185	59,234	47,981

Third Party Logistics

COSCO Logistics provides nationwide and overseas third party logistics services to domestic and international companies' operations in China. The logistics services provided by COSCO Logistics are categorised as follows:

- Product Logistics:

  - home appliance and electronic product logistics — COSCO Logistics provides integrated total logistics solution from raw material delivery, in plant inventory management, trunk line transportation, finished products distribution and value-added services for electronic product manufacturers

  - chemical logistics — providing solutions for chemical construction projects and integrated service for finished products (including hazardous chemicals)

  - exhibition logistics — COSCO Logistics provides logistics services including exhibits packaging, cross border transportation, site design and settlement in exhibition halls

  - supply chain management — providing comprehensive supply chain management serving steel, non-ferrous metal, chemical manufacturers in upstream material procurement to downstream finished product distribution

- Project Logistics:

  - aviation logistics — providing logistics services including major components transport, cross border transport for knocked down parts, bonded storage and in plant services

  - chemical logistics — warehousing, distribution, ocean shipping, inner river shipping, road transportation, drumming and tank cleaning

  - power logistics — providing international logistics for engineering equipment kit and materials. COSCO Logistics is also qualified and capable of handling nuclear fuel transport, nuclear equipment kit transport and spent fuel transport

Shipping Agency

COSCO Logistic shipping agency business is conducted under the brand name "PENAVICO", primarily to support COSCON's container shipping operations, improve the quality of COSCON's "door-to-door" service and meet the demands of its customers. The size of the shipping agency business has been ranked the first in the PRC. A brief description of shipping agency services provided by PENAVICO is set out below:

- Liner Shipping Agency

  PENAVICO has set up liner departments in major PRC ports in charge of liner agency including canvassing, booking, cargo release upon presentation of bills of lading, documentation, equipment control, freight calculating, electronic data interchange as well as port disbursement settlement.

  PENAVICO manages container and accounting by establishing electronic data interchange among PENAVICO and the customs, maritime safety administration of various cities, terminals, tally, ship owners and freight forwarders, respectively, with an aim to ensure accurate and timely collection or payment of freight and port disbursement settlement.

- Bulk/General Cargo Agency

  PENAVICO provides professional service for various bulk/general cargo vessels and has good relationships with domestic companies trading grain, fertilizer, ore, coal, crude/product oil, liquefied chemicals, as well as major shipping companies carrying such cargo.

  The services provided by PENAVICO prior to vessels arriving at the ports include preparation of a pre-arrival report which sets out port cost evaluation, information about channel, terminal and tide, regulations applicable to the specific port and readiness of cargo and submission of declaration of dangerous cargo to local maritime safety administration.

  During the vessels' stay at the port, PENAVICO provides boarding services, assists the ships to deal with emergency situations, coordinates the relationships between the ships, cargo and the relevant port and minimises cost in port.

  After departure of the ships, PENAVICO will provide report summarising the services provided, costs reduced and account analysis.

- Cruise Shipping Agency

  PENAVICO experienced team collects ship calling schedules from foreign cruise companies and submits these to local maritime safety administration for approval prior to the cruise arriving at the port.

- Comprehensive Service

  Authorised by the Ministry of Foreign Affairs in the PRC, Penavico can arrange invitations and repatriation/change for crew and has rich experience in dealing with maritime disputes or accidents nationwide network to obtain evidence and arrange rescue.

  In addition, Penavico also arranges spare parts transfer, ship chartering, ship purchase/sale/delivery, ship survey, dry-docking, fumigation and had cleaning, supply of fresh water and provision aboard.

Freight Forwarding

The Group provides a comprehensive range of freight forwarding services for third party domestic and international customers through COSCO Logistics with a view to support the container shipping operations of COSCON and its customers. The sea freight forwarding service of COSCO Logistics is to arrange, on behalf of consignors and/or their agents, the transportation of cargoes from one location to the designated location, based on the instructions from the consignors and/or their agents. COSCO Logistics also provides related services including consolidation and distribution, inland haulage, customs clearance and warehousing. The air freight forwarding business of COSCO Logistics is to arrange, on behalf of consignors and/or their agents, the transportation of cargo from one location to a designated location and to facilitate the inbound and outbound transportation with an air service network covering major economic areas, based on the instructions from the consignors and/or their agents. COSCO Logistics also provides the services including cargo arrangement, space booking, warehousing, customs clearance, inspection clearance, truck transportation, freight settlement, air express, insurance agency service, and business advisory.

Sales and Service Networks

COSCO Logistics conducts its sale through its branch offices all over the world. Its branch offices are located in 29 provinces, municipalities and autonomous regions in the PRC and various cities in Europe, America, West Asia, Singapore and Hong Kong. The third party logistics, freight forwarding and shipping agency business of COSCO Logistics can create marketing synergy across these different business sectors.

4. Terminal Business

The Group operates its terminal business through COSCO Pacific. The Group's terminal investment strategy aims to maintain a balanced geographical distribution of terminals. COSCO Pacific has been investing in ports in the PRC and expanding the port network overseas. In addition, it not only invested in international hub ports along the coast of the PRC, but also allocated resources to feeder ports in the PRC that handle domestic and overseas trade. As at 30 June 2012, COSCO Pacific held various interests in 27 terminal companies with 134 berths in total, including 122 container terminal berths, 2 vehicle terminal berths and 10 bulk cargo berths. A total of 95 container terminal berths in 19 ports in the world were in operation, ranking fifth in the world as at 30 June 2012.

The renovation of Pier 2 of Piraeus Container Terminal in Greece was completed in June 2012 and as a result operation capacity increased from 1,600,000 TEUs to 2,600,000 TEUs. The table below sets forth the details of the terminal companies held by COSCO Pacific as at 30 June 2012:

Terminal portfolio[1]

Terminal companies	Shareholding	No. of berths	Depth	Annual handling capacity
			(M)	(TEUs)
Bohai Rim		**43**		**23,850,000**
Qingdao Qianwan Container Terminal Co., Ltd	20%	11	17.5	6,500,000
Qingdao New Qianwan Container Terminal Co., Ltd	16%	6	15.0-20.0	3,600,000
Qingdao Qianwan United Container Terminal Co., Ltd	8%	7	17.0-20.0	3,950,000
Qingdao Qianwan United Advance Container Terminal Co., Ltd	5.6%	2	17.0-20.0	1,300,000
Dalian Port Container Terminal Co., Ltd	20%	6	13.5-17.8	4,200,000
Dalian Automobile Terminal Co., Ltd	30%	2	11.0	600,000 (vehicles)
Tianjin Five Continents International Container Terminal Co., Ltd	14%	4	15.7	1,500,000
Tianjin Port Euroasia International Container Terminal Co., Ltd	30%	3	15.5	1,800,000
Yingkou Container Terminals Company Limited	50%	2	14.0	1,000,000
Yangtze River Delta		**32**		**12,200,000**
Shanghai Pudong International Container Terminals Limited	30%	3	12.0	2,300,000
Shanghai Xiangdong International Container Terminal Limited	10%	4	15.0	3,200,000
Ningbo Yuan Dong Terminals Limited	20%	5	15.0	3,000,000
Zhangjiagang Win Hanverky Container Terminal Co., Ltd	51%	3	10.0	1,000,000
Yangzhou Yuanyang International Ports Co., Ltd	55.59%	2	12.0	700,000
		5	80-12.0	6,550,000 (tons of break-bulk cargo)
Nanjing Port Longtan Container Co., Ltd	20%	10	12.0	2,000,000
Pearl River Delta and Southeast Coast		**37**		**24,300,000**
COSCO-HIT Terminals (Hong Kong) Limited	50%	2	15.5	1,800,000
Yantian International Container Terminals Co., Ltd (Phase I & II)	14.59%	5	14.0-15.5	4,500,000
Yantian International Container Terminals (Phase III) Limited	13.36%	10	16.0	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd	39%	6	15.5-16.0	4,200,000
Quan Zhou Pacific Container Terminal Co., Ltd.	71.43%	3	7.0-15.1	1,200,000
		2	5.1-9.6	1,000,000 (tons of break-bulk cargo)
Jinjiang Pacific Ports Development Co., Ltd	80%	2	10.2-14.0	800,000
		3	7.9-9.8	4,200,000 (tons of break-bulk cargo)

Terminal companies	Shareholding	No. of berths	Depth	Annual handling capacity
			(M)	(TEUs)
Xiamen Ocean Gate Container Terminal Co., Ltd.	70%	4	17.0	2,800,000
Overseas		**22**		**13,300,000**
Piraeus Container Terminal S.A.	100%	6	14.0-16.0	3,700,000
Suez Canal Container Terminal S.A.E.	20%	8	16.0	5,100,000
COSCO-PSA Terminal Private Limited	49%	2	15.0	1,000,000
Antwerp Gateway NV	20%	6	17.0	3,500,000
Total no. of berths		**134**		
Total no. of container berths/Annual handling capacity		**122**		**73,650,000**
Total no. of break-bulk cargo berths/Annual handling capacity		**10**		**11,750,000 (tons of break-bulk cargo)**
Total no. of automobile berths/Annual handling capacity		**2**		**600,000 (vehicles)**

Note:

1. The terminal portfolio includes all terminal projects for which agreements have been signed on or before 31 December 2011 it includes operating and non-operating terminal companies, berths and annual handling capacity.

The Group's total throughput of overseas of terminals amounted to 5,428,908 TEUs, 6,709,807 TEUs and 3,700,301 TEUs for the two years ended 31 December 2010 and 2011 and six months ended 30 June 2012, respectively. The table below sets forth the container throughputs for each terminal companies for the periods indicated.

Terminal companies	For the year ended 31 December		For the six months ended 30 June	
	(unaudited) (note 1)		(unaudited)	
	2010 (TEUs)	2011 (TEUs)	2011 (TEUs)	2012 (TEUs)
Bohai Rim Region	15,925,584	19,080,645	9,522,797	10,673,045
Qingdao Qianwan Container Terminal Co., Ltd.	10,568,065	12,426,090	6,269,091	7,076,924
Dalian Port Container Terminal Co., Ltd.	1,668,418	1,900,204	945,716	983,401
Tianjin Five Continents International Container Terminals Co., Ltd.	1,917,873	2,100,321	976,863	1,048,546
Tianjin Port Euroasia International Container Terminal Co., Ltd.	574,296	1,350,962	649,091	745,138
Yingkou Container Terminals Co., Ltd.	1,196,932	1,303,068	682,036	819,036
Yangtze River Delta	6,592,455	7,599,938	3,634,691	3,928,777
Shanghai Pudong International Container Terminals Co., Ltd.	2,450,176	2,388,156	1,167,619	1,045,154
Ningbo Yuan Dong Terminals Operation Co., Ltd.	1,704,588	2,145,653	1,035,691	1,196,903
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	889,515	1,065,382	484,687	558,732
Yangzhou Yuanyang International Terminals Co., Ltd.	302,617	400,224	191,964	194,128
Nanjing Port Longtan Container Co., Ltd.	1,245,559	1,600,523	754,730	933,860
Pearl River Delta and Southeast Coastal regions	16,094,776	1,7305,507	7,969,373	8,574,737
COSCO-HIT Terminals (Hong Kong) Ltd.	1,535,923	1,625,819	821,851	874,455
Yantian International Container Terminals Ltd. (Phase I, II and III)	10,133,967	10,264,440	4,734,794	4,824,317
Guangzhou South China Oceangate Container Terminal Co., Ltd.	3,060,591	3,914,348	1,685,432	2,077,014
Quanzhou Pacific Container Terminal Co., Ltd.	1,050,710	1,186,799	576,799	599,708

Terminal companies	For the year ended 31 December		For the six months ended 30 June	
	(unaudited) (note 1)		(unaudited)	
	2010 (TEUs)	2011 (TEUs)	2011 (TEUs)	2012 (TEUs)
Jinjiang Pacific Ports Development Co., Ltd.	313,585	314,101	150,497	165,703
Xiamen Ocean Gate Container Terminal Co., Ltd. *(Note)*	—	—	—	33,540
Overseas	5,428,908	6,709,807	3,122,404	3,700,301
COSCO-PSA Terminal Private Ltd.	1,091,639	1,106,262	513,758	661,731
Antwerp Gateway Terminal	795,534	1,168,930	607,633	549,876
Suez Canal Container Terminal	2,856,854	3,246,467	1,516,733	1,435,435
Piraeus Container Terminal	684,881	1,188,148	484,280	1,053,259
Total container terminal throughputs in China	38,612,815	4,3986,090	21,126,861	23,176,559
Total container throughputs	44,041,723	50,695,897	24,249,265	26,876,860
Total bulk cargo throughputs (tons)	23,606,588	25,285,695	12,945,477	11,450,486

Note:

1. The data is extracted from the Annual Report 2011 of COSCO Pacific.

5. *Container Leasing Business*

The Group's container leasing, management and sale businesses is operated and managed by Florens and its subsidiaries. At 30 June 2012, fleet size had reached 1,797,377 TEUs, representing approximately 12.2% of global market share, ranking third in the world.

