VALUE CREATION

THROUGH MANAGEMENT EFFICIENCY

COSCO Pacific Limited

Annual Report 2014

COMPANY PROFILE

COSCO Pacific's largest shareholder is China COSCO (Stock Code: 1919.HK), whose parent company, COSCO, is one of the largest shipping enterprises in the world.

COSCO Pacific is the world's fourth largest container terminal operator and one of the five largest container leasing companies. Benefiting from the synergies among COSCO companies and the long-term support from large-scale shipping companies in China and overseas, we enjoy competitive advantages that have allowed us to expand steadily our two core businesses of terminals and container leasing, management and sale.

COSCO Pacific is committed to balanced development and its corporate strategy is based on four areas of focus as the major driving forces of business expansion.

- Focus on seizing development opportunities in hub ports in line with the trend towards mega-ships.
- Focus on enhancing COSCO Pacific's brand value by optimising the operational model of the terminal subsidiaries.
- Focus on strengthening the profitability of the terminals business through innovative approaches to equity investments in terminal projects.
- Focus on driving the development of a global terminal portfolio by capitalising on the opportunities from the "One Belt, One Road" and Yangtze River Economic Belt initiatives.

In its terminal investment strategy, COSCO Pacific emphasises maintaining a balanced geographical distribution. The Group's terminal portfolio covers four main port regions in mainland China, Hong Kong and Taiwan, as well as overseas hub ports. As of 31 December 2014, we operated and managed 123 berths at 21 ports worldwide, 17 of them in mainland China, Hong Kong and Taiwan and four overseas. Among the 123 berths, 108 were for containers, with a combined annual handling capacity of 65.75 million TEU. The Group's total throughput represents a global market share of approximately 9.3%.

For the container leasing, management and sale businesses, our fleet size had reached 1,907,778 TEU as of 31 December 2014, representing approximately 11.0% of the global container leasing market. The Group has adhered to its prudent investment strategy and operational model in business development. We seek the balanced development of our fleets of owned containers, sale-and-leaseback containers and managed containers with a view to minimising the operational risks, so as to ensure a stable business.

We provide comprehensive long and short-term container leasing and container management services to our customers. To minimise market cycle risks, most lease contracts are long-term and revenue from long-term leasing accounted for 96.2% of total container leasing revenue in 2014. Our key customers include the world's top ten shipping lines, with revenue from these lines accounting for 79.5% of total container leasing revenue in 2014.

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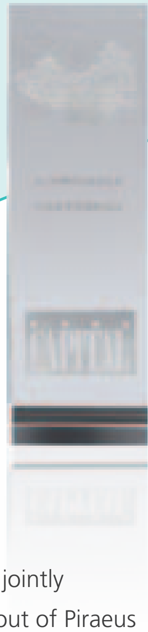
MAJOR EVENTS

January

- Held the first meeting of the Board of Directors of COSCO Pacific in 2014

March

- Held the second meeting of the Board of Directors of COSCO Pacific in 2014
- Announced 2013 final results and held a press conference and analysts' panel discussion
- Announced the acquisition of a 40% effective equity interest in Asia Container Terminal



April

- Held the third meeting of the Board of Directors of COSCO Pacific in 2014
- Announced the 2014 first quarter results on a voluntary basis
- Awarded "Best Investor Relations Company" and Miss Charlotte So, Investor Relations Department Senior Manager, won "Best Investor Relations Professional", *by Corporate Governance Asia* magazine

May

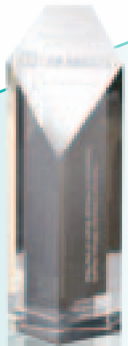
- Held the Annual General Meeting and a press conference

June

- Chinese Premier Li Keqiang and Greek Premier Antonis Samaras jointly witnessed the first fully loaded train with Chinese cargo pulling out of Piraeus Terminal station, signifying the birth of the first sea-rail transportation line
- Honoured for the third consecutive year with an "Outstanding China Enterprise Award" from *Capital magazine*

August

- Held the fourth meeting of the Board of Directors of COSCO Pacific in 2014
- Announced the 2014 interim results and held a press conference and analysts' panel discussion



September

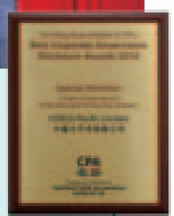
- Awarded “Shipping In-House Team of the Year Award” by *Asian Legal Business*, a renowned magazine for the legal profession
- The 2013 Annual Report was recognised with “Bronze in the Cover Design” in shipping services category at the 2014 ARC Awards

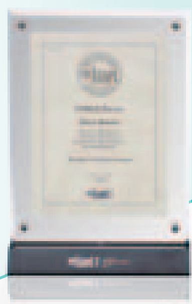
October

- Held the fifth meeting of the Board of Directors of COSCO Pacific in 2014
- Announced the 2014 third quarter results on a voluntary basis
- Won the “Corporate Governance Asia Recognition Award” given by *Corporate Governance Asia* magazine for the eighth consecutive year
- Named “The Hong Kong Outstanding Enterprise” by *Economic Digest* magazine for the tenth consecutive year
- Honoured with “2014 Best Investment Value Award for Listed Companies”, jointly organised by Financial PR Group, Aries Consulting, Compliance First Consulting, dbpower.com.hk, Trinity Financial Communications Group, Asia Fund Space, Cre8 (Greater China) and Chivik Communications for the second consecutive year

November

- The shareholders of Piraeus Port Authority S.A. and the Hellenic Court of Audit approved the amendment agreement of the concession agreement of Pier 2 & Pier 3 of Piraeus Port
- Won “Special Mention in the H-share Companies and Other Mainland Enterprises Category” in the “2014 Best Corporate Governance Disclosure Awards” given by the Hong Kong Institute of Certified Public Accountants
- Awarded “Top H-share 100 – Promising Corporate”, jointly organised by Tecent and Finet





December

- The amendment agreement of the concession agreement signed by Piraeus Terminal and Piraeus Port Authority S.A. became effective after being ratified by the Hellenic Parliament
- The automated loading and unloading system at Xiamen Ocean Gate Terminal launched a trial run on 19 December 2014. It is the first fully electrical and fully intelligent automated container terminal project in China to achieve zero-emissions at site
- Honoured with the “Gold Award for Financial Performance, Corporate Governance, Environmental Responsibility and Investor Relations” by *The Asset* magazine
- Honoured with the “Asian Company Secretary of the Year Recognition Award” by *Corporate Governance Asia* magazine for the second consecutive year

FINANCIAL AND OPERATING HIGHLIGHTS

Revenue

The Group's revenue[1] rose by 8.9% to US$870,091,000 (2013: US$798,626,000).

- Revenue from the terminals business rose by 13.6% to US$516,993,000 (2013: US$455,071,000), the increase being mainly attributable to Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal.
- Revenue from the container leasing, management and sale businesses rose by 2.7% to US$357,075,000 (2013: US$347,747,000). During the year, the fleet size of owned containers and sale-and-leaseback containers and the number of returned containers disposed of increased 2.6% and 42.4% respectively. However, due to lower lease rates and resale prices of returned containers, the revenue growth was slower than the growth in the number of containers.

Gross Profit

The Group's gross profit rose by 1.8% to US$323,857,000 (2013: US$318,169,000). Gross profit margin dropped by 2.6 percentage points to 37.2% (2013: 39.8%).

- The terminals business achieved satisfactory growth in gross profit, mainly supported by improving operations of Xiamen Ocean Gate Terminal. In addition, stable growth in operations was recorded at Guangzhou South China Oceangate Terminal and Piraeus Terminal, driving up the gross profit of the terminals business.
- Gross profit from the container leasing, management and sale businesses decreased. Although demand for leasing was higher, the lease rates remained at a low level in the competitive container leasing market and some container leases with higher lease rates fell due, resulting in a lower gross profit for container leasing. Meanwhile, the resale prices of returned containers remained under pressure, whereas the average carrying amount of returned containers disposed of increased year-on-year. This led to a significant drop in both the gross profit and the gross profit margin on the disposal of returned containers.

Profit

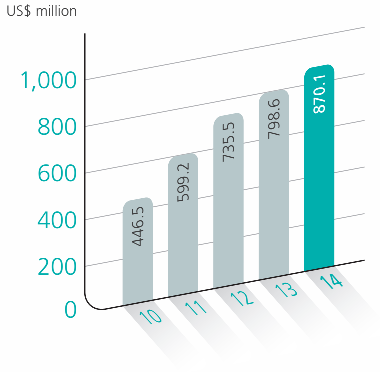
Excluding the discontinued operation[2], profit attributable to equity holders of the Company increased by 2.3% to US$292,759,000 (2013: US$286,206,000).

- The terminals business saw a sustainable growth in container throughput. Total throughput increased by 9.9% to 67,326,122 TEU (2013: 61,284,891 TEU). Equity throughput increased by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU). Profit rose by 18.3% to US$220,978,000 (2013: US$186,767,000).
- Profit from the container leasing, management and sale businesses dropped by 23.6% to US$95,757,000 (2013: US$125,259,000). The container fleet size increased by 1.0% to 1,907,778 TEU (2013: 1,888,200 TEU), with an overall average utilisation rate of 95.3% (2013: 94.5%). Although the overall average utilisation rate in 2014 increased, lease rates remained low throughout the year and profit from the disposal of returned containers dropped, resulting in a lower overall profit margin from the business.

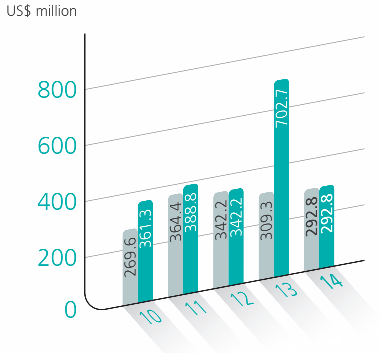
Dividend

The proposed final dividend is HK15.4 cents per share (2013: HK15.0 cents), and the dividend will be payable in cash and with a scrip dividend alternative. The full-year dividend would amount to HK31.0 cents (2013: HK77.4 cents), representing a payout ratio of 40.0% (2013: 40.0%).

Revenue
US$870.1 million

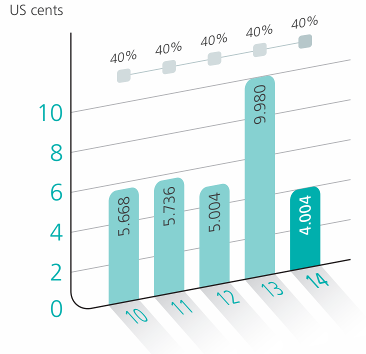


Profit Attributable to Equity Holders of the Company
US$292.8 million



Including non-recurring items
Excluding non-recurring items

Dividend per Share and Payout Ratio
US4.004 cents



Dividend per share
Payout Ratio

Results Highlights

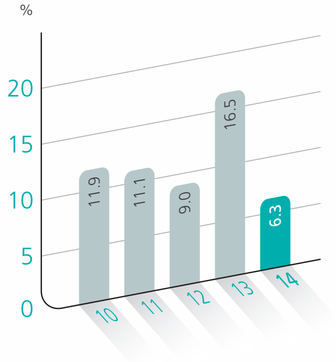
	2014	2013	Change
	US$	US$	%
Revenue[1]	**870,091,000**	798,626,000	+8.9
Operating profit before finance income and finance costs	**227,425,000**	246,819,000	-7.9
Share of profits less losses of joint ventures and associates (excluding discontinued operation[2])	**171,225,000**	153,910,000	+11.3
Share of profits less losses of joint ventures and associates	**171,225,000**	176,969,000	-3.2
Profit attributable to equity holders of the Company (excluding discontinued operation[2])	**292,759,000**	286,206,000	+2.3
Profit attributable to equity holders of the Company	**292,759,000**	702,676,000	-58.3
	US cents	US cents	%
Basic earnings per share (excluding discontinued operation[2])	**10.01**	10.16	-1.5
Basic earnings per share	**10.01**	24.95	-59.9
Dividend per share	**4.004**	9.980	-59.9
Interim dividend	**2.016**	2.396	-15.9
Special dividend	**–**	5.648	-100.0
Final dividend	**1.988**	1.936	+2.7
Payout ratio	**40.0%**	40.0%	–
	US$	US$	%
Consolidated total assets	**7,616,710,000**	7,551,304,000	+0.9
Consolidated total liabilities	**2,558,048,000**	2,707,810,000	-5.5
Consolidated net assets	**5,058,662,000**	4,843,494,000	+4.4
Capital and reserves attributable to the equity holders of the Company	**4,742,447,000**	4,546,106,000	+4.3
Consolidated net debts	**743,714,000**	808,659,000	-8.0
	%	%	pp
Return on equity holders of the Company	**6.3**	16.5	-10.2
Return on total assets	**3.9**	9.4	-5.5
Net debt-to-total equity ratio	**14.7**	16.7	-2.0
Interest coverage	**5.9 times**	9.9 times	-4.0 times
Dividend Yield	**2.8**	7.3	-4.5

Note:

1. The Group's revenue was generated from Florens, Piraeus Terminal, Guangzhou South China Oceangate Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Zhangjiagang Terminal, Jinjiang Pacific Terminal, Xiamen Ocean Gate Terminal and its subsidiary Xiamen Tongda Terminal and Plangreat and its subsidiaries.
2. On 20 May 2013, the Group announced the disposal of its 21.8% equity interest in CIMC for a cash consideration of US$1,219,789,000, which was completed on 27 June 2013, resulting in a net gain of US$393,411,000. In 2013, the Group's share of profit from CIMC was US$23,059,000.

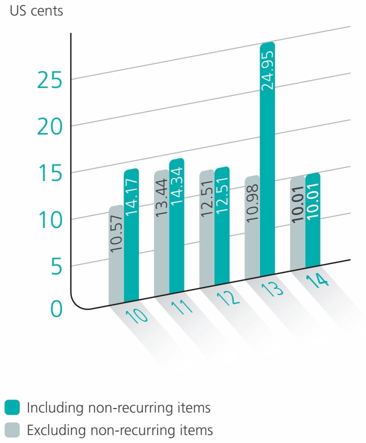
Return on Equity Holders of the Company

6.3%



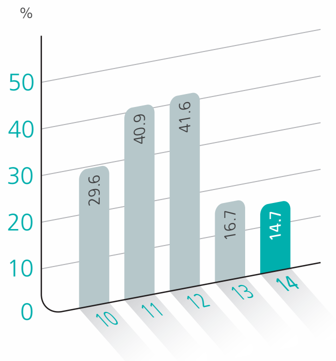
Basic Earnings per share

US10.01 cents



Net Debt-to-total-Equity Ratio

14.7%



TARGETED STRATEGIC GOALS FOR BRIGHT PROSPECTS

With a broad vision, COSCO Pacific keeps abreast of global market dynamics, sets a series of goals and strategies, and continuously optimises management efficiency to achieve a business model that covers the entire industry chain. By thus leading the shipping industry in the drive for higher efficiency, we unlock our corporate value.

CHAIRMAN'S STATEMENT

COSCO Pacific is committed to cooperating with the national strategy of "One Belt, One Road", carrying out research on the opportunities the full transportation chain along the Yangtze River Economic Belt offers, and leveraging the relationship with COSCO and its subsidiaries to create a win-win situation.

Dear Shareholders,

On behalf of the Board of Directors ("Board") of the Company, I am pleased to report to you the Company's final results for 2014.

The global economy saw diverse developments during the year. China's economic and trade growth slowed down while in the United States, a number of economic indicators were stable or showed growth. In Europe, the economic recovery remained sluggish, while the emerging markets suffered currency depreciation as a consequence of capital outflows. The US dollar has been strengthening in the face of volatile oil prices and geopolitical instability around the world. These factors have hindered a solid recovery in the global economy and the shipping industry.

The macro environment has thus been varied, while the operating environment of the terminals business has presented challenges. Nonetheless, with our high level of experience in the terminals business, we have improved the operational efficiency of our terminals further, effectively relieving the pressure of rising costs in port operations through efficient management and the upgrading of equipment. Our core terminals business achieved steady progress on the back of strong revenue growth at our overseas terminals.

Regarding our container leasing business, prices for containers peaked in 2011 and entered a downturn because of oversupply. However, the Group's container leasing business remained firm in 2014 and the prices and lease rates of containers stabilised.

Excluding the non-recurring gains from the disposal of CIMC and the share of profit from CIMC in 2013, profit attributable to equity holders of the Company increased 2.3% to US$292,759,000 (2013: US$286,206,000). Including this discontinued operation, profit attributable to equity holders of the Company was down 58.3% year-on-year (2013: US$702,676,000).

During the year, excluding discontinued operation, the Group's earnings per share were down 1.5% to US10.01 cents (2013: US10.16 cents). The Board is recommending a final dividend of HK15.4 cents per share (2013: HK15.0 cents). Thus the full-year dividend will be HK31.0 cents (2013: HK77.4 cents, including special interim dividend of HK 43.8 cents) per share, with the payout ratio at 40.0% (2013: 40.0%). The Group will continue to pursue a stable dividend policy and exercise the proper use of cash to ensure it is adequately funded for future investments and stable development, in order to generate sustainable value for shareholders.

Enhancing Sustainability

As the fourth largest container terminal operator in the world, the Group accounts for about 9.3% of global market share, when measured by total throughput. For the container leasing business, the Group's container fleet reached 1,907,778 TEU, accounting for approximately 11.0% of the global market, and hence we remained one of the top five container leasing companies in the world.

The ports industry is a critical part of the global supply chain and fundamental to the global economy. More than 80% of foreign trade cargoes use maritime transport, making it irreplaceable in the foreseeable future. COSCO, the ultimate parent company of COSCO Pacific, is one of the world's largest shipping companies. To exploit the synergies offered by our parent's fleet size, COSCO Pacific will strive to expand its terminals business and actively develop a business model offering comprehensive logistic chain solutions, maximising value for customers.

COSCO Pacific pursues a well-balanced terminal investment strategy. In the future, we will optimise our business model in managing those terminals where we have controlling equity stakes in order to raise their profit contributions. Meanwhile, the Group will pay close attention to developments in the global port network and respond to developments in the macro environment. The Group will also optimise its terminal service networks to ensure sustainable profit growth.

The operating environment of the container leasing business faces many challenges. However, our subsidiary Florens has a high quality, very efficient customer-centric team. It also has a worldwide sales and service network with offices or subsidiaries in 13 locations across all five continents, with established connections to some 230 container depots. These give the Group advantages in responding to market changes, and we will use them to seek ways to upgrade and transform the business so as to strengthen our competitive edge. We will reinforce our focus on advanced and flexible business practices to maximise profitability, such as adjusting the mix of owned containers, sale-and-managed containers, sale-and-leaseback containers, improving the asset turnover ratio and strengthening risk management.

Improving Governance Internally, Emphasising Corporate Social Responsibility Externally

In our pursuit of excellence, we are committed to raising our level of corporate governance and we place particular emphasis on transparency. The Board believes that sound corporate governance can increase enterprise value effectively over the long term. As a constituent member of the Hang Seng Corporate Sustainability Benchmark Index, COSCO Pacific has decided to publish a Corporate Sustainability Report this year, to strengthen its level of governance and information disclosure regarding corporate social responsibility and sustainable development.

We always pay attention to our relationship with the environment and the community, and to how our operations interact with them. While focusing on business development, the Group considers the sustainability of the environment, community issues, operational safety and risk management in all its decisions, in accordance with China's "scientific approach to development". In recognition of our tireless efforts in relation to corporate governance and investor relations, during 2014 the Group received several awards, including "Special Mention in the H-share Companies and Other Mainland Enterprises Category" in the "2014 Best Corporate Governance Disclosure Awards" from the Hong Kong Institute of Certified Public Accountants and the "Golden Award for Financial Performance, Environmental Responsibility and Investor Relations" from The Asset magazine.

Accurately Judge the Situation, Proactively Seize Opportunities

According to a forecast by the International Monetary Fund ("IMF"), world GDP will increase by 3.5% in 2015. China, the United States and Europe will exert the most significant influence on the global economy. The European Central Bank announced "quantitative easing" in January 2015, which is expected to stimulate the Eurozone economies. On the other hand, China is implementing reforms in its economic structure, and its economy is entering into a "new normal" of mid-to-high single digit growth.

The operating environment of the shipping industry is also changing. According to a survey by Shipping Exchange Bulletin at the end of 2014, nearly 70% of respondents considered the "new normal" to be characterised by "excessive capacity" and "a slowdown in demand". In this "new normal", the pattern of alliances and cooperation among shipping lines is changing. The Group is paying close attention to this situation and its impact on the ports industry. Nevertheless, according to a forecast made by Drewry Shipping Consultants Limited ("Drewry"), lower oil prices will reduce the operating costs of shipping lines, having a positive effect on the Group's main business.

The "One Belt, One Road" initiative from by the Central Government of China is an integrated strategy to support long-term economic exchange between Asia and Europe. Negotiations for a free trade agreement between China and South Korea are also progressing, laying a solid foundation for a multilateral regional trade platform for China and the Asia Pacific region. It is therefore reasonable to expect trade relations between China and Asian countries to become closer, significantly benefiting terminal throughput growth.

In 2014, the Central Government also introduced a number of policies designed to support the shipping industry. Among them, the Ministry of Transport and the National Development and Reform Commission jointly issued a circular to remove price control on competition port services, suggesting that policies will be improved and port service charges will become more market driven. This development will play a decisive role in resource allocation in the market, promote the healthy development of China's port industry and underpin the stability of the economy and foreign trade.

Port tariffs in China are relatively low when compared to those overseas, while shipping companies' operating costs have trended lower following the slump in oil prices in 2014. These will be positive factors for Chinese ports when negotiating prices. Moreover, shipping companies' increasing emphasis on the quality and efficiency of terminal services will generate opportunities for the Group to increase market share.

The liberalisation of port service charges in China is expected to increase the pricing power of those ports with faster throughput growth, higher utilisation rates and greater integration with international markets. Since the Group's terminals have maintained relatively high average utilisation rates, the new policy is considered a positive development for the Group's operations and profitability.

China's 13th Five-Year Plan will be announced in 2015, following which the "National Costal Port Layout Plan" and "National Water Safety Surveillance and Rescue System Layout Plan" will be revised. We are looking forward to reviewing the terminal-related policies in the Five-Year Plan.

With a comprehensive and growing terminal network and many years of experience, the Group has focused on efficient management and improved service quality to create an innovative service model that lowers operating costs

and raises operational efficiency for shipping companies. At the same time, we pay close attention to investment opportunities, in order to grow our business quickly and flexibly. This allows the Group to maximise profitability through using the Group's assets effectively in a changing macro-economic environment.

Listed for 20 Years, Building Mutual Trust and Support

I joined COSCO in 1990, serving in various positions and becoming a non-executive director of COSCO Pacific in August 2011. I am honoured to have been appointed Chairman of the Board of COSCO Pacific this year. I am committed to cooperating with the national strategy of "One Belt, One Road", carrying out research on the opportunities the full transportation chain along the Yangtze River Economic Belt offers, and leveraging the relationship with COSCO and its subsidiaries to create a win-win situation.

Since COSCO Pacific was listed in 1994 on the main board of the Hong Kong Stock Exchange, the Group's value has risen consistently, while over the 20 years its operating efficiency and corporate governance has steadily been enhanced. This reflects the influence of the leadership of previous Boards of Directors, management and staff, especially the unremitting efforts of my predecessor as Chairman, Mr. Li Yunpeng. The Group will increase its efforts to become the world's leading terminal operator. As a highly experienced company in the terminals and container business, we will proactively address market changes, continue to optimise our business model, prudently implement our investment plans, improve our strategic position and unlock the synergies between the ports industry and the shipping sector. We are committed to providing service of even greater quality and efficiency to our customers, creating a platform on which our staff can exercise their talent to the full, thereby generating higher returns for our shareholders.

In addition, the Board was notified by Mr. Tim Freshwater that he would retire as Independent Non-executive Director at the forthcoming annual general meeting to be held in May. Mr. Freshwater has unmatched experience and expertise in the fields of law, investment banking as well as corporate banking. Mr. Freshwater has joined the Board since June 2005 and served as a significant and contributory catalyst of the Board especially for the development of our corporate governance and formulation of our sustainable corporate strategy. I would like to take this opportunity to express my heartfelt thanks to Mr. Freshwater for his continued effort, commitment and invaluable contributions during his office.

Finally, I wish to express my sincere gratitude to our shareholders for their trust, and the long-term support and care shown to COSCO Pacific by COSCO, China COSCO and our sister companies, partners and other stakeholders.

万敏

WAN Min

Chairman

24 March 2015

VICE CHAIRMAN'S REPORT

The Group pays attention to management efficiency in order to enhance the value of the terminal business, to increase customer satisfaction through optimising its cost structure and to enhance the operational efficiency of our terminals.

2014 Overview of the Economy and the Industry

The global economy remained sluggish in 2014, with a varied pattern across different countries, and world trade consequently only managed to grow in the low single digits. In China, the rate of economic growth declined slightly and foreign trade has entered a period of more modest expansion.

Despite the subdued global economic picture, growth in global port container throughput improved. According to the forecast made by Drewry in December 2014, the growth in global container handling in 2014 increased by 1.1 percentage points to 5.0% as compared to 2013. The overall increase in throughput for China's ports was stable at 6.1%, but thanks to the rise in global container traffic, China's largest ports saw faster throughput growth than in 2013.

Although the rise in demand for containers from shipping companies remained largely unchanged during 2014, rental yields, lease rates as well as resale prices for old containers remained at low levels owing to intense competition, pressuring the profit margin of the container leasing industry.

Adhering to our Established Strategies Achieved a Steady Performance

In response to the prevailing conditions, including the mixed fortunes of the global economy and the structural adjustments to China's foreign trade, the management of the Group focused its efforts on optimising management performance and enhancing operational outcomes to strengthen core competences. This was in accordance with the strategy we set in 2013 to focus on the development of the terminals and container leasing businesses. As a result, the Group turned in a stable performance during the year.

The Group revenue in 2014 was US$870,091,000, an increase of US$71,465,000 or 8.9% compared with 2013. The terminals business saw satisfactory results, with revenue increasing by 13.6% to US$516,993,000. The increase was mainly attributable to Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal. Revenue from the container leasing, management and sale businesses increased by 2.7% to US$357,075,000.

The Group's gross profit increased by US$5,688,000 or 1.8% to US$323,857,000 compared with 2013 and the gross profit margin decreased by 2.6 percentage points to 37.2%, among which, gross profit from the terminals business increased while that of the container leasing, management and sale businesses decreased. Excluding the discontinued operation (a net gain from the disposal of CIMC and the share of profit from CIMC in 2013), profit attributable to equity holders of the Company was US$292,759,000, an increase of US$6,553,000 or 2.3% compared with 2013.

Steady Progress in Terminal Operations

During the past year, the Group's terminals business achieved successes in marketing, and its operations made steady progress. This was reflected in the 10.8% growth in equity throughput for the year to 19,047,214 TEU, which exceeded the expectations set by management at the beginning of the year. This increase drove the profit from the terminals business up by US$34,211,000 or 18.3% compared with 2013 to US$220,978,000. Thanks to the optimisation of operations at the terminals business, the growth in profit surpassed that in equity throughput. Total throughput increased by 9.9% over 2013 to 67,326,122 TEU.

Focus on Developing the Terminals Business

The Group continued to monitor market opportunities to invest in high quality terminals and on 13 March 2014 acquired a 40% effective equity interest in Asia Container Terminal in Hong Kong for a consideration of approximately US$212,335,000. The terminal contributed a profit of US$1,599,000 and interest on the Group's shareholder loan amounting to US$2,916,000 during the year. More efficient management of the new terminal and COSCO-HIT Terminal will increase the synergies between the two facilities.

In addition to seizing this new investment opportunity, the Group focused on enhancing the operating capacity of its existing terminals. The amendment agreement of the concession agreement signed by Piraeus Terminal and Piraeus Port Authority S.A. became effective following ratification by the Hellenic Parliament and construction of the Western Part of Pier 3 commenced in late January 2015. The construction and the installation of mechanical equipment is expected to be completed by 2021. The expansion project will enhance the facility and increase the operational capacity of Piraeus Terminal. It will also be favourable to the port's position as an international transshipment hub, consistent with our top three goals for Piraeus Terminal, including to become a major logistics distribution centre and the most important container transshipment centre in the Eastern Mediterranean. The Group also launched sea-rail intermodal transport services at Piraeus to develop the terminal as the gateway port for Southern Europe.

A Challenging Market for the Container Leasing Business

During the year, container leasing and sale businesses faced pressure on gross profit margins. With abundant supply causing keen competition, new container prices and leasing rates remained at low levels. Meanwhile, some leases with higher leasing rates expired, resale prices for containers were weak and the average carring value for returned containers

was higher year-on-year. As a result of these pressures, the profit from the Group's container leasing, management and sale businesses declined by US$29,502,000 as compared to 2013 to US$95,757,000, representing a decrease of 23.6%.

In its business development, the Group has adhered to its steady investment strategy and operational model, and has been prudent in formulating and adjusting its plans to purchase containers in light of changes in market conditions. Faced with a market experiencing intense competition, the Group revised down the number of new containers purchased from 190,000 TEU as originally budgeted to 161,106 TEU during the year. As at 31 December 2014, COSCO Pacific's container fleet size increased by 1.0% to 1,907,778 TEU.

A Solid Financial Position

During the year, the Group's capital expenditure on the terminals business amounted to US$387,576,000, of which US$279,919,000 was used for investment in new projects and US$107,657,000 for berth expansion and the purchase of machinery and equipment in the terminal subsidiaries. Capital expenditure on the purchase of new containers at the container leasing business amounted to US$305,803,000.

As at 31 December 2014, the Group's consolidated net bank borrowings amounted to US$743,714,000, compared with US$808,659,000 as at 31 December 2013. The net debt-to-total-equity ratio was 14.7% and the cash balance was US$1,116,479,000. Banking facilities available but unused amounted to US$475,694,000. The Group's solid financial position creates a strong foundation for it to focus on capturing investment opportunities in high quality terminals.

Our Four Areas of Strategic Focus

The Group is committed to enhancing the operations and profitability of its terminals business and will adhere to the four areas of focus listed below to enhance the strategic value of its terminals.

Focus on seizing development opportunities in hub ports in line with the trend towards mega-vessels:

Mega-vessels have become mainstream in the shipping industry, and accordingly we will develop our global hub network based on the network of main routes for international shipping as well as COSCON's hub strategy.

Focus on enhancing COSCO Pacific's brand value by optimising the operational model of the terminal subsidiaries:

In 2015, the Group will roll out enhancements to marketing and services, cost optimisation, business model innovation and management excellence to raise the productivity and sustainability of its terminals with controlling stakes.

Focus on strengthening the profitability of the terminals business through innovative approaches to equity investments in terminal projects:

In addition to increasing steadily our investment in terminals with controlling stakes, the Company will target innovative ways to make equity investments in terminal projects in accordance with our target of increasing revenue and mitigating risks in order to strengthen the profitability of the terminals business. While the primary focus will be on China, the Group will also expand its global terminal network and diversify its terminal investment geographically.

Focus on driving the development of a global terminal portfolio by capitalising on the opportunities from the "One Belt, One Road" and the Yangtze River Economic Belt Initiatives:

The Group will leverage the synergy between its terminals and the shipping business of COSCO to capture the strategic opportunities arising in the Yangtze River Economic Belt and Maritime Silk Road. The strategic positioning of COSCO's fleets as well as COSCO's long-standing shipping route callings at global container hubs are fundamental to the development of the Group's terminals business. COSCO Pacific will thus align the direction and strategy for its terminals business with global development strategies for COSCO's fleet and its shipping route network.

Value Creation Through Management Efficiency

Management Efficiency and Strengthening Core Competence

The Group pays attention to management efficiency in order to enhance the value of the terminals business. We have reduced berthing times by enhancing the operational efficiency of our terminals and have given ships a longer time for slow steaming, thus reducing shipping companies' fuel costs. At the same time as increasing customer satisfaction, the Group is committed to opitimising its own cost structure, through measures such as the implementation of more centralised procurement among the terminal subsidiaries, reducing operating costs through greater automation and substituting bunker fuel-powered equipment with electrical-powered equipment to reduce energy costs. These measures not only increase productivity but meet the need to protect the environment through energy saving and carbon emissions reduction at ports. To create further value, the Group is committed to developing value-added services in addition to loading in terminals to grow the revenue of its terminals business. These include terminal logistics and warehousing, sea-rail intermodal transport services and other related services.

The Group expects competition in container leasing to remain intense in 2015, challenging our performance in this segment. As a result, we are prioritising the implementation of stringent quality control, cost control and risk management measures. We are committed to enhancing marketing, implementing stringent risk management and quality control, and unlocking value in the container leasing business through excellence in customer service and management.

The Group will also create value through strengthening customer marketing and increasing its efforts to lease off-hire containers. In the fourth quarter of 2014, we successfully developed an e-commerce platform for the sale of returned containers. This provides a faster and more convenient trading channel, while increasing our ability to sell to end-users and small and medium sized customers. The online platform will also enable us to extend our marketing footprint.