Florens and its subsidiaries provide comprehensive long and short-term container leasing and container management services to the customers. To minimise market cyclical risk, most lease contracts are long-term so as to maintain a relatively high utilisation rate and provide a stable source of income. In 2011, revenue from long-term leasing accounted for 93.8% of total leasing revenue and the overall average utilisation rate of the Group's containers was 96.1%, which was slightly higher than the industry average of approximately 95.0%. Key customers include the world's top ten shipping lines, with revenue from these lines accounting for 70.3% of total leasing revenue in 2011.

The size of the container fleet of Florens are set forth in the table below.

	As at 31 December		As at 30 June	
	(unaudited)		(unaudited)	
	2010 (TEUs)	2011 (TEUs)	2011 (TEUs)	2012 (TEUs)
COSCON				
Self-owned containers	381,012	317,794	309,113	320,761
Managed containers	—	—	—	—
Sale and leaseback containers	118,094	229,283	229,283	229,283
Total size of container fleet	499,106	547,077	538,396	550,044
Non COSCON				
Self-owned containers	432,613	556,366	489,525	586,924
Managed containers	700,064	674,349	685,951	660,409
Sale and leaseback containers	—	—	—	—
Total size of container fleet (Non COSCON)	1,132,677	1,230,715	1,175,476	1,247,333
Total size of container fleet	1,631,783	1,777,792	1,713,872	1,797,377

Florens mainly acquires containers through new purchases. Purchases have typically been funded with medium term commercial bank loans, some of which are unsecured while others are secured by mortgages on the purchased containers and assignments of the container leases. Subject to market conditions, dry containers and refrigerated containers normally require one to two months and two months, respectively, from the time of ordering to delivery. We believe that availability of containers to customers at the right place at the right time is key to maintaining the Group's competitive advantage in the market. Florens works closely with its major suppliers to ensure a sufficient and consistent supply of containers and it also seeks to improve its operational efficiency through enhancing its information technology and management systems to ensure the availability of containers at the times and places required by customers

While expanding its container fleet, the Group aims to maintain a balanced development of the container leasing, management and sale businesses to lower investment risk. At 31 December 2011, the owned container fleet reached 874,160 TEUs, which represented 49.2% of the total container fleet. At 31 December 2011, the sale-and-leaseback container fleet size amounted to 229,283 TEUs, which represented 12.9% of the total container fleet size. At 31 December 2011, the managed container fleet size amounted to 674,349 TEUs, representing 37.9% of the total fleet size.

6. Container Manufacturing Business

COSCO Pacific holds an approximately 21.8% equity interest in CIMC as at 31 December 2011 and is the second largest shareholder of CIMC. CIMC has both its A shares (stock code: 000039) and B shares (stock code: 200039) listed and traded on the Shenzhen Stock Exchange. CIMC is primarily engaged in the manufacturing and sale of modern traffic and transport equipment. Container products range from dry, reefer, tank and various special containers. Its customers include world leading shipping companies, leasing companies and logistics providers in North America, Europe and Asia.

Marketing

The Group's key marketing strength lies in providing high quality services and differentiating its services and marketing strategies from its competitors. In addition, one of the Group's key marketing strategies is to develop strategic alliances with key customers to replace the traditional purely sales-based seller-customer relationship with mutual "win-win" relationships in order to better prepare for future competition.

Insurance

The operation of any vessel involves a number of inherent risks such as mechanical failure, collision, property loss, cargo loss or damage, business interruption due to political circumstances in foreign countries, hostilities (including war terrorism and piracy) and labour strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps. Accordingly, the Group seeks to maintain appropriate insurance coverage by taking out various types of insurance on its vessels, crew, cargo and other properties, in order to reduce the risk of any unexpected liabilities. Such insurance coverage includes but is not limited to, hull and machinery insurance, war risk insurance, piracy risks increased value coverage, protection and indemnity insurance, freight, demurrage and defence insurance and crew personal accident insurance. The Group believes that the types of insurance coverage it currently has are in line with the international shipping industry standards and that its insurance coverage is appropriate for the conduct of its business.

Hull and Machinery Insurance

The Group's owned and bareboat chartered vessels are insured with the People's Insurance Company of China, China Pacific Property Insurance Company Limited ("**CPIC**"), China Shipowners Mutual Assurance Association ("**CPI**") and the international insurance market for natural disaster, property damage and loss, including war-related risks, and liability arising from collisions at sea. The Group's time chartered vessels are insured by their respective owners. The insured value of each vessel is the highest of (i) its assessed market value, (ii) its book value and (iii) the minimum insured amount required by secured creditors of that vessel. The policies are renewed annually. In addition, if owned or bareboat chartered vessels call in areas identified by the marine insurance market as specified war risk zones, they are temporarily covered for war-related risks by the Group making a declaration and the payment of an additional premium. Under its insurance policies, the Group is required to pay additional premiums when its vessels call in a war risk zone.

Protection and Indemnity Insurance

Protection and indemnity ("**P&I**") insurance provides cover for claims arising: (i) from the operation of the Group's owned and chartered vessels, (ii) from the usage of container slots obtained from other shipowners (including injury or death to crew or other third parties), third party claims arising from the carriage of goods for which the carrier is responsible (including loss or damage to cargo), claims arising from collisions with other vessels, damage to other third party properties, pollution arising from oil and other substances, and (iii) fines paid to competent authorities and other related costs. The Group's P&I cover is provided by five P&I insurance providers on a joint basis, including West of England Ship Owners Mutual Insurance Association, SKULD Mutual Protection and Indemnity Association, The Swedish Club, The United Kingdom Mutual Steam Ship Assurance Association and CPI, each of which (except CPI) are members of the International Group Agreement of P&I Clubs. Members of the International Group Agreement arrange a pooling insurance and a substantive re-insurance programme, and insure a large number of the world's ocean merchant fleet.

Container and Chassis Insurance

The Group also maintains insurance policies for its containers in North America, Europe and Australia and for its chassis in the North American market. The Group currently has container insurance policies with PICC Property and Casualty Company Limited and Through Transport Mutual Insurance Association (EurAsia) Ltd. These policies cover different geographical regions and provide cover for property loss and damage and third party liability. The Group has also purchased insurance policies for the Group's leased chassis, providing cover for property loss and damage and third party liability.

Other Insurance

In connection with the Group's container leasing business, primary liability insurance and physical loss and damage insurance for leased containers is purchased by the lessee and secondary liability and insolvency insurance is purchased by the lessor. Florens, as the lessor of containers to its customers, purchases secondary insurance, covering repair or loss of equipment, loss of revenues, third party liability, physical loss and damage for amounts that cannot be collected from lessees, and losses due to default or insolvency of lessees or depots. The premia payable by Florens are based on its container fleet value according to an agreed depreciation schedule.

The Group maintains property insurance policies for its container terminal facilities, properties and fixed assets to cover risks relating to physical damage caused by natural disasters or accidents and third party liability.

For certain parts of the Group's freight forwarding business, it purchases freight forwarder liability insurance for third party liability and physical loss and damage.

Each of the above insurance policies is renewed annually. The Directors believe that the types and amounts of insurance coverage it currently maintains, and the deductibles and limits, are in line with customary practice in the relevant industry and are adequate for the Group to conduct its normal operations.

Legal Proceedings

The Group is from time to time involved in litigation incidental to its business operations, including claims arising from damages during transportation, loss of goods, delay in delivery or collision of vessels. Except as disclosed in note 18(a) to the accounts as set out in the 2012 Interim Report of the Company, we are not aware of any material legal or regulatory proceedings, claims or disputes currently existing or pending against the Group.

Recent Developments

On 30 October 2012, the Company published its quarterly report (the "**Quarterly Report**") for the three months ended 30 September 2012 (the "**Third Quarter**") in accordance with applicable PRC regulations in relation to disclosure of information in quarterly reports for listed companies. The Quarterly Report contains certain financial information of the Company for the third quarter of 2012 prepared in accordance with the PRC Accounting Standards which has not been audited or reviewed by the Company's auditor. Consequently, such consolidated quarterly financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or reviewed. Potential investors must exercise caution when using such data to evaluate the Company's financial condition, results of operations and results. Such consolidated quarterly financial information as at and for the three months ended 30 September 2012 should not be taken as an indication of the expected financial condition, results of operations and results of the Company for the full financial year ending 31 December 2012.

DIRECTORS AND SUPERVISORS

The members of the Board of Directors of the Company as at the date of this Offering Circular are as follows:

Name	Title
Executive Directors	
MA Zehua	Vice Chairman and Executive Director
SUN Jiakang	Executive Director
XU Minjie	Executive Director
JIANG Lijun	President and Executive Director
Non-executive Directors	
WEI Jiafu	Chairman and Non-executive Director
LI Yunpeng	Non-executive Director
SUN Yueying	Non-executive Director
YE Weilong.	Non-executive Director
Independent Non-executive Directors	
TEO Siong Seng.	Independent Non-executive Director
FAN HSU Lai Tai, Rita	Independent Non-executive Director
KWONG Che Keung, Gordon	Independent Non-executive Director
Peter Guy BOWIE	Independent Non-executive Director

The biographies of the Executive, Non-executive and Independent Non-executive Directors of the Company as at the date of this Offering Circular 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 Holdings (Singapore) Pte Ltd, COSCO Tianjin and COSCO Bulk Carrier, 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 organisations, 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) 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 COSCO Qingdao, 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.

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 spokesperson of COSCO, the chairman of the board of directors and a non-executive director of COSCO Pacific, 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.

SUN Yueying (孫月英)

Ms. SUN, aged 54, 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 Company 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 54, 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 COSCON and COSCO Logistics 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 Shanghai Ocean Shipping Company. 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.

JIANG Lijun (姜立軍)

Mr. JIANG, aged 56, is the executive director and general manager of the Company. Mr Jiang 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, 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 Holdings (Singapore) Limited. Mr Jiang has more than 30 years of experience in shipping business and has extensive experience in the operation and management of domestic and overseas enterprises. He holds an MBA degree and is an accountant.

YE Weilong (葉偉龍)

Mr. YE, aged 49, was an executive vice president of the Company until 9 January 2012 and is currently a non-executive director of the Company. He is also the executive vice president and party committee member of COSCO. Mr. Ye is currently the chairman of the boards of COSCO International, COSCO Shipping Co., Ltd., Sino-Tanzania Joint Shipping Company and COSCO Est Asia FZE. Mr. Ye was the assistant to general manager, deputy general manager and general manager of Shanghai Ocean International Freight Company, the general manager of COSCO Shanghai International Freight Co., Ltd, the general manager of COSFRE, the deputy general manager of COSCON, the managing director of COSCO Logistics. Mr. Ye has over 20 years of experience in the shipping industry and 10 years of experience in the logistics management, and is very experienced in business operation and management. He obtained a doctoral degree in Transportation Planning and Management at Dalian Maritime University and a Master degree in Business Administration at Shanghai Maritime University and Maastricht School of Netherland and is a senior economist.

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.

FAN Hsu Lai Tai, Rita (范徐麗泰)

Ms. FAN, aged 67, 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 63, 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 HKSE and the convener of both the listing committee and the compliance committee of the HKSE. 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 66, 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.

SUPERVISORS

The supervisors of the Company as at the date of this offering circular are as follows:

SONG Dawei (宋大偉)

Mr. SONG, aged 57, 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.

MA Jianhua (馬建華)

Mr. MA, aged 50, is currently a supervisor of the Company. Mr. Ma has been the secretary and deputy general manager 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 58, is currently a supervisor of the Company. Mr. Luo has been the party secretary and the deputy general manager of COSCO Shipbuilding Industry Company since 2012. He 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.

MENG Yan (孟焰)

Mr. MENG, aged 57, 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 57, is currently a supervisor of the Company, and the party secretary and deputy general manager of COSCON. He was the ship mate, deputy manager, manager and general manager of the human resource division of Shanghai Ocean Shipping Company, 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 organisation 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.

SENIOR MANAGEMENT

The senior management of the Company as at the date of this Offering Circular are as follows:

XU Zunwu (許遵武)

Mr. XU, aged 55, is currently the deputy general manager of the Company and the general manager of China COSCO Bulk Group. He previously held positions as the deputy general manager of Guangzhou Ocean Shipping Company, the deputy general manager of COSCO Bulk, deputy general manager and managing director of COSCO HK Shipping, vice-president of COSCO Hong Kong, 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 44, is currently the deputy general manager of the Company, the managing director of COSCON and a non-executive director of COSCO Pacific. He was the general manager of Asia-Pacific Trade and American Trade and the deputy general manager of COSCON, the general manager of COSCO International Freight, the president of COSCO Americas Inc. Mr. Wan has over 20 years' 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 47, 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.

ZHANG Jiqing (張際慶)

Mr. ZHANG, aged 55, 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, 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. 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.

FENG Jinhua (豐金華)

Mr. FENG, aged 56, 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' management 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.

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.

WANG Xiaodong (王曉東)

Mr. WANG, aged 54, is currently the assistant to the general manager of the Company. He has been an executive director and managing director of COSCO International. Mr. Wang is a member of Executive Committee, Risk Management Committee, Investment Committee, Nomination Committee and Remuneration Committee of COSCO International. Mr. Wang leads overall management and operation, strategic development, corporate governance, legal and financial management of COSCO International. He has a Bachelor's degree in Marine Mechanical Management from Dalian Maritime University of the PRC, the Executive Master's degree in Business Administration from China Europe International Business School and senior engineer qualification awarded by Ministry of Communications of the PRC. He previously served as the deputy general manager of Trade Division and head of Consolidated Trade Department Of COSCO, the deputy general manager of COSCO International Trading Company (presently known as COSCO International Trading Company Limited), the general manager of China Marine Bunker Supply Company (presently known as China Marine Bunker (PetroChina) Co., Ltd.), the general manager of COSCO Industry Company (presently known as COSCO Shipbuilding Industry Company) and the non-executive director of Sino-Ocean Land Holdings Limited (listed in Hong Kong) until his resignation in March 2011. Mr. Wang has extensive experience in the technical management, investment management and corporate operation in the business of bunker oil supply, shipbuilding industry and coating industry.

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 "inhouse high flyers" and "the best in Asia" for three consecutive years (2006-08) by Asian Legal Business Magazine.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the provision by the LC Bank of the Standby Letter of Credit. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the LC Bank.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The people's congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case my then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

External Security Regime

Pursuant to the current applicable foreign exchange regulations, provision of external security (denominated in foreign exchanges), including the provision of security interests by way of mortgage or pledge and the provision of guarantee, is subject to SAFE approval and registration.

Prior to 30 July 2010, SAFE adopted the case-by-case approval system through Administrative Measures for the Provision of Guarantee to Foreign Parties by Domestic Institutions which was promulgated 1 October 2006 SAFE by PBOC, supplemented by the quota system (only covering onshore banks' guaranteeing offshore Chinese-invested companies), for the provision by onshore banks of Financing Guarantee. "Financing Guarantee", as defined under the Rules for Implementing the Administrative Measures for the Provision of External Security by Domestic Institutions (issued by SAFE on 11 December 1997), means the external guarantee or security interest for guaranteed/secured contracts with a financing nature, including (without limitation) the guarantee or security interest for loans, issue of bonds or financial leasing.

On 30 July 2010, SAFE issued Foreign Security Measures and the Notice on Issues relating to the Administration of Foreign Security by Domestic Institutions, or Circular 39. Pursuant to Circular 39, the management of provision by onshore banks of financing guarantees will be changed from a case-by-case approval system to the quota system, applicable to financing guarantees for both onshore and offshore debtors.

Under the new quota system, an onshore bank as a legal person may apply for a quota from SAFE for external guarantees. The quota approved by SAFE will not, in principle, exceed 50.00% of the bank's paid-up capital or working capital (RMB and foreign exchange consolidated), or not exceed the amount of the bank's net assets in foreign exchanges. The quota obtained by an onshore bank may be directly used by itself, or divided and distributed to its onshore branches for use. So long as the financing guarantee to be issued by an onshore bank or one of its branches falls within the SAFE approved quota for such bank, such bank or such branch may issue the financing guarantee without any further SAFE approval or verification and, unlike the requirements under the old regime, the debtor in question is not subject to restrictions such as equity relationships with onshore institutions, net asset ratio, profit making status.

Circular 39 also provides that, the head office of a bank or the principal reporting bank that manages the quota in a centralised manner shall, within the first five working days of each month, comply with the regular record-filing formalities for external guarantee with SAFE. A bank that has completed the record-filing formalities shall be deemed to have completed the registration and SAFE will no longer issue external guarantee registration certificates to the bank. So long as a financing guarantee is provided by a bank within its quota, the failure to file that guarantee on a monthly portfolio basis with SAFE will not invalidate such financing guarantee. However, if an onshore bank provides external guarantee beyond the quota approved by SAFE, the external guarantee in question will still become invalid from a PRC legal perspective.

Pursuant to Circular 39, if a financing guarantee is issued to guarantee the borrowing by an offshore Chinese-invested company of funds in the offshore market, the funds so guaranteed shall not be repatriated for onshore use either directly or through a third party by means of loans, equity investment or securities investment. The onshore parent company of the offshore Chinese-invested company shall procure that the funds obtained by the offshore debtor shall be used for its offshore production and business.

For the performance by a bank of the financing guarantees issued by it, Circular 39 provides that the bank may make the payment under the external guarantee at its own discretion. The funds for performing the external guarantee may be sourced from its own foreign exchange funds, from the foreign currency or RMB deposits provided by the counter-guarantee provider, or from the amounts paid by the counter-guarantee provider after the occurrence of an event of default.

On 3 June 2011, PBOC issued the Notice 145. Pursuant to the Notice 145, onshore banks can issue guarantees in RMB for overseas project contracting, overseas project construction and cross-border financing. The issuance by onshore banks of RMB guarantees will not fall within the current management of foreign debt, and any such guarantee and its performance should be reported in Renminbi Cross-Border Payments and Receipts Management Information System ("**RCPMIS**").

On 18 April 2012, PBOC and SAFE issued the Notice on Clarifying Issues Relating to Cross-border RMB Transactions, or Notice 103, pursuant to which, the Monetary Policy Department II of PBOC is responsible for promoting the cross-border RMB business, and providing the relevant business data to SAFE. The Fuzhou Branch of PBOC issued the Fujian PBOC Letter. Under the Fujian PBOC Letter, the issuance of RMB guarantees for cross-border financing will not fall within the current management of foreign debt, and such financing guarantee will not fall within the quota of financing guarantees for financial institutions. The cross-border RMB guarantee, its performance and the relevant cross-border payments and receipts should be reported in RCPMIS by onshore banks. As such, if an onshore bank issues a RMB guarantee for cross-border financing, such RMB guarantee is not required to fall within the SAFE-approved quota for such bank, but should be reported to RCPMIS by the onshore bank.

On 2 May 2012, NDRC issued Notice on Issues Concerning the Issuance of RMB-denominated Bonds by Mainland Non-financial Institutions in the Hong Kong Special Administrative Region, or the NDRC Notice. The NDRC Notice provides that where the RMB-denominated bonds to be issued in Hong Kong by an overseas branch of a domestic non-financial institution are guaranteed by the domestic institutions, the domestic non-financial institution should, within 20 working days prior to the issuance of RMB-denominated bonds by its overseas branch, file the amount and term of the bonds, the use of proceeds and any other relevant materials with NDRC.

On 30 July 2012, PBOC issued the Notice on Responsibility Division of the Cross-border RMB Transactions Supervision, which indicates that issuance of the cross-border RMB letters of credit by PRC incorporated banks for cross-border financing purpose to offshore entities will not fall within the bank's annual quota of the cross-border financing guarantee. For the purpose of carrying out the business of RMB guarantee for cross-border financing, the banks only need to file the letter of credit and the performance of such letter of credit with RCPMIS, without any requirement of prior approval or registration.

Since 1 January 1994, the People's Bank of China has set and published daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the US dollar in the market during the prior day. On 21 July 2005, the People's Bank of China announced a reform of its exchange rate system and revalued the Renminbi to RMB8.11 to US$1.00. Under the reform, the Renminbi is no longer effectively linked to the US dollar but instead is allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, according to market demand and supply conditions. The People's Bank of China announces the Renminbi's closing price each day, and that rate serves as the midpoint of the next day's trading band. On 18 May 2007, the People's Bank of China announced that, effective 21 May 2007, it would widen the daily trading band of the Renminbi against the US dollar from 0.3% to 0.5%. As a result, the Renminbi is now permitted to rise or fall 0.5% each day from the midpoint set each morning. The PRC government may make further adjustments to the exchange rate system in the future.

The following table sets forth information concerning exchange rates between the RMB and the US dollar for the periods indicated.

The following table sets forth the noon buying rate for US dollars in New York City for cable transfers in Renminbi as certified for customers purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon buying rate			
Period	**Period end**	**Average[1]**	**High**	**Low**
	(RMB per US$1.00)			
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9477	7.2946	6.7800
2009	6.8259	6.8307	7.2946	6.7800
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4630	6.6364	6.2939
2012				
January	6.3080	6.3119	6.3330	6.2940
February	6.2935	6.2997	6.3120	6.2935
March	6.2975	6.3125	6.3315	6.2975
April	6.2790	6.3043	6.3150	6.2790
May	6.3684	6.3242	6.3684	6.3052
June	6.3530	6.3633	6.3703	6.3530
July	6.3610	6.3717	6.3879	6.3487
August	6.3484	6.3593	6.3738	6.3484
September	6.2848	6.3200	6.3489	6.2848
October	6.2372	6.2627	6.2877	6.2372
November (through 9 November)	6.2450	6.2432	6.2454	6.2393

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for average rates for periods in 2012, which are determined by averaging the daily rates during the respective periods.

Source: Federal Reserve Bank of New York

TAXATION

The following summary of certain Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest in respect of the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a company) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to profits tax.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) of a Bond.

Estate Duty

No Hong Kong estate duty is payable in respect of the Bonds.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "PRC" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management organisation" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the Issuer's "de facto management organisation" is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As at the date of this Offering Circular, the Issuer confirms that it has not received notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment within the PRC, shall be required to pay an income tax at the rate of 10% on the income sourced inside the PRC. Such income tax shall be withheld by the PRC payer that is acting as the obligatory withholder and such PRC payer shall withhold the tax amount from each payment or payment due. Although as confirmed by the Issuer, as of the date of this Offering Circular, the Issuer has not been noticed or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it will be required to withhold income tax from the payments of interest in respect of the Bonds for any non-PRC Bondholder. However, despite the potential withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the "Terms and Conditions of the Bonds".