Despite the uncertainties that prevail in the container leasing market, with our risk management capability in container leasing business, we are confident of securing stable cash inflow from the segment, providing momentum for investment and sustainable growth.

Corporate Social Responsibility

In addition to optimising operations, COSCO Pacific regards corporate citizenship as very important and supports policies on environmental protection and improvement. We take environmental protection into account in our decisions and strive to reduce the impact on the environment from our operations and business development projects.

The Group encourages its subsidiaries to adopt energy saving technologies and pay due attention to environmental protection when expanding capacity. For instance, at our terminals in mainland China where we are the controlling shareholder, we have substituted bunker fuel-powered equipment with electrical-powered equipment and implemented energy recovery technologies for energy saving. We have completed 87% of the "bunker fuel to electricity" retrofitting project for fuel engine hangers, and expect to reduce our consumption of bunker fuel significantly and boost the use of clean energy.

The automated loading and unloading system at Xiamen Ocean Gate Terminal conducted a trial run on 19 December 2014. It is the first fully-electrical and fully-intelligent automated container terminal project in China. In addition to enhancing operational capacity and efficiency, the system achieves zero-emissions at site. Xiamen Ocean Gate Terminal is also collaborating with Xiamen University to protect the local ecosystem.

Florens has actively participated in the design of containers that use environmentally friendly materials and in research on lightweight containers, which will contribute to reducing energy consumption and improving environmental protection.

Last year, the Group correctly identified the market dynamics and captured the opportunities to progress the sustainable development of its businesses. Looking at the year ahead, we will continue to pursue efficient management and strive to increase the Group's intrinsic value.

Appreciation

When the market environment is challenging, the importance of good management becomes ever more apparent. I am deeply honoured to have the trust of the Board of Directors and to have been appointed as Vice-Chairman of the Group. I shall work closely with our Chairman to supervise the efficiency drive across the entire Group management and will strive unceasingly to create shareholder value and increase returns to shareholders.

QIU Jinguang
Vice Chairman and Managing Director
24 March 2015

20 YEAR MILESTONE

1994-96

- Listed on the Stock Exchange of Hong Kong Limited on 19th December 1994 with a market capitalisation of HK$2.9 billion.
- Acquired 50% stake in COSCO-HIT Terminals from COSCO, the Group's first investment in container terminals.
- Florens launched services for master leases and short-term leases, diversifying its services to customers.

1997-00

- Acquired partial equity interests in four container terminals from COSCO, including Yantian Terminal (5%) and Zhangjiagang Terminal (51%).
- Acquired a 20% equity interest in Shanghai Pudong Terminal, the first joint venture terminal company for the Group.

2003

- Collaborated with Qingdao Port Authority, Britain's Peninsular and Oriental Steam Navigation and the Danish Maersk Group on a joint investment in Qingdao Qianwan Terminal.
- Acquired a 49% equity interest in COSCO-PSA Terminal in Singapore, the first overseas terminal project of the Group under the strategy "based in China with a global vision".

2004-05

- Acquired a 25% equity interest in Antwerp Terminal in Belgium, expanding the Group's global terminal network.
- Acquired a 59% equity interest in Guangzhou South China Oceangate Terminal to strengthen the Group's presence in the Pearl River Delta.
- Acquired a 20% equity interest in Suez Canal Terminal at Port Said, Egypt, to expand overseas terminal investment to the Eastern Mediterranean.
- Container fleet of Florens exceeded 1 million TEU.

2006

- Acquired majority equity interest of 71.43% in Quan Zhou Pacific Terminal, symbolising a transformation of strategic direction from investment in terminals to investment in the operation of terminals.
- Acquired a 20% equity interest in Ningbo Yuan Dong Terminal, including two berths accommodating 18,000 TEU container ships.
- Managed containers business integrated with the owned container business to optimise container leasing and the capital structure.

COSCO Pacific's terminals handled a total of

550,525,683 TEU

during the two decades to 2014.

The combined quay length of our terminals amounts to

46.272 km

which is nearly 10% longer than a full marathon (42.195 km).

The aggregate amount of the dividends of COSCO Pacific during the two decades to 2014 was

US$2,251,761,000

The compound annual growth rate (CAGR) in the annual handling capacity of our terminals between 1994 and 2014 is

21.9%

2007

- Acquired a 70% equity interest in Xiamen Ocean Gate Terminal and an 80% equity interest in Jinjiang Pacific Terminal, increasing the equity holding in terminals and entering an era of diversified terminal investment.

2008

- Signed a concession agreement with Piraeus Port Authority S.A. for the operation and development of Piers 2 and 3 of Piraeus Port in Greece, jointly witnessed by Chinese President Hu Jintao and Greek Prime Minister Kostas Karamanlis.

2010

- Acquired approximately 10% additional equity interest in Yantian Terminal to increase the Group's market share in southern China.

2013

- Acquired a 39.04% equity interest in Taicang Terminal from COSCO, indicating the flagship position of COSCO Pacific within COSCO's terminals business.

2014

- Acquired a 40% effective equity interest in Asia Container Terminal adjacent to COSCO-HIT Terminal, creating a combined 1,380 metre quay length and greatly enhancing the flexibility to berth mega-ships.
- Xiamen Ocean Gate Terminal, China's first fully electric, fully intelligent automated container terminal, carried out operational trials on 19 December 2014.

CORPORATE STRUCTURE

CHINA OCEAN SHIPPING (GROUP) COMPANY

↓

52.80%

CHINA COSCO HOLDINGS COMPANY LIMITED

STOCK CODE: 1919

↓

Independent Shareholders → 55.46%

44.54%

COSCO PACIFIC LIMITED

STOCK CODE: 1199

Terminals and Related Businesses

World's No. 4

Container Leasing, Management and Sale Businesses

World's Top 5

Terminals and Related Businesses

Bohai Rim

30%	Dalian Automobile Terminal
20%	Dalian Port Terminal
25%	Dongjiakou Ore Terminal
20%	Qingdao Qianwan Terminal
16%	Qingdao New Qianwan Terminal
8%	Qingdao Qianwan United Terminal
5.6%	Qingdao Qianwan United Advance Terminal
30%	Tianjin Euroasia Terminal
14%	Tianjin Five Continents Terminal
50%	Yingkou Terminal

Yangtze River Delta

20%	Ningbo Yuan Dong Terminal
20%	Nanjing Longtan Terminal
30%	Shanghai Pudong Terminal
10%	Shanghai Terminal
39.04%	Taicang Terminal
55.59%	Yangzhou Yuanyang Terminal
51%	Zhangjiagang Terminal

Southeast Coast and Others

80%	Jinjiang Pacific Terminal
10%	Kao Ming Terminal
82.35%	Quan Zhou Pacific Terminal
70%	Xiamen Ocean Gate Terminal
70%	Xiamen Tongda Terminal

Pearl River Delta

40%	Asia Container Terminal
50%	COSCO-HIT Terminal
39%	Guangzhou South China Oceangate Terminal
14.59%	Yantian Terminal Phase I & II
13.36%	Yantian Terminal Phase III

Overseas

20%	Antwerp Terminal
49%	COSCO-PSA Terminal
100%	Piraeus Terminal
20%	Suez Canal Terminal

Terminal Related Businesses

50%	Piraeus Consolidation and Distribution Centre S.A.
100%	Plangreat

Container Leasing, Management and Sale Businesses

	Business Network
100% Florens	*Asia Pacific* Hong Kong • Macau • Shanghai • Shenzhen Tianjin • Singapore • Sydney *Americas* San Francisco • New York • Sao Paulo *Europe* London • Hamburg • Genoa

As at 31 December 2014

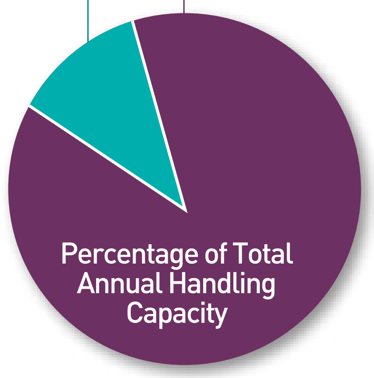
WORLDWIDE TERMINAL NETWORK

Mainland China, Hong Kong and Taiwan 83.3%

- Terminal Coverage
  17 PORTS
- Terminal Companies in Operation
  25
- Annual Handling Capacity
  54,750,000 TEU

Overseas 16.7%

- Terminal Coverage
  4 PORTS
- Terminal Companies in Operation
  4
- Annual Handling Capacity
  11,000,000 TEU



Total Annual Handling Capacity

65,750,000TEU

Bohai Rim

Percentage of total annual handling capacity	29.5%
Container berths	34
Annual handling capacity	19,400,000 TEU

Yangtze River Delta

Percentage of total annual handling capacity	13.0%
Container berths	20
Annual handling capacity	8,550,000 TEU

Southeast Coast and Others

Percentage of total annual handling capacity	8.7%
Container berths	10
Annual handling capacity	5,700,000 TEU

Pearl River Delta

Percentage of total annual handling capacity	32.1%
Container berths	25
Annual handling capacity	21,100,000 TEU

Overseas

Percentage of total annual handling capacity	16.7%
Container berths	19
Annual handling capacity	11,000,000 TEU

WORLDWIDE CONTAINER DEPOT NETWORK

North America

Atlanta
Baltimore
Calgary
Charleston
Chicago
Cincinnati
Cleveland
Columbus
Detroit
Houston
Jacksonville
Kansas City
Kelowna
Los Angeles
Louisville
Memphis
Miami
Minneapolis
Montreal
New Orleans
New York
Norfolk
Portland
San Francisco
Savannah
Seattle
St. Louis
Tacoma
Toronto
Vancouver

Central America

Puerto Limon

South America

Buenos Aires
Fortaleza
Guayaquil
Itajai
Manaus
Navegantes
Paranagua
Rio Grande
San Antonio
Santiago
Santos
Suape
Talcahuano
Valparaiso

South Africa

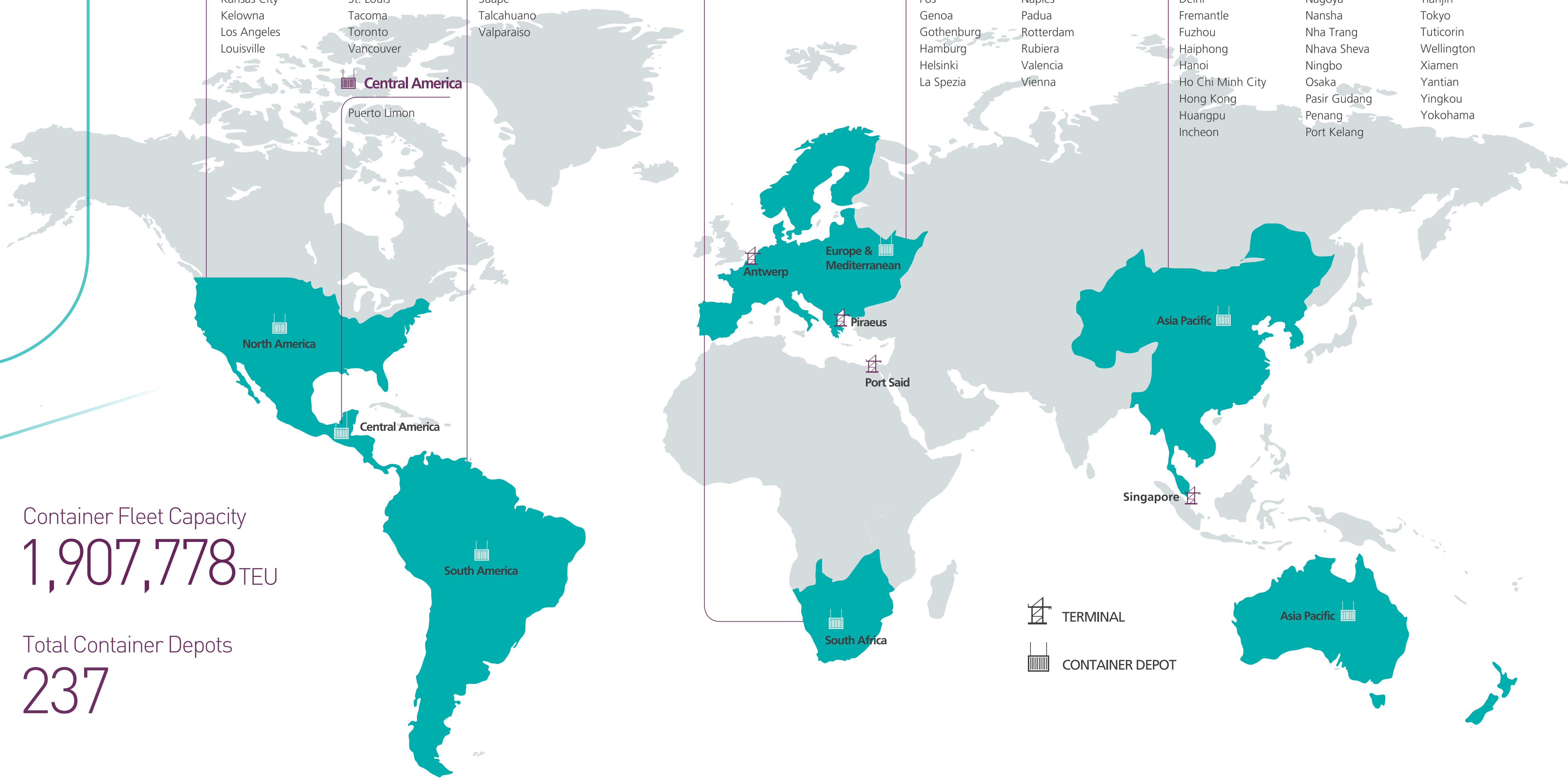
Cape Town
Durban
Johannesburg

Europe & Mediterranean

Aarhus
Antwerp
Barcelona
Basel
Bilbao
Birmingham
Bremen
Copenhagen
Dubai
Duisburg
Felixstowe
Fos
Genoa
Gothenburg
Hamburg
Helsinki
La Spezia
Leeds
Leghorn
Le Havre
Lisbon
Liverpool
London
Lyon
Manchester
Mannheim
Marseille
Milan
Naples
Padua
Rotterdam
Rubiera
Valencia
Vienna

Asia Pacific

Adelaide
Auckland
Bangkok
Brisbane
Busan
Calcutta
Chongqing
Cochin
Colombo
Dalian
Da Nang
Delhi
Fremantle
Fuzhou
Haiphong
Hanoi
Ho Chi Minh City
Hong Kong
Huangpu
Incheon
Jakarta
Kaohsiung
Karachi
Keelung
Kobe
Laem Chabang
Lianyungang
Lyttelton
Madras
Manila
Melbourne
Nagoya
Nansha
Nha Trang
Nhava Sheva
Ningbo
Osaka
Pasir Gudang
Penang
Port Kelang
Qingdao
Quanzhou
Qui Nhon
Seoul
Shanghai
Shekou
Singapore
Surabaya
Sydney
Taichung
Tauranga
Tianjin
Tokyo
Tuticorin
Wellington
Xiamen
Yantian
Yingkou
Yokohama



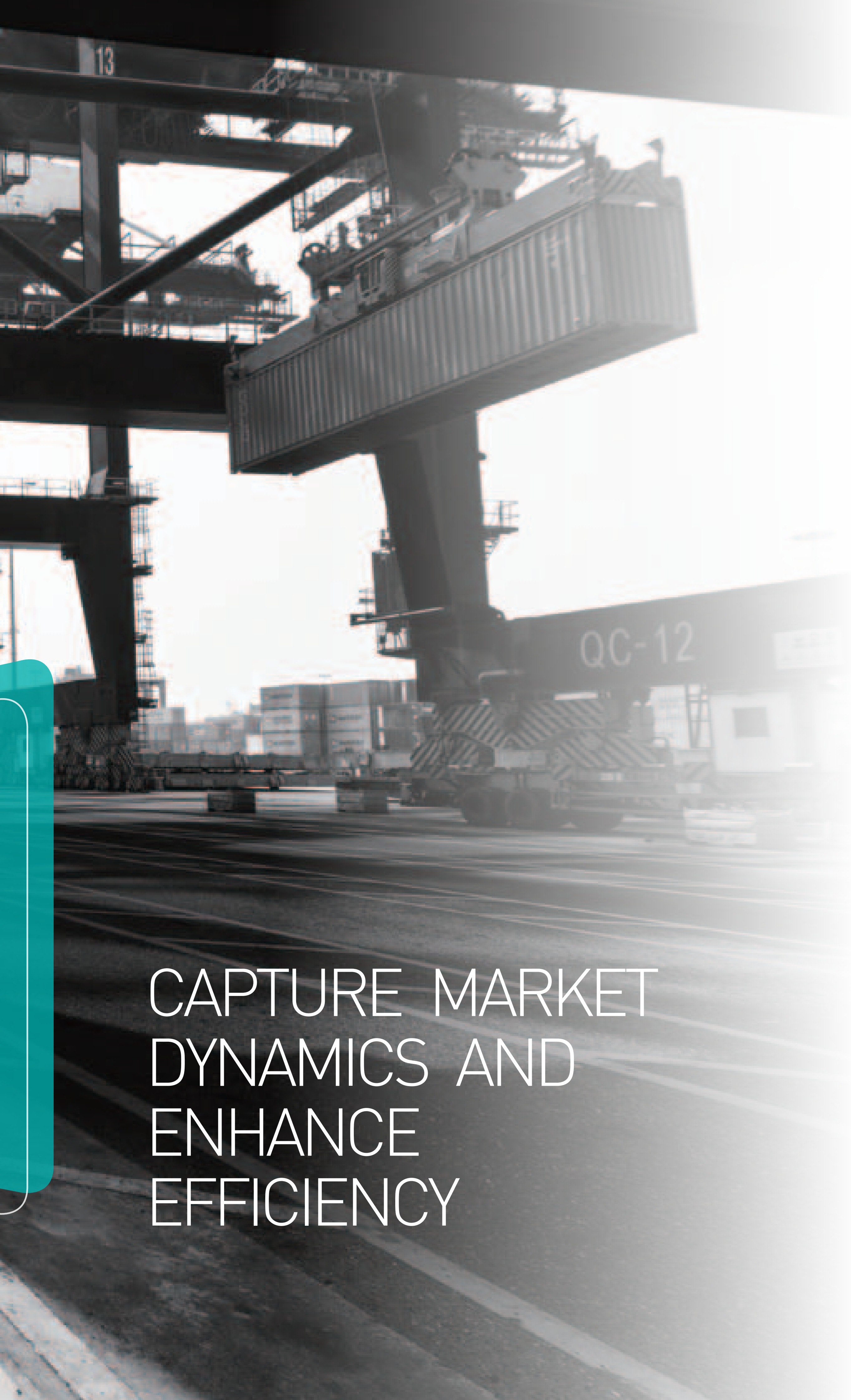
Container Fleet Capacity

1,907,778 TEU

Total Container Depots

237

COSCO Pacific has a presence around the globe. We analyse factors such as industry trends, the prevailing operating environment, innovative equipment and long-term cost efficiency for each operation in each location, while enhancing the Group's management and operational efficiency, so as to strengthen the core competence of our two businesses.



CAPTURE MARKET DYNAMICS AND ENHANCE EFFICIENCY

1 Outperforming the Economy through Greater Efficiency

Although the measures implemented by central banks have curbed large scale market turmoil, the global economy continues to face significant uncertainties. Economic activity has remained weak in the context of enduring negative market sentiment, a situation often described as the "new normal". The IMF estimated the global economy grew by 3.3% in 2014, the same as in 2013. The growth of global trade slowed by 0.3 percentage points as compared to 2013 to 3.1% in 2014. Despite this, the growth in global port container throughput improved. According to the forecast made by Drewry in December 2014, the growth in global container handling in 2014 increased by 1.1 percentage points to 5.0% from 3.9% in 2013.

Hindered by the slow recovery of the global economy, China's foreign trade has entered a period of more modest growth. In 2014, the growth in China's exports slowed down markedly to 4.9% (2013: +7.9%). Meanwhile, affected by the relatively slow growth of the domestic economy, China's imports fell by 0.6% (2013: +7.3%). Throughput at Chinese ports was stable in 2014. According to the China Ports and Harbours Association, container throughput at Chinese ports recorded year-on-year growth of about 6.1% in 2014 (2013: +6.7%). Thanks to increased global container traffic, the container throughput growth of major Chinese ports accelerated as compared to 2013. Throughput at Shanghai port grew by 5.0% (2013: +3.3%) and Shenzhen port by 3.3% (2013: +1.5%), while Ningbo port saw significant growth of 12.1% (2013: +7.3%).

Container Throughput of Top 10 Global Ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	35,285,000	+5.0%
2	Singapore	33,869,000	+4.0%
3	Shenzhen	24,037,000	+3.3%
4	Hong Kong	22,226,000	-0.6%
5	Ningbo	19,450,000	+12.1%
6	Busan	18,683,000	+5.6%
7	Qingdao	16,580,000	+6.8%
8	Guangzhou	16,378,000	+7.0%
9	Dubai	15,249,000	+11.8%
10	Tianjin	14,061,000	+8.1%

Source: Hong Kong Port Development Council

Container Throughput of Top 10 Chinese Ports

Rank	Port	Throughput (TEU)	Year-on-year change
1	Shanghai	35,285,000	+5.0%
2	Shenzhen	24,037,000	+3.3%
3	Ningbo	19,450,000	+12.1%
4	Qingdao	16,580,000	+6.8%
5	Guangzhou	16,378,000	+7.0%
6	Tianjin	14,061,000	+8.1%
7	Dalian	10,128,000	+1.1%
8	Xiamen	8,572,000	+7.1%
9	Yingkou	5,768,000	+8.8%
10	Lianyungang	5,005,000	-8.8%

Source: www.portcontainer.cn/Hong Kong Port Development Council

Optimisation of Operations through Sustainable Volume Growth

In 2014, container throughput at the Group's terminals saw sustained growth. Equity throughput rose by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU). Profit from the terminals business rose by 18.3% to US$220,978,000 (2013: US$186,767,000) thanks to the optimisation of terminal operations.

Overseas terminals performed satisfactorily during the year. Growth in profit was seen at all four overseas terminal companies, principally thanks to increased throughput. The business of Piraeus Terminal in Greece thrived and its profit rose 25.7% to US$28,980,000 (2013: US$23,051,000). The profit from Suez Canal Terminal in Egypt rose 8.0% to US$11,082,000 (2013: US$10,261,000). A turnaround was achieved at Antwerp Terminal in Belgium thanks to the continued rapid growth in throughput during the year. The profit from the terminal was US$4,469,000 (2013: a loss of US$319,000).

2 Balanced Growth in Line with Expectations

Growth in profits was also seen at the vast majority of the Group's terminal companies in China. Among these, the performance of Qingdao Qianwan Terminal was the most marked. Thanks to the increased number of containers and growth in average revenue per TEU, profit from the terminal rose 32.2% to US$39,034,000 (2013: US$29,521,000). Profits at Shanghai Pudong Terminal and COSCO-HIT Terminal rose by 5.1% to US$20,689,000 (2013: US$19,686,000) and by 1.8% to US$16,487,000 (2013: US$16,203,000) respectively, while profits at Ningbo Yuan Dong Terminal and Guangzhou South China Oceangate Terminal rose by 5.6% to US$10,523,000 (2013: US$9,965,000) and by 8.0% to US$8,948,000 (2013: US$8,282,000) respectively.

Operating efficiency improved

Equity throughput growth

+10.8%

Profit growth

+18.3%

Xiamen Ocean Gate Terminal is still in a ramp-up phase. Its operations have continued to improve since the commencement of operations in May 2012. Throughput grew satisfactorily and the tariff increased during the year. Including Xiamen Tongda Terminal which was acquired in March 2013, the loss was significantly narrowed, falling by 51.4% to US$6,858,000 (2013: a loss of US$14,112,000).

However, expense on income tax for Yantian Terminals increased due to the expiry of the 50% income tax relief for Phase III of Yantian Terminals. This, together with increased operating costs, saw profit at Yantian Terminals drop by 9.9% to US$49,446,000 (2013: US$54,906,000). This decrease partially offset the profit growth of other terminal companies.

On 13 March 2014, the Group acquired a 40% effective equity interest in Asia Container Terminal, whose profit and throughput have consequently been included in the Group's accounts since 14 March 2014. The acquired company contributed a profit of US$1,599,000 and generated shareholder's loan interest income from Asia Container Terminal amounting to US$2,916,000 to the Group during the year.

Revenues from Terminals Business Remain on the Increase

Looking at the full-year performance, revenue from the terminals business of COSCO Pacific reached US$516,993,000 (2013: US$455,071,000), up 13.6% over 2013. Revenue from the terminals business accounted for 59.4% (2013: 57.0%) of total Group revenue and the business remained the anchor of the Group's steady operations.

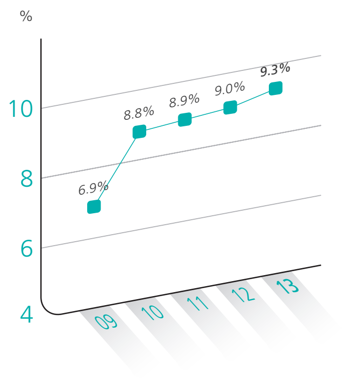
Growth in revenues was seen from all terminal subsidiaries in 2014. Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal continued to drive the revenue growth of the Group's terminals business during the year. The revenue from Piraeus Terminal rose 14.8% to US$178,466,000 (2013: US$155,429,000). The revenue from

Guangzhou South China Oceangate rose 8.9% to US$144,138,000 (2013: US$132,329,000). Revenue generated by Xiamen Ocean Gate Terminal and Xiamen Tongda Terminal in aggregate amounted to US$39,199,000 (2013: US$19,275,000), representing a 103.4% increase.

Throughput Growth Exceeded Expectations

According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" published in September 2014, the total container throughput of COSCO Pacific's terminals accounted for approximately 9.3% of the world total, up 0.3 percentage points year-on-year. Hence, COSCO Pacific's ranking as No. 4 among the world's container terminal operators has strengthened.

Global Market Share



The total throughput of the Group reached 67,326,122 TEU (2013: 61,284,891 TEU), up 9.9%, surpassing the mid-single-digit growth target set at the beginning of the year by management. This sustained growth is principally attributable to the growth in throughput at Yantian Terminals, Qingdao Qianwan Terminal and the overseas terminals, all of which exceeded expectations, along with the additional throughput brought by the newly acquired Asia Container Terminal. The equity throughput of the Group increased by 10.8% to 19,047,214 TEU (2013: 17,196,297 TEU), with its growth rate rising by 0.8 percentage points.

The Group's terminal companies in mainland China (excluding Hong Kong and Taiwan) handled 53,787,323 TEU (2013: 50,410,965 TEU) in total, accounting for 79.9% of the Group's total throughput. The growth was 6.7%, higher than the national average growth rate of approximately 6.1%.

Sustainable throughput growth leads to higher market share

3 Successful Marketing Drives Higher Throughput

Total Throughput by Region

	Throughput (TEU)	Year-on-year change(%)	Percentage of total(%)
Bohai Rim	25,130,274	+6.8	37.3
Yangtze River Delta	9,902,712	+4.1	14.7
Southeast Coast and others	3,767,499	+14.5	5.6
Pearl River Delta	19,099,473	+13.1	28.4
Overseas	9,426,164	+16.9	14.0
Total	**67,326,122**	**+9.9**	**100.0**

Equity Throughput by Region

	Throughput (TEU)	Year-on-year change(%)	Percentage of total(%)
Bohai Rim	4,833,944	+5.1	25.4
Yangtze River Delta	2,739,456	-0.7	14.4
Southeast Coast and others	2,027,394	+14.1	10.6
Pearl River Delta	4,791,258	+16.0	25.2
Overseas	4,655,162	+18.4	24.4
Total	**19,047,214**	**+10.8**	**100.0**

The throughput of the Bohai Rim region reached 25,130,274 TEU (2013: 23,534,240 TEU), an increase of 6.8% and accounting for 37.3% of the Group's total throughput. The throughput at Qingdao Qianwan Terminal reached 16,108,145 TEU (2013: 14,981,635 TEU), up 7.5%, and was driven by the increased number of vessels loading goods for export berthing at the terminals.

The throughput of the Yangtze River Delta region rose 4.1% to 9,902,712 TEU (2013: 9,513,006 TEU), accounting for 14.7% of the Group's total throughput. Thanks to the increases in shipping routes, shipping companies' additional services as well as the number of cargoes from transhipment, the throughput of Shanghai Pudong Terminal rose 5.7% to 2,373,620 TEU (2013: 2,246,026 TEU) during the year. Ningbo Yuan Dong Terminal enjoyed an expansion of shipping routes and organic volume growth in operational routes. Together with an increased volume of cargoes from vessel-to-vessel operations brought about by the success of marketing strategies and newly launched empty container transshipment management services for shipping companies, these developments saw the throughput of Ningbo Yuan Dong Terminal rise 14.5% to 3,214,703 TEU (2013: 2,806,406 TEU).

The combined throughput of the Southeast Coast and others reached 3,767,499 TEU (2013: 3,288,999 TEU), representing an increase of 14.5% and accounting for 5.6% of the Group's total throughput. Xiamen Ocean Gate Terminal was still in its ramp-up period, but with success in marketing and the optimisation of several shipping routes, its throughput surged 32.3% to 806,183 TEU (2013: 609,393 TEU). Thanks to the increased volume of cargoes from domestic transshipments, the throughput of Quan Zhou Pacific Terminal rose 6.4% to 1,160,480 TEU (2013: 1,090,660 TEU).

Total throughput

+9.9%

Throughput of Terminals

Total Container Throughput

	2014 (TEU)	2013 (TEU)	Change
Total Container Throughput	67,326,122	61,284,891	↑9.9%

Total Container Throughput in China (including Hong Kong & Taiwan)

	2014 (TEU)	2013 (TEU)	Change
Total Container Throughput in China	57,899,958	53,220,944	↑8.8%

Terminal	2014 (TEU)	2013 (TEU)	Change
Bohai Rim	25,130,274	23,534,240	↑6.8%
Qingdao Qianwan Terminal[1]	16,108,145	14,981,635	↑7.5%
Tianjin Five Continents Terminal	2,569,695	2,300,918	↑11.7%
Tianjin Euroasia Terminal	2,004,170	1,803,407	↑11.1%
Dalian Port Terminal	2,732,136	2,732,174	↑0.0%
Yingkou Terminal	1,716,128	1,716,106	↑0.0%
Pearl River Delta	19,099,473	16,884,699	↑13.1%
Yantian Terminal	11,672,798	10,796,113	↑8.1%
COSCO-HIT Terminal	1,639,995	1,639,275	↑0.0%
Asia Container Terminal[3]	1,139,414	–	N/A
Guangzhou South China Oceangate Terminal	4,647,266	4,449,311	↑4.4%
Southeast Coast and others	3,767,499	3,288,999	↑14.5%
Quan Zhou Pacific Terminal	1,160,480	1,090,660	↑6.4%
Jinjiang Pacific Terminal	467,610	418,242	↑11.8%
Xiamen Ocean Gate Terminal	806,183	609,393	↑32.3%
Kao Ming Terminal	1,333,226	1,170,704	↑13.9%
Overseas	9,426,164	8,063,947	↑16.9%
Piraeus Terminal	2,986,904	2,519,664	↑18.5%
Suez Canal Terminal	3,400,397	3,124,828	↑8.8%
COSCO-PSA Terminal	1,311,747	1,048,846	↑25.1%
Antwerp Terminal	1,727,116	1,370,609	↑26.0%
Yangtze River Delta	9,902,712	9,513,006	↑4.1%
Shanghai Pudong Terminal	2,373,620	2,246,026	↑5.7%
Ningbo Yuan Dong Terminal	3,214,703	2,806,406	↑14.5%
Zhangjiagang Terminal	798,773	1,374,596	↓41.9%
Yangzhou Yuanyang Terminal	481,704	449,849	↑7.1%
Taicang Terminal[2]	538,304	235,759	↑128.3%
Nanjing Longtan Terminal	2,495,608	2,400,370	↑4.0%

Note:

1. Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are joint ventures of Qingdao Qianwan Terminal. The throughput of the two terminals was 4,497,490 TEU (2013: 3,975,335 TEU) and 1,482,543 TEU (2013: 1,305,917 TEU) respectively.
2. Throughput of Taicang Terminal is included since 1 August 2013.
3. Throughput of Asia Container Terminals is included since 14 March 2014.
4. The total throughput of bulk cargo in 2014 was 75,145,381 tons (2013: 40,436,547 tons), representing an increase of 85.8%. The bulk cargo throughput of Dongjiakou Ore Terminal is included since 1 March 2014, while its total throughput was 34,231,067 tons during the year. The throughput of Dalian Automobile Terminal reached 454,219 vehicles (2013: 358,227 vehicles), an increase of 26.8%.