According to the double taxation arrangement between China and Hong Kong and relevant PRC tax regulations, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Bonds. Other non-PRC Bondholders will also not be subject to the PRC tax on any capital gains derived from a sale or exchange of Bonds consummated outside the PRC between non-PRC Bondholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% of PRC withholding tax. No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds.

Proposed European Union ("EU") Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual or to certain other persons in another Member State. However, Austria and Luxembourg instead impose a withholding system for a transitional period (unless during such period they elect otherwise). The ending of such transitional period, being dependent upon the conclusive of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

British Virgin Islands

As a company incorporated under the BVI Companies Act, the Issuer is exempt from all provisions of the Income Tax Act (as amended) of the British Virgin Islands (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the Issuer to persons who are not persons resident in the BVI). Capital gains realised with respect to any shares, debt obligations or other securities of the Issuer by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the Issuer, save for interest payable to or for the benefit of an individual resident in the European Union.

No stamp duty is payable in the BVI on a transfer of shares, debt obligations or other securities of the Issuer.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement with the Joint Lead Managers dated 26 November 2012 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Joint Lead Managers, and the Joint Lead Managers agreed severally and not jointly, to subscribe for, the aggregate principal amount of the Bonds.

The underwriting commitments of each Joint Lead Manager is set out below:

Joint Lead Managers	**Principal amount of Bonds**
	(US$)
BOCI Asia Limited	850,000,000
The Hongkong and Shanghai Banking Corporation Limited	150,000,000
Total	**1,000,000,000**

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer. Each of the Issuer and the Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds.

The Joint Lead Managers and their affiliates may have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and commercial and investment banking services, for the Issuer, the Company and their respective affiliates in the ordinary course of business, for which they received or will receive customary fees and agreed expenses. The LC Bank in respect of the Standby Letter of Credit is an affiliate of BOCI.

The Joint Lead Managers and their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. In the ordinary course of its various business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Company.

In connection with the issue of the Bonds, BOCI Asia Limited and The Hongkong and Shanghai Banking Corporation Limited (together, the ''**Stabilising Managers**'') or any person acting on behalf of the Stabilising Mangers may, to the extent permitted by applicable laws and directives. over-allot Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Managers or any person acting on behalf of the Stabilising Mangers shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilising Managers or any person acting on behalf of the Stabilising Mangers will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the Stabilising Managers.

General

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds and the Standby Letter of Credit have not been and will not be registered under the Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Standby Letter of Credit are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Standby Letter of Credit, an offer or sale of Bonds or the Standby Letter of Credit within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Joint Lead Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

People's Republic of China

Each of the Joint Lead Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor; or

(c) securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

    (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer;

    (iii) where the transfer is by operation of law; or

    (iv) as specified in Section 276(7) of the SFA.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

British Virgin Islands

Each of the Joint Lead Managers has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell the Bonds.

GENERAL INFORMATION

1 **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 085846175 and the International Securities Identification Number for the Bonds is XS0858461758.

2 **No Material Adverse Change**: Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Company or the Group since 30 June 2012. There has been no material adverse change in the financial or trading position or prospects of the Issuer since the date of its incorporation, 18 October 2011.

3 **Litigation**: Save as disclosed in this Offering Circular, none of the Issuer, the Company or any member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Company believe are material in the context of the Bonds nor is the Issuer or the Company aware that any such proceedings are pending or threatened.

4 **Available Documents**: Copies of the Company's annual reports for the year ended 31 December 2011, the Trust Deed, the Agency Agreement, the Keepwell Deed, the Standby Letter of Credit and the Articles of Association of the Issuer and the Company will be available for inspection from the Issue Date at the specified office of the Agents during normal business hours, so long as any of the Bonds is outstanding. The Company prepares and publishes an annual report, an interim report and two quarterly reports every year. Copies of the Company's annual report and interim report in respect of the latest year and period can be obtained from its corporate website and the website of HKSE on the internet at www.hkex.com.hk.

5 **Audited Financial Statements**: The Company's audited consolidated financial statements as at and for the year ended 31 December 2011, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in its report appearing herein.

6 **Interim Financial Information**: The Company's unaudited condensed consolidated interim financial information as at and for the six months ended 30 June 2012, which are included elsewhere in this Offering Circular, have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, as stated in its review report appearing herein.

7 **LC Bank Financial Statements**: Copies of the latest annual and interim report of the LC Bank, as well as its public filings, can be downloaded free of charge from the website of the HKSE on the internet at www.hkex.com.hk.

INDEX TO FINANCIAL STATEMENTS

Page references included in the unaudited condensed consolidated interim financial information as at and for the six months period ended 30 June 2012 and the audited consolidated financial statements as at and for the year ended 31 December 2011 as set forth below refer to pages set out in the relevant interim report or annual report.

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2012

	Note	**As at 30 June 2012** *RMB'000*	As at 31 December 2011 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**76,315,066**	73,029,686
Investment properties	6	**515,483**	478,702
Leasehold land and land use rights	6	**2,611,738**	2,672,798
Intangible assets	6	**185,597**	196,051
Jointly controlled entities		**4,962,050**	4,978,206
Associates		**11,065,034**	11,164,646
Available-for-sale financial assets		**513,822**	481,725
Derivative financial assets		**64,985**	87,884
Deferred income tax assets		**473,594**	503,302
Restricted bank deposits		**485,125**	417,108
Loans to a jointly controlled entity and an associate		**213,708**	182,285
Other non-current assets		**532,478**	507,388
Total non-current assets		**97,938,680**	94,699,781
Current assets			
Inventories		**4,067,537**	3,387,032
Trade and other receivables	7	**14,764,673**	11,898,915
Restricted bank deposits		**515,193**	510,432
Cash and cash equivalents		**40,818,164**	46,962,725
Total current assets		**60,165,567**	62,759,104
Total assets		**158,104,247**	157,458,885

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2012

	Note	**As at 30 June 2012 *RMB'000***	As at 31 December 2011 *RMB'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8(a)	**10,216,274**	10,216,274
Reserves		**19,734,804**	24,479,012
		29,951,078	34,695,286
Non-controlling interests		**16,020,364**	15,475,167
Total equity		**45,971,442**	50,170,453
LIABILITIES			
Non-current liabilities			
Long-term borrowings	9	**61,064,312**	55,313,702
Provisions and other liabilities	10	**1,356,963**	1,402,583
Deferred income tax liabilities		**2,573,951**	2,489,582
Other non-current liabilities		**–**	89,576
Total non-current liabilities		**64,995,226**	59,295,443
Current liabilities			
Trade and other payables	11	**26,468,981**	23,798,925
Short-term borrowings	12	**5,455,930**	2,850,888
Current portion of long-term borrowings	9	**12,723,884**	18,861,850
Current portion of provisions and other liabilities	10	**1,702,336**	1,560,547
Tax payable		**786,448**	920,779
Total current liabilities		**47,137,579**	47,992,989
Total liabilities		**112,132,805**	107,288,432
Total equity and liabilities		**158,104,247**	157,458,885
Net current assets		**13,027,988**	14,766,115
Total assets less current liabilities		**110,966,668**	109,465,896

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2012

	Note	Six months ended 30 June **2012** *RMB'000*	2011 *RMB'000*
Revenues	5	**42,562,724**	42,007,265
Cost of services and inventories sold		**(44,466,316)**	(42,737,779)
Gross loss		**(1,903,592)**	(730,514)
Other income, net	13	**717,288**	501,387
Selling, administrative and general expenses		**(2,491,329)**	(2,464,666)
Operating loss	13	**(3,677,633)**	(2,693,793)
Finance income	14	**436,822**	386,148
Finance costs	14	**(1,188,832)**	(777,686)
Net related exchange (loss)/gain	14	**(110,313)**	431,904
Net finance (costs)/income	14	**(862,323)**	40,366
		(4,539,956)	(2,653,427)
Share of profits less losses of			
– jointly controlled entities		**358,960**	346,055
– associates		**460,432**	877,394
Loss before income tax		**(3,720,564)**	(1,429,978)
Income tax expenses	15	**(398,947)**	(360,657)
Loss for the period		**(4,119,511)**	(1,790,635)
(Loss)/profit attributable to:			
Equity holders of the Company		**(4,871,535)**	(2,757,578)
Non-controlling interests		**752,024**	966,943
		(4,119,511)	(1,790,635)
		RMB	*RMB*
Loss per share for loss attributable to equity holders of the Company	17		
– basic		**(0.4768)**	(0.2699)
– diluted		**(0.4768)**	(0.2700)

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Loss for the period	**(4,119,511)**	(1,790,635)
Other comprehensive income/(loss)		
Available-for-sale financial assets		
– fair value gains/(loss), net of tax	**34,800**	(64,859)
Share of other comprehensive income of jointly controlled entities and associates	**27,712**	27,173
Release of reserves upon disposal of a jointly controlled entity	**–**	(44,738)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary	**–**	(77,471)
Currency translation differences	**122,967**	(685,983)
Other comprehensive income/(loss) for the period, net of tax	**185,479**	(845,878)
Total comprehensive loss for the period	**(3,934,032)**	(2,636,513)
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the Company	**(4,740,100)**	(3,427,607)
Non-controlling interests	**806,068**	791,094
Total comprehensive loss for the period	**(3,934,032)**	(2,636,513)

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2012

	Equity holders of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2012	**34,695,286**	**15,475,167**	**50,170,453**
Comprehensive income/(loss)			
(Loss)/profit for the period	**(4,871,535)**	**752,024**	**(4,119,511)**
Other comprehensive income:			
Available-for-sale financial assets fair value gains, net of tax	**8,654**	**26,146**	**34,800**
Share of reserves of jointly controlled entities and associates	**21,749**	**5,963**	**27,712**
Currency translation differences	**101,032**	**21,935**	**122,967**
Total other comprehensive income	**131,435**	**54,044**	**185,479**
Total comprehensive income/(loss) for the period ended 30 June 2012	**(4,740,100)**	**806,068**	**(3,934,032)**
Transactions with owners:			
Contribution from non-controlling shareholders of subsidiaries	**–**	**1,200**	**1,200**
Dividends paid to non-controlling shareholders of subsidiaries	**–**	**(257,194)**	**(257,194)**
Acquisition of additional interest in a subsidiary	**(4,108)**	**(4,877)**	**(8,985)**
Total transactions with owners	**(4,108)**	**(260,871)**	**(264,979)**
As at 30 June 2012	**29,951,078**	**16,020,364**	**45,971,442**

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2012

	Equity holders of the Company *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2011	47,828,959	14,471,896	62,300,855
Comprehensive income/(loss)			
(Loss)/profit for the period	(2,757,578)	966,943	(1,790,635)
Other comprehensive income/(loss):			
Available-for-sale financial assets fair value losses, net of tax	(39,574)	(25,285)	(64,859)
Share of reserves of jointly controlled entities and associates	4,358	22,815	27,173
Release of reserves upon disposal of a jointly controlled entity	(19,112)	(25,626)	(44,738)
Release of exchange reserve upon conversion of a jointly controlled entity to a subsidiary	(33,095)	(44,376)	(77,471)
Currency translation differences	(582,606)	(103,377)	(685,983)
Total other comprehensive loss	(670,029)	(175,849)	(845,878)
Total comprehensive income/(loss) for the period ended 30 June 2011	(3,427,607)	791,094	(2,636,513)
Transaction with owners:			
Issue of shares on exercising of share options of a subsidiary	359	2,589	2,948
Contribution from non-controlling shareholders of subsidiaries	—	19,409	19,409
Dividends paid to non-controlling shareholders of subsidiaries	—	(324,431)	(324,431)
2010 final dividend (note 16)	(919,465)	—	(919,465)
Consideration paid to COSCO Group for acquisition of subsidiaries and the dividends paid to their former shareholders	(90,800)	(1,887)	(92,687)
Conversion of jointly controlled entities to subsidiaries	—	478,386	478,386
Acquisition of additional interest in a subsidiary	(20,999)	(2,600)	(23,599)
Others	(3,812)	(4,868)	(8,680)
Total transactions with owners	(1,034,717)	166,598	(868,119)
As at 30 June 2011	43,366,635	15,429,588	58,796,223

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

Unaudited Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Net cash used in operating activities	**(3,170,447)**	(886,959)
Net cash used in investing activities	**(3,604,150)**	(2,081,376)
Net cash generated from financing activities	**562,799**	387,691
Net decrease in cash and cash equivalents	**(6,211,798)**	(2,580,644)
Cash and cash equivalents as at 1 January	**46,962,725**	46,683,220
Effect of exchange rate changes	**67,237**	(304,938)
Cash and cash equivalents as at 30 June	**40,818,164**	43,797,638

The notes on pages 49 to 79 form an integral part of this unaudited condensed consolidated interim financial information.