2014 (TEU)
2013 (TEU)

4 Extending Service Offering to Expand Customer Base

Overseas terminals performed strongly

Throughput growth

+16.9%

Profit increased

+41.1%

The throughput in the Pearl River Delta region reached 19,099,473 TEU (2013: 16,884,699 TEU), representing an increase of 13.1% and accounting for 28.4% of the Group's total throughput. With increases in cargo volumes brought by transshipments and exports to the United States as well as a rise in the volume of empty containers, the throughput of Yantian Terminals rose 8.1% to 11,672,798 TEU (2013: 10,796,113 TEU). Guangzhou South China Oceangate Terminal was committed to enhancing its marketing and upgrading its services, and succeeded in increasing both shipping route callings and cargo volume during the year. The throughput of the terminal rose 4.4% to 4,647,266 TEU (2013: 4,449,311 TEU). Throughput at COSCO-HIT Terminal was maintained at 1,639,995 TEU (2013: 1,639,275 TEU). The profit and throughput of Asia Container Terminal have been included in the Group's accounts since 14 March 2014. The throughput contributed by the terminal to the Group was 1,139,414 TEU during the year.

The throughput of overseas terminals reached 9,426,164 TEU (2013: 8,063,947 TEU), representing an increase of 16.9% and accounting for 14.0% of the Group's total throughput. The efforts by Piraeus Terminal to expand market share yielded expected results, with its business continuing to grow and the customer mix further improved. Meanwhile, the terminal has also launched a sea-rail intermodal transport service, designed to expand its hinterland, which will further strengthen its core competence. The throughput of the terminal surged 18.5% to 2,986,904 TEU (2013: 2,519,664 TEU). Suez Canal Terminal in Egypt enjoyed an increase in shipping routes calling, enabling its throughput to reach 3,400,397 TEU (2013: 3,124,828 TEU), up 8.8%. With its operational efficiency optimised, Antwerp Terminal in Belgium has effectively absorbed the increasing volumes of cargo diverted to Antwerp Port from ports nearby, leading throughput to rose by 26.0% to 1,727,116 TEU (2013: 1,370,609 TEU). As COSCON increased its frequency of berthing, the volume of cargo increased and the throughput of COSCO-PSA Terminal surged 25.1% to 1,311,747 TEU (2013: 1,048,846 TEU).

Annual Handling Capacity Increased 4.8% to 65,750,000 TEU

As of 31 December 2014, there were 108 berths (2013: 104 berths) under the Group's operating container terminals and the total designed annual handling capacity was 65,750,000 TEU (2013: 62,750,000 TEU). There were 13 bulk berths (2013: 11 berths) in operation, with a total annual handling capacity of 46,050,000 tons (2013: 17,050,000 tons). Newly-added handling capacity during the year included the two berths of Asia Container Terminal (1,600,000 TEU), two berths of Kao Ming Terminal (1,400,000 TEU) and two berths of Dongjiakou Ore Terminal (29,000,000 tons).

During the year, the Group focused on developing the terminals business to expand handling capacity through terminal asset acquisitions and the expansion of terminals in operation. Regarding terminal asset acquisitions, the Group acquired a 40% effective equity interest in Asia Container Terminal at a consideration of HK$1,648,000,000 (equivalent to approximately US$212,335,000) on 13 March 2014. Asia Container Terminal owns and operates Terminal 8 West, Kwai Chung, in Hong Kong, which is adjacent to COSCO-HIT Terminal. Following the acquisition, the two terminals form a combined 1,380-metre long contiguous quay length. This has greatly increased the flexibility of berthing for mega container vessels and provides more efficient services for customers through the scientific management and effective distribution of resources within the two terminals. A continuous focus on management efficiency is planned for 2015 in order to achieve further synergies.

Geographical Distribution of Terminals

Terminal berths in operation	No. of berths	Annual handling capacity (TEU)	Percentage of total
Bohai Rim			
Container	34	19,400,000	29.5%
Bulk	2	29,000,000 tons	63.0%
Automobile	2	600,000 vehicles	100.0%
Yangtze River Delta			
Container	20	8,550,000	13.0%
Bulk	7	10,550,000 tons	22.9%
Southeast Coast and others			
Container	10	5,700,000	8.7%
Bulk	4	6,500,000 tons	14.1%
Pearl River Delta			
Container	25	21,100,000	32.1%
Overseas			
Container	19	11,000,000	16.7%
Total number of terminal berths in operation	**123**		
Total number of container berths/annual handling capacity	**108**	**65,750,000**	
Total number of bulk berths/ annual handling capacity	**13**	**46,050,000 tons**	
Total number of automobile berths/annual handling capacity	**2**	**600,000 vehicles**	

In addition, the Group completed its investment of a 25% equity interest in Dongjiakou Ore Terminal at a consideration of US$57,330,000 on 26 January 2014. The terminal's throughput and profit have been included in the Group's accounts since 1 March 2014. The investment, with its long-term upside potential, is in line with the terminal diversification strategy of COSCO Pacific. The remaining two berths of Kao Ming Terminal also commenced operations on 27 September 2014.

5 Corporate Value Creation through Efficient Management

Amendment to the Piraeus Terminal Concession Agreement became Effective after being ratified by the Hellenic Parliament

A significant development in respect of the expansion of terminals in operation was that the amendment agreement of the concession agreement signed by Piraeus Terminal and Piraeus Port Authority S.A., which became effective on 20 December 2014 after ratification by the Hellenic Parliament. Piraeus Terminal will enhance the operational capacity of Pier 2 and build the Western Part of Pier 3, involving a total investment of approximately Euro 230,000,000. A further 2,500,000 TEU, of which 1,900,000 TEU is from the Western Part of Pier 3, will thereby be added to the annual handling capacity of Piraeus Terminal. Piraeus Terminal held the inauguration ceremony for the construction of the Western Part of Pier 3 in late January 2015, with construction and installation of mechanical equipment expected to be completed by 2021, bringing the terminal's annual handling capacity to 6,200,000 TEU.

The expansion project will further enhance the facilities and operating capacity of the container terminals in Piraeus Port, strengthen the port's position as an international transshipment hub and improve the revenue generating capacity of Piraeus Terminal.

Value Creation through Management Efficiency

Looking forward, the Group expects the throughput of the terminals business to maintain its stable organic growth path. The tax incentives for the mainland China terminals, which account for relatively high proportions of the Group's terminals business profit, have expired during the past two years. Meanwhile, the operations of Xiamen Ocean Gate Terminal have shown continuous improvement, which has narrowed the loss of the terminal. Thus, the Group expects increased cost pressures to be alleviated.

With a strong business built up over the Group's long history and balanced development driven by its core competence, the Group has shown resilience in its terminal operations throughout the prolonged period of economic turbulence. In facing the "new normal", the Group will adhere to its development strategies of upgrading the value of its terminal assets through the improvement of terminal management and service quality, the optimisation of terminal operations and the enhancement of profitability. Meanwhile, the Group will continue to expand its terminal network around the globe by capitalising on the opportunities from the initiatives of "One Belt, One Road" and the Yangtze River Economic Belt, seizing opportunities for potential new container hubs and keeping abreast of the investment opportunities in high-quality terminals, with a view to generating higher profits and returns at the terminals business.

Terminal Portfolio[1] (as of 31 December 2014)

Terminal companies	Share holdings	No. of berths	Design annual handling capacity (TEU)	Depth (m)
Bohai Rim		**41**	**23,850,000**	
		3	**780,000 vehicles**	
		2	**29,000,000 tons**	
Qingdao Qianwan Terminal	20%	11	6,500,000	17.5
Qingdao New Qianwan Terminal	16%	6	3,600,000	15.0 – 20.0
Qingdao Qianwan United Terminal	8%	7	3,950,000	17.0 – 20.0
Qingdao Qianwan United Advance Terminal	5.6%	2	1,300,000	17.0 – 20.0
Dongjiakou Ore Terminal	25%	2	29,000,000 tons	19.2 – 24.5
Dalian Port Terminal	20%	6	4,200,000	13.5 – 17.8
Dalian Automobile Terminal	30%	3	780,000 vehicles	11.0
Tianjin Five Continents Terminal	14%	4	1,500,000	16.5
Tianjin Euroasia Terminal	30%	3	1,800,000	16.5
Yingkou Terminal	50%	2	1,000,000	14.0
Yangtze River Delta		**25**	**9,550,000**	
		10	**14,950,000 tons**	
Shanghai Pudong Terminal	30%	3	2,300,000	12.0
Ningbo Yuan Dong Terminal	20%	5	3,000,000	17.0 – 22.0
Zhangjiagang Terminal	51%	3	1,000,000	10.0
Yangzhou Yuanyang Terminal	55.59%	2	700,000	12.0
		8	10,950,000 tons	8.0 – 12.0
Taicang Terminal	39.04%	2	550,000	12.5
		2	4,000,000 tons	12.5
Nanjing Longtan Terminal	20%	10	2,000,000	12.0
Southeast Coast and others		**13**	**7,600,000**	
		5	**9,200,000 tons**	
Quan Zhou Pacific Terminal	82.35%	3	1,200,000	7.0 – 15.1
		2	1,000,000 tons	5.1 – 9.6
Jinjiang Pacific Terminal	80%	2	800,000	9.5 – 14.8
		2	4,200,000 tons	7.3 – 9.1
Xiamen Ocean Gate Terminal	70%	4	2,800,000	17.0
Xiamen Tongda Terminal	70%	1	4,000,000 tons	16.5
Kao Ming Terminal	10%	4	2,800,000	16.5
Pearl River Delta		**25**	**21,100,000**	
COSCO-HIT Terminal	50%	2	1,800,000	15.5
Asia Container Terminal	40%	2	1,600,000	15.5
Yantian Terminals Phase I & II	14.59%	5	4,500,000	14.0 – 15.5
Yantian Terminals Phase III	13.36%	10	9,000,000	16.0 – 16.5
Guangzhou South China Oceangate Terminal	39%	6	4,200,000	15.5
Overseas		**24**	**15,800,000**	
Piraeus Terminal	100%	8	6,200,000	14.5 – 18.5
Suez Canal Terminal	20%	8	5,100,000	16.0
COSCO-PSA Terminal	49%	2	1,000,000	15.0
Antwerp Terminal	20%	6	3,500,000	17.0
Total		**148**		
Total number of container berths/ annual handling capacity		**128**	**77,900,000**	
Total number of bulk berths/ annual handling capacity		**17**	**53,150,000 tons of bulk cargo**	
Total number of automobile berths/ annual handling capacity		**3**	**780,000 vehicles**	

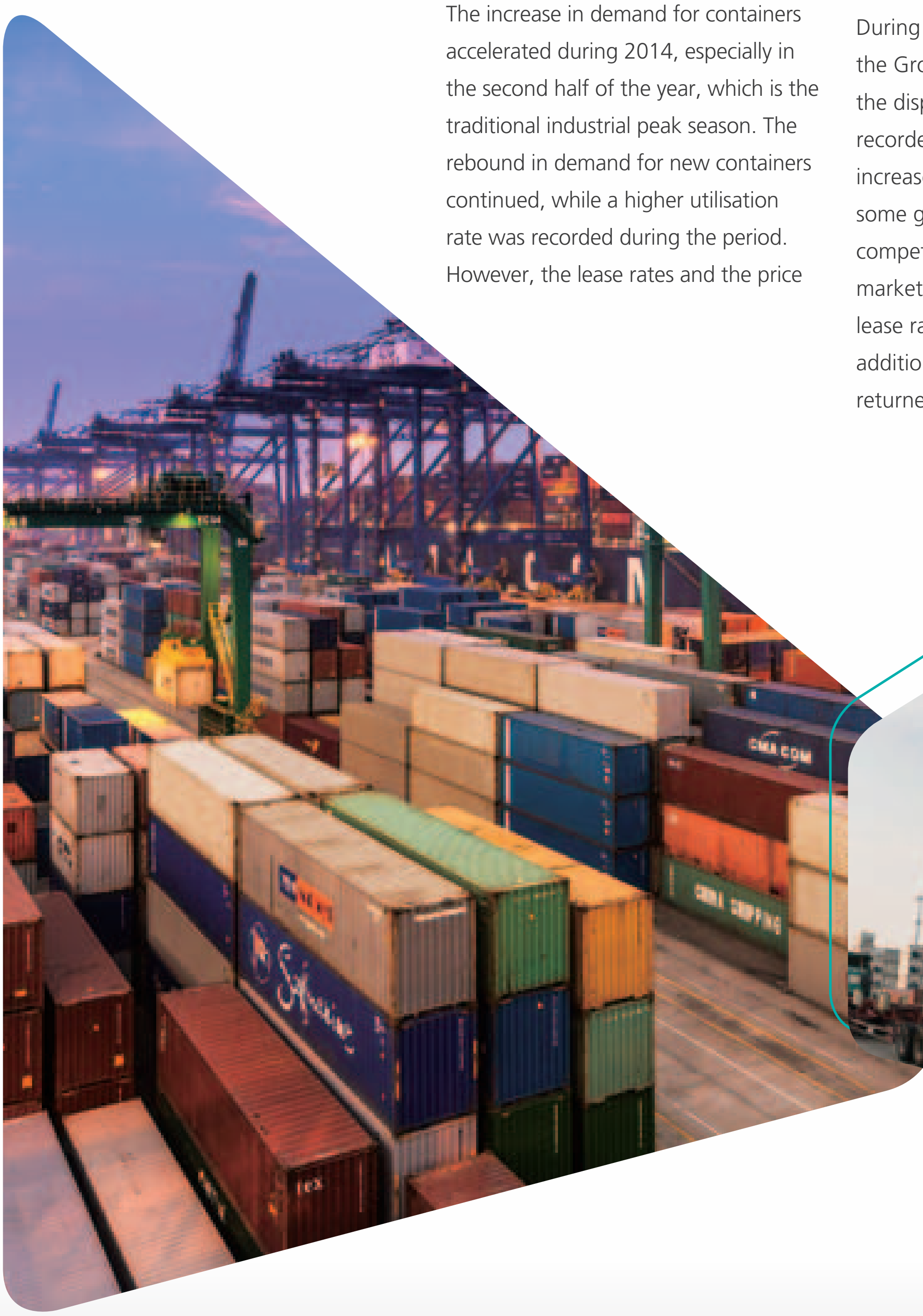
Note:

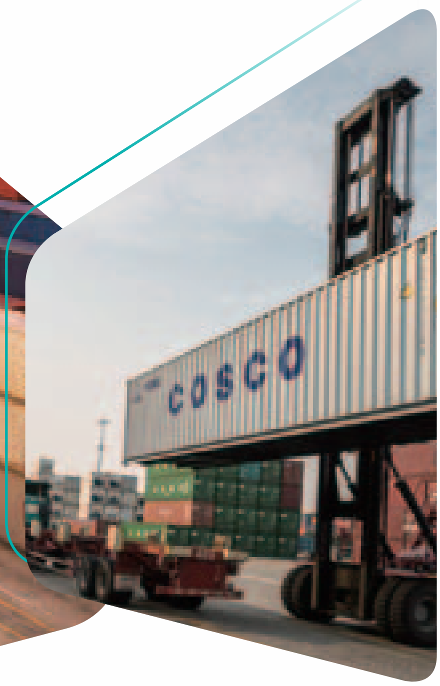
1. The terminal portfolio includes operating and non-operating terminal companies, berths and annual handling capacity.
2. The Group has a 10% effective interest in Shanghai Terminal with ten container berths of 3,700,000 TEU annual handling capacity. Hutchison Ports Shanghai Limited, in which the Group owns an interest, jointly operates Shanghai Terminal with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port Group"). Starting from January 2011, Shanghai Terminal made a strategic change in its business model and ceased handling containers. Hutchison Ports Shanghai is leading the discussions on the issue with Shanghai Port Group, which are still in progress.

1 Adjusting Supply to Demand to Minimise Margin Pressures

The increase in demand for containers accelerated during 2014, especially in the second half of the year, which is the traditional industrial peak season. The rebound in demand for new containers continued, while a higher utilisation rate was recorded during the period. However, the lease rates and the price of new containers remained at a low level because of ample market supply, intense competition in the industry and the expiration of some containers that were leased at higher rates. These factors put pressure on the container leasing industry's gross margin.

During the year, both the number of the Group's containers on hire and the disposal of returned containers recorded growth, leading to an increase in overall revenue. Despite some growth in market demand, competition in the container leasing market was fierce, curbing container lease rates and resale prices. In addition, the average carrying value of returned containers disposed of was





higher than in 2013. As a result, profit from container leasing, management and sale businesses dropped 23.6% to US$95,757,000 (2013: US$125,259,000).

Long-term leases accounted for 96.2% (2013: 95.5%) of the Group's total revenue from container leasing in 2014, while revenue from master leases accounted for 3.8% (2013: 4.5%). With a strategic focus on long-term leasing, the Group enjoyed stable income growth. The overall average utilisation rate of the Group's containers remained stable during the year, at 95.3% (2013: 94.5%), higher than the industry average of approximately 94.0% (2013: approximately 93.9%).

Revenue Breakdown of Container Leasing, Management and Sale Businesses

	2014 US$	Year-on-year change	Percentage of total
Container leasing	295,774,000	+1.7%	82.8%
Disposal of returned containers	47,773,000	+11.2%	13.4%
Container management	6,377,000	-13.8%	1.8%
Others	7,151,000	+10.0%	2.0%
Total	**357,075,000**	**+2.7%**	**100.0%**

Revenue and Utilisation Rate Increased Steadily

In 2014, revenue from the Group's container leasing, management and sale businesses reached US$357,075,000 (2013: US$347,747,000), representing an increase of 2.7%. The growth was mainly attributable to the increase in revenue from container leasing and the disposal of returned containers.

Revenue from container leasing was US$295,774,000 (2013: US$290,883,000), an increase of 1.7%, and accounted for 82.8% (2013: 83.6%) of the total revenue of the container leasing, management and sale businesses. The fleet size of owned containers and sale-and-leaseback containers grew 2.6% to 1,370,324 TEU (2013: 1,335,797 TEU). Although the Group's overall average utilisation rate increased, the market lease rates were relatively low, curbing revenue growth.

Revenue from the disposal of returned containers increased by 11.2% to US$47,773,000 (2013: US$42,967,000), accounting for 13.4% (2013: 12.4%) of the total revenue of the container leasing, management and sale businesses. Revenue from the disposal of returned containers recorded year-on-year growth as a result of a larger number of disposed returned containers, although resale prices were lower. The number of disposed returned containers surged 42.4% to 50,860 TEU (2013: 35,714 TEU). During the year, the number of containers returned from COSCON was 43,382 TEU (2013: 36,193 TEU).

The fleet size of managed containers was down 2.7% to 537,454 TEU (2013: 552,403 TEU). As a result, revenue from managed containers decreased by 13.8% to US$6,377,000 (2013: US$7,398,000), accounting for 1.8% (2013: 2.1%) of the total revenue of the container leasing, management and sale businesses.

The Group has a prudent and comprehensive risk management framework to evaluate the credit risk pertaining to individual customers. Core customers of the Group are reliable container shipping lines and in 2014, 79.5% (2013: 74.9%) of the Group's container leasing revenue was contributed by the world's top ten container shipping lines.

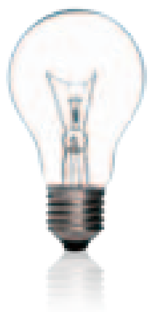
Utilisation rate

95.3%

2 Keeping on Top of Market Changes and Responding Flexibly

Container fleet size

1,907,778TEU



The Group has adhered to its steady investment strategy and operational model in container leasing business development, and has been prudent in formulating and adjusting its plans to purchase containers in light of changes in market conditions.

As of 31 December 2014, the Group's container fleet had reached 1,907,778 TEU (2013: 1,888,200 TEU), up 1.0%. COSCO Pacific was one of the world's five largest container leasing companies with a market share of approximately 11.0% (2013: approximately 11.3%). The average age of containers in the fleet was 6.5 years (2013: 6.35 years).

Balancing the Development of the Container Fleet, Effectively Reducing Operational Risk

During the year, the Group purchased 161,106 TEU (2013: 151,500 TEU) of new containers. Among these, 137,830 TEU (2013: 138,459 TEU) were purchased for COSCON, accounting for 85.6% (2013: 91.4%) of total new containers, while 23,276 TEU (2013: 13,041 TEU) were for international customers, representing 14.4% (2013: 8.6%) of total new containers. The capital expenditure on new containers amounted to US$305,803,000 (2013: US$288,754,000).

The Group's investment strategy is to expand its container fleet, while balancing the development of fleets of owned containers, sale-and-leaseback containers and managed containers in order to minimise operational risk as well as achieve overall business stability. The Group's owned container fleet stood at 1,083,756 TEU (2013: 1,085,507 TEU), which represented 56.8% (2013: 57.5%) of the total container fleet. The fleet size of sale-and-leaseback containers and managed containers amounted to 824,022 TEU (2013: 802,693 TEU), which represented 43.2% (2013: 42.5%) of the total fleet size.

Fleet Capacity Movement

	2014 (TEU)	2013 (TEU)	Change (%)
Fleet capacity at 1 January	**1,888,200**	1,855,597	+1.8
New containers purchased	**161,106**	151,500	+6.3
Total number of returned containers disposed of and pending for disposal	**(52,710)**	(35,649)	+47.9
Managed containers (disposed of or declared lost and compensated for by customers)	**(78,593)**	(77,950)	+0.8
Others [Note]	**(10,225)**	(5,298)	+93.0
Fleet capacity at 31 December	**1,907,778**	1,888,200	+1.0

Note: Others include ownership transferred to customers upon expiry of finance leases, defective containers written off, owned containers declared lost and compensated for by customers.

Breakdown of Owned, Sale-and-leaseback and Managed Containers

As of 31 December	Leasing customers	2014 (TEU)	2013 (TEU)	Change (%)
Owned containers	COSCON	**519,492**	490,191	+6.0
Owned containers	International customers	**564,264**	595,316	-5.2
Sale-and-leaseback containers	COSCON	**286,568**	250,290	+14.5
Managed containers	International customers	**537,454**	552,403	-2.7
Total		**1,907,778**	**1,888,200**	**+1.0**

As of 31 December	Leasing customers	2014 Percentage of total	2013 Percentage of total	Change (pp)
Owned containers	COSCON	**27.2**	26.0	+1.2
Owned containers	International customers	**29.6**	31.5	-1.9
Sale-and-leaseback containers	COSCON	**15.0**	13.2	+1.8
Managed containers	International customers	**28.2**	29.3	-1.1
Total		**100.0**	**100.0**	**–**

The Group's customers are global container shipping lines and COSCON is a major customer. As classified by customer, COSCON leased 806,060 TEU (2013: 740,481 TEU), while international customers took up 1,101,718 TEU (2013: 1,147,719 TEU), which represented 42.2% (2013: 39.2%) and 57.8% (2013: 60.8%) of the total fleet size respectively.

Embracing the "New Normal", Being Flexible in Operational Strategies

According to Drewry's forecast, global shipping capacity will increase 7.2% in 2015, higher than the estimated 5.3% growth in demand, representing a surplus of capacity in the shipping industry. Nevertheless, with declining bunker costs, container shipping profitability is expected to improve because of lower operating costs, and this will support a sustainable rebound in the demand for container leasing services.

Looking to the year ahead, the outlook for global economic growth remains uncertain, while oversupply is yet to be absorbed by the shipping industry. Intense competition is therefore expected to remain a feature of the container leasing industry. Although the demand for new containers has rebounded, container lease rates and container resale prices remain at low levels. Moreover, the strong US dollar is dragging down the prices of steel and other commodities, which puts further pressure on resale prices. We expect 2015 will still be a challenging year for the Group's container leasing business, and anticipate only a sluggish recovery.

The Group will continue to pursue its prudent investment strategy and business development model, promptly and flexibly adjusting its plans to purchase new containers, and seek the balanced development of its container fleets, thus rigorously managing operational risk. Meanwhile, the Group will maintain its marketing focus on long-term leasing to minimise cyclical risks, with a view to ensuring a stable income stream.

PIRAEUS TERMINAL

A Transshipment Hub in the Mediterranean Region

FU Chengqiu
Managing Director

Since being taken over by the Group, Piraeus Terminal has focused on customers' needs, under the leadership of Fu Chengqiu, Managing Director of Piraeus Terminal. The facility has made full use of its geographical advantages to implement three major strategies, namely to be a logistics distribution centre, the most important container transshipment centre and the gateway port for Southern Europe, thus transforming Piraeus Terminal into a major hub for the Mediterranean region.

Mr. Fu says: "Benefiting from its superior geographical position, Piraeus Terminal has attracted many companies from home and abroad as a logistics base. In order to handle their distribution needs, we have launched a logistics distribution centre service and have built logistics distribution centres for a number of leading Chinese and foreign companies including HP, Huawei, ZTE and Gree. This value-added service has consolidated the customer relationship and brought additional income source to the terminal."

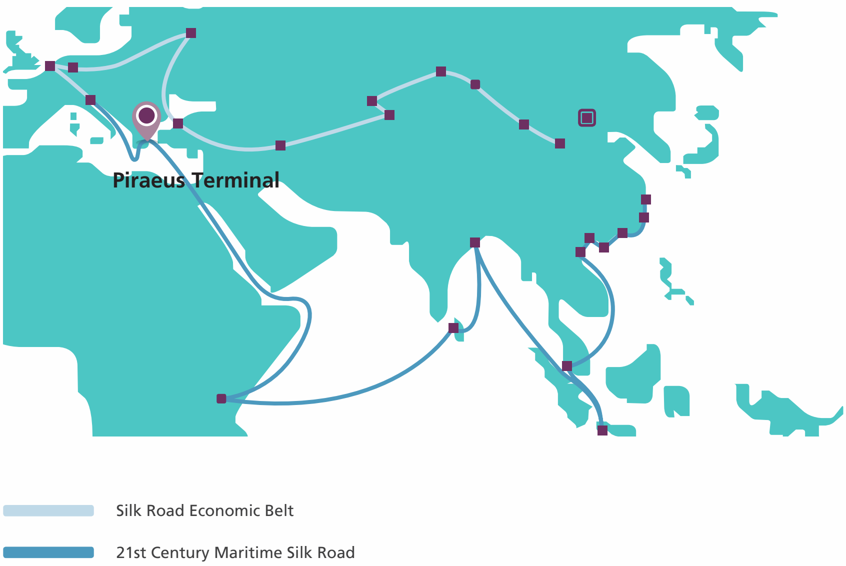
The success of Piraeus Terminal has not only enhanced the overall business growth of the Group, but paved a solid foundation for the future development of the terminals business. Moreover, Piraeus Terminal is supporting the establishment of COSCO Pacific's global footprint.

Chinese Premier Li Keqiang proposed last year the ideal of "The China-European Sea-rail Express", clearly outlining the prospect for the development of Piraeus Terminal in relation to sea-rail transportation. Mr. Fu adds: "In the past, if Chinese cargo was transported by sea and landed at a port in northwestern Europe, it was then transported by train to

destinations in central or eastern Europe; or else it had to be transported by train for the entire journey." Piraeus Terminal, as the sea-rail intersection of 'The China-European Sea-rail Express', has a unique competitive advantage as it can now offer greatly shortened transportation times by linking with the rail network across Europe. As long as we follow our established development strategy, Piraeus Terminal will become an important link in the trade between Europe and China, strengthening its position as a hub port for the Mediterranean and adding to the value of the terminal."

"Utilisation for Piraeus Terminal has reached 77%. So we need to expand Pier 3, adding two berths handling mega vessels, to ensure that the terminal has sufficient capacity to grasp the opportunities arising from The China-European Sea-rail Express initiative. We already have an overwhelming advantage in market share of maritime trade between Europe and China, since three of the four major shipping alliances operating Europe-China routes are our customers. Our customers also include some important independent carriers operating between Asia and the Mediterranean, as well as regional shipping lines. We will adhere to our three strategies, providing a comprehensive and high-quality service for more clients and continuing to create more value at the terminal."

The "One Belt, One Road" strategy put forward by the Chinese government will further integrate the economies of Europe and Asia. The "21st Century Maritime Silk Road" strategy that forms part of it places Greece along that route. Hence, Piraeus Terminal will benefit from China's national economic strategy and play an active role as an international transshipment port in Europe and the Mediterranean for the promotion of Eurasian trade and economic integration.



ZHANG Junsheng
Managing Director

XIAMEN OCEAN GATE TERMINAL

China's First Fully Automated Container Terminal

Xiamen Ocean Gate Terminal is located between China's two most dynamic economic belts along the Yangtze River Delta and the Pearl River Delta. It connects three economic zones with high transportation needs, the Yangtze River Delta Economic Zone, Pearl River Delta Economic Zone and West Coast Economic Zone.

Strongly supported by the Xiamen municipal government, COSCO and China Communications Construction Group Company Limited have jointly built China's first fully automated container terminal. The first phase of the automated system at Xiamen Ocean Gate Terminal has undergone operational trials. The future second phase of the automated terminal will involve an automatic loading and unloading system for rail cargoes, on a line running from the dedicated Haicang Railway to the wharf apron. It is expected to become the first automated container terminal to combine shipping and rail transportation, representing a major transformation of traditional container terminal operations.

Zhang Junsheng, Managing Director of Xiamen Ocean Gate Terminal, says: "The fully automated terminal, with its internationally advanced levels of service, has been independently developed by China, breaking the monopoly of overseas producers in automated terminal intelligent management systems. It is China's first fully automated container terminal with full intelligence, fully electrically powered, safe and eco-friendly. As well as enhancing operational capabilities and efficiency, the terminal will achieve pollution-free and zero-emissions operations at the site, marking a new era in the history of China's container terminal development.

"The terminal is equipped with a variety of automated machinery that includes those with the highest current degree of automation in China and the most intelligent quayside container crane. Automated equipment significantly improves operational efficiency. Fully enclosed, unmanned remote control systems prevent injury to personnel and save significant labour costs. The electric power-driven automation system is expected to save 25% in energy cost and reduce overall carbon emissions by at least 20%, directly enhancing the value of Xiamen Ocean Gate Terminal and embodying the Group's belief in Corporate Social Responsibility."

GUANGZHOU SOUTH CHINA OCEANGATE TERMINAL

Promoting Energy Efficiency and Environmental Protection

COSCO Pacific has always taken a long-term view and pursued balanced development. To reduce the impact on the environment arising from our daily operations, we have introduced low-carbon equipment based on a balanced consideration of long-term cost efficiency.

Guangzhou South China Oceangate Terminal conducted a three-phase process to replace oil with electricity during 2011 to 2014, replacing the existing RTGs with electrically powered RTGs (ERTG). A 46.0% carbon reduction was achieved by ERTG, representing an annual reduction in carbon dioxide of 9.9 million kg at the terminal based on 2014 container volumes, thus significantly reducing air pollution.

The investment in the oil replacement process is expected to be fully recovered by the first half of 2018. Yuan Qing, Deputy General Manager of Guangzhou South China Oceangate Terminal, says: "From the long-term perspective, this project helps save the cost of operations in the future and enhances the terminal's competitiveness."

Optimising the operational capabilities of Guangzhou South China Oceangate Terminal is one of the Group's significant business goals in southern China. Mr Yuan adds: "With the establishment of the free trade zone in Guangdong, Nansha port district is planning to upgrade the port environment and simplify investment and trade procedures. Meanwhile, the Nansha Port Railway that connects Guangzhou and Zhuhai, Nanning and Guangzhou, Liuzhou and Zhaoqing, is expected to open in 2019, creating a rail and water-borne transportation network for mid southern and southwestern China. The well-equipped Guangzhou South China Oceangate Terminal will seize the momentum to develop itself as an 'international shipping and logistics centre' in Guangzhou".

COSCO-HIT TERMINAL and ASIA CONTAINER TERMINAL

Acquisition Creates more Competitive Platform

DENG Xiaoli
Asia Container Terminal
Managing Director

Hong Kong is a hub for logistics in Asia, with shipping routes connecting to the entire world. The city has a privileged location at the heart of Asia and is a deepwater port. With its free port policy, Hong Kong has become an international transshipment hub for ships from across the globe. As a world city, Hong Kong attracts the world's top talent in leasing, ship management, maritime services, shipping operations, law and arbitration and has an abundant supply of skilled labour. Its transportation infrastructure and operational standards are internationally recognised.

COSCO Pacific took Hong Kong as the starting point for its global expansion. After years developing the COSCO-HIT Terminal, the Group acquired a 40% equity interest in Asia Container Terminal, a terminal adjacent to COSCO-HIT Terminal, in March 2014. Mr. Deng Xiaoli, the Managing Director of Asia Container Terminal notes: "The two terminals front the port and together span a quay length of 1,380 metres. Together they are able to handle mega-vessels, giving them a competitive advantage within Kwai Tsing Port.

"In the past, COSCO HIT-Terminal had a quay length of only 640 meters. As mega-vessels become more popular, COSCO HIT-Terminal needed to rent a section of quay length from Asia Container Terminal when two large vessels or one large and one small vessel berthed on the same day. When all berths at Asia Container Terminal were fully occupied, COSCO-HIT Terminal had to delay the berthing of one of the ships. This affected cost efficiency and could potentially have led to a loss of customers. Following the acquisition, the two terminals have become jointly managed, enabling them to reduce costs and enhance efficiency, greatly increasing their competitiveness.''

Looking at the joint development of the two terminals, Mr. Deng says: "From the customer's point of view, as our scheduling and yard planning become more flexible, this will enhance our service efficiency. Internally, we will integrate the management, merge the corporate cultures, organisation structures and employee benefit systems, and strengthen cost control, to maximise synergies."

Overall Analysis of Results

Profit attributable to equity holders of COSCO Pacific for the year 2014 was US$292,759,000 (2013: US$702,676,000), a 58.3% decrease compared with last year. Excluding profit from the discontinued container manufacturing business for the year 2013, profit attributable to equity holders of COSCO Pacific for 2014 increased by 2.3%. Profit from the discontinued container manufacturing business for the year of 2013 included a net gain of US$393,411,000 on the disposal of its equity interest in CIMC and the share of profit of CIMC of US$23,059,000 during the year, which did not recur in 2014.

Profit from the terminals business for 2014 was US$220,978,000 (2013: US$186,767,000), an 18.3% increase compared with last year. In 2014, the throughput of container terminals reached 67,326,122 TEU (2013: 61,284,891 TEU), a 9.9% increase compared with last year. Equity throughput increased to 19,047,214 TEU (2013: 17,196,297 TEU), a 10.8% increase compared with last year. With regard to terminals in which the Group has controlling stakes, Piraeus Terminal in Greece showed strong performance during the year, with an increase of 18.5% in throughput as compared with last year, recording a profit of US$28,980,000 (2013: US$23,051,000), a 25.7% increase compared with last year. In addition, the operation of Xiamen Ocean Gate Terminal has improved. It saw a significant increase of 32.3% in container throughput as a result of more shipping routes being introduced in the year, and its loss narrowed to US$6,858,000 (2013: a loss of US$14,112,000), representing a decrease in the loss of 51.4% as compared with last year. In respect of non-controlled terminals, profit contributions from Qingdao Qianwan Terminal, Shanghai Pudong Terminal and COSCO-PSA Terminal attributable to the Group were all improved for the year, and operation of Antwerp Terminal recorded a turnaround from loss to profit during the year. Meanwhile, the Group completed the acquisition of a 39.04% equity interest in Taicang Terminal in July 2013. It also completed its investment in Qingdao Port Dongjiakou Ore Terminal and its acquisition of an equity interest in Asia Container Terminal in 2014. All of these new terminals thus made profit contributions during the year. On the other hand, due to an increase in operating costs and the expiry of the tax holiday of 50% income tax relief for Phase III of Yantian Terminals, profit from Yantian Terminals decreased during the year.

The container leasing, management and sale businesses recorded a profit of US$95,757,000 (2013: US$125,259,000) in 2014, a 23.6% decrease compared with last year. As at 31 December 2014, the fleet size of the Group was 1,907,778 TEU (31 December 2013: 1,888,200 TEU), a 1.0% increase compared with last year.

Financial Analysis

Revenue

Revenue of the Group for 2014 was US$870,091,000 (2013: US$798,626,000), an 8.9% increase compared with last year. The revenue was primarily derived from the terminals business at US$516,993,000

(2013: US$455,071,000) and the container leasing, management and sale businesses at US$357,075,000 (2013: US$347,747,000).

Total revenue from the terminals business for 2014 increased by 13.6% compared with last year. The increase was mainly derived from Piraeus Terminal in Greece, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal. The throughput of Piraeus Terminal reached 2,986,904 TEU (2013: 2,519,664 TEU) in 2014, contributing revenue of US$178,466,000 (2013: US$155,429,000) to the Group for the year, a 14.8% increase compared with last year. The throughput of Guangzhou South China Oceangate Terminal was 4,647,266 TEU (2013: 4,449,311 TEU) in 2014, and its revenue increased to US$144,138,000 (2013: US$132,329,000), an 8.9% increase compared with last year. In 2014, container throughput of Xiamen Ocean Gate Terminal increased by 32.3% as compared with last year. This, together with a higher tariff charged and its completion of the acquisition of Xiamen Tongda Terminal in March 2013, increased the revenue generated from Xiamen Ocean Gate Terminal to US$39,199,000 (2013: US$19,275,000) during the year, a 103.4% increase compared with last year.

In respect of the container leasing, management and sale businesses, revenue generated in 2014 was US$357,075,000 (2013: US$347,747,000), a 2.7% increase compared with last year, which primarily included container leasing income and revenue from the disposal of returned containers. As at 31 December 2014, the fleet capacity of owned containers and sale-and-leaseback containers reached 1,083,756 TEU and 286,568 TEU respectively (31 December 2013: 1,085,507 TEU and 250,290 TEU respectively). Revenue from container leasing for 2014 was US$295,774,000 (2013: US$290,883,000), an increase of 1.7% as compared with last year. In respect of the container sale business, although the resale price of returned containers decreased by 21.9% as compared with last year, the revenue from the disposal of returned containers increased to US$47,773,000 (2013: US$42,967,000) as the number of returned containers disposed of during 2014 increased 42.4% to 50,860 TEU (2013: 35,714 TEU) compared with last year.

Cost of sales

Cost of sales mainly comprised operating expenses of the terminal companies in which the Group has controlling stakes, depreciation charges on owned containers, net carrying amount of returned containers disposed of and rental expenses of sale-and-leaseback containers. Cost of sales in 2014 was US$546,234,000 (2013: US$480,457,000), a 13.7% increase compared with last year. Of this, the cost of sales of the terminal business was US$337,344,000 (2013: US$310,696,000), an 8.6% increase compared with last year. The increase was mainly attributable to a rise in the related cost of sales resulted from an increase in business volume of terminal business in which the Group has controlling stakes. Cost of sales of container leasing, management and sale businesses was US$208,940,000 (2013: US$169,989,000), a 22.9% increase compared with last year. During the year, the depreciation charge for containers increased to US$124,329,000 (2013: US$110,507,000). The year of 2014 recorded an increased number of returned containers disposed of and a higher net carrying amount for these returned containers as over last year. As a result, the net carrying amount of returned containers disposed of increased to US$40,848,000 (2013: US$20,165,000).

Administrative expenses

Administrative expenses in 2014 were US$93,201,000 (2013: US$90,058,000), a 3.5% increase compared with last year.

Other operating (expenses)/income, net

Net other operating expenses for the year were US$3,231,000 (2013: other operating income of US$18,708,000), which included a net exchange loss of US$7,600,000 (2013: a net exchange gain of US$11,468,000) for 2014.

Finance costs

The Group's finance costs in 2014 were US$72,506,000 (2013: US$84,539,000), a 14.2% decrease compared with last year. The finance costs decreased mainly because financial arrangements were further enhanced during the year. Meanwhile, the Group's US$300,000,000 10-year notes issued in 2003 expired and were repaid in October 2013, contributing to the decreased finance costs in 2014. The average balance of bank loans was reduced to US$1,984,945,000 (2013: US$2,607,329,000) for the year, a 23.9% decrease compared with last year. Taking into account the capitalised interest, the average cost of bank borrowings in 2014, including the amortisation of transaction costs over bank loans and notes, was 3.63% (2013: 3.41%).

Share of profit contribution from joint ventures and associates

Excluding the share of profit of CIMC which has been disposed of, the profit contribution from joint ventures and associates for 2014 amounted to US$171,225,000 (2013: US$153,910,000), representing an increase of 11.3% compared with last year. Due to the increase in throughput, profit contributions from Qingdao Qianwan Terminal, Shanghai Pudong Terminal and COSCO-PSA Terminal attributable to COSCO Pacific were all improved for the year, and the operation of Antwerp Terminal recorded a turnaround from a loss to a gain in the year. The Group's share of profit from Qingdao Qianwan Terminal for 2014 was US$39,034,000 (2013: US$29,521,000), a 32.2% increase compared with last year. The Group's share of profit from Shanghai Pudong Terminal for the year was US$20,689,000 (2013: US$19,686,000), a 5.1% increase compared with last year. The Group's share of profit from COSCO-PSA Terminal for the year was US$3,536,000 (2013: US$1,077,000), a 228.3% increase compared with last year. The Group's share of profit from Antwerp Terminal for the year was US$4,469,000 (2013: a loss of US$319,000). Meanwhile, the Group completed the acquisition of a 39.04% equity interest in Taicang Terminal in July 2013. It also completed investment in Dongjiakou Ore Terminal and acquisition of an equity interest in Asia Container Terminal in 2014. All of these new terminals made profit contributions during the year. On the other hand, due to an increase in operating costs and the expiry of the tax holiday of 50% income tax relief for Phase III of Yantian Terminals, profit from Yantian Terminals decreased to US$49,446,000 (2013: 54,906,000) for the year, representing a decrease of 9.9%.

Income tax expenses

During the year, income tax expenses amounted to US$38,995,000 (2013: US$33,497,000). This included a provision of approximately US$13,525,000 (2013: US$14,282,000) for withholding income tax in respect of the profit distribution from certain investments of the Group.

Discontinued operation

Profit from discontinued operation represents profit derived from the container manufacturing business. The Group completed the disposal of its 21.8% equity interest in CIMC on 27 June 2013, recording a net gain of US$393,411,000 on the disposal. In addition, the Group recognised its share of profit of CIMC of US$23,059,000 in 2013. Including the net gain on the disposal of its equity interest in CIMC and the share of profit of CIMC, the total profit from the discontinued container manufacturing business amounted to US$416,470,000 in 2013.

Financial Position

Cash flow

The Group's cash inflow remained steady in 2014. During the year, net cash generated from operating activities amounted to US$464,952,000 (2013: US$476,544,000). In 2014, the Group borrowed bank loans of US$266,050,000 (2013: US$283,691,000) and repaid loans of US$419,114,000 (2013: US$900,523,000).

During the year, an amount of US$376,759,000 (2013: US$531,526,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment, of which US$280,348,000 (2013: US$255,198,000) was for the purchase of new containers. In addition, the total cash outflow for capital investment by COSCO Pacific amounted to US$279,919,000 in 2014, comprising US$212,335,000 for the investment in Asia Container Terminal, net equity investment of US$57,330,000 for Dongjiakou Ore Terminal and US$10,254,000 used for capital injection in Ningbo Yuan Dong Terminal. Cash outflow in aggregate for capital investment by COSCO Pacific amounted to US$104,311,000 in 2013, mainly comprising US$52,319,000 for acquiring the equity interest in Taicang Terminal, net equity investment of US$31,794,000 for Xiamen Tongda Terminal and US$20,198,000 used for capital injection in Ningbo Yuan Dong Terminal.

Financing and credit facilities

As at 31 December 2014, the Group's total outstanding bank borrowings and cash balance amounted to US$1,860,193,000 (31 December 2013: US$2,046,210,000) and US$1,116,479,000 (31 December 2013: US$1,237,551,000) respectively. Banking facilities available but unused amounted to US$475,694,000 (31 December 2013: US$504,575,000).

Assets and liabilities

As at 31 December 2014, the Group's total assets and total liabilities were US$7,616,710,000 (31 December 2013: US$7,551,304,000) and US$2,558,048,000 (31 December 2013: US$2,707,810,000) respectively. Net assets were US$5,058,662,000, representing an increase of 4.4% as compared with the US$4,843,494,000 at the end of 2013. Net current assets at the end of 2014 amounted to US$426,433,000 (31 December 2013: US$650,796,000). As at 31 December 2014, the Company's net asset value per share was US$1.72 (31 December 2013: US$1.66).

As at 31 December 2014, the net debt-to-total equity ratio was 14.7% (31 December 2013: 16.7%). The interest coverage was 5.9 times in 2014 (compared with 9.9 times in 2013 after taking into account the discontinued operation). As at 31 December 2014, certain of the Group's property, plant and equipment with an aggregate net book value of US$55,119,000 (31 December 2013: US$65,473,000) were pledged as securities against bank borrowings of US$241,967,000 (31 December 2013: US$275,277,000).

Debt analysis

	As at 31 December 2014		As at 31 December 2013	
By repayment term	**US$**	**(%)**	**US$**	**(%)**
Within the first year	**429,762,000**	**23.1**	275,785,000	13.5
Within the second year	**142,804,000**	**7.7**	567,710,000	27.7
Within the third year	**371,953,000**	**20.0**	144,492,000	7.1
Within the fourth year	**159,648,000**	**8.6**	270,678,000	13.2
Within the fifth year and after	**756,026,000**	**40.6**	787,545,000	38.5
	1,860,193,000*	**100.0**	2,046,210,000*	100.0
By borrowing category				
Secured borrowings	**241,967,000**	**13.0**	275,277,000	13.5
Unsecured borrowings	**1,618,226,000**	**87.0**	1,770,933,000	86.5
	1,860,193,000*	**100.0**	2,046,210,000*	100.0
By borrowing denominated currency				
US dollar borrowings	**1,266,764,000**	**68.1**	1,375,387,000	67.2
RMB borrowings	**351,462,000**	**18.9**	395,546,000	19.3
Euro borrowings	**241,967,000**	**13.0**	275,277,000	13.5
	1,860,193,000*	**100.0**	2,046,210,000*	100.0

* Net of unamortised discount on notes and transaction costs on borrowings and notes.

Financial guarantee contracts

As at 31 December 2014, the Group provided guarantees on a loan facility granted to an associate of US$13,613,000 (31 December 2013: US$21,094,000).

Contingent liabilities

A Statement of claim was issued on 19 October 2009 by ADK against the Company and Piraeus Terminal, a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece, alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,000,000 in total). The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30 November 2010.

The Court of First Instance of Athens has issued and pronounced judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$36,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens according to Greek procedural law.

The hearing of this appeal was first scheduled to take place on 13 November 2012 but was then postponed to 26 November 2013 due to the strike called by the Association of the Justices of the Greek courts. The hearing was further adjourned by the Court of Appeals of Athens to 21 October 2014 at the request of ADK. Subsequently, the appeal was held on 21 October 2014 before the Court of Appeal in Greece. There were no verbal pleadings during the hearing before the Court of Appeals, and the Company is awaiting the verdict. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

Treasury policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as far as possible. Borrowings for the container leasing business are mainly denominated in US dollars, which is the same currency as the majority of its revenues and expense so as to minimise potential foreign exchange exposure.

The financing activities of joint ventures and associates are denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

As at 31 December 2014, 16.1% of the Group's total borrowings were at a fixed rate while 14.7% of the Group's total borrowings were at a fixed rate as at 31 December 2013. The Group will continue to monitor and regulate its fixed and floating rate debt portfolio from time to time in light of the market conditions, with a view to minimising its potential interest rate exposure.

The operation of an enterprise is not separable from society. The entire staff of COSCO Pacific work closely together towards a beautiful environment and human welfare in the course of achieving business growth. We strive for sustainable development in every area, from corporate governance to daily operations, and voluntarily disclose our efforts to stakeholders around the world.

IMPROVING MANAGEMENT AND OPERATIONS DEMONSTRATING OUR CORE VALUES

CORPORATE SUSTAINABLE DEVELOPMENT

Environmental Protection

COSCO Pacific upholds measures and policies to protect and improve the environment. As our business has grown, we have maintained this commitment and strived to minimise the environmental impact of our business operations.

The Company encourages its subsidiaries to introduce energy-saving technologies and to take environmental protection issues into full consideration when investing to enhance productivity. The upgrading of rubber tired gantries ("RTGs") by substituting bunker fuel-powered equipment with electrical-powered equipment in recent years is beginning to have an effect. In 2014, despite the increase in throughput at the terminals in China in which COSCO Pacific has controlling stakes, we recorded a decrease in fuel consumption of approximately 30% and a reduction in carbon emissions of approximately 2,388 tons of standard coal equivalent, as compared with last year. COSCO Pacific also promotes high-power LED lighting at its subsidiary terminals in place of the original high-pressure sodium lamp lighting. In 2014 the units of electricity used for lighting were reduced by 390,000 units. The automated loading and unloading system at Xiamen Ocean Gate Terminal, which started its trial run on 19 December 2014, is the first fully-electrical and fully-intelligent automated container terminal project in China. In addition to enhancing operational capacity and efficiency, the system achieves zero-emissions at site. Xiamen Ocean Gate Terminal is also collaborating with Xiamen University to protect the local ecosystem. The design of containers for container leasing has been improved by the use of environmental friendly materials and through conducting research on lightweight containers, contributing to a reduction in both vessel loads and fuel consumption.

Caring for the Community

COSCO Pacific embraces its corporate citizenship by actively participating in social welfare and community services, contributing to the local communities where it operates its businesses. Florens, a wholly owned subsidiary, donated containers to the international charitable organisation INCLUDED to support its charity exhibition in Beijing in March 2014. Xiamen Ocean Gate Terminal launched an "Enterprise-School Cooperation" programme with Jimei University in Xiamen and has become an internship sponsor for the university, offering students in relevant disciplines a platform for interaction, work experience and site visits. Employees at Xiamen Ocean Gate Terminal also raised funds on a voluntary basis for the medical treatment of middle school students living in Hou Jing village near the terminal. In May 2014, Taicang Terminal set up a charity fund in Taicang Aixin School, a school for children with special needs in the city of Taicang. The terminal also launched a voluntary activity named "Protecting Changjiang, Our Mother River" and organised fishery resources release activities in Changjiang. Other subsidiaries of COSCO Pacific offer care and help to their local communities in various ways, such as providing support to local schools and social service agencies, so as to contribute to building harmonious communities.

Employee-Oriented Philosophy

As at 31 December 2014, COSCO Pacific had a total of 3,368 employees.

Employees are regarded as COSCO Pacific's most valuable asset and our vision is to build a team of dedicated staff that pursues excellence. The expansion of the Group's businesses has opened up valuable and sustainable career development opportunities for employees. Dedicated to creating a harmonious working environment, the Group arranges a wide range of training programmes to enhance the management skills and professionalism of its staff. The Group has also focused on improving its incentive mechanism, optimising the staff assessment system and implementing an internal job rotation scheme, with the aim of strengthening talent training and helping employees to realise their full potential.

As part of our commitment to foster a corporate culture that encourages harmony and mutual understanding, the Group promotes cultural integration across regions. Through various activities aimed at facilitating better communication and understanding among employees in different positions and from different backgrounds, we have enhanced the sense of belonging among our employees. This will in turn translate into a driving force for sustainable development. In May 2014, arrangements were made for a group of employees from Piraeus Terminal in Greece to visit and exchange ideas with their counterparts in China. The Greek employees were deeply impressed by the Chinese terminals' efficient operations and felt proud of being part of the Group.

INVESTOR RELATIONS

COSCO Pacific has always regarded investor relations as an important aspect of corporate governance. As such, our investor relations team aims to provide an efficient two-way communication channel between senior management and investors. In addition, we release accurate information in a timely manner, according to standards higher than those of the disclosure regulations governing the Company's listing. To increase corporate transparency, in addition to announcing our business results voluntarily on a quarterly basis, in 2014 we published our first corporate sustainability report, giving stakeholders a more comprehensive understanding of the Group's operations, and further improving the Company's governance.

Building a Close Relationship with Investors

We respond promptly to investors' enquiries and organise regular communications such as investor meetings, panel discussions and press conferences. During 2014, we held various events including press conferences, analyst discussions, telephone conferences, a luncheon and a series of roadshows. These presented a comprehensive picture of COSCO Pacific's financial results, performance, operational strategies and development prospects to different audiences. These activities help to ensure that COSCO Pacific's strengths and competitive advantages, as well as our ability to manage changes in the business environment, are fully understood and reflected in the Company's market valuation.

During the year, we met investors and related parties 325 person-times, among which fund managers accounted for 64%, analysts for 19%, investment banks for 4%, and media for 13% of meetings. Meanwhile, we conducted four roadshows, participated in ten investor forums, and arranged one terminal visit.

Continuous Enhancement of Corporate Transparency

Since 1997, over and above regulatory requirements, we have posted the monthly throughput figures for our terminals on our website, as a valuable reference for investors and the media. Furthermore, we have released business results quarterly since the third quarter of 2007, providing timely updates on the latest development affecting our operations and financial performance.

To understand COSCO Pacific better, the Company's annual report is the essential reference for shareholders and investors. Every year, COSCO Pacific spares no effort in preparing this report. In recent years, the Company has striven to present the theme effectively, and incorporate human elements into the design, with a view to enhancing the reading experience for shareholders.

Promoting Business Decisions that are Market Oriented

The investor relations team informs senior management regularly of the latest market movements and market perceptions of the Company, issues of concern to investors and changes to regulations or compliance requirements, as well as international best practice in investor relations.

Investor Relations Activities

January
- Participated in "Conglomerates & Gaming Corporate Day 2014" held by Goldman Sachs (Asia) L.L.C.
- Participated in the "dbAccess China Conference 2014" held by Deutsche Bank AG

March
- Released 2013 annual results announcement, and held press conference and analyst panel discussion
- Hong Kong results roadshow

April
- 2014 first quarter results announcement on a voluntary basis

May
- Participated in "CLSA China Forum 2014" held by CLSA
- Participated in "dbAccess Asia Conference 2014" held by Deutsche Bank AG
- Participated in "Investor Luncheon" held by HSBC

August
- Released 2014 interim results announcement, and held a press conference and analyst panel discussion
- Hong Kong results roadshow

September
- Participated in the "13th Annual Global Emerging Market Conference 2014" held by Deutsche Bank AG

October
- 2014 third quarter results announcement on a voluntary basis

November
- Participated in the "2014 China Investor Conference" held by Citigroup Global Markets Asia Limited
- Participated in the "Greater China Conference" held by Goldman Sachs (Asia) L.L.C.
- Participated in the "Transport & Infrastructure Corporate Day" held by Barclays Capital Asia Limited

December
- Participated in the "Asia Infrastructure & Industrial Forum" held by J.P. Morgan Securities (Asia Pacific) Limited

The Company regularly conducts analysis on the shareholder structure, a process which includes reviewing the register of institutional and retail investors to keep track of changes in shareholdings by type of investor. This helps us establish sound relationships with existing and potential shareholders.

Awards and Recognition

Adding to its wider engagement with the capital markets, COSCO Pacific's continuous efforts in investor relations has gained extensive recognition. During 2014, the Group was honoured with a "Gold Award for Financial Performance, Corporate Governance, Environmental Responsibility and Investor Relations" from *The Asset* magazine as well as the "2014 Best Investment Value Award for Listed Companies", given jointly by several professional financial services corporations in Asia. In early 2014, the Group was awarded "Best

One-On-One Meetings in 2014

	People	Percentage of total
Fund managers	207	64%
Securities houses (including analysts and brokers)	62	19%
Investment banks	12	4%
Media	44	13%
Total	**325**	**100%**

Market Capitalisation

As at 31 December	2010	2011	2012	2013	2014
Closing price (HK$)	13.54	9.07	11.04	10.64	**11.02**
Market capitalisation (in HK$ million)	36,714	24,596	30,758	30,987	**32,404**

Share Price Performance

(HK$)	2014	2013
Highest	**11.75**	12.82
Lowest	**9.13**	8.92
Average	**10.45**	10.95
Closing price on 31 December	**11.02**	10.64
Monthly average trading volume (shares)	**100,960,380**	133,277,533
Monthly average trading value	**1,066,905,266**	1,500,085,558
Total number of shares issued (shares)	**2,940,437,862**	2,912,325,528
Market capitalisation on 31 December	**32,403,625,239**	30,987,143,618

Source: Bloomberg

Investor Relations Company" and Miss Charlotte So, Investor Relations Department Senior Manager, won "Best Investor Relations Professional", given by Corporate Governance Asia magazine. These awards represent stakeholder recognition for the efforts of the investor relations team. Together with the senior management, COSCO Pacific's investor relations team will continue to enhance communications between the capital markets and the Company, heighten the level of information disclosure and strive for COSCO Pacific to be regarded by investors as one of the most trusted listed companies in the capital markets.

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UOB Kay Hian Investment Consulting (Shanghai) Co., Ltd.	Lawrence LI	lawrenceli@uobkayhian.com	+8621 5404 7225	+8621 5404 7366

ABBREVIATIONS

Abbreviations

Company Name	Abbreviation
COSCO Pacific Limited	COSCO Pacific or the Company
COSCO Pacific Limited and its subsidiaries	the Group
China COSCO Holdings Company Limited	China COSCO
China Ocean Shipping (Group) Company	COSCO
COSCO Container Lines Company Limited	COSCON
Terminal company	
Antwerp Gateway NV	Antwerp Terminal
Asia Container Terminals Limited	Asia Container Terminal
COSCO-HIT Terminals (Hong Kong) Limited	COSCO-HIT Terminal
COSCO-PSA Terminal Private Limited	COSCO-PSA Terminal
Dalian Automobile Terminal Co., Ltd.	Dalian Automobile Terminal
Dalian Port Container Terminal Co., Ltd.	Dalian Port Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
Jinjiang Pacific Ports Development Co., Ltd.	Jinjiang Pacific Terminal
Kao Ming Container Terminal Corp.	Kao Ming Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal
Piraeus Container Terminal S.A.	Piraeus Terminal
Plangreat Limited	Plangreat
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	Dongjiakou Ore Terminal
Qingdao New Qianwan Container Terminal Co., Ltd.	Qingdao New Qianwan Terminal
Qingdao Qianwan Container Terminal Co., Ltd.	Qingdao Qianwan Terminal
Qingdao Qianwan United Advance Container Terminal Co., Ltd.	Qingdao Qianwan United Advance Terminal
Qingdao Qianwan United Container Terminal Co., Ltd.	Qingdao Qianwan United Terminal
Quan Zhou Pacific Container Terminal Co., Ltd.	Quan Zhou Pacific Terminal
Shanghai Container Terminals Limited	Shanghai Terminal
Shanghai Pudong International Container Terminals Limited	Shanghai Pudong Terminal
Suez Canal Container Terminal S.A.E.	Suez Canal Terminal
Taicang International Container Terminal Co., Ltd.	Taicang Terminal
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Xiamen Ocean Gate Container Terminal Co., Ltd.	Xiamen Ocean Gate Terminal
Xiamen Haitou Tongda Terminal Co., Ltd.	Xiamen Tongda Terminal
Yangzhou Yuanyang International Ports Co., Ltd.	Yangzhou Yuanyang Terminal
Yantian International Container Terminals (Phase III) Limited	Yantian Terminal Phase III
Yantian International Container Terminals Co., Ltd.	Yantian Terminal Phases I & II
Yingkou Container Terminals Company Limited	Yingkou Terminal
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	Zhangjiagang Terminal
Container leasing, management and sale company	
Florens Container Holdings Limited and its subsidiaries	Florens
Discontinued operation	
China International Marine Containers (Group) Co., Ltd.	CIMC
Others	
Twenty-foot equivalent unit	TEU

CORPORATE GOVERNANCE REPORT

The corporate governance framework of COSCO Pacific Limited (the "Company") aims to ensure that the highest standards of corporate conduct are in place within the Company and places great importance on corporate governance processes and systems so as to achieve its corporate objectives, ensure greater transparency and protect shareholders' interests. The Board of Directors of the Company (the "Board") keeps abreast of the Company's practices and policies in a timely, transparent, informative and accountable manner. The Board strongly believes that good corporate governance forms the core of a well-managed organisation.

The Company has made continuous efforts to promote high standards of corporate governance and excellence in investor relations practices, earning market recognition from different stakeholders for its high levels of transparency and corporate governance. The Company is included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index. In 2014, the Company was awarded "Shipping In-House Team of the Year" by *Asian Legal Business*, a well-recognised professional magazine, "Asian Company Secretary of the Year Recognition Award" by *Corporate Governance Asia* magazine. Other noted awards received during the year include a "Special

Mention in the H-share Companies and Other Mainland Enterprises Category" from the Hong Kong Institute of Certified Public Accountants, the "Gold Award for Financial Performance, Corporate Governance, Environmental Responsibility and Investor Relations" from *The Asset* magazine, the "Corporate Governance Asia Recognition Award" for the eighth consecutive year and "Best Investor Relations Company" from *Corporate Governance Asia* magazine, the "Hong Kong Outstanding Enterprise" for the tenth consecutive year from *Economic Digest* magazine and "Outstanding China Enterprise Award" for the third consecutive year form *Capital* magazine.

Corporate Governance Practices

The Company adopted the code provisions set out in the then Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices in January 2005. From 2002, long before the implementation of the said code, the Company had already taken the initiative to disclose its corporate governance practices in its annual reports.

The Company's corporate governance practices are in compliance with the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Company also refers to the Organisation for Economic Co-operation and Development (OECD) principles for a set of ethics to maintain high corporate accountability and transparency.

The Company believes that commitment to good corporate governance is essential to the sustainability of the Company's businesses and performances. The Company is pleased to confirm that for the year ended 31 December 2014, it has fully complied with the code provisions of the Corporate Governance Code.

To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company adopted the following code provisions in the Corporate Governance Code prior to their coming into effect on 1 April 2012:

Code Provision A.1.8

The code provision A.1.8 of the Corporate Governance Code provides that a listed company should arrange appropriate insurance coverage for directors. The Company has made appropriate arrangement for liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage has been reviewed by the Company on an annual basis.

Code Provisions A.5.1 to A.5.4

The code provisions A.5.1 to A.5.4 of the Corporate Governance Code provide that a listed company should establish a nomination committee with its terms of reference. The Company established its Nomination Committee in 2005, long before the implementation of the relevant code provisions. Details of the composition and terms of reference of the Nomination Committee are set out under the section titled "Nomination Committee" below.

In order to promote transparency, the Company will periodically conduct a review of the extent to which the Company complies with the recommended best practices in the Corporate Governance Code. The following is a major recommended best practice in the Corporate Governance Code with which the Company continued to comply during the year ended 31 December 2014:

Recommended Best Practice C.1.6

The recommended best practice C.1.6 of the Corporate Governance Code states that a listed company should announce and publish quarterly financial results. The Company had, on 28 April 2014 and 28 October 2014, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results a regular compliance practice.

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the Corporate Governance Code.

Board of Directors

Board Functions and Responsibilities of Directors

The Board is responsible for the leadership and control of the Company and its subsidiaries (together "the Group") and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. Every Board member is required to keep abreast of his/her duties and responsibilities in the Company in the conduct, business and development of the Company and should act in good faith, exercise due diligence and act in the best interest of the Group and its shareholders. The Board should ensure that the Company complies with all applicable laws and regulations.

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various internal control and check-and-balance mechanisms. Matters to be decided by the Board include:

- establishing the strategic direction of the Group
- setting objectives and business development plans
- monitoring the performance of the senior management
- implementing the corporate governance policy, including but not limited to establishing a shareholder communication policy and reviewing it on a regular basis to ensure its effectiveness

The Board reviews and approves the Company's annual budget and business plans, which serve as important benchmarks in assessing and monitoring the performance of the management. Directors have access to the management and are welcome to request explanations, briefings or discussions on the Company's operations or business issues.

The Company has in place a clear corporate governance process to ensure that all directors fully appreciate their roles and responsibilities.

All newly appointed directors undergo a comprehensive programme which includes management presentations on the Group's businesses, strategic plans and objectives. They also receive a comprehensive orientation package upon appointment which includes policies on disclosure of interest in securities, prohibitions on dealing in the Company's securities and restrictions on disclosure of inside information and disclosure obligations of a listed company under the Listing Rules. The programme and package are updated whenever there are changes in relevant laws and regulations.

Board Composition

As at 24 March 2015 (the date on which the Board approved this report), the Board consisted of 13 members. Among them, five are executive directors, three are non-executive directors and five are independent non-executive directors, including Mr. WAN Min[2] (Chairman), Mr. QIU Jinguang[1] (Vice Chairman and Managing Director), Mr. FENG Jinhua[1], Mr. TANG Runjiang[1], Mr. FENG Bo[1], Mr. WANG Wei[2], Mr. WANG Haimin[2], Dr. WONG Tin Yau, Kelvin[1], Mr. Timothy George FRESHWATER[3], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[3], Mr. IP Sing Chi[3] and Mr. FAN Ergang[3].

There are no relationships (including financial, business, family or other material/relevant relationship(s)) among Board members and in particular, between the Chairman and the Managing Director. Biographical details of the directors are set out in the section "Directors and Senior Management Profiles" in this annual report and on the Company's website at www.coscopac.com.hk. A list containing the names of the directors and their respective roles and functions is also published on the said website.

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

Procedures to Enable Directors to Seek Independent Professional Advice

To assist the directors in fulfilling their duties to the Company, the Board has established written procedures to enable them, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances. No request was made by any director for such independent professional advice in 2014.

Separation of Chairman and Managing Director

To ensure independence, accountability and responsibility in Board functions, the posts of Chairman and Managing Director are separated and each plays a distinctive role. During the year, the Chairman, Mr. LI Yunpeng, who was a non-executive director, was responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board was functioning properly with good corporate governance practices and procedures. On 21 January 2015, Mr. LI Yunpeng resigned and Mr. WAN Min was appointed as Chairman. The Vice Chairman and Managing Director, Dr. WANG Xingru, who was an executive director, supported by other Board members and the senior management, was responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decisions and co-ordinating overall business operations. In addition, he guided and motivated senior management to achieve the Group's objectives. On 4 July 2014, Dr. WANG Xingru resigned as Vice Chairman and Managing Director and the administrative works were undertaken by Mr. WANG Haimin from 7 July 2014 until the appointment of Mr. QIU Jinguang, an executive director and a Deputy Managing Director, as Vice Chairman and Managing Director on 21 January 2015. The division of responsibilities between the Chairman and the Managing Director has been clearly established and set out in writing.