1 GENERAL INFORMATION

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

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

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

The unaudited condensed consolidated interim financial information is presented in Renminbi ("RMB'') and all values are rounded to the nearest thousand except when otherwise indicated. This unaudited condensed consolidated interim financial information for the six months ended 30 June 2012 (the "unaudited Condensed Consolidated Interim Financial Information") was approved by the Board of Directors for issue on 29 August 2012.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

This unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2011 (the "2011 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

Except as described below, the significant accounting policies and methods of computation used in the preparation of the unaudited Condensed Consolidated Interim Financial Information are consistent with the 2011 Annual Financial Statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Amended standards adopted by the Group

The amendments to standards which are mandatory for the financial year beginning 1 January 2012 are as follows:

HKAS12 (Amendment)	"Deferred tax: Recovery of underlying assets"
HKFRS1 (Amendment)	"Severe hyperinflation and removal of fixed dates for first-time adopters"
HKFRS7 (Amendment)	"Disclosures – Transfers of financial assets"

The adoption of the above do not have any significant impact to the Group's results for the six months ended 30 June 2012 and the Group's financial position as at 30 June 2012.

(b) New and amended standards not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Group

The HKICPA has issued certain new and revised standards, amendments to standards and interpretations which are not yet effective for the year ending 31 December 2012.

The Group has not early adopted the new and revised standards, amendments to standards and interpretations, which are not yet effective for the year ending 31 December 2012, in the unaudited Condensed Consolidated Interim Financial Information, but 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.

3 FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and practices are consistent with those disclosed in the 2011 Annual Financial Statements.

For the six months ended 30 June 2012, the Group's operating loss and loss for the period amounted to RMB3,677,633,000 and RMB4,119,511,000 respectively. The net operating cash outflow for the period amounted to RMB 3,170,447,000.

The Directors of the Company believe that based on the Group's available unused banking facilities in excess of approximately RMB30,901,510,000 and its cash and cash equivalents of RMB40,818,164,000, 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the unaudited Condensed Consolidated Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited Condensed Consolidated Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were basically the same as those that applied to the 2011 Annual Financial Statements, with the exception of changes in estimates that are required in determining the provision for income taxes.

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 period are as follows:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Revenues		
Container shipping	**22,641,835**	19,653,911
Dry bulk shipping	**7,744,310**	11,740,488
Logistics	**9,436,189**	8,297,505
Container terminal operations	**1,122,944**	798,707
Container leasing	**636,478**	442,710
	41,581,756	40,933,321
Crew service income	**180,025**	135,541
Others	**800,943**	938,403
Total revenues	**42,562,724**	42,007,265

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.

5 REVENUES AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

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

	Six months ended 30 June 2012							
	Container shipping and related business *RMB'000*	Dry bulk shipping and related business *RMB'000*	Logistics *RMB'000*	Container terminal and related business *RMB'000*	Container leasing, management, sale and related business *RMB'000*	Corporate and other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Income statement								
Total revenues	23,117,040	8,299,768	9,479,331	1,276,312	1,075,506	–	(685,233)	42,562,724
Inter-segment revenues	(10,520)	(39,175)	(43,142)	(153,368)	(439,028)	–	685,233	–
Revenues (from external customers)	23,106,520	8,260,593	9,436,189	1,122,944	636,478	–	–	42,562,724
Segment (loss)/profit	(1,311,707)	(3,424,471)	387,972	376,540	503,213	(209,180)	–	(3,677,633)
Finance income								436,822
Finance costs								(1,188,832)
Net related exhange loss								(110,313)
Share of profits less losses of								
- jointly controlled entities	(10,823)	27,810	30,792	311,181	–	–	–	358,960
- associates	1,708	(313)	49,316	177,193	–	232,528	–	460,432
Loss before income tax								(3,720,564)
Income tax expenses								(398,947)
Loss for the period								(4,119,511)

5 REVENUES AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Six months ended 30 June 2012							
	Container shipping and related business *RMB'000*	Dry bulk shipping and related business *RMB'000*	Logistics *RMB'000*	Container terminal and related business *RMB'000*	Container leasing, management, sale and related business *RMB'000*	Corporate and other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Depreciation and amortisation	610,878	657,803	87,966	175,076	324,028	9,190	–	1,864,941
Provision/(reversal of provision) for impairment of trade and other receivables, net	10,008	139	1,851	9,275	(3,053)	–	–	18,220
Amortised amount of transaction costs on long-term borrowings	17,712	10,589	–	–	5,108	6,454	–	39,863
Addition to non-current assets	2,323,370	767,888	142,116	1,137,311	756,150	1,948	–	5,128,783

5 REVENUES AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Six months ended 30 June 2011							
	Container shipping and related business *RMB'000*	Dry bulk shipping and related business *RMB'000*	Logistics *RMB'000*	Container terminal and related business *RMB'000*	Container leasing, management, sale and related business *RMB'000*	Corporate and other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Income statement								
Total revenues	20,264,864	12,226,246	8,327,117	1,001,423	845,061	-	(657,446)	42,007,265
Inter-segment revenues	(15,840)	(6,927)	(29,612)	(202,716)	(402,351)	-	657,446	-
Revenues (from external customers)	20,249,024	12,219,319	8,297,505	798,707	442,710	-	-	42,007,265
Segment (loss)/profit	(946,853)	(2,675,120)	359,251	288,747	390,100	(109,918)	-	(2,693,793)
Finance income								386,148
Finance costs								(777,686)
Net related exchange gain								431,904
Share of profits less losses of								
- jointly controlled entities	(11,319)	9,563	25,647	322,164	-	-	-	346,055
- associates	2,539	3,297	40,053	190,108	-	641,397	-	877,394
Loss before income tax								(1,429,978)
Income tax expenses								(360,657)
Loss for the period								(1,790,635)

5 REVENUES AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	Six months ended 30 June 2011							
	Container shipping and related business *RMB'000*	Dry bulk shipping and related business *RMB'000*	Logistics *RMB'000*	Container terminal and related business *RMB'000*	Container leasing, management, sale and related business *RMB'000*	Corporate and other operations *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Depreciation and amortisation	655,916	614,633	77,084	160,889	281,993	7,686	-	1,798,201
Provision/(reversal of provision) for impairment of trade and other receivables, net	8,622	4,075	94	68	(5,152)	(811)	-	6,896
Amortised amount of transaction costs on long-term borrowings	17,715	8,788	-	-	4,004	2,532	-	33,039
Addition to non-current assets	887,402	1,157,392	138,222	5,322,446	1,790,487	203	-	9,296,152

5 REVENUES AND SEGMENT INFORMATION (Continued)

Operating segments (Continued)

	As at 30 June 2012							
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Logistics RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet								
Segment assets	51,861,799	44,528,528	12,174,612	14,431,129	12,389,383	27,370,184	(21,879,596)	140,876,039
Jointly controlled entities	428,493	713,314	445,378	3,374,865	—	—	—	4,962,050
Associates	30,867	106,617	467,069	4,838,555	—	5,621,926	—	11,065,034
Loans to jointly controlled entities and associates	—	—	—	213,708	—	—	—	213,708
Available-for-sale financial assets	69,417	117,637	174,970	151,798	—	—	—	513,822
Unallocated assets								473,594
Total assets								158,104,247
Segment liabilities	49,228,403	30,750,169	7,214,370	9,118,261	6,755,107	27,585,692	(21,879,596)	108,772,406
Unallocated liabilities								3,360,399
Total liabilities								112,132,805

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 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

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

5 REVENUES AND SEGMENT INFORMATION (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

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.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Container shipping and related business		
- America	**6,973,226**	5,938,106
- Europe	**6,097,544**	5,106,689
- Asia Pacific	**3,656,263**	3,193,360
- China domestic	**5,641,423**	5,276,825
- Other international market	**738,064**	734,044
Dry bulk shipping and related business		
- International shipping	**7,364,443**	11,241,957
- PRC coastal shipping	**896,150**	977,362
Logistics, container terminal and related business, corporate and other operations		
- Europe	**456,360**	366,570
- Asia Pacific	**92,584**	80,566
- China domestic	**10,010,189**	8,649,076
Unallocated	**636,478**	442,710
Total	**42,562,724**	42,007,265

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 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
China domestic	**33,363,451**	32,959,497
Non-China domestic	**3,406,965**	3,013,998
Unallocated	**59,320,132**	56,951,225
Total	**96,090,548**	92,924,720

6 TANGIBLE AND INTANGIBLE ASSETS

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Property, plant and equipment(*)	**76,315,066**	73,029,686
Investment properties	**515,483**	478,702
Leasehold land and land use rights	**2,611,738**	2,672,798
Intangible assets	**185,597**	196,051
Total tangible and intangible assets	**79,627,884**	76,377,237

(*) Property, plant and equipment included container vessels, dry bulk vessels, containers, leasehold land and buildings, trucks, chassis and motor vehicles, computer and office equipment, assets under construction.

6 TANGIBLE AND INTANGIBLE ASSETS (Continued)

Movement of the tangible and intangible assets during the period is set out below:

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Opening net book value as at 1 January	**76,377,237**	69,997,446
Currency translation differences	**122,946**	(919,769)
Acquisition of a subsidiary	**–**	1,029
Conversion of jointly controlled entities to subsidiaries	**31**	4,871,301
Additions	**5,127,321**	4,333,659
Disposals/write-off	**(103,083)**	(1,323,777)
Depreciation/amortisation	**(1,859,083)**	(1,791,613)
Transfer to inventories	**(37,485)**	(16,409)
Closing net book value as at 30 June	**79,627,884**	75,151,867

7 TRADE AND OTHER RECEIVABLES

	As at 30 June 2012	As at 31 December 2011
	RMB'000	*RMB'000*
Trade receivables (notes a and b)		
– third parties	**8,774,137**	5,749,772
– fellow subsidiaries	**206,833**	111,897
– jointly controlled entities	**41,011**	27,245
– associates	**9,528**	14,289
– other related companies	**86,555**	49,463
	9,118,064	5,952,666
Bills receivables (notes a and b)	**403,671**	361,280
	9,521,735	6,313,946
Prepayments, deposits and other receivables		
– third parties	**4,118,369**	4,473,429
– fellow subsidiaries (note c)	**340,742**	286,287
– jointly controlled entities (note c)	**196,696**	402,109
– associates (note c)	**379,766**	259,687
– other related companies (note c)	**193,670**	149,385
	5,229,243	5,570,897
Current portion of finance lease receivables	**13,695**	14,072
Total	**14,764,673**	11,898,915

7 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.

(b) The normal credit period granted to trade receivables of the Group is generally within 90 days. Trade receivables primarily consist of voyage-related and logistics related receivables. As at 30 June 2012, the ageing analysis of trade and bills receivables was as follows:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
1-3 months	**9,061,692**	5,907,524
4-6 months	**370,877**	321,360
7-12 months	**87,760**	66,673
1-2 years	**45,989**	41,338
2-3 years	**15,607**	30,339
Over 3 years	**112,850**	105,268
	9,694,775	6,472,502
Provision for impairment	**(173,040)**	(158,556)
	9,521,735	6,313,946

(c) The other receivables due from related parties are unsecured, interest free and have no fixed terms of repayment.