Non-executive Directors (including Independent Non-executive Directors)

The Company has three non-executive directors and five independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The three non-executive directors have contributed innovative views to the Board's decision-making process based on their rich experience in the container shipping business and corporate management. Their expertise helps to facilitate the process of formulating the Group's strategy. The five independent non-executive directors, representing one-third of the Board, have well-recognised experience in areas such as accounting, law, banking, terminal operation and management and/or commercial fields. Their insightful advice, diverse skills and extensive business experience are major contributors to the future development of the Company, and act as a check-and-balance for the Board. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making process. In addition, they ensure the Board maintains a high standard of financial, regulatory and other mandatory reporting and provide an adequate check-and-balance to safeguard the interest of shareholders and the Company as a whole.

Each of the non-executive directors and independent non-executive directors has signed an appointment letter with the Company for a term of around three years. Their terms of appointment shall be subject to the rotational retirement provision of the Bye-laws of the Company and shall terminate on the earlier of either (i) the date of expiry of the said term of service, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any applicable laws.

The Board has received from each independent non-executive director a written annual confirmation of his/her independence and is satisfied with their independence up to the date of this report in accordance with the Listing Rules.

The Nomination Committee of the Company has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board Meetings

Board meetings are scheduled one year in advance to facilitate maximum attendance by directors. The Board held four regular Board meetings during the financial year ended 31 December 2014 at quarterly intervals. An additional Board meeting was also held as required. The average attendance rate was 89.14%. Amongst these five meetings, four were held to approve the 2013 final results, 2014 interim results and 2014 first and third quarterly results of the Company, and one to consider new investment opportunities and review the strategy and business direction, as well as the financial and operational performance of the Group. As the members of the Board are either in Hong Kong or in mainland China, all of these meetings were conducted by video and/or telephone conference as allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

Before each regular Board meeting, the Board is provided with adequate information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performances of the Group, in addition to the minutes of preceding meetings of the Board and Board committees. At least 14 days' notice of a regular Board meeting is given to all directors to provide them with an opportunity to attend and all directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are dispatched to the directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. Directors unable to attend a meeting are advised of the matters to be discussed and are given an opportunity to make their views known to the Chairman prior to the meeting. Senior management members who are responsible for the preparation of the Board papers are invited to present their papers and to take any questions or address queries that Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of its decision-making process.

The Chairman of the Company conducts the proceedings of the Board at all Board meetings. He ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and equal opportunities are given to the directors to express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board and the decisions reached, including any concerns raised by the directors. Draft minutes of each Board meeting are sent to all directors for comments within a reasonable time after the Board meeting is held. All directors have access to the General Counsel & Company Secretary, who is responsible for ensuring that the Board procedures and all applicable laws and regulations are complied with and provides advice to the Board on compliance matters.

Set out below are the details of all directors' attendance at the Board meetings and general meetings during the financial year ended 31 December 2014 which illustrate the attention given by the directors in overseeing the Company's affairs and understanding shareholders' views:

Attendance of individual Board members at Board meetings and general meetings

Name of Directors	No. of Board meetings attended/held in 2014	Attendance rate of Board meetings (%)	No. of general meetings attended/held in 2014	Attendance rate of general meetings (%)
Directors				
Mr. LI Yunpeng[2] (Chairman) [(Note)]	5/5	100	1/1	100
Mr. WAN Min[2] [(Note)]	2/5	40	0/1	0
Mr. WANG Haimin[1] [(Note)]	5/5	100	1/1	100
Mr. FENG Jinhua[1]	4/5	80	1/1	100
Mr. TANG Runjiang[1]	5/5	100	1/1	100
Mr. FENG Bo[1]	4/5	80	1/1	100
Mr. WANG Wei[2]	4/5	80	1/1	100
Dr. WONG Tin Yau, Kelvin[1]	5/5	100	1/1	100
Mr. QIU Jinguang[1] [(Note)]	5/5	100	1/1	100
Mr. Timothy George FRESHWATER[3]	5/5	100	1/1	100
Dr. FAN HSU Lai Tai, Rita[3]	5/5	100	1/1	100
Mr. Adrian David LI Man Kiu[3]	5/5	100	1/1	100
Mr. IP Sing Chi[3]	3/5	60	1/1	100
Mr. FAN Ergang[3]	5/5	100	1/1	100
Ex-director				
Dr. WANG Xingru[1] (Vice Chairman and Managing Director) (resigned on 4 July 2014)	3/3	100	1/1	100

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note: Subsequent to the year ended 31 December 2014, there were the following changes of directorships of the Company, all with effect from 21 January 2015:

(a) Mr. LI Yunpeng resigned as Chairman of the Board and a non-executive director of the Company.

(b) Mr. WAN Min, a non-executive director of the Company, was appointed as Chairman of the Board.

(c) Mr. WANG Haimin was re-designated from an executive director to a non-executive director of the Company.

(d) Mr. QIU Jinguang, an executive director and a Deputy Managing Director of the Company, was appointed as the Vice Chairman of the Board and Managing Director of the Company.

During the financial year ended 31 December 2014, a meeting among the Chairman and the non-executive directors (including independent non-executive directors) without the presence of the executive directors was held pursuant to code provision A.2.7 of the Corporate Governance Code.

Appointment, Re-election and Removal of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new directors. The Nomination Committee, chaired by an independent non-executive director, comprising a majority of independent non-executive directors, has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or to fill in casual vacancies on the Board and making recommendations to the shareholders regarding any directors proposed for re-election at general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2014 are set out under the "Nomination Committee" section below.

At each annual general meeting, one-third of the serving directors (or, if their number is not a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

Directors' Commitment

The Company has received confirmation from all directors that they have given sufficient time and attention to the affairs of the Company during the financial year ended 31 December 2014. Directors have also disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, as well as the identity of the said public companies and an indication of time involved in them.

Directors are reminded to participate in continuous professional development to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the Listing Rules and other applicable laws and regulations. During the financial year ended 31 December 2014, directors participated in various training programmes and seminars at the Company's expense. Set out below are the details of all directors' participation in continuous professional development during the financial year ended 31 December 2014:

Directors' Participation in Continuous Professional Development Programmes in 2014

	Reading of regulatory updates	Making visits to management of the Company and/or its subsidiaries	Attending directors' training organised by the Company or other listed companies/ professional organisations
Directors			
Mr. LI Yunpeng[2] (Chairman)(Note 1)	✓	✓	✓
Mr. WAN Min[2] (Note 1)	✓	✓	✓
Mr. WANG Haimin[1] (Note 1)	✓	✓	✓
Mr. FENG Jinhua[1]	✓	✓	✓
Mr. TANG Runjiang[1]	✓	✓	✓
Mr. FENG Bo[1]	✓	✓	✓
Mr. WANG Wei[2]	✓	✓	✓
Dr. WONG Tin Yau, Kelvin[1]	✓	✓	✓
Mr. QIU Jinguang[1] (Note 1)	✓	✓	✓
Mr. Timothy George FRESHWATER[3]	✓	✓	✓
Dr. FAN HSU Lai Tai, Rita[3]	✓	✓	✓
Mr. Adrian David LI Man Kiu[3]	✓	✓	✓
Mr. IP Sing Chi[3]	✓	✓	✓
Mr. FAN Ergang[3]	✓	✓	✓
Ex-director			
Dr. WANG Xingru[1] (Vice Chairman and Managing Director) (resigned on 4 July 2014)	✓	✓	✓

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note 1: Please refer to the note on page 65.

Note 2: The Company has provided training related to directors' duties towards listed companies to all directors.

Directors'/Senior Management's securities transactions

All directors are obliged to observe the requirements as stipulated in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), as the Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by its directors in the securities of the Company. In addition, the Board has also established written guidelines for the senior management and relevant employees of the Company in respect of their dealings in the securities of the Company on no less exacting terms than the Model Code. A committee comprising the Chairman, the Vice Chairman and Managing Director and a Deputy Managing Director was set up to deal with such transactions.

Specific confirmation has been obtained from directors and senior management regarding their compliance with the Model Code and the aforementioned guidelines in 2014. No incidents of non-compliance were noted by the Company in 2014.

General Counsel & Company Secretary

The General Counsel & Company Secretary, who is directly responsible to the Board, is responsible for keeping directors updated on all relevant regulatory changes of which she is aware, including organising appropriate continuing development programmes for directors.

All directors have access to the General Counsel & Company Secretary who is responsible for ensuring good information flow within the Board, and that Board policies and procedures are followed. The General Counsel & Company Secretary is also responsible for providing advice to the Board in relation to directors' obligations as regards disclosure of interest in securities and disclosure requirements in respect of notifiable transactions, connected transactions and inside information. The General Counsel & Company Secretary has to advise the Board on disclosure of information in a true, accurate, complete and timely manner in strict compliance with the requirements of the Listing Rules, applicable laws, regulations and the Bye-laws of the Company.

The General Counsel & Company Secretary is an alternate of the authorised representative of the Company and the primary channel of communication between the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She assists the Board in implementing and strengthening corporate governance practices with a view to enhancing long-term shareholder value. In addition, the General Counsel & Company Secretary will, on a timely basis, provide the directors with updated information regarding their continuing legal, regulatory and compliance obligations. In relation to connected transactions and disclosure requirements, regular seminars are conducted by the General Counsel & Company Secretary for management and senior executives within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance, as well as for directors' consideration.

The General Counsel & Company Secretary has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

Delegation by the Board

Management Functions

The Board delegates day-to-day responsibilities to the management. The respective functions of the Board and the management have been clearly established and set out in writing. The management, under the leadership of the Managing Director (who is also the Vice Chairman), is responsible for the following duties delegated by the Board:

- implementing the strategies and plans established by the Board

- submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities, including any monthly updates as requested pursuant to the Listing Rules

Board Committees

To assist the Board in the execution of its duties and to facilitate effective management, ensuring that certain functions of the Board have been delegated to various Board committees, which in turn will review and make recommendations to the Board on specific areas. The Board has established a total of seven Board committees, details of which are set out below. Each committee consists of directors, members of senior management and management and has a defined scope of duties and terms of reference, and committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate authority for the final decision on all matters, however, lies with the Board.

The terms of reference of the Board committees setting out their roles and the authority delegated to them by the Board have been posted on the Company's website at www.coscopac.com.hk. The terms of reference will be revised when appropriate. It is the Company's policy to ensure that the committees are provided with sufficient resources to discharge their duties. They have regular, scheduled meetings every year and report to the Board on a regular basis. All business transacted at committee meetings is meticulously recorded and well maintained, and minutes of meetings are circulated to the Board for reference.

1. **Executive Committee**

   The Executive Committee consists of all the executive directors of the Company who are frequently in Hong Kong. The purpose of this committee is to facilitate the daily operations of the Company. As most of the directors of the Company are fully engaged in their major responsibilities and/or stationed in different cities such as Beijing, Shanghai and Hong Kong, it may be practically difficult and inconvenient to convene full Board meetings or arrange for all directors to sign written resolutions on a frequent basis. Hence, the Board delegates powers to the Executive Committee to conduct and supervise the business of the Company and its staff.

   During the year ended 31 December 2014, the Executive Committee held a total of 39 meetings. All the matters considered and decided by the Executive Committee at the committee meetings have been recorded in detailed minutes. A committee member presents a summary report on the business transacted at the Executive Committee meetings to the Board at Board meetings. All directors of the Company can inspect the minutes of the committee meetings at any time and upon request, and the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. **Audit Committee**

   The Audit Committee, chaired by an independent non-executive director with appropriate professional qualifications, consists of three members, all of whom are independent non-executive directors of the Company. All committee members are professionals in their own working fields, including accounting, legal, banking and/or other commercial areas.

   The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both the internal and external auditors, and to the management and staff. Its terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

   In addition to providing advice and recommendations to the Board, the Audit Committee oversees all matters relating to the external auditors. It therefore plays an important role in monitoring and safeguarding the independence of the external auditors. Both the Financial Controller and the Internal Auditor are directly accountable to the Chairman of the Audit Committee.

Regular meetings of the Audit Committee are normally held four times a year on a quarterly basis, with additional meetings arranged as and when required. During the year ended 31 December 2014, six meetings were held and attended by all members of the Audit Committee.

The key matters deliberated on by the Audit Committee in 2014 included:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
- reviewed the draft annual, interim and quarterly results announcements and the draft annual report and interim report of the Company and assured the completeness, accuracy and fairness of the financial statements of the Company;
- reviewed the results of the external audit and discussed significant findings and audit issues with the external auditors;
- reviewed the internal audit plan and internal audit reports;
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis;
- discussed the effectiveness of the systems of internal controls throughout the Group, including financial, operational and compliance controls, and risk management policies and systems established by the management;
- reviewed the framework for disclosure of inside information of the Group and the whistleblowing policy of the Company; and
- reviewed the invitation to submit an expression of interest for the acquisition of a majority stake in the share capital of an overseas corporation.

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Mr. Adrian David LI Man Kiu[1] (Chairman)	6/6	100
Mr. Timothy George FRESHWATER[1]	6/6	100
Dr. FAN HSU Lai Tai, Rita[1]	6/6	100

1 Independent Non-executive Director

3. Remuneration Committee

The Remuneration Committee, led by its Chairman who is an independent non-executive director, comprises five members, the majority of whom are independent non-executive directors of the Company.

The Company has adopted model (ii) as set out in the code provision B.1.2(c) of the Corporate Governance Code, under which the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive directors and senior management. The Remuneration Committee also makes recommendations to the Board on the policy and structure for all directors' and senior management remuneration. If necessary, the Remuneration Committee can engage professional advisers to assist and/or provide professional advice on relevant issues.

When formulating remuneration packages (which comprise salaries, bonus, benefits in kind, etc.), the Remuneration Committee considers several factors such as salaries paid by comparable companies, time commitment, job responsibilities, the performance of the individual and the performance of the Company. The Remuneration Committee will also review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Remuneration Committee in 2014:

- reviewed and made recommendations to the Board on the remuneration packages of each executive director and member of senior management;
- reviewed and made recommendation to the Board on the remuneration of Mr. WANG Haimin, an executive director of the Company, for his additional duties on overall administration work of the Company on a temporary basis; and
- reviewed and made recommendations to the Board on the adjustment of remuneration of the senior management.

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita[1] (Chairman)	**3/3**	100
Mr. Adrian David LI Man Kiu[1]	**3/3**	100
Mr. IP Sing Chi[1]	**3/3**	100
Mr. WANG Haimin[2] (appointed on 7 July 2014)[(Note 1)]	**1/1**	100
Mr. LI Yingwei (appointed on 10 November 2014)	**N/A**	N/A
Ex-members		
Dr. WANG Xingru[3] (resigned on 4 July 2014)	**2/2**	100
Mr. ZHU Lizhi (resigned on 10 November 2014)	**3/3**	100

1 Independent Non-executive Director

2 Executive Director

3 Executive Director, Vice Chairman and Managing Director

Note 1: Please refer to the note on page 65.

Note 2: Subsequent to the year ended 31 December 2014, Mr. WANG Haimin ceased to act as a Member of the Remuneration Committee and Mr. QIU Jinguang acted as a Member of the Committee in place of Mr. WANG Haimin.

Remuneration policy

The remuneration policy of the Company ensures the competitiveness and effectiveness of the Company's pay levels for attracting, retaining and motivating employees. No director, or any of his/her associates, is involved in determining his/her own remuneration. The remuneration policy for non-executive directors ensures that they are sufficiently yet not excessively compensated for their efforts and time dedicated to the Company. The policy for employees (including executive directors and senior management) assures that remuneration offered is appropriate for the duties involved and in line with market practice. The aggregate amount of directors' fees is subject to approval by shareholders at the annual general meeting.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. The cash bonus is tied to the performance of individual employees. As a long-term incentive plan and with the aim of motivating employees in the continual pursuit of the Company's goals and objectives, the Company has granted share options to employees (including directors of the Company and its subsidiaries) of the Group under the share option schemes of the Company, based on their performance and contribution.

4. Nomination Committee

The Nomination Committee, led by its Chairman who is an independent non-executive director, comprises four members, the majority of whom are independent non-executive directors of the Company.

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on appointments and re-elections. In addition, the Nomination Committee is responsible for reviewing the Board Diversity Policy (set out below in summary) to ensure its effectiveness and make recommendations to the Board on requisite amendments.

During 2014, the work performed by the Nomination Committee included the following:

- reviewed the Board Diversity Policy;
- made recommendations to the Board on matters relating to the resignation and change of duties and responsibilities of a director and re-election of directors;
- made recommendations to the Board on matters relating to the appointment and change of Board Committees members; and
- conducted an annual review of the independence of the independent non-executive directors.

All new appointments of directors and nomination of retiring directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee and are then recommended by the Nomination Committee to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws of the Company. There was no appointment of new directors during 2014.

In early 2015, the Nomination Committee nominated and the Board recommended Mr. TANG Runjiang, Dr. WONG Tin Yau, Kelvin, Mr. Timothy George FRESHWATER and Mr. Adrian David LI Man Kiu, being directors longest in office since their last re-election, retire by rotation at the forthcoming annual general meeting. Except Mr. Timothy George FRESHWATER who does not offer himself for re-election, all the other retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

From July 2014, Mr. WANG Haimin undertook the overall administration work of the Company on a temporary basis. In considering the change of duties and responsibilities of a director, the Nomination Committee assessed the candidate on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively etc., and made recommendation to the Board for approval.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Mr. Adrian David LI Man Kiu[1] (Chairman)	4/4	100
Dr. FAN HSU Lai Tai, Rita[1]	4/4	100
Mr. IP Sing Chi[1]	4/4	100
Mr. WANG Haimin[2] (appointed on 7 July 2014)(Note 1)	1/1	100
Ex-member		
Dr. WANG Xingru[3] (resigned on 4 July 2014)	3/3	100

1 Independent Non-executive Director

2 Executive Director

3 Executive Director, Vice Chairman and Managing Director

Note 1: Please refer to the note on page 65.

Note 2: Subsequent to the year ended 31 December 2014, Mr. WANG Haimin ceased to act as a Member of the Nomination Committee and Mr. QIU Jinguang acted as a Member of the Committee in place of Mr. WANG Haimin.

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013, which aimed at setting out principles and approaches to achieve the diversity of the Board.

The Company regards the diversity of the Board as a crucial element of the Company's sustainable development and in maintaining its competitive advantages. Candidates for Board appointments will be considered based on each objective criterion and with due regard for the benefits of diversity of the Board. Selection of candidates will be based on a number of perspectives, including but not limited to gender, age, skills, cultural background, knowledge and professional experience. The final decision will be based on merit of the candidate and contribution the candidate will bring to the Board.

The Board's composition under diversified perspectives was summarised as follows:

Board Diversity			
1. Designation	Executive Director (5)	Non-executive Director (3)	Independent Non-executive Director (5)
2. Gender	Male (12)	Female (1)	
3. Ethnicity	Chinese (12)	Non-Chinese (1)	
4. Age group	61 – 70 (3)	51 – 60 (4)	40 – 50 (6)
5. Length of service (years)	Over 10 (1)	3 – 10 (7)	Less than 3 (5)
6. Skills, knowledge and professional experience (Note 1)	Terminal operation and management (9)	Accounting and financing (4)	Banking (2)
	Law (3)	Management and commercial (1)	Finance Leasing (1)
	Human resources (1)	Containers related business (8)	Capital management and investor relations (1)
7. Academic background	University (13)		

Note 1: Directors may possess multiple skills, knowledge and professional experience.

Note 2: The number in brackets refers to the number of directors under the relevant category.

The Nomination Committee has reviewed the Board's composition under diversified perspectives and monitored the implementation of the Board Diversity Policy and considers that the Board Diversity Policy is effective. It is currently not required to set any measurable objectives for implementing the policy.

5. Corporate Governance Committee

The Corporate Governance Committee, led by an executive director, comprises six members (including an executive director, members of senior management and management). It reviews the corporate governance practices and disclosure systems of the Company and introduces relevant principles in this regard so as to enhance the standard of corporate governance of the Company.

In 2014 and early 2015, the Corporate Governance Committee performed the following in relation to the review of the corporate governance framework of the Company:

- reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;
- reviewed the training and continuous professional development of directors and senior management;
- reviewed the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the employee manual of the Company;
- reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report;
- reviewed the Company's disclosure systems; and
- reviewed the Company's corporate sustainable development initiatives.

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ms. LIU Mei Wan, May	4/4	100

1 Executive Director

Note: In order to coordinate with the annual review of the arrangement of corporate governance and sustainable development in the Company, the above meetings were arranged to be convened between 5 March 2014 and 3 March 2015, before the announcement of 2014 final results.

6. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises ten members (including executive directors, members of senior management and management). It considers, evaluates, reviews and recommends to the Board proposed major investments, acquisitions and disposals, conducts post-investment evaluation of investment projects, reviews and considers the overall strategic direction and business development of the Company.

Attendance of individual members at Investment and Strategic Planning Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Mr. WANG Haimin[1] (Chairman) (appointed on 7 July 2014)(Note 1)	2/2	100
Mr. QIU Jinguang[1] (Note 1)	4/4	100
Mr. FENG Jinhua[1] (appointed on 27 January 2014)	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen	4/4	100
Mr. LI Jie	4/4	100
Mr. CHEN Bin	4/4	100
Mr. ZHANG Wei	4/4	100
Mr. HUNG Chun, Johnny	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-members		
Dr. WANG Xingru[2] (Chairman) (resigned on 4 July 2014)	2/2	100
Mr. XU Jian (resigned on 27 January 2014)	N/A	N/A

1 Executive Director

2 Executive Director, Vice Chairman and Managing Director

Note 1: Please refer to the note on page 65.

Note 2: Subsequent to the year ended 31 December 2014, Mr. WANG Haimin ceased to act as the Chairman and Member of the Investment and Strategic Planning Committee and Mr. QIU Jinguang acted as the Chairman of the Committee in place of Mr. WANG Haimin.

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises nine members (including executive directors, members of senior management and management). It provides support to the Board by identifying and minimising the operational risks of the Company, setting the direction for the Group's risk management strategy and strengthening the Group's system of risk management.

Attendance of individual members at Risk Management Committee meetings

Name of Members	No. of meetings attended/held in 2014	Attendance rate (%)
Members		
Mr. QIU Jinguang[1] (Chairman)(Note 1)	4/4	100
Mr. FENG Jinhua[1] (appointed on 27 January 2014)	4/4	100
Mr. CHAN Hang, Ken	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. HUANG Chen	4/4	100
Mr. LI Jie	4/4	100
Mr. ZHANG Wei	4/4	100
Mr. FAN Chih Kang, Ken	4/4	100
Ex-member		
Mr. XU Jian (resigned on 27 January 2014)	N/A	N/A

1 Executive Director

Note 1: Please refer to the note on page 65.

Accountability and Audit

Financial Reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on page 116 which acknowledges the reporting responsibilities of the Group's auditor.

Annual Report and Financial Statements

The directors acknowledge their responsibilities for preparing financial statements for each financial year which give a true and fair view of the results and the state of affairs of the Group.

Accounting Policies

The directors consider that in preparing its financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The directors are responsible for ensuring that the Group keeps accounting records which disclose, with reasonable accuracy, the financial position and results of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance, Listing Rules and applicable accounting standards.

Safeguarding Assets

The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Internal Control

The Group has in place an internal control system that has been set up within the areas of the Group's control environment, risk areas, control and monitoring activities, and information and communication. The internal control system makes reference to the COSO framework developed by the Committee of Sponsoring Organizations of the Treadway Commission in the United States and also the Guide on Internal Control and Risk Management issued by the Hong Kong Institute of Certified Public Accountants.

Control Environment

The maintenance of a high standard of control environment has been and remains a top priority of the Group. The Group is therefore dedicated to its continuous enhancement and improvement.

Recognising the importance of various values, including management's integrity, ethics, operating philosophy and commitment to organisational competence (or quality of personnel), the Board has set out a direction for the internal control system in order to ensure the Group's objectives are achieved and to identify discrepancies so that corrective action can be taken in an efficient manner.

The management of the Group is primarily responsible for the design, implementation, and maintenance of the Group's internal control system with a view to providing sound and effective controls to safeguard shareholders' investment, investors' interest and the Company's assets. The internal control system covers all major and material controls, including financial, operational and compliance as well as risk management controls.

The Board is ultimately responsible for the effectiveness of the internal control and risk management system. The Board has delegated to the Risk Management Committee the task of assisting the Board to identify and minimise the operational risks of the Company, to set the direction for the Group's risk management strategy and to strengthen the Group's risk management system. The Risk Management Committee monitors, reviews and discusses the results of internal control and risk management assessment for the year on a regular basis. Moreover, the Audit Committee assists the Board to review the effectiveness of the internal control and risk management system twice a year by reviewing the underlying mechanism and functioning of the Group's internal control system and sharing its opinion with the Board as to the system's effectiveness. In 2014, the Audit Committee reviewed the reports of risk assessment and internal control assessment, the risk register and internal control questionnaire submitted by the Corporate Management Department and authorised by the

Risk Management Committee, as well as the annual report, interim report, results announcements and internal audit plans and reports. During the year 2014, the directors conducted reviews of the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions.

As the control environment is the foundation for all of the other components of the internal control system, the Group has defined a Group-wide structure and has set up a procedure manual to regulate business processes and activities. Besides establishing an effective internal control system, the Group requires the account and finance personnel to have high integrity and qualification. The Board and the Audit Committee of the Company have conducted an annual review on the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function of the Company.

Risk Assessment

The Group is principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and their related businesses. The activities of the Group are exposed to a variety of risks which are categorised as financial risk, operational risk and compliance risk factors as shown below:

Major financial risk factors

Owing to the uncertainties in the global economy, the Group has maintained a prudent financial policy. In order to cope with the budgeted development and operational needs of our terminal and container leasing businesses, the Group has striven to maintain a certain leverage in order to fund the Group's capital expenditure in accordance with budgeted business plans and market demand. Changes in market interest rates can significantly affect the financial performance of the Group.

The Group's objectives in managing capital are to safeguard the Group's ability to operate efficiently in order to create values and returns for shareholders and to maintain an optimal capital structure which reduces cost of capital.

Following the Group's expansion in global markets, our operating environment is increasingly complex and geographically diversified while the taxation environment is also an area of concern. As the business of the Group is predominantly carried out in mainland China, the United States, Europe and Hong Kong, the Group is subject to risks brought on by changes in the taxation systems of these regions.

The Group conducts business and operations internationally and is thus exposed to foreign exchange risks arising from various currency exposures. For the container leasing business, the primary currency involved is the US dollar while for the terminals business, the primary currencies involved are the Renminbi and the Euro.

Major operational risk factors

The volume, current purchasing price and per diem rates for the container leasing business fluctuate in response to changes in the supply and demand for leased containers. These fluctuations affect the performance of the Group.

The future recoverable amounts for the containers will be affected by economic downturns and market fluctuations. Such unfavourable market factors increase the asset impairment risk related to containers.

In the event of an economic downturn, the accounts receivable position may deteriorate, resulting in another operational risk factor encountered by the Group, namely credit risk on accounts receivable and recoverability risks.

The terminals business and container leasing business involve both manual and machine operations, which may be accompanied by risks involving workplace safety, including physical harm, damage to reputation, legal liabilities and business interruption.

Major compliance risk factors

The Group has been investing in mainland China and overseas. These new investments may be exposed to various foreign legal and regulatory regimes which involve different levels of transparency and compliance. Where necessary, the Group has requested independent professional advice on compliance matters from legal firms in the relevant foreign jurisdictions in order to further protect its interest. Regulatory changes are normally designed to promote transparency and raise the profile of compliance. Therefore, having to substantially satisfy diverse legal and regulatory requirements in a multitude of jurisdictions inevitably exposes the Group to compliance risk.

The Group is continuously expanding its business partnership network for its terminals business. Therefore, the number of terminal joint venture companies which constitute subsidiaries of the Company under the Listing Rules is constantly increasing. This has resulted in an increase in connected transactions with (1) China COSCO, an intermediate holding company of the Company, (2) COSCO, the ultimate holding company of the Company, (3) the Maersk Group and (4) various port authorities, which are respectively regarded as connected persons of the Group under the Listing Rules.

By the very nature of the Group's business activities, transactions with these connected persons are inevitable. However, since the Company cannot fully ascertain the corporate structure of all companies (especially those companies outside the Group), the identification of connected persons and the updating of an exhaustive list of connected persons is extremely difficult, and the volume of such transactions may expose the Group to compliance risk relating to the identification, authorisation, recording and disclosure of such transactions.

The Group is increasingly involved in new projects of significant size, which often constitute discloseable transactions or are subject to approval by shareholders under the Listing Rules. The need for timely and strict compliance with relevant regulatory requirements exposes the Group to compliance risk.

To identify and analyse the relevant risks in achieving the Company's objectives, the internal control system is designed to provide reasonable, but not absolute, assurance against material misstatements and to manage, rather than completely eliminate, the risk of system failure in this regard. In addition to safeguarding the assets of the Company, the system design also pays attention to the basis for determining control activities (fundamentally including financial, operational and compliance controls) and to ensure a high level of operational efficiency, as well as to ensure the reliability of financial reporting and to ascertain the compliance of laws, regulations and any other defined procedures.

For the purpose of better risk management, the Company assesses the likelihood and potential impact of each particular risk. It emphasises changing operational behaviour and regards the internal control system as an early warning mechanism designed to trigger a quick response. Monitoring and control procedures are derived therefrom.

The Group's risk assessment procedures involve consideration of the entire organisation. Attention is paid to all kinds of major relationships and their correlations, including situations of fraud, going concern and internal and external reporting, and whether accounting tasks were performed in accordance with generally accepted accounting principles, among others. When risks are identified, existing controls are examined to determine if there has been a failure in control, and if so, to determine the reason for such a failure as well as ways to rectify this failure.

Control Activities and Monitoring

A sound system of internal controls requires a defined organisational and policy framework. The framework of the Company's internal control activities includes the following:

1. To allow delegation of authority and proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and controls responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual, interim and quarterly results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.

2. To assist the Board in execution of its duties, the Board is supported by seven Board Committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee. These committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the scope of the power delegated by the Board.

3. Systems and procedures, approved by the management, are set up to identify, measure, manage and control risks that include but are not limited to legal, credit, concentration, operational, environmental, behavioural and systematic risk that may have an impact on the Group.

4. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial information for reporting and disclosure purposes. Reports on the variance between actual performance and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group to monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plans in a timely and prudent manner.

5. The Group places great importance on internal audit functions. The internal audit's roles include assisting management and the Audit Committee to ensure the Group maintains an effective system of internal control and a high standard of governance by reviewing all aspects of the Group's activities with unrestricted right of access and conducting comprehensive audits of all practices and procedures on a regular basis. The scope of work of internal audit includes:

   - Ascertaining the extent to which the Group's assets are accounted for and safeguarded to avoid any losses;

   - Reviewing and evaluating the soundness, adequacy and effective application of accounting, financial and other controls in the Group;

- Ascertaining the compliance with established policies, procedures and statutory rules and regulations;

- Monitoring and evaluating the effectiveness of risk management system;

- Monitoring the operational efficiency, as well as the appropriateness and efficiency with which resources are employed;

- Evaluating the reliability and integrity of financial and operating information reporting systems;

- Ensuring that findings and recommendations arising from the internal audit are communicated to the management and monitoring the implementation of corrective measures; and

- Conducting ad hoc projects and investigative work as required by the management and/or the Audit Committee.

Additional attention is paid to control activities which are considered to be of higher risk, including, amongst others, income, expenditures and other areas of concern as highlighted by the management. The Internal Auditor has free access to the Audit Committee without the requirement to consult the management and his reports go directly to the Vice Chairman and Managing Director and the Chairman of the Audit Committee. He attends meetings of the Audit Committee quarterly and brings matters identified during the course of the internal audit to the Audit Committee. This reporting structure allows the Internal Auditor to stay independent and effective.

As in previous years, the internal audit function adopted a risk-based auditing approach based on the COSO framework and the requirements laid down by the Hong Kong Institute of Certified Public Accountants, considering factors recognised as risks and focusing on material internal controls and risk management, including financial, operational and compliance controls during the financial year ended 31 December 2014. Internal audits were carried out on all significant business units in the Group, with a total of 26 audit assignments conducted for the year. All internal audit reports are submitted to the Audit Committee for review and approval. The Internal Auditor's summary of findings, recommendations and follow-up reviews of previous internal audit findings are discussed at the Audit Committee meetings. The Audit Committee actively monitors the number and importance of findings raised by the Internal Auditor and the corrective measures taken by the management.

The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the size and prevailing risks of all business units of the Group so as to establish audit scopes and frequencies. All internal audit work scheduled for the year 2014 has been completed. All areas of concern reported by the Internal Auditor were monitored by management until appropriate corrective measures were taken or implemented.

6. The Board established the Audit Committee in August 1998. The Audit Committee assists the Board by providing independent reviews and supervision of financial reporting, and satisfying themselves as to the effectiveness of the Group's internal controls and the adequacy of the external and internal audits.

7. The Financial Controller, General Counsel & Company Secretary, other senior management and the Internal Auditor conduct reviews of the effectiveness of the Company's internal control system, including financial, operational and compliance controls and risk management function, and the Audit Committee reviews the findings and opinion of the relevant management and departments on the effectiveness of the Company's internal control system twice a year and reports annually to the Board on such reviews.

8. The management manages and monitors exposures to identify major risk factors involving financial risk, operational risk and compliance risk, to ensure appropriate measures are implemented in a timely and effective manner. The Group's overall risk management programme focuses on unpredictability arising from the financial markets, the industry and regulatory bodies; and imposes various internal control risk measures to minimise the adverse impact on the Group's financial performance.

Major Financial Risk Measures

- To reduce interest rate risk exposure, the Group uses diversified debt profiles (including different combinations of bank borrowings and notes, different maturity profiles and different combinations of fixed and floating interest rates debt) based upon market conditions and the Group's internal requirements, and uses hedging instruments only when there is an operational need. The effectiveness of the hedging relationship is assessed continuously and regularly with reference to the Group's risk management objective and strategy.

- To maintain a certain leverage level for funding requirements in respect of daily operations, investments and capital expenditure, the Group adopts prudent liquidity risk management practices which involve maintaining sufficient cash and bank balances, having available funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

- Consistent with other companies in the industry, the Group monitors its capital on the basis of the gearing ratio. The Group may adjust the amount of dividend paid out, return capital to shareholders, issue new shares or capital or sell assets to reduce debts in order to maintain or adjust the capital structure when the need arises.

- To ensure tax risk is understood and properly controlled, the management reviews and assesses the global tax impact on the Group annually and conducts periodic Group tax planning exercises after seeking advice from different external consultants.

- The Group currently does not have a written foreign currency hedging policy. However, the Group monitors and controls foreign exchange risk by conducting borrowings in currencies that match as far as possible the functional currency used for transacting the Group's major cash receipts and underlying assets. Borrowings for the container leasing business are conducted mainly in US dollars, which match the US dollar revenue and expenses of the leasing business, in order to minimise any potential foreign exchange risk. For those jointly controlled entities and associates of the terminals business, all material borrowings are denominated in the respective functional currencies. The management will consider hedging significant foreign currency exposure should the need arise.

- Since the Group is concerned with safeguarding cash and capital, it mainly co-operates with banks of high reputation and seldom engages in high risk businesses. The Group places tight control measures over the management of accounts, addresses the operational need to create, operate or close a bank account and ensures that every detail of the approval and procedures is strictly followed. Moreover, subsidiaries prepare and report relevant information for management discussion on a weekly, monthly and quarterly basis. Furthermore, self-inspection and evaluation are conducted half yearly to mitigate non-compliance and enhance effectiveness. A centralised capital management platform has been established in mainland China to enhance the timely monitoring of capital use by local subsidiaries.

Major Operational Risk Measures

- Management meetings among department heads and senior management are held on a monthly basis to analyse and discuss the performance of each business segment and its response to changes in the business environment, market conditions and operational issues. For the container leasing business, management holds weekly meetings with operational managers to discuss the current leasing rate and current market price for containers and to convey the Group's strategy on market changes and to minimise adverse impacts on the Group's financial performance as a consequence of price fluctuations.

- The value of containers is reviewed and evaluated periodically with reference to the Group's accounting policy and impairment provision for containers is made if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers facilitate a better understanding of the latest market trends and of possible changes so as to assist in reviewing the impact on the Group of impairment losses. Such risk management measures are useful in making appropriate preparations to reduce the risk of future asset impairment.

- For available-for-sale financial assets, the management monitors and reports on price performance and re-affirms the strategic objective of these strategic investments to the Board.

- The Group limits its exposure to credit risk by performing credit reviews and monitoring the financial strength of its major customers. Despite not requiring collateral on trade receivables, the Group has insured the recoverability for a majority of its third party trade receivables balance to mitigate exposure to credit risk. Moreover, the Group's workflow and procedures have been improved to strengthen the management of credit risk.

- For the container leasing business, the risk management department of the relevant subsidiary establishes the maximum credit limit for each customer based on its credit quality, taking into account its financial position, past settlement history and other market factors with the concurrence from members of the credit committee. Utilisation of credit limits is regularly monitored. The system suspends the provision of extra services to those customers whose transactions exceed the defined credit limits.

- To ensure the stability and reliability of computer systems, systems which are related to the terminals and container leasing businesses are operated by trained professionals, frequently checked and upgraded when necessary. All data is backed up in a timely manner. For security purposes, a disaster recovery plan is in place.

- The Group has experienced rapid growth in recent years, which has led our business to develop in different locations in mainland China and overseas countries that have varying local safety standards. Regardless of the locations and nature of the businesses, the Group makes a continuous effort to achieve the highest safety standards within its operations. Managers and staff therefore make safety a top priority and promote the Group's safety standards in all locations.

Major Compliance Risk Measures

- The General Counsel & Company Secretary formulates the overall strategies and mechanisms in relation to the Group's legal compliance. Upon becoming aware of any material development in the legal environment, the legal department will report such updated information to the Board and disseminate the information within the Group as appropriate. The General Counsel & Company Secretary coordinates the engagement of Hong Kong and overseas lawyers to provide professional advice on specialised and geographically diverse legal issues.

- A non-exhaustive list of connected persons (since the Company cannot obtain the corporate structure of all companies, especially those companies outside the Group, the list may not cover all the connected persons of the Company) is in place and updated on a regular basis. In order to assess and report effectively on any potential connected transactions, responsible departments are required to obtain, report and update the shareholding structure of new customers and existing business partners. The Company will closely monitor transaction amounts on a monthly basis. Furthermore, regular management meetings are held on a quarterly basis to review the nature and amount of all connected transactions. A summary of continuing connected transactions is submitted to the Audit Committee on a quarterly basis. Contract negotiations and conclusions in relation to connected transactions are cautiously authorised by the appropriate level of management to ensure adherence to the Group's pricing policy. Public disclosures are continuously compared against evolving disclosure requirements to ensure compliance with respective rules and regulations.

- The code provisions set out in the Corporate Governance Code have been adopted by the Company.

Handling and Dissemination of Information

1. The Company has a policy of open communication which allows strong access to both internally and externally generated information. Pertinent information is identified, captured and communicated in a timely manner.

2. The Company provides employee manuals to each employee which indicate how employees can communicate with the Company in case any problem arises. The Company considers this as a mechanism to help encourage communications between the Company and employees. Moreover, regular meetings are held to provide an avenue for mutual understanding between the Company and employees. The Company has also made arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control and other matters.

3. The Company attaches great importance to fair disclosure as it is considered as a key means to enhance corporate governance standards and provide necessary information to shareholders and other stakeholders, to enable them to form their own judgments, as well as providing feedback to the Company. The Company also understands that the integrity of the information provided is essential in building market confidence.

4. With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

   - is well aware of its obligations under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision;

   - conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

   - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Securities and Futures Commission and the Stock Exchange;

   - has developed procedures and mechanisms for the disclosure of inside information and established the Inside Information Evaluation Group to evaluate whether disclosure of the inside information is required;

   - has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff; and

   - has established and implemented procedures for responding to external enquiries about the Company's affairs. Only directors and delegated management of the Company can act as the Company's spokespersons and respond to enquiries on designated areas.

The Board considers that the system of internal controls in place during the year was effective for the current business scope and operations of the Group. No significant areas of concern which might affect shareholders' interest were identified.

Auditor's Remuneration

For the year ended 31 December 2014, the auditor's remuneration paid or payable in respect of the auditing and other non-audit services provided by the auditor to the Company was as follows:

Nature of Service	2014 US$	2013 US$
Audit services	**900,000**	855,000
Audit related services	**219,000**	218,000
Non-audit services:		
– Tax related services	**417,000**	539,000
– Financial advisory services	**127,000**	323,000

Investor Relations

The Company continues to promote investor relations and enhance communications with its investors. Our dedicated investor relations team supports designated executive directors and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's development and attending to any queries promptly. An open communications channel is maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors and senior management are available to answer questions regarding the Group's operational and financial performances.

Communication with Shareholders

Shareholders' Communication Policy

The Company believes regular and timely communication with shareholders forms part of the Company's effort to help shareholders understand its business better. It has established a Shareholders' Communication Policy and reviews the policy from time to time to ensure its effectiveness.

The Company has committed to a fair, transparent and timely disclosure policy and practices. All inside information or data is publicly released as and when appropriate, prior to individual sessions held with investors or analysts. There is regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communication, the Company provides extensive information in its annual reports, interim reports, results announcements and press releases and also disseminates information relating to the Group and its business electronically through its website. Shareholders and investors are welcome to make enquiries through the General Counsel & Company Secretary or the investor relations department, whose contact details are available on the Company's website.

The Company views its general meetings ("General Meetings"), including the Annual General Meeting and Special General Meetings, as an opportune forum for shareholders to meet the Board and senior management. All directors and senior management make an effort to attend. External auditors are also available at the Annual General Meeting to address shareholders' queries on the financial statements. The Chairmen or members of the Audit Committee, the Nomination Committee and the Remuneration Committee or independent board committee (if any) are normally available at the General Meetings (where applicable) to take any relevant questions. All shareholders will be given at least 20 clear business days' notice of the Annual General Meeting and 10 clear business days' notice of a Special General Meeting and they are encouraged to attend the General Meetings. The Company follows the code provisions contained in the Corporate Governance Code to encourage shareholders' participation. Questioning by the shareholders at the General Meetings is encouraged and welcome. The General Counsel & Company Secretary, on behalf of the Chairman of the General Meetings, explains the detailed procedures for conducting a poll at the General Meetings. To facilitate enforcement of shareholders' rights, substantially separated issues at General Meetings are dealt with under separate resolutions.

Procedures for Shareholders to convene a Special General Meeting

Pursuant to the Bye-laws of the Company and the Companies Act 1981 of Bermuda (the "Companies Act"), registered shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at General Meetings may deposit a requisition to the Board or the General Counsel & Company Secretary to convene a Special General Meeting.

The requisition must state the purposes of the meeting and must be signed by the requisitionists, and deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda or its principal place of business at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. The requisition may consist of several documents in like form each signed by one or more requisitionists.

The Board may proceed to convene a Special General Meeting within 21 days from the date of the deposit of such requisition upon receipt of confirmation from the share registrar on validity of the requisition, and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to convene the Special General Meeting as aforesaid, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a Special General Meeting within three months from the date of the deposit of the requisition.

Procedures for Shareholders to put forward proposals at General Meetings

Pursuant to the Companies Act, any number of registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at General Meetings, or not less than 100 registered shareholders, can request the Company in writing to:

- notify shareholders entitled to receive notice of the next General Meeting of any resolution which may officially be moved and is proposed to be moved at that meeting;
- circulate to shareholders entitled to have notice of any General Meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

In addition, a shareholder may propose a person other than a retiring director of the Company for election as a director of the Company at the General Meetings. Detailed procedures for shareholders to propose a person for election as a director are available on the Company's website at www.coscopac.com.hk.

Shareholdings and shareholders information

Share Capital (as at 31 December 2014)

Authorised share capital	HK$400,000,000 divided into 4,000,000,000 shares of a par value of HK$0.1 each
Issued and fully paid-up capital	HK$294,043,786.2 comprising 2,940,437,862 shares of HK$0.1 each

Types of Shareholder (as at 31 December 2014)

Type of shareholder	No. of shares held	% of the issued share capital
China COSCO (Hong Kong) Limited[1] and its subsidiary	1,309,606,113	44.54
Other corporate shareholders	1,624,069,033	55.23
Individual shareholders	6,762,716	0.23
Total	**2,940,437,862**	**100.00**

Location of Shareholders (as at 31 December 2014)

Location of shareholders[2]	No. of shareholders	No. of shares held
Hong Kong	528	2,940,426,758[3]
Macau	1	2,104
The People's Republic of China	1	4,000
United Kingdom	1	5,000
Total	**531**	**2,940,437,862**

Note 1: The company changed its name from "COSCO Pacific Investment Holdings Limited" to the current name on 21 August 2014.

Note 2: The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.

Note 3: These shares include 1,851,849,714 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other Corporate Information

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31 December 2014.

Key Corporate Dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2014 Interim Dividend	27 October 2014
2014 Final Results Announcement	24 March 2015
2015 First Quarter Results Announcement	27 April 2015
Closures of Register of Members (a) for attending the 2015 Annual General Meeting (b) for receiving the 2014 Final Dividend	 12 May 2015 to 14 May 2015 20 May 2015 to 22 May 2015
Annual General Meeting	14 May 2015
Payment of 2014 Final Dividend	15 July 2015
2015 Interim Results Announcement	August 2015
2015 Third Quarter Results Announcement	October 2015

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

WAN Min

Chairman of the Board, Non-executive Director

Mr. WAN, aged 46, has been a Non-executive Director of the Company since August 2011 and the Chairman of the Board of the Company since January 2015. He is also the Executive Vice President of China Ocean Shipping (Group) Company. Mr. WAN joined COSCO group in 1990 and served successively as Deputy Section Manager of Exportation Department, Section Manager of Sales Department, Deputy Manager, Deputy Manager (Person-In-Charge) and Manager of the Marketing Department and General Manager Assistant of COSCO Freight (Shanghai) Co., Ltd., Deputy General Manager of the Marketing Division, General Manager of the Asia-Pacific Trading Division and the American Trading Division and Vice General Manager of COSCO Container Lines Company Limited and as President of COSCO Americas, Inc. and COSCO Container Lines Americas, Inc., the Managing Director and Deputy Secretary of the Communist Party of China (CPC) Committee of COSCO Container Lines Company Limited, and the Vice President of China COSCO Holdings Company Limited.

Mr. WAN obtained his Master of Business Administration from Shanghai Jiao Tong University. He is an engineer.

QIU Jinguang

Vice Chairman of the Board and Managing Director, Executive Director

Mr. QIU, aged 52, has been an Executive Director and a Deputy Managing Director of the Company since April 2013, and an Executive Director, the Vice Chairman of the Board and the Managing Director of the Company since January 2015. He is the Chairman of the Executive Committee, the Risk Management Committee and the Investment and Strategic Planning Committee, a member of the Nomination Committee and the Remuneration Committee, and the General Manager of the Strategy and Development Department of the Company. He is also the Vice President of China COSCO Holdings Company Limited.

Mr. QIU joined the Company in February 2008 and served as the General Manager of the Strategy and Development Department. Thereafter, he has also served as the Executive Assistant to Managing Director of the Company.

Mr. QIU assumed various positions with COSCO group, including Vice President of COSCO Americas Terminals Inc., General Manager of Strategy and Development Department of COSCO Americas Inc., Deputy Director and Director of Logistic Department of Transportation Division of China Ocean Shipping (Group) Company. He also served as Deputy Manager of Foreign Affairs Department of Penavico Head Office. After graduating from Shanghai Maritime University with an International Shipping major, Mr. QIU then obtained his Master of Business Administration degree at University of California Los Angeles in 1999. Mr. QIU is responsible for the overall management, strategy planning, project development, investment management and project management of the Company.

FENG Jinhua

Executive Director

Mr. FENG, aged 59, has been an Executive Director of the Company since October 2010 and appointed as a Deputy Managing Director since October 2013. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. Mr. FENG joined COSCO group in 1980. He had been the Head of Planning and Finance Department, and Finance Department and the Chief Financial Officer of Qingdao Ocean Shipping Co., Ltd., the General Manager of the Finance and Capital Division of China Ocean Shipping (Group) Company, and the Chief Financial Officer of China COSCO Holdings Company Limited. Mr. FENG obtained his Executive Master of Business Administration degree from the University of International Business and Economics. He is a senior accountant. Mr. FENG is responsible for the economics and operations management of the Company and assists the Managing Director to take charge of Florens Container Holdings Limited (a wholly owned subsidiary of the Company) and its subsidiaries.

TANG Runjiang

Executive Director

Mr. TANG, aged 46, has been an Executive Director of the Company since March 2013. He is also the Chief Financial Officer of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited. Mr. TANG joined COSCO group in 1991. He had been the Manager of Treasury Department of Planning and Finance Division (Finance and Capital Division) and the Deputy General Manager of the Finance and Capital Division and the Finance Division of China Ocean Shipping (Group) Company, the Deputy Chief Accountant and the Chief Accountant of COSCO Bulk Carrier Co., Ltd., the Chief Accountant of China COSCO Bulk Shipping (Group) Co., Ltd., and the General Manager of the Finance Division of China COSCO Holdings Company Limited. Mr. TANG graduated from Central University of Finance and Economics, majoring in accounting.

FENG Bo

Executive Director

Mr. FENG, aged 44, has been an Executive Director of the Company since February 2012. He is also the General Manager of the Strategic Planning Division of China COSCO Holdings Company Limited and a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited. Mr. FENG joined COSCO group in 1995. He had been the Deputy Manager of the Transport Management Department and the Transport Operations Department of the Transportation Division of China Ocean Shipping (Group) Company, the Manager of the Logistics Operations Department of the Transportation Division and the Deputy General Manager of the Strategic Planning Division of China COSCO Holdings Company Limited. Mr. FENG obtained the Master of Business Administration degree (a joint education programme with Fordham University in the USA) from Peking University.

WANG Wei

Non-executive Director

Mr. WANG, aged 43, has been a Non-executive Director of the Company since February 2012. He is also the General Manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited, a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited, a Non-executive Director of COSCO International Holdings Limited, a director of COSCO Shipping Co., Ltd. and a supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to China Ocean Shipping (Group) Company. Mr. WANG joined COSCO group in 1995. He had been the Deputy Manager of Executives Management Department of Organisation Division/Human Resources Division, the Manager of Executives Management Department of Organisation Division/Human Resources Division and the Deputy General Manager of Organisation Division/Human Resources Division of China Ocean Shipping (Group) Company, the Deputy General Manager of Organisation Division/Human Resources Division of China COSCO Holdings Company Limited. Mr. WANG graduated from RENMIN University of China, majoring in human resources management.

WANG Haimin

Non-executive Director

Mr. WANG, aged 42, has been re-designated as a Non-executive Director of the Company since January 2015. Before his re-designation, he had been a Non-executive Director of the Company since October 2010, and an Executive Director and a Deputy Managing Director of the Company since October 2013. Mr. WANG is also the Vice President of China COSCO Holdings Company Limited and the Deputy Managing Director (presiding) and Deputy Secretary of the Communist Party of China (CPC) Committee of COSCO Container Lines Company Limited. Mr. WANG joined COSCO group in 1995. He had been the Head of Planning and Cooperation Department of the Strategic Planning Division, the Deputy General Manager of the Corporate Planning Division and the General Manager of the Strategy and Development Division of COSCO Container Lines Company Limited, the General Manager of the Transportation Division of China COSCO Holdings Company Limited and a Non-independent and Non-executive Director of COSCO Corporation (Singapore) Limited. Mr. WANG graduated from Shanghai Maritime University and obtained his Master of Business Administration degree from Fudan University. He is an engineer.

WONG Tin Yau, Kelvin JP

Executive Director

Dr. WONG, aged 54, has been an Executive Director and a Deputy Managing Director of the Company since July 1996. He is the Chairman of the Corporate Governance Committee and a member of the Executive Committee of the Company. Dr. WONG is the immediate past Chairman and was the Chairman (2009-2014) of The Hong Kong Institute of Directors, a Non-executive Director of the Securities and Futures Commission, a former member of the Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited (2007-2013), a convenor-cum-member of the Financial Reporting Review Panel, a member of the Standing Committee on Company Law Reform, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a member of the Appeal Board Panel (Town Planning), a Board Director of the Hong Kong Sports Institute Limited, a council member of The Hong Kong Management Association, a member of the OECD/World Bank Asian Corporate Governance Roundtable and a council advisor and past Chairman of the Hong Kong Chinese Orchestra Limited. Dr. WONG obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. WONG is currently an Independent Non-executive Director and Chairman of the Audit Committee of China ZhengTong Auto Services Holdings Limited, I.T Limited and Xinjiang Goldwind Science & Technology Co., Ltd., and an Independent Non-executive Director of CIG Yangtze Ports PLC. He was also an Independent Non-executive Director and Chairman of the Audit Committee of China Metal International Holdings Inc. (2004-2013). All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited. Dr. WONG is responsible for the management of the Company's work relating to the capital markets and investor relations. He held various senior positions in several listed companies in Hong Kong before he joined the Company. Dr. WONG was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

Timothy George FRESHWATER

Independent Non-executive Director

Mr. FRESHWATER, aged 70, has been an Independent Non-executive Director of the Company since June 2005. He is a member of the Audit Committee of the Company. He is currently an Advisory Director of Goldman Sachs (Asia) L.L.C. and was a Vice Chairman of the company from 2005 to 2012. Before joining Goldman Sachs in 2001, he was the Chairman of Jardine Fleming. Mr. FRESHWATER is admitted as a solicitor in England & Wales and Hong Kong. After graduating from the University of Cambridge, he joined the international law firm Slaughter and May in 1967 and remained with them for 29 years before joining the Jardine Fleming group in 1996. He became a partner of Slaughter and May in 1975 and worked in their Hong Kong office for seven years between 1978 and 1985. He was the head of Slaughter and May's worldwide corporate practice from 1993 until 1996. He is an ex-President of the Hong Kong Law Society. Mr. FRESHWATER is currently an Independent Non-executive Director of Swire Pacific Limited and Hong Kong Exchanges and Clearing Limited and was an Independent Non-executive Director of Chong Hing Bank Limited, all of which are public companies listed in Hong Kong. He is also a Non-executive Director of Aquarius Platinum Limited, a public company listed in Australia, London and Johannesburg, and an Independent Non-executive Director of Savills PLC, a public company listed in London.

FAN HSU Lai Tai, Rita GBM, GBS, JP

Independent Non-executive Director

Dr. FAN, aged 69, has been an Independent Non-executive Director of the Company since January 2009. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. FAN was appointed to the Legislative Council from 1983 to 1992 and was a member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Dr. FAN has served as the President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was the Chairman of the Board of Education from 1986 to 1989 and the Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to both the Ninth and Tenth sessions of the National People's Congress ("NPC") between 1998 and 2007, and was a Member of the Standing Committee of the Eleventh session of the NPC. Dr. FAN is currently a Member of the Standing Committee of the Twelfth session of the NPC, a Steward of The Hong Kong Jockey Club, an Independent Non-executive Director of China COSCO Holdings Company Limited, China Overseas Land & Investment Limited and China Shenhua Energy Company Limited, Patron of the Hong Kong Kidney Foundation and the Hong Kong Transplant Sports Association. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

Adrian David LI Man Kiu JP

Independent Non-executive Director

Mr. LI, aged 41, has been an Independent Non-executive Director of the Company since May 2012. He is Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company. Mr. LI is Executive Director & Deputy Chief Executive of The Bank of East Asia, Limited. He is an Independent Non-executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited and China State Construction International Holdings Limited, and an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited. All the above are Hong Kong-listed companies. He is an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., which is dual listed in Hong Kong and Shanghai, a Non-executive Director of The Berkeley Group Holdings plc, which is listed in London, and a member of the International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain. He was previously an Alternate Director of AFFIN Holdings Berhad, a company listed in Malaysia. Mr. LI is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of the All-China Youth Federation, Deputy Chairman of the Beijing Youth Federation and a Counsellor of the Hong Kong United Youth Association. He is a board member of The Community Chest of Hong Kong and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is also an Advisory Committee member of the Hong Kong Baptist University's School of Business and a Vice President of The Hong Kong Institute of Bankers' Council. Furthermore, Mr. LI serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. He also sits on the Judging Panel of the 2015 BAI-Infosys Finacle Global Banking Innovation Awards. Mr. LI holds a Master of Management degree from the Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong.

IP Sing Chi

Independent Non-executive Director

Mr. IP, aged 61, has been an Independent Non-executive Director of the Company since November 2012. He is a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. IP is currently an Executive Director of Hutchison Port Holdings Management Pte. Limited (the Trustee-Manager of Hutchison Port Holdings Trust, listed in Singapore), an Independent Non-executive Director of China Shipping Development Company Limited (listed in Hong Kong), an Outside Director of Hyundai Merchant Marine Co., Ltd. (listed in Korea) and a Non-independent Non-executive Director of Westports Holdings Berhad (listed in Malaysia). He is the Group Managing Director of Hutchison Port Holdings Limited and the Chairman of Yantian International Container Terminals Co., Ltd. Mr. IP was the Founding Chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited and a member of the Hong Kong Port Development Council. He was also a Non-executive Director of Tradelink Electronic Commerce Limited, listed in Hong Kong. Mr. IP has over 35 years of experience in the maritime industry, and holds a Bachelor of Arts degree.

FAN Ergang

Independent Non-executive Director

Mr. FAN, aged 60, has been an Independent Non-executive Director of the Company since August 2013. Mr. FAN had been the General Manager of Legal Affairs Division of Industrial and Commercial Bank of China Limited ("ICBC"), the Secretary of Party Committee and Head of ICBC Inner Mongolia Branch and the Vice Chairman of ICBC Financial Leasing Co., Ltd, and was the Deputy Secretary-General and Head of Legal Work Committee of China Banking Association and an arbitrator (financial law) of China International Economic and Trade Arbitration Commission. Mr. FAN holds a Bachelor of Laws degree from China University of Political Science and Law (formerly The Peking College of Political Science and Law). He has extensive experience in financial and law fields, and is a senior economist, a senior legal counsel and a practicing lawyer in the People's Republic of China.

SENIOR MANAGEMENT

CHAN Hang, Ken

Deputy Managing Director

Mr. CHAN, aged 57, is a Deputy Managing Director of the Company and a member of the Risk Management Committee of the Company. From 1998 to 2006, Mr. CHAN was the General Manager of the Corporate Development Department (renamed as Strategy and Development Department) of the Company. He graduated from Xiamen University with a Bachelor degree of Economics in 1983. He obtained his Master of Business Administration degree from Dalhousie University in Canada in 1985 and continued his education in the University of Washington in the USA. Before joining the Company in September 1998, he had held senior positions in a local bank and an international securities firm in Hong Kong. He has over 25 years of working experience in corporate strategic planning, management and finance. Mr. CHAN is responsible for corporate management and safety management of the Company.

LUI Sai Kit, Eddie

Financial Controller

Mr. LUI, aged 51, has served as the Financial Controller of the Company since January 2008. He is a member of the Hong Kong Institution of Certified Public Accountants, a member of the American Institution of Certified Public Accountants, a member of the Chartered Institution of Management Accountants of the United Kingdom and a member of the Certified Management Accountants of Canada. He also has a Master degree in Business Administration from University of Ottawa and Bachelor degree of Administration from York University in Canada. Prior to joining the Company, he had held Chief Financial Officer and General Management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies such as New World TMT Limited, Wang On Group Limited and General Electric Company Limited Hong Kong Plastic Division. Mr. LUI is responsible for the financial management and corporate finance of the Company.

HUNG Man, Michelle

General Counsel & Company Secretary

Ms. HUNG, aged 45, has served as the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively. Ms. HUNG is mainly responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Company. She is currently a member of the Corporate Governance Committee and Risk Management Committee of the Company. She holds a Bachelor of Laws degree (Hons) from The University of Hong Kong. She is currently a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and is qualified in England and Wales. Ms. HUNG was named among the top 25 "in-house high flyers" and "the best in Asia" for three consecutive years (2006-08) by Asian Legal Business Magazine, and was granted the "Asian Company Secretary of the Year Recognition Award" for two consecutive years (2013-14) by Corporate Governance Asia, a corporate governance magazine.

DING Weiming

Deputy Financial Controller

Mr. DING, aged 56, is the Vice Chairman of the board of directors and Chief Executive Officer of Florens Container Holdings Limited, a wholly owned subsidiary of the Company and the Deputy Financial Controller of the Company. He is also a member of the Corporate Governance Committee, the Investment and Strategic Planning Committee and the Risk Management Committee of the Company. From 2002 to 2011, Mr. DING was the Financial Controller of Florens Container Services Company Limited, a wholly owned subsidiary of the Company. Mr. DING graduated from Shanghai Maritime University majoring in marine transportation management and obtained a Bachelor degree in Economics in 1982, and was awarded the professional qualification of senior accountant by the Ministry of Communications of the PRC in 1994. Before joining the Company, Mr. DING had been the Deputy Treasurer of the Finance Department of China Ocean Shipping (Group) Company and the Finance Director of COSCO (UK) Limited. Mr. DING is responsible for assisting the Financial Controller of the Company for handling tasks relating to Florens Container Services Company Limited.

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2014.

Principal activities and segmental analysis of operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 45 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 120 of this annual report.

The directors declared an interim dividend of HK15.6 cents (equivalent to US2.016 cents) per share with a scrip dividend alternative, totalling HK$458,450,000 (equivalent to US$59,245,000), which was paid on 27 October 2014.

The directors recommend the payment of a final dividend of HK15.4 cents (equivalent to US1.988 cents) per share with a scrip dividend alternative, totalling HK$452,827,000 (equivalent to US$58,456,000), payable on or about 15 July 2015.

Five-year financial summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 195 of this annual report.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 122 and 123 of this annual report.

Movements in the reserves of the Company during the year are set out in note 23 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to US$8,000.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 7 to the consolidated financial statements.

Share capital

Details of the movements in share capital of the Company during the year are shown in note 21 to the consolidated financial statements.

Distributable reserves

The distributable reserves of the Company as at 31 December 2014 calculated under the Companies Act of Bermuda amounted to US$1,579,890,000.

Borrowings

Details of the borrowings of the Group are set out in note 24 to the consolidated financial statements.

Retirement benefit schemes

Details of retirement benefit schemes of the Group are set out in notes 3.22 and 36 to the consolidated financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Mr. LI Yunpeng[2] *(Chairman)*	(resigned on 21 January 2015)
Mr. WAN Min[2] *(Chairman)*	(appointed as Chairman on 21 January 2015)
Dr. WANG Xingru[1] *(Vice Chairman and Managing Director)*	(resigned on 4 July 2014)
Mr. QIU Jinguang[1] *(Vice Chairman and Managing Director)*	(appointed as Vice Chairman and Managing Director on 21 January 2015)
Mr. FENG Jinhua[1]	
Mr. TANG Runjiang[1]	
Mr. FENG Bo[1]	
Mr. WANG Wei[2]	
Mr. WANG Haimin[2]	(re-designated from an Executive Director to a Non-executive Director on 21 January 2015)
Dr. WONG Tin Yau, Kelvin[1]	
Mr. Timothy George FRESHWATER[3]	
Dr. FAN HSU Lai Tai, Rita[3]	
Mr. Adrian David LI Man Kiu[3]	
Mr. IP Sing Chi[3]	
Mr. FAN Ergang[3]	

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. TANG Runjiang, Dr. WONG Tin Yau, Kelvin, Mr. Timothy George FRESHWATER and Mr. Adrian David LI Man Kiu, being directors longest in office since their last re-election, shall retire from office by rotation at the forthcoming annual general meeting. Except Mr. Timothy George FRESHWATER who does not offer himself for re-election, all other retiring directors, being eligible, shall offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors confirming their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

Biographical details of directors and senior management

Biographical details of directors and senior management are set out on pages 87 to 95 of this annual report.

Directors' service contracts

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' interest in contracts

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Share options

At a special general meeting of the Company held on 23 May 2003, the shareholders of the Company approved the adoption of a share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

On 5 December 2005, the shareholders of the Company approved the amendments to the 2003 Share Option Scheme at a special general meeting. The definitions of "Participant" and "relevant company" in paragraph 1 of the 2003 Share Option Scheme were amended by deleting all references to COSCO (Hong Kong) Group Limited and replacing them by China COSCO Holdings Company Limited ("China COSCO"), an intermediate holding company of the Company, and paragraph 8(e) of the 2003 Share Option Scheme was changed to allow a grantee who ceases to be an employee or an executive director of the relevant company (as defined in the 2003 Share Option Scheme) by reason of voluntary resignation from his employment, directorship, secondment or nomination to exercise the option up to his entitlement at the date of cessation within a period of three months following the date of such cessation pursuant to paragraph 7.3(a) of the 2003 Share Option Scheme. These amendments came into effect on 28 February 2006 after the approval of the shareholders of China COSCO at the general meeting held on the same date.

The following is a summary of the principal terms of the 2003 Share Option Scheme:

The 2003 Share Option Scheme was designed to attract, retain and motivate talented participants (the "Participants" or a "Participant") (as defined in note 1 below) to strive for future development and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board might approve from time to time.