8 SHARE CAPITAL AND EQUITY LINKED BENEFITS

(a) Share capital

	As at 30 June 2012		As at 31 December 2011	
	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
	10,216,274	**10,216,274**	10,216,274	10,216,274

8 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 (collectively the "Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Movements in the number of SARs granted by the Company during the period are set out below:

	Six months ended 30 June 2012 Number of units of SARs				
Exercise price	**Outstanding as at 1 January 2012**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2012**
HK$3.195	**15,267,000**	**–**	**–**	**(56,250)**	**15,210,750**
HK$3.588	**19,135,000**	**–**	**–**	**(65,000)**	**19,070,000**
HK$9.540	**24,350,000**	**–**	**–**	**(50,000)**	**24,300,000**
Total	**58,752,000**	**–**	**–**	**(171,250)**	**58,580,750**

	Six months ended 30 June 2011 Number of units of SARs				
Exercise price	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2011
HK$3.195	15,267,000	–	–	–	15,267,000
HK$3.588	19,135,000	–	–	–	19,135,000
HK$9.540	24,400,000	–	–	(50,000)	24,350,000
Total	58,802,000	–	–	(50,000)	58,752,000

8 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 of the Group, to subscribe for its shares.

Movements of the share options granted by COSCO Pacific during the period are set out below:

	Six months ended 30 June 2012 Number of share options				
Exercise price	**Outstanding as at 1 January 2012**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2012**
HK$9.54	**2,361,000**	**–**	**–**	**(30,000)**	**2,331,000**
HK$13.75	**21,042,000**	**–**	**–**	**(584,000)**	**20,458,000**
HK$19.30	**14,700,000**	**–**	**–**	**(410,000)**	**14,290,000**
Total	**38,103,000**	**–**	**–**	**(1,024,000)**	**37,079,000**

	Six months ended 30 June 2011 Number of share options				
Exercise price	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2011
HK$9.54	2,369,000	–	(8,000)	–	2,361,000
HK$13.75	21,812,000	–	(250,000)	(500,000)	21,062,000
HK$19.30	15,260,000	–	–	(400,000)	14,860,000
Total	39,441,000	–	(258,000)	(900,000)	38,283,000

9 LONG-TERM BORROWINGS

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Bank loans		
– secured (note b)	**15,930,321**	14,687,934
– unsecured	**36,144,303**	37,483,896
Loans from COSCO Finance Co., Ltd ("COSCO Finance")		
– secured (note b)	**15,480**	17,040
– unsecured	**126,498**	126,018
Other loans		
– unsecured	**115**	294
Finance lease obligations	**92,892**	98,585
Notes (note c)	**20,712,149**	20,691,819
Loans from non-controlling shareholders of subsidiaries (note d)	**766,438**	1,069,966
Total long-term borrowings	**73,788,196**	74,175,552
Current portion of long-term borrowings	**(12,723,884)**	(18,861,850)
	61,064,312	55,313,702

Notes:

(a) Movements in long-term borrowings for the period is analysed as follows:

	RMB'000
Six months ended 30 June 2012	
As at 1 January 2012	**74,175,552**
Repayments of borrowings	(10,894,072)
Drawdown of borrowings	10,332,156
Currency translation differences	150,836
Amortised amount of transaction costs on long-term borrowings	39,863
Amortised amount of discount on issue of notes	479
Effect of fair value hedge	(16,618)
As at 30 June 2012	**73,788,196**
Six months ended 30 June 2011	
As at 1 January 2011	59,127,693
Repayments of borrowings	(2,349,303)
Drawdown of borrowings	5,095,596
Reclassification from a jointly controlled entity to a subsidiary	3,073,145
Currency translation differences	(843,724)
Amortised amount of transaction costs on long-term borrowings	33,039
Amortised amount of discount on issue of notes	1,511
Effect of fair value hedge	(16,448)
As at 30 June 2011	64,121,509

9 LONG-TERM BORROWINGS (Continued)

(b) The secured bank loans and loans from COSCO Finance as at 30 June 2012 are secured, inter alia, by one or more of the following:

(i) First legal mortgages over certain property, plant and equipment with aggregate net book value of RMB25,154,000,000 (31 December 2011: RMB22,846,932,000);

(ii) Two vessels with aggregative net book value of RMB679,377,000 (31 December 2011: RMB691,189,000) under Vessel Financing Lease Arrangement;

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

(iv) Shares of certain subsidiaries; and

(v) Bank accounts of certain subsidiaries.

(c) Notes balance comprises notes issued by the Company and by COSCO Pacific.

(i) Notes issued by the Company

Notes with principal amount of RMB10,000,000,000, RMB5,000,000,000 and RMB4,000,000,000, which bear interest at a fixed rate of 3.77%, 4.35% and 5.45% per annum, were issued by the Company to investors on 21 April 2009, 3 September 2010 and 29 November 2011 respectively at a price equal to the principal amount..

The interest is payable annually in arrears and these notes will mature at their principal amount on 22 April 2014, 6 September 2020 and 30 November 2018 respectively.

(ii) Notes issued by COSCO Pacific

Notes with principal amount of US$300,000,000 (equivalent to approximately RMB1,897,470,000) were issued by a subsidiary of COSCO Pacific to investors on 3 October 2003. The notes carry a fixed interest of 5.96% per annum and were issued at a price of 99.367 percent 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 RMB12,011,000). 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 the Singapore Exchange 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 (31 December 2011: RMB400,000,000) bear interest at 6.77% per annum and are repayable in 2014. Balances of US$7,936,000 (equivalent to approximately RMB50,193,000) (31 December 2011: US$56,329,000, equivalent to approximately RMB354,921,000) bear interest at 0.6% per annum above US dollar LIBOR and are repayable in 2013 and 2014. Balance of US$50,000,000 (equivalent to approximately RMB316,245,000) (31 December 2011: US$50,000,000, equivalent to approximately RMB315,045,000) is interest free and not repayable in the next twelve months.

10 PROVISIONS AND OTHER LIABILITIES

	Retirement benefit obligations *RMB'000*	Provision for onerous contracts *RMB'000* (note a)	Provision for one-off housing *RMB'000*	Deferred income and others *RMB'000*	Total *RMB'000*
Six months ended 30 June 2012					
As at 1 January 2012	**1,311,863**	**1,414,780**	**186,704**	**49,783**	**2,963,130**
Decrease during the period	**(97,483)**	**(1,116,121)**	**(3,273)**	**(1,118)**	**(1,217,995)**
Provisions for the period	**54,714**	**1,249,869**	**-**	**5,600**	**1,310,183**
Currency translation differences	**99**	**3,939**	**-**	**(57)**	**3,981**
As at 30 June 2012	**1,269,193**	**1,552,467**	**183,431**	**54,208**	**3,059,299**
Less: current portion of provisions and other liabilities	**(183,282)**	**(1,513,776)**	**-**	**(5,278)**	**(1,702,336)**
Non-current portion of provisions and other liabilities	**1,085,911**	**38,691**	**183,431**	**48,930**	**1,356,963**
Six months ended 30 June 2011					
As at 1 January 2011	1,161,867	1,171,623	191,487	42,219	2,567,196
Decrease during the period	(72,634)	(986,923)	(7,246)	(5,161)	(1,071,964)
Provisions for the period	44,962	1,391,224	1,260	6,654	1,444,100
Currency translation differences	(686)	(11,209)	-	(12)	(11,907)
As at 30 June 2011	1,133,509	1,564,715	185,501	43,700	2,927,425
Less: current portion of provisions and other liabilities	(78,424)	(1,564,715)	-	(795)	(1,643,934)
Non-current portion of provisions and other liabilities	1,055,085	-	185,501	42,905	1,283,491

Note:

(a) It represented the provision for the non-cancellable chartered-in dry bulk vessel contracts. Those contracts under assessment for onerous provision 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.

As at 30 June 2012, the committed charterhire expenses of those non-cancellable chartered-in dry bulk vessel contracts with lease term expiring over 12 months from the balance sheet date of which management cannot reliably assess their onerous provision amounted to approximately RMB20,318,812,000 (31 December 2011: RMB23,655,068,000).

11 TRADE AND OTHER PAYABLES

	As at 30 June 2012	As at 31 December 2011
	RMB'000	*RMB'000*
Trade payables (note a)		
– third parties	**7,081,605**	5,751,287
– fellow subsidiaries	**1,644,710**	1,351,055
– jointly controlled entities	**205,818**	120,686
– associates	**256,166**	4,105
– other related companies	**34,873**	29,183
	9,223,172	7,256,316
Bills payables (note a)	**1,414,080**	1,382,349
	10,637,252	8,638,665
Advance from customers	**3,034,117**	3,332,678
Other payables and accruals	**11,840,324**	11,110,346
Construction costs payable to a fellow subsidiary	**225,017**	269,174
Due to related companies (note b)		
– COSCO	**3,624**	2,379
– fellow subsidiaries	**86,916**	116,776
– jointly controlled entities	**215,266**	213,457
– associates	**29,993**	34,794
– other related companies	**396,472**	80,656
	732,271	448,062
Total	**26,468,981**	23,798,925

11 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) As at 30 June 2012, the ageing analysis of trade and bills payables was as follows:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
1-6 months	**10,006,454**	8,070,837
7-12 months	**224,913**	184,927
1-2 years	**143,674**	187,808
2-3 years	**157,137**	122,289
Over 3 years	**105,074**	72,804
	10,637,252	8,638,665

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

(b) The other payables due to related parties are unsecured, interest free and have no fixed terms of repayment.

12 SHORT-TERM BORROWINGS

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Bank loans - unsecured	**5,285,930**	2,730,888
COSCO Finance - unsecured	**120,000**	70,000
Other loans - unsecured	**50,000**	50,000
	5,455,930	2,850,888

13 OPERATING LOSS

Operating loss is stated after charging/(crediting) the following:

	Six months ended 30 June 2012 RMB'000	2011 RMB'000
Crediting:		
Gain on disposal of property, plant and equipment		
– container vessels	**55,817**	-
– dry bulk vessels	**12,661**	-
– others	**2,991**	2,359
Reversal of provision for impairment of trade and other receivables	**7,810**	8,431
Government subsidy, included in other income, net	**647,217**	156,355
Dividend income from listed and unlisted investments	**13,872**	16,241
Gain on disposal of jointly controlled entities	**-**	82,156
Gain on release of exchange reserve upon conversion from a jointly controlled entity to a subsidiary	**-**	77,471
Charging:		
Loss on disposal of property, plant and equipment		
– containers	**372**	17,723
Depreciation		
– property, plant and equipment	**1,781,611**	1,718,086
– investment properties	**21,851**	12,602
Amortisation		
– leasehold land and land use rights	**30,533**	34,815
– intangible assets	**25,088**	26,110
– concessions	**5,858**	6,588
Cost of bunkers consumed	**9,262,074**	7,768,823
Operating lease rentals		
– container vessels	**2,060,593**	1,752,049
– dry bulk vessels	**4,446,090**	7,420,733
– containers	**642,001**	521,051
– land and buildings	**117,148**	75,533
– other property, plant and equipment	**155,211**	160,470
Provision for onerous contracts on dry bulk vessels		
– provision for current period	**1,249,869**	1,391,224
– provision made in prior periods	**(1,116,121)**	(986,923)
Provision for impairment of trade and other receivables	**26,030**	15,327
Cost of inventories sold		
– resaleable containers	**69,912**	37,057
– marine supplies and others	**25,120**	28,821
– merchandises#	**2,456,874**	1,523,469
Net loss on freight forward agreements	**-**	7,331

Cost of inventories sold for merchandises mainly related to logistics business.