Under the 2003 Share Option Scheme, the Board might, at its discretion, invite any Participants to take up options. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant on the Group's business, the length of service of the Participant with the Group or the length of business relationship the Participant has established with the Group and such other factors as the Board might at its discretion consider appropriate.

The maximum number of shares which might be issued upon exercise of all options to be granted under the 2003 Share Option Scheme and any other share option schemes of the Company should not in aggregate exceed 10% of the total number of shares in issue as at the date of the adoption of the 2003 Share Option Scheme.

The maximum entitlement for any one Participant (including exercised, cancelled and outstanding options) in any twelve months' period should not exceed 1% of the total number of shares in issue.

The period under which an option must be exercised should be such period as the Board might in its absolute discretion determine at the time of grant, save that such period should not be longer than ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme. The minimum period for which an option must be held before it can be exercised was determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of options was HK$1.00. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

The exercise price in relation to each option should be determined by the Board in its absolute discretion, but in any event should be at least the highest of (i) the closing price of the shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date when an option was offered; (ii) a price being the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date on which an option was offered; and (iii) the nominal value of a share.

The 2003 Share Option Scheme was valid and effective for a period of 10 years commencing from the date of adoption and was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme but in respects of the outstanding options granted under the 2003 Share Option Scheme, the provisions of the 2003 Share Option Scheme shall remain in full force and effect.

As at the date of this report, a total of 13,240,000 shares (representing approximately 0.45% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

Notes:

(1) As defined in the 2003 Share Option Scheme (as amended), "Participants" include:

(i) any employee of the Group (including any executive director of the Group);

(ii) any management of China COSCO, or China Ocean Shipping (Group) Company ("COSCO"), the Company's parent company; and

(iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or joint ventures (as defined in note 2 below), or any other company or organisation.

As to whether a particular person falls within the definition of Participants, it shall be determined by the Board in its absolute discretion.

(2) Under the 2003 Share Option Scheme, associated companies and joint ventures refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and/or joint ventures of the Company in the latest audited financial statements of the Company.

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

		Number of share options								
Category	Exercise Price HK$	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2014	% of total issued share capital	Exercisable period	Note
Director										
Dr. WONG Tin Yau, Kelvin	13.75	1,000,000	–	–	–	(1,000,000)	–	–	2.12.2004-1.12.2014	(1), (3)
	19.30	500,000	–	–	–	–	500,000	0.017%	18.4.2007-17.4.2017	(2), (3)
		1,500,000	–	–	–	(1,000,000)	500,000			
Continuous Contract employees	13.75	10,806,000	–	–	–	(10,806,000)	–	–	(refer to note 1)	(1)
	19.30	12,030,000	–	–	(70,000)	(80,000)	11,880,000	0.404%	(refer to note 2)	(2)
Others	13.75	1,650,000	–	–	–	(1,650,000)	–	–	(refer to note 1)	(1)
	19.30	860,000	–	–	70,000	(70,000)	860,000	0.029%	(refer to note 2)	(2)
		25,346,000	–	–	–	(12,606,000)	12,740,000			
		26,846,000	–	–	–	(13,606,000)	13,240,000			

Notes:

(1) The share options were granted during the period from 25 November 2004 to 16 December 2004 under the 2003 Share Option Scheme at an exercise price of HK$13.75. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 25 November 2004 to 16 December 2004.

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

(3) These options represent personal interest held by the relevant director as beneficial owner.

(4) No share options were granted, exercised or cancelled under the 2003 Share Option Scheme during the year ended 31 December 2014.

Directors' interest in shares, underlying shares and debentures

As at 31 December 2014, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in the shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total issued share capital of the Company
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	564,062	0.019%
Mr. Timothy George FRESHWATER	Beneficial owner	Personal	30,000	0.001%

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

Share options were granted by the Company to certain directors of the Company pursuant to the 2003 Share Option Scheme. Details of the directors' interest in share options granted by the Company are set out under the section headed "Share Options" of this report.

(c) Long positions in the shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total issued H share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Mr. WAN Min	Beneficial owner	Personal	2,000	0.0001%
	Dr. FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.0004%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of A shares held	% of total issued A share capital of the relevant associated corporation
China COSCO Holdings Company Limited	Mr. WAN Min	Beneficial owner	Personal	35,000	0.0005%
	Mr. QIU Jinguang	Beneficial owner	Personal	6,400	0.00008%
	Ex-director				
	Mr. LI Yunpeng	Interest of spouse	Family	3,000	0.00004%

Note: Mr. LI Yunpeng resigned as Chairman of the Board and a non-executive director of the Company on 21 January 2015.

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of shares held	% of total issued share capital of the relevant associated corporation
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%

(d) Long positions in underlying shares of equity derivatives of associated corporations

(i) Movements of the share options granted to the directors of the Company by associated corporations during the year are set out below:

					Number of share options						
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2014	% of total issued share capital of the relevant associated corporation
COSCO International Holdings Limited	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	–	(500,000)	–	–	–	–

Note:

The share options were granted by COSCO International Holdings Limited ("COSCO International"), an associated corporation of the Company listed on the Stock Exchange, on 2 December 2004 pursuant to the share option scheme of COSCO International adopted on 17 May 2002 and amended by the shareholders of COSCO International at the special general meeting held on 5 May 2005. The share options are exercisable at an exercise price of HK$1.37 per share at any time between 29 December 2004 and 28 December 2014.

(ii) Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the year are set out below:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of units of share appreciation rights: Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Outstanding at 31 December 2014	% of total issued H share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	Mr. WAN Min	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	280,000	–	–	280,000	0.011%	(2)
				9.540	260,000	–	–	260,000	0.010%	(3)
	Mr. FENG Jinhua	Beneficial owner	Personal	3.195	100,000	–	–	100,000	0.004%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	85,000	–	–	85,000	0.003%	(3)
	Mr. TANG Runjiang	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)
	Mr. FENG Bo	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	85,000	–	–	85,000	0.003%	(3)
	Mr. WANG Wei	Beneficial owner	Personal	3.195	75,000	–	–	75,000	0.003%	(1)
				3.588	65,000	–	–	65,000	0.003%	(2)
				9.540	60,000	–	–	60,000	0.002%	(3)
	Mr. WANG Haimin	Beneficial owner	Personal	3.195	57,000	–	–	57,000	0.002%	(1)
				3.588	90,000	–	–	90,000	0.003%	(2)
				9.540	75,000	–	–	75,000	0.003%	(3)
	Ex-director									
	Mr. LI Yunpeng	Beneficial owner	Personal	3.195	450,000	–	–	450,000	0.017%	(1), (4)
				3.588	600,000	–	–	600,000	0.023%	(2), (4)
				9.540	580,000	–	–	580,000	0.022%	(3), (4)

Notes:

(1) The share appreciation rights were granted by China COSCO, an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of China COSCO, on 16 December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "Plan"). Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$3.195 per unit at any time between 16 December 2007 and 15 December 2015.

(2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5 October 2006 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$3.588 per unit at any time between 5 October 2008 and 4 October 2016.

(3) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 4 June 2007 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4 June 2009 and 3 June 2017.

(4) Mr. LI Yunpeng resigned as Chairman of the Board and a non-executive director of the Company on 21 January 2015.

(5) During the year, no share appreciation rights mentioned above were lapsed or cancelled.

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' interest in competing business

As at 31 December 2014, the directors namely Mr. WAN Min, Mr. FENG Jinhua, Mr. TANG Runjiang, Mr. FENG Bo, Mr. WANG Wei and Mr. WANG Haimin, held directorships and/or senior management positions in COSCO and/or COSCO Container Lines Company Limited ("COSCON") and their respective subsidiaries or associates and/or other companies which have interest in container terminals (the "Container Terminals Interest"). In addition, Mr. IP Sing Chi acted as the Group Managing Director of Hutchison Port Holdings Limited (which engages in, inter alia, the operation of container terminals) and directors of certain other companies which have the Container Terminals Interest.

The Board is of the view that the Group is capable of carrying on its businesses independently of the Container Terminals Interest. When making decisions on the container terminals business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

Substantial interest in the share capital of the Company

So far as is known to any directors or chief executive of the Company, as at 31 December 2014, the interest of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company or the Stock Exchange were as follows:

			Number of ordinary shares/Percentage of total issued share capital as at 31 December 2014				
Name	Capacity	Nature of interests	Long positions	%	Short positions	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	213,989,277	7.28	–	–	(1)
China COSCO (Hong Kong) Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,294,206,113	44.04	–	–	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,294,206,113	44.04	–	–	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,294,206,113	44.04	–	–	(1)
The Capital Group Companies, Inc.	Interest of controlled corporation	Corporate interest	175,481,551	6.03	–	–	(2)

Notes:

(1) The 1,294,206,113 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of China COSCO (Hong Kong) Limited (formerly known as COSCO Pacific Investment Holdings Limited) ("China COSCO (HK)"). Accordingly, the 213,989,277 shares of the Company held by COSCO Investments are also included as part of China COSCO (HK)'s interest in the Company. China COSCO (HK) is a wholly owned subsidiary of China COSCO and it itself held 1,080,216,836 shares of the Company beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,294,206,113 shares of the Company are also recorded as China COSCO's interest in the Company. COSCO held 52.80% interest of the issued share capital of China COSCO as at 31 December 2014, and accordingly, COSCO is deemed to have the interest of 1,294,206,113 shares of the Company held by China COSCO (HK).

As informed by China COSCO (HK), it was interested in a total of 1,309,606,113 shares (representing 44.54% of the total issued shares of the Company) as at 31 December 2014 because of the acquisition of 15,400,000 shares of the Company.

(2) As informed by The Capital Group Companies, Inc., it was interested in a total of 185,792,551 shares (representing 6.32% of the total issued shares of the Company) as at 31 December 2014 because of the acquisition of 10,311,000 shares of the Company.

Save as disclosed above, as at 31 December 2014, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

Public float

Based on information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total number of issued shares of the Company held by the public as required under the Listing Rules.

Purchase, sale or redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Bye-laws of the Company and there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Management contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

Major suppliers and lessees

The percentage of the Group's container purchases and leasing income attributable to major suppliers and lessees are as follows:

Percentage of container purchases attributable to the Group's largest supplier	26.88%
Percentage of container purchases attributable to the Group's five largest suppliers	66.95%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	58.45%
Percentage of leasing income attributable to the Group's five largest lessees	77.34%

None of the directors or their associates has interest in any of the suppliers or lessees of the Group.

During the year ended 31 December 2014, COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of all of the five largest suppliers of the Group. In 2014, these five suppliers attributed 66.95% of container purchases of the Group.

Save as disclosed above, to the knowledge of the directors, none of the shareholders owning more than 5% of the Company's shares has interest in any of the suppliers and lessees of the Group.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 60 to 86 of this annual report.

Connected transactions

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 43 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2014, some of which constituted continuing connected transactions of the Group (exempted and non-exempted), in respect of which the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules.

Financial Services Master Agreement

On 28 August 2014, the Company entered into a financial services master agreement (the "Financial Services Master Agreement") with COSCO Finance Co., Ltd. ("COSCO Finance"). Under the Financial Services Master Agreement, COSCO Finance agreed to provide deposit services (the "Deposit Services"), loan services (the "Loan Services"), settlement services (the "Settlement Services") and further financial services which COSCO Finance may from time to time offer (the "Further Financial Services") (collectively known as the "Transactions") to the Group for the period from 1 November 2014 to 31 December 2016 (both dates inclusive).

In respect of the Deposit Services, the interest which will accrue on any deposit placed by the Group with COSCO Finance under the Financial Services Master Agreement will not be lower than (a) the minimum interest rate prescribed by the People's Bank of China ("PBOC") for the same type of deposits; (b) the interest rates offered by commercial banks in the People's Republic of China (the "PRC") to the Group for the same type of deposits; and (c) the interest rates offered by COSCO Finance to other members of the COSCO Group for the same type of deposits. The caps of the daily aggregate of deposits placed by the Group with COSCO Finance (including interest accrued thereon) for each of the period from 1 November 2014 to 31 December 2014 and the two years ending 31 December 2015 and 2016 is RMB1,000,000,000. The maximum daily aggregate of deposits for the period from 1 Novemer 2014 to 31 December 2014 was RMB133,740,000.

In respect of the Loan Services, the interest rate at which any loan to be provided by COSCO Finance to the Group under the Financial Services Master Agreement will not be higher than (a) the maximum interest rate published by the PBOC for the same type of loans; and (b) the interest rates offered by commercial banks in the PRC to the Group for the same type of loans. The caps of the daily outstanding amount of loans to be provided by COSCO Finance to the Group (including any interest accrued thereon) for each of the period from 1 November 2014 to 31 December 2014 and the two years ending 31 December 2015 and 2016 is RMB1,000,000,000. No Loan Services were provided by COSCO Finance to the Group for the period from 1 Novemer 2014 to 31 December 2014.

In respect of the Settlement Services, any fees which COSCO Finance will charge the Group (a) will comply with any requirements of PBOC and China Banking Regulatory Commission ("CBRC") in respect of the charges for the same type of settlement services; and (b) will not exceed the fees charged by commercial banks in the PRC to the Group for the same type of settlement services or the fees charged by COSCO Finance to other members of the COSCO Group for the same type of settlement services. The annual caps of the aggregate of any fees which COSCO Finance may charge the Group for the Settlement Services for the period from 1 November 2014 to 31 December 2014 and for the two years ending 31 December 2015 and 2016 are RMB800,000, RMB5,000,000 and RMB5,000,000 respectively. No Settlement Services were provided by COSCO Finance to the Group for the period from 1 Novemer 2014 to 31 December 2014.

In respect of the Further Financial Services, any fee which COSCO Finance will charge the Group (a) will comply with any requirements of PBOC and CBRC in respect of the charges for the same type of financial services; and (b) will not exceed the fees charged by commercial banks in the PRC to the Group for the same type of financial services or the fees charged by COSCO Finance to other members of the COSCO Group for the same type of financial services. For the period from 1 November 2014 to 31 December 2014, no such services were provided.

The deposit interest rates and the lending rates offered by COSCO Finance to the Group will be equal to or more favourable to the Group than those offered by commercial banks in the PRC to the Group for comparable deposits or, as the case may be, loans. The Financial Services Master Agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since COSCO Finance is not considered to be exposed to any significant capital risk.

For the avoidance of doubt, the Financial Services Master Agreement does not preclude the Group from using the services of other financial institutions. The Group still has the freedom to select any major and independent PRC commercial banks as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

COSCO Finance is a subsidiary of COSCO, the ultimate holding company of the Company, and is therefore a connected person of the Company. The Transactions under the Financial Services Master Agreement constituted continuing connected transactions of the Company under the Listing Rules.

Rental of office premises

On 28 November 2011, COSCO Pacific Management Company Limited ("COSCO Pacific Management") as tenant entered into a tenancy agreement (the "2011 Tenancy Agreement") with Wing Thye Holdings Limited ("Wing Thye") as landlord in respect of the leasing of Units 4901, 4902A and 4903 situated at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Premises"). Pursuant to the 2011 Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye the Premises for a term of three years commencing from 29 November 2011 at a monthly rental of HK$927,498 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$72,586.80 (subject to further increase to an amount not exceeding HK$80,652 from January 2012, HK$90,330 from January 2013 and HK$101,170 from January 2014 respectively). During the subsistence of the 2011 Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee is HK$12,213,936. The 2011 Tenancy Agreement does not provide for renewal clauses.

On 28 November 2014, COSCO Pacific Management as tenant entered into a new tenancy agreement with Wing Thye as landlord (the "2014 Tenancy Agreement") in respect of the leasing of the Premises. Pursuant to the 2014 Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye the Premises for a term of three years commencing from 29 November 2014 at a monthly rental of HK$1,038,390 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$76,619.40 (subject to revision by the management company of the buildings of which the Premises form part from time to time). During the subsistence of the 2014 Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee for the period from 29 November 2014 to 31 December 2014, for the two years ending 31 December 2015 and 2016 and for the period from 1 January 2017 to 28 November 2017 are HK$2,231,000, HK$13,400,000, HK$13,485,000 and HK$11,315,000 respectively.

The Company intended to continue to occupy the Premises on a long term basis as the head office of itself and its subsidiaries and as its principal place of business in Hong Kong. In negotiating the respective rentals under the 2011 Tenancy Agreement and the 2014 Tenancy Agreement, the directors of the Company had made reference to the professional opinion given by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professional valuer. DTZ opined that the monthly rental agreed for the Premises as respectively provided in the 2011 Tenancy Agreement and the 2014 Tenancy Agreement were at market levels and were fair and reasonable.

Wing Thye is a wholly owned subsidiary of COSCO (Hong Kong) Group Limited ("COSCO Hong Kong"). COSCO Pacific Management is a wholly owned subsidiary of the Company. COSCO is a controlling shareholder of both the Company and COSCO Hong Kong. Accordingly, Wing Thye is a connected person of the Company. The 2011 Tenancy Agreement and the 2014 Tenancy Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Master agreements relating to shipping and terminals related services and container and related services transactions (together the "Shipping and Terminals and Container Related Services Master Agreements")

On 30 October 2012, certain subsidiaries of the Company entered into the following master agreements each for a term of three years from 1 January 2013 to 31 December 2015:

(1) COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports (Holdings) Limited ("COSCO Ports", a wholly owned subsidiary of the Company), Piraeus Container Terminal S.A. ("PCT", a wholly owned subsidiary of the Company) and COSCO in respect of the following transactions:

  (a) Provision of shipping related services by COSCO Ports and its subsidiaries (collectively the "COSCO Ports Group") and PCT to COSCO and its associates (excluding the Group and China COSCO and its other associates) (collectively the "COSCO Group"). The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB160,999,000, RMB227,999,000 and RMB299,999,000 respectively. For the year ended 31 December 2014, the COSCO Group did not pay any fees to the COSCO Ports Group or PCT pursuant to such agreement.

  (b) Provision of terminal related services by the COSCO Group to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB69,200,000, RMB104,520,000 and RMB 140,028,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB3,032,000.

  It was agreed that the service fees payable by the relevant members of the COSCO Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group or to PCT (as the case may be) than those at which the relevant members of the COSCO Ports Group or PCT charges other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of COSCO Ports Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group than those at which the relevant members of the COSCO Group charge other independent third party customers for the relevant services.

(2) China COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports, PCT, China COSCO and COSCON in respect of the following transactions:

(a) Provision of shipping related services by the COSCO Ports Group and PCT to China COSCO and COSCON and their respective associates (excluding the Group) (collectively the "China COSCO Group"). The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the China COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB2,388,669,000, RMB4,082,654,000 and RMB6,846,075,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB259,482,000.

(b) Provision of terminal related services by the China COSCO Group (including COSCON) to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the China COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB58,000,000, RMB87,000,000 and RMB116,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB709,000.

It was agreed that the service fees payable by the relevant members of the China COSCO Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group or to PCT (as the case may be) than those at which the relevant members of the COSCO Ports Group or PCT charges other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of the COSCO Ports Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group than those at which the relevant members of the China COSCO Group charge other independent third party customers for the relevant services.

(3) APM Shipping Services Master Agreement entered into between COSCO Ports, PCT and entities trading under the names of Maersk Line, Safmarine, MCC or any other future names with majority ownership by A.P. Moller — Maersk A/S ("APM") (collectively "the Line") in respect of the provision of shipping related services by the COSCO Ports Group or PCT to the Line.

The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the Line for such services for the years ended 31 December 2013, 2014 and 2015 are RMB905,651,000, RMB1,318,430,000 and RMB1,875,845,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB303,422,000.

The terms on pricing under the APM Shipping Services Master Agreement are determined based on the existing scale and operations of the businesses of the COSCO Ports Group and PCT, the anticipated growth and development of such businesses and the anticipated demand for such services after taking into account that the economic condition will improve in the future compared with that in the past few years. COSCO Ports Group and PCT would ensure that the terms and rates will be no less favourable to COSCO Ports Group and PCT than the terms and rates available from independent third parties for the relevant transactions.

(4) Florens-APM Container Purchasing and Related Services Master Agreement entered into between Florens and the Line in respect of the following transactions:

(a) Purchase of containers and container related materials by Florens and its subsidiaries (collectively the "Florens Group") from the Line. The annual caps of the aggregate amount payable by the Florens Group to the Line for such purchase for the years ended 31 December 2013, 2014 and 2015 are US$20,000,000, US$31,000,000 and US$44,000,000 respectively. For the year ended 31 December 2014, the Florens Group did not pay any fees to the Line pursuant to such agreement.

(b) Provision of container related services by the Line to the Florens Group. The annual cap of the aggregate amount payable by the Florens Group to the Line for such services for each of the years ended 31 December 2013, 2014 and 2015 is US$150,000. For the year ended 31 December 2014, the Florens Group did not pay any fees to the Line pursuant to such agreement.

The consideration for the purchase of containers and related materials by the relevant members of the Florens Group and the provision of services by the Line shall be at rates no less favourable to the relevant members of the Florens Group (as purchaser or service receiving party, as the case may be) than those at which the Line charges independent third parties for the relevant transactions.

(5) Nansha Container Terminal Services Master Agreement entered into between COSCO Ports, Guangzhou South China Oceangate Container Terminal Company Limited ("GZ South China", a subsidiary of the Company) and Guangzhou Port Group Company Limited (廣州港集團有限公司) ("GZ Port Holding") in respect of the following transactions:

(a) Provision of container terminal related services by GZ South China to GZ Port Holding and its subsidiaries, branches and associates (collectively the "GZ Port Group"). The annual caps of the aggregate amount receivable by GZ South China from the GZ Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB62,350,000, RMB94,030,000 and RMB139,035,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB11,489,000.

(b) Provision of container terminal related services by the GZ Port Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to the GZ Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB292,370,000, RMB439,450,000 and RMB652,110,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB53,987,000.

(c) The appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the vessels which use the high-frequency wireless communication services at the Guangzhou port, or the agents of such vessels, the high-frequency communication fee at a rate as prescribed by GZ Port Holding from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the high-frequency communication fee payable by GZ South China to GZ Port Holding for the years ended 31 December 2013, 2014 and 2015 are RMB6,000,000, RMB9,000,000 and RMB13,500,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31 December 2014 was RMB989,000.

(ii) The annual caps of the aggregate amount of the handling fee receivable by GZ South China in respect of the charging of the high-frequency communication fee for the years ended 31 December 2013, 2014 and 2015 are RMB200,000, RMB300,000 and RMB450,000 respectively. For the year ended 31 December 2014, GZ Port Holding did not pay any fees to GZ South China pursuant to such agreement.

It was agreed that the terms for the provision of services by GZ South China shall be no less favourable to GZ South China (as service providing party) than terms available to GZ South China from independent third parties for the relevant services. It was also agreed that the terms for the provision of services by the relevant members of the GZ Port Group shall be no less favourable to GZ South China (as service receiving party) than terms available to independent third parties from the relevant members of the GZ Port Group for the relevant services.

(6) Yangzhou Terminal Services Master Agreement entered into between COSCO Ports, Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang", a subsidiary of the Company) and Jiangsu Province Yangzhou Port Group Co., Ltd. (江蘇省揚州港務集團有限公司) ("Yangzhou Port Holding") in respect of the provision of terminal related services by Yangzhou Port Holding and its subsidiaries, branches and associates (collectively the "Yangzhou Port Group") to Yangzhou Yuanyang.

The annual caps of the aggregate amount payable by Yangzhou Yuanyang to the Yangzhou Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB225,400,000, RMB270,240,000 and RMB324,024,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB74,056,000.

It was agreed that the terms for the provision of services by the relevant members of the Yangzhou Port Group shall be no less favourable to Yangzhou Yuanyang (as service receiving party) than terms available to independent third parties from the relevant members of the Yangzhou Port Group for the relevant services.

(7) COSCON Container Services Master Agreement entered into between Plangreat Limited ("Plangreat", a wholly owned subsidiary of the Company), COSCO and COSCON in respect of the provision of container related services by Plangreat and its subsidiaries to the COSCO Group (including COSCON).

The annual cap of the aggregate amount receivable by Plangreat and its subsidiaries from the COSCO Group for each of the years ended 31 December 2013, 2014 and 2015 is US$3,000,000. The total amount of the aforesaid transactions for the year ended 31 December 2014 was US$1,927,000.

It was agreed that the service fees payable by the relevant members of the COSCO Group (including COSCON) shall be at rates no less favourable to Plangreat and its subsidiaries than those at which Plangreat and its subsidiaries charge other independent third party customers for the relevant services.

(8) Florens-COSCON Container Leasing, Sales and Related Services Master Agreement entered into between Florens, COSCO and COSCON in respect of the following transactions:

(a) Grant of leases of containers for a term of not more than three years by the Florens Group to the COSCO Group (including COSCON). The annual cap of the aggregate amount receivable by the Florens Group from the COSCO Group for such transactions for each of the years ended 31 December 2013, 2014 and 2015 is US$2,470,000. The total amount of the aforesaid transactions for the year ended 31 December 2014 was US$197,000.

(b) Sales of old containers by the Florens Group to the COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by the Florens Group from the COSCO Group for such transactions for the years ended 31 December 2013, 2014 and 2015 are US$2,330,000, US$2,450,000 and US$2,570,000 respectively. For the year ended 31 December 2014, Florens Group did not sell any old containers to COSCO Group pursuant to such agreement.

(c) Provision of container related services by the Florens Group to the COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by the Florens Group from the COSCO Group for such services for the years ended 31 December 2013, 2014 and 2015 are US$1,530,000, US$1,613,000 and US$1,710,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was US$621,000.

It was agreed that the consideration for each of the leasing and sales of containers and the provision of services by the relevant members of the Florens Group to the relevant members of the COSCO Group (including COSCON) shall be at rates no less favourable to the relevant members of the Florens Group (as lessor, seller or service providing party, as the case may be) than those at which the relevant members of the Florens Group charge independent third parties for the relevant transactions.

(9) Florens-COSCON Container Related Services and Purchase of Materials Master Agreement entered into between Florens, COSCO and COSCON in respect of the following transactions:

(a) Provision of container related services by the COSCO Group (including COSCON) to the Florens Group. The annual caps of the aggregate amount payable by the Florens Group to the COSCO Group for the aforesaid services for the years ended 31 December 2013, 2014 and 2015 are US$4,670,000, US$5,280,000 and US$5,960,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was US$1,764,000.

(b) Purchase of container related materials by the Florens Group from the COSCO Group (including COSCON). The annual caps of the aggregate amount payable by the Florens Group to the COSCO Group for such purchase for the years ended 31 December 2013, 2014 and 2015 are US$50,000, US$50,000 and US$70,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was US$16,000.

It was agreed that the consideration for the purchase of materials by the relevant members of the Florens Group and the provision of services by the relevant members of the COSCO Group (including COSCON) shall be at rates no less favourable to the relevant members of the Florens Group (as purchaser or service receiving party, as the case may be) than those at which the relevant members of the COSCO Group (including COSCON) charge independent third parties for the relevant transactions.

(10) Nansha Diesel Oil Purchase Master Agreement entered into between COSCO Ports, GZ South China and China Marine Bunker Guangzhou Co., Ltd. (中國船舶燃料廣州有限公司) ("CM Supply") in respect of the purchase of diesel oil by GZ South China from CM Supply.

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the years ended 31 December 2013, 2014 and 2015 are RMB90,000,000, RMB135,000,000 and RMB150,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB3,750,000.

It was agreed that the terms for the supply of diesel oil by CM Supply shall be no less favourable to GZ South China (as purchaser) than terms available to independent third parties from CM Supply for the relevant transactions.

(11) Zhangjiagang Container Terminal Services Master Agreement entered into between COSCO Ports, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Terminal", a subsidiary of the Company) and Zhangjiagang Port Group Co., Ltd. (張家港港務集團有限公司) ("Zhangjiagang Port Holding") in respect of the following transactions:

(a) Provision of container terminal related services by Zhangjiagang Terminal to Zhangjiagang Port Holding and its subsidiaries, branches and associates (collectively the "Zhangjiagang Port Group"). The annual caps of the aggregate amount receivable by Zhangjiagang Terminal from the Zhangjiagang Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB6,280,000, RMB8,890,000 and RMB12,790,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB690,000.

(b) Provision of container terminal related services by the Zhangjiagang Port Group to Zhangjiagang Terminal. The annual caps of the aggregate amount payable by Zhangjiagang Terminal to the Zhangjiagang Port Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB36,260,000, RMB50,030,000 and RMB69,060,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was RMB14,986,000.

It was agreed that the terms for the provision of services by Zhangjiagang Terminal to the relevant members of the Zhangjiagang Port Group shall be no less favourable to Zhangjiagang Terminal (as service providing party) than terms available to Zhangjiagang Terminal from independent third parties for the relevant services; and shall also be no less favourable to the relevant members of the Zhangjiagang Port Group (as service receiving party) than terms available to independent third parties from Zhangjiagang Terminal for the relevant services. It was also agreed that the terms for the provision of services by the relevant members of the Zhangjiagang Port Group shall be no less favourable to Zhangjiagang Terminal (as service receiving party) than terms available to independent third parties from the relevant members of the Zhangjiagang Port Group for the relevant services.

(12) Xiamen Container Terminal Services Master Agreement entered into between COSCO Ports, Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate", a subsidiary of the Company) and Xiamen Haicang Investment Group Co., Ltd. (廈門海滄投資集團有限公司) ("Xiamen Haicang Holding") in respect of the following transactions:

(a) Provision of container terminal related services by Xiamen Haicang Holding and its subsidiaries, branches and associates (collectively the "Xiamen Haicang Group") to Xiamen Ocean Gate. The annual caps of the aggregate amount payable by Xiamen Ocean Gate to the Xiamen Haicang Group for such services for the years ended 31 December 2013, 2014 and 2015 are RMB64,500,000, RMB79,000,000 and RMB93,500,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2014 was RMB13,841,000.

(b) Provision of container terminal related services by Xiamen Ocean Gate to the Xiamen Haicang Group. The annual caps of the aggregate amount payable by the Xiamen Haicang Group to Xiamen Ocean Gate for such services for the years ended 31 December 2013, 2014 and 2015 are RMB7,000,000, RMB10,000,000 and RMB12,000,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2014 was RMB1,209,000.

It was agreed that the terms for the provision of services by the relevant members of the Xiamen Haicang Group shall be no less favourable to Xiamen Ocean Gate (as service receiving party) than terms available to independent third parties from the relevant members of the Xiamen Haicang Group for the relevant services. It was also agreed that the terms for the provision of services by Xiamen Ocean Gate shall be no less favourable to the relevant members of the Xiamen Haicang Group (as service receiving party) than terms available to independent third parties from Xiamen Ocean Gate for the relevant services.

Since COSCO and China COSCO are controlling shareholders of the Company, members of the COSCO Group and the China COSCO Group (including COSCO, China COSCO and COSCON) are connected persons of the Company. APM Terminals Invest Company Limited ("APM Terminals"), which is a subsidiary of APM, is a substantial shareholder of a subsidiary of the Company. The Line are majority-owned by APM and are therefore associates of APM Terminals. Accordingly, the Line are connected persons of the Company.

GZ Port Holding has a 41% equity interest in GZ South China. Accordingly, members of the GZ Port Group (including GZ Port Holding) are connected persons of the Company. As Yangzhou Port Holding has a 40% equity interest in Yangzhou Yuanyang, members of the Yangzhou Port Group (including Yangzhou Port Holding) are connected persons of the Company. CM Supply is owned as to 50% by COSCO and hence CM Supply is a connected person of the Company. Zhangjiagang Port Holding has a 49% equity interest in Zhangjiagang Terminal. Accordingly, members of Zhangjiagang Port Group (including Zhangjiagang Port Holding) are connected persons of the Company. Xiamen Haicang Holding has a 30% equity interest in Xiamen Ocean Gate. Therefore, members of the Xiamen Haicang Group (including Xiamen Haicang Holding) are connected persons of the Company.

The continuing connected transactions under agreements numbered (1) to (5) above were subject to the reporting, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 29 November 2012 ("SGM"), whilst the transactions under agreements numbered (3) to (5) were exempted from the independent shareholders' approval requirement (so far as applicable) under Rule 14A.101 of the Listing Rules from 1 July 2014 onwards.

With respect to the continuing connected transactions under agreements numbered (7) to (10), they were subject to the reporting, annual review and announcement requirements, but were exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

In addition, the transactions under agreements numbered (6), (11) and (12) did not constitute continuing connected transactions of the Group for the year ended 31 December 2014, since members of the Yangzhou Port Group, Zhangjiagang Port Group and Xiamen Haicang Group constituted persons connected with insignificant subsidiaries under Rule 14A.09 for the relevant period(s) under Rule 14A.09(1) of the Listing Rules.

Master agreement relating to finance lease arrangements (the "Finance Leasing Master Agreement")

On 30 October 2012, COSCO Ports entered into the Finance Leasing Master Agreement with Florens Capital Management Company Limited ("Florens Capital Management", a non wholly owned subsidiary of the Company and owned as to 50% by COSCO) for a term of three years from 1 January 2013 to 31 December 2015 in respect of the provision of the Finance Leasing (as defined below) by Florens Capital Management and its subsidiary(ies) (collectively the "Florens Management Group") to the COSCO Ports Group.