14 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Finance income		
Interest income from:		
– deposits with COSCO Finance	**161,733**	47,506
– loans to jointly controlled entities and associates	**5,322**	5,686
– banks	**269,767**	332,956
	436,822	386,148
Finance costs		
Interest expenses on:		
– bank loans	**(717,164)**	(420,547)
– other loans wholly repayable within five years	**(20,505)**	(10,425)
– loans with COSCO Finance	**(3,263)**	(1,978)
– finance lease obligations	**(4,124)**	(4,730)
– notes	**(435,102)**	(324,785)
Fair value loss on derivative financial instruments	**(23,159)**	(12,091)
Fair value adjustment of notes attributable to interest rate risk	**16,621**	16,448
	(6,538)	4,357
	(1,186,696)	(758,108)
Amortised amount of transaction costs on long-term borrowings	**(39,863)**	(33,039)
Amortised amount of discount on issue of notes	**(479)**	(1,511)
Other incidental borrowing costs and charges	**(25,411)**	(28,085)
Less: amount capitalised in construction in progress	**63,617**	43,057
	(1,188,832)	(777,686)
Net related exchange (loss)/gain	**(110,313)**	431,904
Net finance (costs)/income	**(862,323)**	40,366

15 INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Current income tax (note a)		
– PRC enterprise income tax	**230,263**	186,373
– Hong Kong profits tax	**1,765**	1,093
– Overseas taxation	**43,455**	43,539
– Under/(over) provision in prior periods	**7,255**	(219)
	282,738	230,786
Deferred income tax (note b)	**116,209**	129,871
	398,947	360,657

Notes:

(a) Current income tax

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

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 20% (2011: 12% to 24%).

(b) Deferred income tax

Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted at the balance sheet date.

As at 30 June 2012, the unrecognised deferred income tax liabilities were RMB2,385,129,000 (31 December 2011: RMB3,071,686,000), 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 and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2012 amounted to RMB10,351,208,000 (31 December 2011: RMB13,053,312,000).

As at 30 June 2012, the Group had tax losses of RMB30,126,961,000 (31 December 2011: RMB25,988,177,000), which were not recognised for 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 RMB29,931,585,000 (31 December 2011: RMB25,781,661,000) will expire within five years.

16 DIVIDENDS

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

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.

17 LOSS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2012	2011
Loss attributable to equity holders of the Company (RMB)	**(4,871,535,000)**	(2,757,578,000)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic loss per share (RMB)	**(0.4768)**	(0.2699)

(b) Diluted

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

	Six months ended 30 June	
	2012	2011
Loss attributable to equity holders of the Company (RMB)	**(4,871,535,000)**	(2,757,578,000)
Adjustment on the effect of dilution	**(49,000)**	(578,812)
	(4,871,584,000)	(2,758,156,812)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Diluted loss per share (RMB)	**(0.4768)**	(0.2700)

18 CONTINGENT LIABILITIES

(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 30 June 2012, 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 unaudited Condensed Consolidated Interim Financial Information, 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

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Bank guarantee to an associate at face value	**155,586**	177,684

19 COMMITMENTS

(a) Capital commitments

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Authorised but not contracted for		
Containers	**951,657**	4,773,348
Terminal equipment	**1,397,468**	1,178,533
Buildings	**1,593,850**	1,720,232
Other property, plant and equipment	**82,875**	6,429
Investments in terminals	**43,722**	52,389
Intangible assets	**1,998**	500
	4,071,570	7,731,431
Contracted but not provided for		
Containers	**822,838**	55,007
Container vessels and dry bulk vessels	**12,898,342**	16,185,423
Terminal equipment	**1,706,414**	2,251,255
Buildings	**218,778**	251,025
Other property, plant and equipment	**16,137**	64,498
Investments in terminals	**2,700,688**	2,581,296
Intangible assets	**6,078**	40,388
	18,369,275	21,428,892

Amounts of capital commitments relating to the Group's interest in the jointly controlled entities not included in the above are as follows:

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Authorised but not contracted for	**50,454**	90,846
Contracted but not provided for	**822**	53,684
	51,276	144,530

19 COMMITMENTS (Continued)

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 June 2012 *RMB'000*	As at 31 December 2011 *RMB'000*
Containers vessels and dry bulk vessels		
– not later than one year	**11,100,681**	12,833,316
– later than one year and not later than five years	**23,300,605**	25,683,401
– later than five years	**15,688,044**	17,487,537
	50,089,330	56,004,254
Concession of Piraeus Port		
– not later than one year	**230,217**	231,243
– later than one year and not later than five years	**1,136,808**	1,125,057
– later than five years	**23,736,451**	25,082,585
	25,103,476	26,438,885
Containers		
– not later than one year	**791,339**	587,928
– later than one year and not later than five years	**2,018,049**	1,552,884
– later than five years	**18,808**	60,937
	2,828,196	2,201,749
Land and buildings		
– not later than one year	**114,782**	119,618
– later than one year and not later than five years	**141,874**	90,665
– later than five years	**128,018**	7,010
	384,674	217,293
Other property, plant and equipment		
– not later than one year	**125,887**	123,232
– later than one year and not later than five years	**166,101**	200,198
– later than five years	**5,499**	10,855
	297,487	334,285
	78,703,163	85,196,466

20 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company's parent company is COSCO, a state-owned enterprise established in the PRC and is controlled by the PRC government.

In addition to the related party information and transactions disclosed elsewhere in the unaudited Condensed Consolidated Interim Financial Information, 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 period.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Transactions with COSCO		
Expenses		
Sub-charter expenses	**60,215**	62,282
Rental expenses	**17,204**	17,204
Others		
Consideration paid for acquisition of subsidiaries	**-**	86,620

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Transactions with subsidiaries of COSCO and its related entities (including jointly controlled entities and associates of COSCO)		
Revenues		
Container shipping income	**163,019**	82,030
Freight forwarding and shipping agency income	**4,164**	10,856
Vessel services income	**6,624**	10,840
Crew service income	**42,843**	21,883
Vessel management income	**6,312**	6,203
Expenses		
Vessel costs		
Charterhire expenses	**19,498**	16,016
Sub-charter expenses	**172,615**	178,542
Vessel services expenses	**258,191**	186,927
Crew expenses	**25,552**	21,967
Voyage costs		
Bunker costs	**8,215,954**	6,594,379
Port charges	**311,402**	339,244
Equipment and cargo transportation costs		
Commission and rebates	**62,448**	73,597
Cargo and transhipment and equipment and repositioning expenses	**48,729**	53,223
Freight forwarding expenses	**8,945**	3,713
Logistics related expenses	**42,556**	26,949
General services expenses	**13,950**	15,984
Management fee expenses	**6,280**	3,138
Rental expenses	**24,388**	33,457
Others		
Instalments paid for ship building contracts	**135,100**	1,007,168

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Transactions with jointly controlled entities of the Group		
Revenues		
Charterhire income	**38,585**	97,504
Management fee and service fee income	**13,691**	14,270
Crew service income	**10,665**	9,074
Expenses		
Vessel costs		
Charterhire expenses	**1,853**	17,190
Voyage costs		
Port charges	**394,262**	308,064
General services expenses	**10,512**	10,820
Rental expenses	**2,380**	2,633
Transactions with associates of the Group		
Revenues		
Crew service income	**6,200**	5,000
Expenses		
Port charges	**140,031**	156,475
Others		
Purchase of containers	**364,465**	1,244,036
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	**122,522**	32,314
Expenses		
Container handling and logistics services fee	**36,023**	26,190
Electricity and fuel expenses	**29,213**	24,502
Others		
Port construction fee and high-frequency communication fee	**359**	24,535

These transactions were conducted either (i) based on terms as governed by the nine master agreements and subsisting agreements entered into between the Group and COSCO Group, or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

20 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

Balances with related parties

Other than those disclosed elsewhere in the unaudited Condensed Consolidated Interim Financial Information, the outstanding balances with related entities at period end are as follows:

	As at 30 June 2012	As at 31 December 2011
	RMB'000	*RMB'000*
Balances placed with COSCO Finance (note a)	**14,575,826**	11,561,455

Note:

(a) Balance placed with COSCO Finance bear interest at prevailing market rates.

(b) As at 30 June 2012 and 31 December 2011, majority of the Group's bank balances and bank borrowings are with state-owned banks.

Key management compensation

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
Salaries, bonuses and other allowances	**7,651**	7,568
Contribution to retirement benefit scheme	**168**	124
Fair value change on SARs not yet exercised	**(5,253)**	(36,139)
	2,566	(28,447)

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF CHINA COSCO HOLDINGS COMPANY LIMITED

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 79, which comprises the condensed interim consolidated balance sheet of China COSCO Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2012 and the related condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity, condensed interim consolidated cash flow statement for the six months then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") ("HKAS 34"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 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	As at 31 December 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.

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

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.

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

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	Group 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	Group 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 Goodwill RMB'000	Group Computer software RMB'000	Group Total RMB'000	Company Computer software 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 RMB'000	Company 2010 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	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.

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	2010
	RMB'000	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	2010
	RMB'000	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 (Restated)	**RMB'000**	RMB'000
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 (Restated)	**RMB'000**	RMB'000
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 (Restated)	**RMB'000**	RMB'000
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		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	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	2010
	RMB'000	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		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000 (Restated)	**RMB'000**	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)

			For the year ended 31 December 2010 Number of units of SARs				
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
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.

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	2010	2011	2010
	RMB'000	RMB'000	RMB'000	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

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.

28 Trade and other payables

	Group		Company	
	2011 RMB'000	2010 RMB'000 (Restated)	2011 RMB'000	2010 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

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 RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Total 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	2010
	RMB'000	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.

APPENDIX 1 — FORM OF STANDBY LETTER OF CREDIT

The following sets forth the form of the Standby Letter of Credit that the LC Bank will issue on or before the Issue Date in connection with the offering of the Bonds. Please see Condition 3(b) of the Terms and Conditions of the Bonds for details of when the Trustee (as beneficiary on behalf of the holders of the Bonds) is required to make a drawing under the Standby Letter of Credit.

STANDBY LETTER OF CREDIT

FM: BANK OF CHINA LIMITED, BEIJING BRANCH (SWIFT: BKCHCNBJ110)
(NO.2 CHAOYANGMEN NEI DAJIE DONGCHENG DISTRICT BEIJING, CHINA)
DATE: ***[DATE]***

TO BENEFICIARY: THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED (THE "TRUSTEE") IN ITS CAPACITY AS TRUSTEE FOR AND ON BEHALF OF THE HOLDERS (THE "BONDHOLDERS") OF THE US$ % PER CENT. CREDIT ENHANCED BONDS DUE (THE "BONDS") TO BE ISSUED BY COSCO FINANCE (2011) LIMITED (THE "ISSUER OF THE BONDS") AND CONSTITUTED BY A TRUST DEED TO BE DATED ON OR AROUND BETWEEN THE ISSUER OF THE BONDS, CHINA COSCO HOLDINGS COMPANY LIMITED AND THE TRUSTEE, AS AMENDED OR SUPPLEMENTED FROM TIME TO TIME (THE "TRUST DEED").

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO.

AT THE REQUEST OF OUR CUSTOMER, CHINA COSCO HOLDINGS COMPANY LIMITED, WE, BANK OF CHINA LIMITED, BEIJING BRANCH (THE "ISSUING BANK", "OUR", "US" OR "WE"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER OF THE BONDS IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS (THE "CONDITIONS") AND THE TRUST DEED. THIS STANDBY LETTER OF CREDIT IS MADE AVAILABLE WITH US BY PAYMENT AGAINST OUR RECEIPT OF A DEMAND (SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A) (A "DEMAND") PRESENTED IN ACCORDANCE WITH THIS STANDBY LETTER OF CREDIT STATING THAT (A) THE ISSUER OF THE BONDS HAS FAILED TO COMPLY WITH CONDITION 3(B) OF THE CONDITIONS IN RELATION TO PRE-FUNDING AN AMOUNT THAT IS PAYABLE UNDER THE CONDITIONS OR (B) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDS, HAS GIVEN NOTICE TO THE ISSUER OF THE BONDS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (C) THE ISSUER OF THE BONDS HAS FAILED TO PAY THE FEES AND EXPENSES IN CONNECTION WITH THE BONDS OR THE TRUST DEED WHEN DUE AND SUCH FAILURE CONTINUES FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE ISSUER OF THE BONDS OR (D) THE PAYMENT MADE BY BANK OF CHINA LIMITED, BEIJING BRANCH PURSUANT TO A PREVIOUS DEMAND PRESENTED BY THE TRUSTEE OF THE BONDS IN ACCORDANCE WITH ANY OF (A) OR (B) OR (C) ABOVE OF THIS STANDBY LETTER OF CREDIT (EACH A "RELEVANT EVENT") WAS, WHEN CONVERTED INTO US DOLLARS, NOT SUFFICIENT TO DISCHARGE IN FULL THE AMOUNTS PAYABLE UNDER THE CONDITIONS OR IN CONNECTION WITH THE BONDS OR THE TRUST DEED FOR THE PURPOSES OF THE APPLICABLE RELEVANT EVENT.

SUBJECT TO THE TERMS OF THIS STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, FOLLOWING RECEIPT BY US OF A DEMAND BY 11:00 A.M. (BEIJING TIME) ON A BUSINESS DAY, WE SHALL BY 11:00 A.M. (BEIJING TIME) ON THE IMMEDIATE NEXT BUSINESS DAY PAY TO OR TO THE ORDER

OF THE BENEFICIARY THE AMOUNT IN RENMINBI SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. "BUSINESS DAY" MEANS A DAY (OTHER THAN A SATURDAY OR A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN BEIJING, HONG KONG AND NEW YORK CITY.

OUR LIABILITY UNDER THIS STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN RENMINBI AND SHALL NOT EXCEED AN AMOUNT REPRESENTING THE AMOUNT (IN US DOLLARS) OF THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE IN ACCORDANCE WITH THE CONDITIONS PLUS ANY FEES AND EXPENSES PAYABLE BY THE ISSUER OF THE BONDS IN CONNECTION WITH THE BONDS OR THE TRUST DEED.

THIS STANDBY LETTER OF CREDIT TAKES EFFECT FROM AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:00 P.M. (BEIJING TIME) ON [DATE FALLING ONE MONTH AFTER THE BOND MATURITY DATE] (THE "EXPIRY DATE") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS STANDBY LETTER OF CREDIT WHICH IS PRESENTED BEFORE 5:00 P.M. (BEIJING TIME) ON THE EXPIRY DATE OF THIS STANDBY LETTER OF CREDIT.

ANY DEMAND UNDER THIS STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY YOU AS TRUSTEE OF THE BONDS TO US (SWIFT: BKCHCNBJ110) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER, PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD ARRANGE FOR A DEMAND TO BE PHYSICALLY PRESENTED AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS ON OR BEFORE THE EXPIRY DATE AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE OF THE BONDS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, TOGETHER WITH A STATEMENT THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE.

MULTIPLE DRAWINGS AND PARTIAL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT ARE PERMITTED, AND EACH SUCH DRAWING SHALL (EXCEPT FOR ANY EXCESS AMOUNTS REPAID BY THE BENEFICIARY) REDUCE THE TOTAL AMOUNT AVAILABLE FOR DRAWING UNDER THIS STANDBY LETTER OF CREDIT.

ALL CHARGES ARE FOR ACCOUNT OF THE ISSUER OF THE BONDS AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

ALL PAYMENTS UNDER THIS STANDBY LETTER OF CREDIT SHALL BE MADE IN RENMINBI AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE OF THE BONDS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED.

THE BENEFICIARY'S RIGHTS UNDER THIS STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY YOU AS TRUSTEE OF THE BONDS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY LETTER TO US AT OUR ADDRESS (AS SPECIFIED ABOVE), AND ACKNOWLEDGED BY US.

WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT OUR BEIJING BRANCH IS CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR BY PRESENTING THE DEMAND IN PERSON AT OUR BEIJING BRANCH (AS SET OUT ABOVE) FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS, PROVIDED THAT IF OUR BEIJING BRANCH IS CLOSED ON THE EXPIRY DATE, SUCH PRESENTATION SHALL BE MADE WITHIN [THREE] BUSINESS DAYS AFTER THE DATE OF OUR RESUMPTION OF OUR BUSINESS.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS STANDBY LETTER OF CREDIT, THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600.

THIS STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, IS GOVERNED BY ENGLISH LAW. THE COURTS OF ENGLAND HAVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS STANDBY LETTER OF CREDIT.

WE HAVE IRREVOCABLY APPOINTED BANK OF CHINA LIMITED, LONDON BRANCH OF [NAME OF PROCESS AGENT] AS OUR PROCESS AGENT IN ENGLAND TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS STANDBY LETTER OF CREDIT IN ENGLAND. IF FOR ANY REASON WE DO NOT HAVE SUCH A PROCESS AGENT IN ENGLAND, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A
FORM OF DEMAND

To: Bank of China Limited, Beijing Branch (SWIFT: BKCHCNBJ110)
(No.2 Chaoyangmen Nei Dajie Dongcheng District Beijing, China)
Attn: Corporate Banking Department Trade Finance

[DATE]

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. IN RESPECT OF THE US$ % PER CENT. CREDIT ENHANCED BONDS DUE (THE "BONDS")

The undersigned is a duly authorised officer of The Hongkong and Shanghai Banking Corporation Limited which is hereby making a demand on behalf of The Hongkong and Shanghai Banking Corporation Limited as Trustee of the Bonds (the "**Beneficiary**") under your Irrevocable Standby Letter of Credit No. (the "**Standby Letter of Credit**"). Capitalised terms used herein and not defined shall have the meaning given in the Standby Letter of Credit.

1 [(A) COSCO Finance (2011) Limited (the "**Issuer of the Bonds**") has failed to comply with Condition 3(b) of the Conditions in relation to pre-funding an amount that is payable under the Conditions] or [(B) An Event of Default (as defined in the Conditions) has occurred and the Beneficiary, as Trustee of the Bonds, has given notice to COSCO Finance (2011) Limited (the "**Issuer of the Bonds**") that the Bonds are immediately due and payable in accordance with the Conditions] /[(C) COSCO Finance (2011) Limited (the "**Issuer of the Bonds**") has failed to pay the fees and expenses in connection with the Bonds or the Trust Deed when due and such failure continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer of the Bonds] or [The payment made on [DATE] by Bank of China Limited, Beijing Branch pursuant to a previous Demand dated [DATE] presented by the Trustee of the Bonds (the "**Previous Demand**") in accordance with any of (A) or (B) or (C) above of the Standby Letter of Credit (each a "**Relevant Event**") was when converted into US dollars not sufficient to discharge in full the amounts payable under the Conditions or in connection with the Bonds or the Trust Deed on the Due Date (as defined below) for the purposes of the applicable Relevant Event].

2 We hereby demand you to pay:

(a) [RMB[AMOUNT], being the RMB equivalent of the US$[AMOUNT] of interest due in respect of the outstanding Bonds on [DATE] (the "**Due Date**") converted at a rate of US$1.00=RMB[RATE], which has not been pre-funded in accordance with the Conditions. The USD/RMB spot exchange rate at 10:00 a.m. (Hong Kong time) on the date of this Demand was determined by The Hongkong and Shanghai Banking Corporation Limited as the LC Proceeds Account Bank (which expression includes its successors or assigns or replacement as LC Proceeds Account Bank) acting in good faith and notified to the Trustee.]

or

(b) [RMB[AMOUNT], being the RMB equivalent of the US$[AMOUNT] of principal [(together with accrued but unpaid interest)] due in respect of the outstanding Bonds on [DATE] (the "**Due Date**") converted at a rate of US$1.00=RMB[RATE], which has not been pre-funded in accordance with the Conditions. The USD/RMB spot exchange rate at 10:00 a.m. (Hong Kong time) on the date of this Demand was determined by The Hongkong and Shanghai Banking Corporation Limited as the LC Proceeds Account Bank (which expression includes its successors or assigns or replacement as LC Proceeds Account Bank) acting in good faith and notified to the Trustee.]

or

(c) [RMB[AMOUNT], being the RMB equivalent of the US$[AMOUNT] of principal due in respect of the outstanding Bonds, together with accrued interest up to the relevant date under the Conditions on which the Bonds cease to bear interest, being [DATE] (the "**Due Date**") converted at a rate of US$1.00=RMB[RATE], as a result of the Bonds having become immediately due and payable in accordance with the Conditions. The USD/RMB spot exchange rate at 10:00 a.m. (Hong Kong time) on the date of this Demand was determined by The Hongkong and Shanghai Banking Corporation Limited as the LC Proceeds Account Bank (which expression includes its successors or assigns or replacement as LC Proceeds Account Bank) acting in good faith and notified to the Trustee.]

or

(d) [RMB[AMOUNT], being the RMB equivalent of the US$[AMOUNT] of fees and expenses payable by the Issuer of the Bonds in connection with the Bonds or the Trust Deed which become payable on or by [DATE] (the "**Due Date**") converted at a rate of US$1.00=RMB[RATE]. The USD/RMB spot exchange rate at 10:00 a.m. (Hong Kong time) on the date of this Demand was determined by The Hongkong and Shanghai Banking Corporation Limited as the LC Proceeds Account Bank (which expression includes its successors or assigns or replacement as LC Proceeds Account Bank) acting in good faith and notified to the Trustee.]

or

(e) [RMB$[AMOUNT], being the RMB equivalent of the US$[AMOUNT] converted at a rate of US$1.00 = RMB[RATE] of [the interest due in respect of the outstanding Bonds on [DATE] (the "**Due Date**")] or [the principal [(together with accrued but unpaid interest)] due in respect of the outstanding Bonds on [DATE] (the "**Due Date**")] or [the principal due in respect of the outstanding Bonds, together with accrued interest up to the relevant date under the Conditions on which the Bonds cease to bear interest, being [DATE] (the "**Due Date**"), as a result of the Bonds having become immediately due and payable in accordance with the Conditions] or [the fees and expenses payable by the Issuer of the Bonds in connection with the Bonds or the Trust Deed and which became due on [DATE] (the "**Due Date**")] that exceeds the US$ amount which The Hongkong and Shanghai Banking Corporation Limited as the LC Proceeds Account Bank ("**LC Proceeds Account Bank**" which expression includes its successors or assigns or replacement as LC Proceeds Account Bank) was able to purchase on [DATE] with the amount so received in RMB on [DATE] from Bank of China Limited, Beijing Branch pursuant to the Previous Demand. The USD/RMB spot exchange rate at 10:00 am (Hong Kong time) on the date of this Demand plus an estimated intraday range spread of the USD/RMB spot exchange rate for the immediate next Business Day, in each case, was determined by the LC Proceeds Account Bank acting in good faith and notified to the Trustee.]

3 If there are any amounts received by or on behalf of the Beneficiary pursuant to Clause 2 [(a) or (b) or (c) or (d) or (e)] of this Demand which is in excess of the amounts payable under the Conditions or in connection with the Bonds or the Trust Deed on the Due Date, the Beneficiary shall, subject to applicable laws and regulations, repay or cause to repay such amounts to you as soon as reasonably practicable after the relevant Due Date without set-off or otherwise (other than for any customary bank fees and charges).

4 We hereby request you to pay the above amounts after you receive this Demand in accordance with the Standby Letter of Credit.

5 The proceeds of the drawing under this Demand are to be credited to the following account: ***[Insert account details]***

The Hongkong and Shanghai Banking Corporation Limited as Beneficiary
By:

ISSUER

COSCO Finance (2011) Limited
P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

COMPANY

China COSCO Holding Company Limited
3rd Floor, No. 1 Tongda Square
Tianjin Port Free Trade Zone
Tianjin
PRC

AUDITOR OF THE COMPANY

PricewaterhouseCoopers
22nd Floor
Prince's Building
Central
Hong Kong

TRUSTEE, REGISTRAR, PRINCIPAL PAYING AGENT, PRE-FUNDING ACCOUNT BANK and LC PROCEEDS ACCOUNT BANK

The Hongkong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
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Central
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