Finance Leasing referred to the provision of finance leasing on any machinery, equipment or other property related to shipping and the operation of terminal to be leased to the members of the COSCO Ports Group by the members of the Florens Capital Management Group or to be sold by the members of the COSCO Ports Group to, and then leased back from, members of the Florens Capital Management Group (the "Leasing Equipment") by any member of the Florens Capital Management Group to any member of the COSCO Ports Group pursuant to the Finance Leasing Master Agreement and such other related services as may be agreed between the relevant member of the Florens Capital Management Group and the relevant member of the COSCO Ports Group.

The lease method includes sale and leaseback pursuant to which the lessor (a member of the Florens Capital Management Group) shall purchase from the lessee (a member of the COSCO Ports Group) the Leasing Equipment which will be leased back to the lessee by the lessor; finance leasing arrangement involving the execution of an entrusted purchase agreement for the intended purchase of Leasing Equipment by the lessee and the subsequent provision of finance lease services to the lessee and the making of lease payments to the lessor; and finance lease arrangement involving the leasing of Leasing Equipment acquired by the lessor to the lessee as per the requirements of the lessee.

The lease period for each Finance Leasing will be determined taking into account, inter alia, the useful life of the relevant Leasing Equipment (which will be assessed by reference to the Group's assets management policy, industry practice, the past experience in using the Leasing Equipment and information obtained from internal engineering department staff who has technical knowledge on the use of the Leasing Equipment), the financial needs of the lessee and the funding availability of the lessor, which in general should not exceed the useful life of such Leasing Equipment.

The lease payments charged by the lessor will include the purchase price or the value of the Leasing Equipment and interest thereon charged on terms no less favourable to the Lessee than those offered by independent third parties and at a rate determined by reference to the benchmark lending rates published by PBOC from time to time, or, if no such rate is available, by reference to, among other factors, the rate charged by the other major financial institutions for the same or similar types of services.

In the event that the purchase price of the Leasing Equipment is paid by the lessor before commencement of the lease period, pre-lease interests on the purchase price may be charged by the lessor and payable by the lessee for the period from the date of payment of the purchase price by the lessor to the date immediately before commencement of the lease period. Pre-lease interests (if charged) will be charged on terms no less favourable to the lessee than those offered by independent third parties and at a rate determined by reference to the benchmark lending rates published by PBOC from time to time, or if no such rate is available, by reference to, among other factors, the rate charged by the other major financial institutions for the same or similar types of services.

An one-off non-refundable handling fee may be charged on terms no less favourable to the lessee than those offered by independent third parties by the lessor and payable by the lessee when the relevant Finance Leasing agreement is entered into and at a rate determined by reference to, among others, the rate charged by the other major financial institutions in relation to finance leasing of the same or similar types of assets, or if available, the applicable rates published by PBOC for this kind of services from time to time, and will be set out in the relevant Finance Leasing agreement.

The legal title and all rights of the Leasing Equipment shall vest in the lessor throughout the lease period. In the event that the lessee fails to make any lease payment or fulfill any obligations under the relevant Finance Leasing agreement and without prejudice to any rights of the lessor under the relevant law, the lessor could take the following steps, namely (1) To demand full repayment of all outstanding lease payments; (2) To recover the relevant Leasing Equipment and to claim all damages arising from the lessee; and/or (3) To take necessary legal actions according to the relevant Finance Leasing agreement.

Subject to the lessee having duly and satisfactorily performed all its obligations under, and upon the expiry of the lease period under the Finance Leasing agreement, the lessee shall have an option to purchase the relevant Leasing Equipment at a price charged on terms no less favourable to the lessee than those offered by independent third parties and at a rate determined by reference to, among other factors, the methodology and market practice for determining such price by the other major financial institutions in relation to finance leasing of the same or similar types of assets, or if available, the applicable rates published by PBOC for this kind of service from time to time, which will be agreed between the lessor and the lessee at the time of entering into, and will be set out in, the Finance Leasing agreement.

The annual caps of the aggregate amount payable by the COSCO Ports Group to the Florens Capital Management Group for such services for the years ended 31 December 2013, 2014 and 2015 are US$200,000,000, US$250,000,000 and US$300,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2014 was US$7,755,000.

It was agreed that the total consideration payable by the relevant members of the COSCO Ports Group for the provision of the Finance Leasing by members of the Florens Capital Management Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group than those available from other independent third party for the relevant Finance Leasing.

Florens Capital Management is indirectly owned as to 50% by each of the Company and COSCO, which is the ultimate controlling shareholder of the Company. Accordingly, the Florens Capital Management Group (including Florens Capital Management) are connected persons of the Company and the entering into of the Finance Leasing Master Agreement constituted a continuing connected transaction of the Company under the Listing Rules. The transaction also constituted a disclosable transaction of the Company.

The Finance Lease Master Agreement was approved by the independent shareholders of the Company at the SGM.

Long term container leasing transactions (with waiver granted by the Stock Exchange)

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14 December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the year ended 31 December 2014 amounted to US$172,877,000. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary and normal course of business of the Group and using average leasing rates by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies.

Opinion from the independent non-executive directors on the continuing connected transactions

Pursuant to the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.55 of the Listing Rules, Mr. Timothy George FRESHWATER, Mr. Adrian David LI Man Kiu, Mr. IP Sing Chi and Mr. FAN Ergang, independent non-executive directors of the Company, have reviewed the above continuing connected transactions and opined that:

(i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and

(ii) the rental of office premises transaction and the transactions entered into by the Company, COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Terminal and Xiamen Ocean Gate under the Financial Service Master Agreement, the Shipping and Terminals and Container Related Services Master Agreements and the Finance Leasing Master Agreement were:

- entered into in the ordinary and usual course of the Group's businesses;
- entered into on normal commercial terms or terms no less favourable to the Group than terms available from/to independent third parties; and
- entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Dr. FAN HSU Lai Tai, Rita confirmed that in view of her position of also being an independent non-executive director of China COSCO and that COSCO (a controlling shareholder of China COSCO) and China COSCO and their respective associates (including but not limited to COSCON, Wing Thye, COSCO Finance, CM Supply and Florens Capital Management Group) are parties of the long term container leasing transactions, the rental of office premises transaction and the transactions under the Financial Service Master Agreement, the Shipping and Terminals and Container Related Services Master Agreements and the Finance Leasing Master Agreement respectively, for good corporate governance practices, she would not take part in the review process in respect of the above mentioned continuing connected transactions and would not express her opinion in relation to such transactions reviewed by the other independent non-executive directors of the Company.

Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the long term container leasing transactions for the year ended 31 December 2014 (the "Relevant Year") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, and the auditor reported that the long term container leasing transactions for the Relevant Year had been conducted in the ordinary and normal course of business of the Group and by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies.

For the purposes of Rule 14A.56 of the Listing Rules in relation to the other continuing connected transactions, the Board engaged the auditor of the Company to report on the above continuing connected transactions that are subject to annual review for the Relevant Year in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of such continuing connected transactions, in accordance with Rule 14A.56 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2014 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	817,779
Current assets	121,021
Current liabilities	(68,583)
Non-current liabilities	(449,859)
Net assets	420,358
Share capital	113,645
Reserves	263,684
Non-controlling interest	43,029
Capital and reserves	420,358

As at 31 December 2014, the Group's attributable interest in these affiliated companies amounted to US$298,814,000.

Audit Committee

As at the date of this report, the Audit Committee of the Company consists of three independent non-executive directors.

The Audit Committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the Board with external auditor and the Group's internal auditor. During the year, the Audit Committee members met regularly with management, external auditor and the Group's internal auditor and reviewed the internal and external audit reports and the interim and annual consolidated financial statements of the Group.

Auditor

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

QIU Jinguang
Vice Chairman and Managing Director

Hong Kong, 24 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COSCO PACIFIC LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of COSCO Pacific Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 117 to 194, which comprise the consolidated and company balance sheets as at 31 December 2014, 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, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2015

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**4,068,893**	4,167,794
Investment properties	8	**29,194**	5,356
Land use rights	9	**237,840**	244,175
Intangible assets	10	**7,361**	9,677
Joint ventures	12	**840,891**	635,554
Loans to joint ventures	12	**73,503**	4,129
Associates	13	**826,197**	824,598
Loan to an associate	13	**30,472**	33,543
Available-for-sale financial asset	14	**35,000**	27,000
Finance lease receivables	15	**25,324**	11,944
Deferred income tax assets	16	**2,470**	1,236
Other non-current assets	17	**109,752**	105,269
		6,286,897	6,070,275
Current assets			
Inventories	18	**23,683**	18,985
Trade and other receivables	19	**189,594**	224,493
Current income tax recoverable		**57**	–
Restricted bank deposits	42(b)	**172**	148
Cash and cash equivalents	42(b)	**1,116,307**	1,237,403
		1,329,813	1,481,029
Total assets		**7,616,710**	7,551,304
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**37,753**	37,391
Reserves		**4,646,238**	4,452,332
Proposed final dividend		**58,456**	56,383
		4,742,447	4,546,106
Non-controlling interests		**316,215**	297,388
Total equity		**5,058,662**	4,843,494

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 US$'000	2013 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**44,285**	34,622
Long term borrowings	24	**1,430,431**	1,770,425
Loans from non-controlling shareholders of subsidiaries	25	**148,055**	50,000
Other long term liabilities	26	**31,897**	22,530
		1,654,668	1,877,577
Current liabilities			
Trade and other payables	27	**385,297**	464,739
Current income tax liabilities		**88,321**	89,709
Current portion of long term borrowings	24	**419,956**	259,383
Short term bank loans	24	**9,806**	16,402
		903,380	830,233
Total liabilities		**2,558,048**	2,707,810
Total equity and liabilities		**7,616,710**	7,551,304
Net current assets		**426,433**	650,796
Total assets less current liabilities		**6,713,330**	6,721,071

On behalf of the Board

QIU Jinguang
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 125 to 194 are an integral part of these consolidated financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**73**	93
Subsidiaries	11	**2,105,964**	1,952,791
Amounts due from subsidiaries	11	**563,419**	476,012
		2,669,456	2,428,896
Current assets			
Other receivables	19	**3,924**	7,611
Amounts due from subsidiaries	11	**1,534,035**	1,385,044
Cash and cash equivalents	42(b)	**736,821**	878,308
		2,274,780	2,270,963
Total assets		**4,944,236**	4,699,859
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	**37,753**	37,391
Reserves	23	**3,139,632**	3,079,066
Proposed final dividend	23	**58,456**	56,383
Total equity		**3,235,841**	3,172,840
LIABILITIES			
Non-current liabilities			
Long term borrowings	24	**–**	230,000
Current liabilities			
Other payables	27	**1,941**	2,795
Current income tax liabilities		**79,152**	79,152
Loan due to a subsidiary	11	**296,610**	296,610
Amounts due to subsidiaries	11	**1,150,692**	918,462
Current portion of long term borrowings	24	**180,000**	–
		1,708,395	1,297,019
Total liabilities		**1,708,395**	1,527,019
Total equity and liabilities		**4,944,236**	4,699,859

On behalf of the Board

QIU Jinguang
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 125 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US$'000	2013 US$'000
Continuing operations:			
Revenues	6	**870,091**	798,626
Cost of sales		**(546,234)**	(480,457)
Gross profit		**323,857**	318,169
Administrative expenses		**(93,201)**	(90,058)
Other operating income	28	**22,949**	31,664
Other operating expenses		**(26,180)**	(12,956)
Operating profit	29	**227,425**	246,819
Finance income	30	**25,738**	18,112
Finance costs	30	**(72,506)**	(84,539)
Operating profit after finance income and costs		**180,657**	180,392
Share of profits less losses of			
– joint ventures	12	**99,729**	81,406
– associates	13	**71,496**	72,504
Profit before income tax from continuing operations		**351,882**	334,302
Income tax expenses	31	**(38,995)**	(33,497)
Profit for the year from continuing operations		**312,887**	300,805
Discontinued operation:			
Net gain on disposal of an associate	32	**–**	393,411
Share of profit of an associate		**–**	23,059
Profit for the year from discontinued operation		**–**	416,470
Profit for the year		**312,887**	717,275
Profit attributable to:			
Equity holders of the Company		**292,759**	702,676
Non-controlling interests		**20,128**	14,599
		312,887	717,275
Earnings per share for profit attributable to equity holders of the Company			
Basic			
– from continuing operations	34	**US10.01 cents**	US10.16 cents
– from discontinued operation	34	**–**	US14.79 cents
		US10.01 cents	US24.95 cents
Diluted			
– from continuing operations	34	**US10.01 cents**	US10.16 cents
– from discontinued operation	34	**–**	US14.79 cents
		US10.01 cents	US24.95 cents

The accompanying notes on pages 125 to 194 are an integral part of these consolidated financial statements.

	Note	2014 US$'000	2013 US$'000
Dividends	35	**117,701**	282,253

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 US$'000	2013 US$'000
Profit for the year	**312,887**	717,275
Other comprehensive income		
Item that will not be classified subsequently to profit or loss		
Fair value adjustment upon transfer from property, plant and equipment to investment properties	**8,306**	–
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**(32,299)**	70,485
Fair value gain on an available-for-sale financial asset	**8,000**	2,000
Release of reserves upon liquidation of subsidiaries	**(811)**	–
Release of reserves upon disposal of an associate	**–**	(65,428)
Share of reserves of joint ventures and associates		
– investment revaluation reserve	**–**	1,331
– exchange reserve	**(3,817)**	1,149
– other reserves	**451**	(1,019)
Other comprehensive (loss)/income for the year, net of tax	**(20,170)**	8,518
Total comprehensive income for the year	**292,717**	725,793
Total comprehensive income attributable to:		
Equity holders of the Company	**273,890**	699,923
Non-controlling interests	**18,827**	25,870
	292,717	725,793
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	**273,890**	338,986
Discontinued operation	**–**	360,937
	273,890	699,923

The accompanying notes on pages 125 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non–controlling interests US$'000	Total US$'000
At 1 January 2014	37,391	1,572,097	8,514	2,296	115	6,898	1,160	230,071	55,960	2,631,604	4,508,715	297,388	4,843,494
Profit for the year	–	–	–	–	–	–	–	–	–	292,759	292,759	20,128	312,887
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	(30,998)	–	–	(30,998)	(1,301)	(32,299)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	8,306	–	–	–	8,306	–	8,306
Fair value gain on an available-for-sale financial asset	–	–	–	–	–	8,000	–	–	–	–	8,000	–	8,000
Release of reserves upon liquidation of subsidiaries	–	–	–	–	–	–	–	(811)	(82)	82	(811)	–	(811)
Share of reserves of joint ventures and associates	–	–	–	1	–	–	–	(3,817)	450	–	(3,366)	–	(3,366)
Total comprehensive income for the year	–	–	–	1	–	8,000	8,306	(35,626)	368	292,841	273,890	18,827	292,717
Issue of shares on settlement of scrip dividends	362	37,682	–	–	–	–	–	–	–	–	37,682	–	38,044
Transfer of reserve upon lapse of share options	–	–	(95)	–	–	–	–	–	–	95	–	–	–
Dividends paid to equity holders of the Company													
– 2013 final	–	–	–	–	–	–	–	–	–	(56,383)	(56,383)	–	(56,383)
– 2014 interim	–	–	–	–	–	–	–	–	–	(59,245)	(59,245)	–	(59,245)
Unclaimed dividends forfeited	–	–	–	–	–	–	–	–	–	35	35	–	35
	362	37,682	(95)	1	–	8,000	8,306	(35,626)	368	177,343	195,979	18,827	215,168
At 31 December 2014	37,753	1,609,779	8,419	2,297	115	14,898	9,466	194,445	56,328	2,808,947	4,704,694	316,215	5,058,662
Representing:													
Share capital	37,753	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,609,779	8,419	2,297	115	14,898	9,466	194,445	56,328	2,750,491	4,646,238		
2014 final dividend proposed	–	–	–	–	–	–	–	–	–	58,456	58,456		
	37,753	1,609,779	8,419	2,297	115	14,898	9,466	194,445	56,328	2,808,947	4,704,694		

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non–controlling interests US$'000	Total US$'000
At 1 January 2013	35,762	1,389,831	8,558	2,296	115	(12,168)	1,160	234,360	93,821	2,200,285	3,918,258	263,373	4,217,393
Profit for the year	–	–	–	–	–	–	–	–	–	702,676	702,676	14,599	717,275
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	59,214	–	–	59,214	11,271	70,485
Fair value gain on an available-for-sale financial asset	–	–	–	–	–	2,000	–	–	–	–	2,000	–	2,000
Release of reserves upon disposal of an associate	–	–	–	–	–	15,735	–	(64,652)	(36,842)	20,331	(65,428)	–	(65,428)
Share of reserves of joint ventures and associates	–	–	–	–	–	1,331	–	1,149	(1,019)	–	1,461	–	1,461
Total comprehensive income for the year	–	–	–	–	–	19,066	–	(4,289)	(37,861)	723,007	699,923	25,870	725,793
Issue of shares on exercise of share options	25	2,326	–	–	–	–	–	–	–	–	2,326	–	2,351
Issue of shares on settlement of scrip dividends	1,604	179,940	–	–	–	–	–	–	–	–	179,940	–	181,544
Transfer of reserve upon lapse of share options	–	–	(44)	–	–	–	–	–	–	44	–	–	–
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	11,021	11,021
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(2,876)	(2,876)
Dividends paid to equity holders of the Company													
– 2012 final	–	–	–	–	–	–	–	–	–	(65,866)	(65,866)	–	(65,866)
– 2013 interim and special interim	–	–	–	–	–	–	–	–	–	(225,866)	(225,866)	–	(225,866)
	1,629	182,266	(44)	–	–	19,066	–	(4,289)	(37,861)	431,319	590,457	34,015	626,101
At 31 December 2013	37,391	1,572,097	8,514	2,296	115	6,898	1,160	230,071	55,960	2,631,604	4,508,715	297,388	4,843,494
Representing:													
Share capital	37,391	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,572,097	8,514	2,296	115	6,898	1,160	230,071	55,960	2,575,221	4,452,332		
2013 final dividend proposed	–	–	–	–	–	–	–	–	–	56,383	56,383		
	37,391	1,572,097	8,514	2,296	115	6,898	1,160	230,071	55,960	2,631,604	4,508,715		

The accompanying notes on pages 125 to 194 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 US$'000	2013 US$'000
Cash flows from operating activities			
Cash generated from operations	42(a)	**469,319**	481,040
Interest received		**29,586**	7,944
Net cash received from interest rate swap contracts		**–**	8,379
Tax refunded		**7**	443
Tax paid		**(33,960)**	(21,262)
Net cash generated from operating activities		**464,952**	476,544
Cash flows from investing activities			
Dividends received from joint ventures		**125,897**	54,466
Dividends received from associates		**43,943**	14,205
Dividend received from an available-for-sale financial asset		**2,000**	1,748
Purchase of property, plant and equipment, land use rights and intangible assets		**(376,759)**	(531,526)
Acquisition of a subsidiary	44	**–**	(31,794)
Investments in joint ventures		**(67,584)**	(20,198)
Investment in an associate		**–**	(52,319)
Loan advanced to a joint venture		**(212,335)**	–
Repayment of equity loans from associates		**27,227**	54,443
Repayment of loan from a joint venture		**499**	–
Sale of property, plant and equipment		**179,147**	51,187
Proceeds on disposal of an associate	32	**–**	1,218,815
Compensation received for loss of containers		**528**	388
Net cash (used in)/generated from investing activities		**(277,437)**	759,415
Cash flows from financing activities			
Loans drawn down		**266,050**	283,691
Loans repaid		**(419,114)**	(900,523)
Loans from non-controlling shareholders of subsidiaries		**97,696**	–
Repayment of loans from non-controlling shareholders of subsidiaries		**(97,696)**	(16,402)
Loans from a joint venture		**14,654**	–
Repayment of loans from a joint venture		**(7,327)**	–
Proceeds from exercise of share options		**–**	2,351
Issue of notes		**–**	295,985
Settlement of notes		**–**	(300,000)
Dividends paid to equity holders of the Company		**(77,338)**	(110,143)
Dividend paid to a non-controlling shareholder of a subsidiary		**–**	(2,876)
Interest paid		**(74,150)**	(94,254)
Other incidental borrowing costs paid		**(4,121)**	(7,881)
Capital contribution from a non-controlling shareholder of a subsidiary		**–**	11,021
Net cash used in financing activities		**(301,346)**	(839,031)
Net (decrease)/increase in cash and cash equivalents		**(113,831)**	396,928
Cash and cash equivalents at 1 January		**1,237,403**	848,423
Exchange differences		**(7,265)**	(7,948)
Cash and cash equivalents at 31 December	42(b)	**1,116,307**	1,237,403

The accompanying notes on pages 125 to 194 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

COSCO Pacific Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and their related businesses. The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The intermediate holding company of the Company is China COSCO Holdings Company Limited ("China COSCO"), a company established in the People's Republic of China (the "PRC") with its H-shares and A-shares listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange respectively. The parent company of China COSCO is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC.

These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2015.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial asset and investment properties are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRS 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 5.

(a) Adoption of HKFRS amendments and interpretation

In 2014, the Group has adopted the following HKFRS amendments and interpretation issued by the HKICPA which are mandatory for the financial year ended 31 December 2014:

HKAS 32 Amendment	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendment	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendment	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendment	Investment Entities
HK(IFRIC) – Int 21	Levies

The Group has assessed the impact of the adoption of these HKFRS amendments and interpretation and considered that there was no significant impact on the Group's results and financial position.

2 Basis of preparation (Continued)

(b) Standards, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2014 and have not been early adopted by the Group

The HKICPA has issued the following new HKFRS, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2014 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards and amendments		
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants	1 January 2016
HKAS 19 (2011) Amendment	Employee Benefits	1 July 2014
HKAS 27 Amendment	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements 2010–2012 Cycle		
HKAS 16 Amendment	Property, Plant and Equipment	1 July 2014
HKAS 24 Amendment	Related Party Disclosures	1 July 2014
HKAS 38 Amendment	Intangible Assets	1 July 2014
HKFRS 2 Amendment	Share-based Payment	1 July 2014
HKFRS 3 Amendment	Business Combination	1 July 2014
HKFRS 8 Amendment	Operating Segments	1 July 2014
HKFRS 13 Amendment	Fair Value Measurement	1 July 2014
Annual Improvements 2011–2013 Cycle		
HKAS 40 Amendment	Investment Property	1 July 2014
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards	1 July 2014
HKFRS 3 Amendment	Business Combinations	1 July 2014
HKFRS 13 Amendment	Fair Value Measurement	1 July 2014
Annual Improvements 2012–2014 Cycle		
HKAS 19 Amendment	Employment Benefits	1 January 2016
HKAS 34 Amendment	Interim Financial Reporting	1 January 2016
HKFRS 5 Amendment	Non-current Assets Held for Sales and Discontinued Operations	1 January 2016
HKFRS 7 Amendment	Financial Instruments: Disclosures	1 January 2016

The Group will apply the above new standards, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact of these new standards, amendments and improvements to existing standards to the Group and it is not yet in a position to state whether any substantial financial impact will be resulted.

2 Basis of preparation (Continued)

(c) New Hong Kong Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3.1 Group accounting

(a) Business combination

The Group applies the acquisition method of accounting to account for business combinations. 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 on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

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

(b) Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

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

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

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures, associates or financial assets. 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 the consolidated income statement.

(e) Joint ventures/associates

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures, which are accounted for using the equity method.

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in a joint venture/an associate is accounted for using the equity method from the date on which it becomes a joint venture/an associate. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in joint ventures/associates includes 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 date of acquisition.

The initial accounting on the acquisition of a joint venture and an associate 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 associate and continues to have significant influence without obtaining control, the cost of acquiring the additional interest is added to the carrying value of the 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.

The cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the 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 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 associate.

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(e) Joint ventures/associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the 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 associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture/associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture/associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of joint ventures/associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint ventures/associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the joint ventures/associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures/associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in joint ventures/associates are recognised in the consolidated income statement.

(f) Balances with subsidiaries, joint ventures and associates

Balances with subsidiaries, joint ventures and associates are split into its financial assets/liabilities and equity components at initial recognition. The financial asset/liability component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

3.2 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, assessing performance of the operating segments and making strategic decisions, is identified as the executive directors of the Company.

3.3 Foreign currency translation

(a) 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 United States dollar ("US dollar"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

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 relating to the changes in 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 items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in other comprehensive income.

3 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation (Continued)

(c) 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:

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

(ii) 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

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

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. Related exchange differences are recognised in other comprehensive income.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost or 1994 valuation less accumulated depreciation and impairment losses. 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 charged to the consolidated income statement during the financial period in which they are incurred.

Effective from 30 September 1995, no further revaluations of the Group's land and buildings have been carried out. The Group places reliance on paragraph 80A of HKAS 16 "Property, Plant and Equipment" issued by the HKICPA, which provides exemption from the need to make regular revaluations for such assets.

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

Containers	15 years
Generator sets	12 years
Leasehold land classified as finance lease	Remaining period of the lease
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other property, plant and equipment	5 to 35 years

Other property, plant and equipment includes plant and machinery with estimated useful lives ranged from 5 to 35 years, furniture, fixtures and equipment and motor vehicles with estimated useful lives ranged from 5 to 10 years.

3 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

No depreciation is provided for construction in progress. Construction in progress is transferred to relevant categories of property, plant and equipment upon the completion of the related construction works and depreciation will then be commenced accordingly.

The assets' residual values and 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.

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

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

3.5 Land use rights

Land use rights classified as operating lease represent prepaid operating lease payments for land 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.

3.6 Investment properties

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

Investment property comprises leasehold land and buildings. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Change in fair value is recognised in the consolidated income statement. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount 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 repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as properties revaluation reserve under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement. Properties revaluation reserve, including any previously recognised, shall remain and be transferred to retained profits upon disposal of properties.

3 Summary of significant accounting policies (Continued)

3.7 Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, 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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) 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 the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year 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.

Computer systems under development are transferred to computer software upon the completion of the respective development and amortisation will then be commenced accordingly over the estimated useful lives of 5 years on a straight-line basis.

3.8 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, which are not subject to depreciation or amortisation, are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. All other non-financial assets 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.9 Available-for-sale financial assets

The Group classifies its investments as available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from 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 are included in the consolidated income statement as gains or losses from investments.

3 Summary of significant accounting policies (Continued)

3.9 Available-for-sale financial assets (Continued)

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 input and relying as little as possible on entity-specific input.

3.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Financial assets classified as available-for-sales

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 equity securities below its cost is considered as an indicator that 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 consolidated income statement) is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3.12 Inventories

Inventories include resaleable containers and consumable parts for terminal operations. Inventories are stated at the lower of cost and net realisable value. Costs are calculated on weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3 Summary of significant accounting policies (Continued)

3.13 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.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

3.15 Assets under leases

Leases in which a significant portion of 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, including leases which transfer ownership of the asset to the lessee at the end of lease term.

(a) Leases – where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease periods.

(b) Leases – where the Group is the lessor

When the Group leases out assets 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 note 3.4 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 notes 3.23(b) and 3.23(e) below.

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. Revenue on assets leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.23(b) below.

3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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.

3.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

3 Summary of significant accounting policies (Continued)

3.18 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 incurred because a specified debtor failed 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.

3.19 Share capital

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

3.20 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 consolidated income statement over the period of the borrowings using the effective interest method.

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 balance sheet date.

3.21 Current and deferred income tax

The tax expense for the year comprises current and deferred income 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.

(a) Current income tax

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 Group, its joint ventures and its 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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised (provided) 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 income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3 Summary of significant accounting policies (Continued)

3.21 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, 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. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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 taxes 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.

3.22 Employee benefits

(a) Retirement benefit costs

The Group contributes to defined contribution retirement schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government authorities in different territories where the Group has employees, the Group participates in respective government benefit schemes whereby the Group is required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities of the respective countries are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes.

Contributions made to the schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective countries.

The Group's contributions to the aforesaid defined contribution retirement schemes are charged to the consolidated income statement as incurred.

(b) 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.

(c) 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.

3 Summary of significant accounting policies (Continued)

3.22 Employee benefits (Continued)

(d) Share-based compensation

The Company operates an equity-settled, share-based compensation plan and provides equity compensation benefit, in the form of share options, to the directors of the Company and employees of the Group and COSCO. The fair value of the employee services received in exchange for the grant of the options 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 vested. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with 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 when the options are exercised.

3.23 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenues from terminal operations

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

(b) Revenues from leasing of assets

Rental income from leasing of containers and generator sets under operating leases is recognised on a straight-line basis over the period of each lease.

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

(c) Revenues from container handling, transportation and storage

Revenues from container handling and transportation are recognised when the services are rendered. Revenues from container storage are recognised on a straight-line basis over the period of storage.

(d) Revenues from container management

Revenues from container management are recognised when the related management and administrative services are rendered.

(e) Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight-line basis over the period of each lease and is recognised in the consolidated income statement within other operating income.

3 Summary of significant accounting policies (Continued)

3.23 Recognition of revenues and income (Continued)

(f) Revenues from sale of resaleable containers included in inventories

Revenues from sale of resaleable containers are recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed.

(g) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established and is recognised in the consolidated income statement within other operating income.

(i) Income on sale of investments

Income on sale of investments is recognised when the risks and rewards associated with ownership of the related investment have been transferred to the purchaser.

3.24 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset, until such time as the asset is substantially ready for its intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

3.25 Government subsidy

Government subsidy relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

3.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

3.27 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.

Contingent liabilities other than those acquired from business combination are 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.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit 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 hedge certain risk exposures.

Risk management is carried out under direction by the Boards of Directors. The directors and management identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Group has principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi. Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The functional currency of most of the subsidiaries is US dollar. As most of the Group's revenue and expenses related transactions and borrowings are also denominated in US dollar, the Group is not subject to any significant foreign currency risk.

The actual foreign exchange risk faced by the Group therefore primarily arises from non-functional currency bank balances, receivable and payable balances and borrowings (collectively "Non-Functional Currency Items"). Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/ strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been decreased/increased by US$18,735,000 (2013: decreased/increased by US$17,790,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

The Group is exposed to price risk for its available-for-sale investment. Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

(iii) Cash flow and fair value interest rate risk

Other than bank balances and loans to joint ventures and an associate (collectively "Interest Bearing Assets"), the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from loan from a joint venture, loans from non-controlling shareholders of subsidiaries, long term and short term borrowings (collectively "Interest Bearing Liabilities"). Borrowings are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Generally, the Group raises long term and short term borrowings at floating rates as well as fixed rates, based upon the capital market conditions and the Group's internal requirements. Interest rate swaps with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$1,761,000 (2013: US$2,421,000).

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of bank balances and cash, trade and other receivables, loans to joint ventures and an associate and finance lease receivables.

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivable from COSCO Container Lines Company Limited ("COSCON"), a fellow subsidiary of the Group and a subsidiary of China COSCO, and third party customers which are operating in the container shipping industry. Container leasing rental income from COSCON accounted for approximately 20% (2013: 19%) of the Group's revenues and most of balance receivable from COSCON are aged within the credit period granted.

There is no concentration of credit risk with respect to trade and finance lease receivables from third party customers as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Group's revenues. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables.

Customer lease out limit is assessed by the credit and risk management department with reference to their financial positions, historical credit references and other factors. This limit will be reviewed and adjusted, if circumstances required, to comply with the Group's credit and risk management policy.

No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these relevant parties.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings. As at 31 December 2014, approximately 80% of the Group's bank balances were placed with listed state-owned banks. Management considers these balances are subject to low credit risk.

No other financial assets carry a significant exposure to credit risk.

(c) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements.

The table below analyses the Group's and the Company's financial liabilities which 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.

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Group				
At 31 December 2014				
Bank and other borrowings	**481,967**	**185,490**	**786,186**	**642,511**
Loans from non-controlling shareholders of subsidiaries	**66,941**	**152,958**	**–**	**–**
Trade and other payables	**327,982**	**–**	**–**	**–**
Financial guarantee contracts	**6,049**	**6,049**	**1,515**	**–**
At 31 December 2013				
Bank and other borrowings	333,779	614,477	609,298	767,877
Loans from non-controlling shareholders of subsidiaries	164,970	50,000	–	–
Trade and other payables	309,064	–	–	–
Financial guarantee contracts	5,506	6,882	8,706	–

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
Company				
At 31 December 2014				
Bank borrowings	**182,371**	**–**	**–**	**–**
Loan due to a subsidiary	**296,610**	**–**	**–**	**–**
Other payables	**1,941**	**–**	**–**	**–**
Amounts due to subsidiaries	**1,150,692**	**–**	**–**	**–**
Financial guarantee contracts	**189,049**	**49,049**	**522,515**	**300,000**
At 31 December 2013				
Bank borrowings	6,086	233,043	–	–
Loan due to a subsidiary	296,610	–	–	–
Other payables	2,795	–	–	–
Amounts due to subsidiaries	918,462	–	–	–
Financial guarantee contracts	170,506	289,882	362,706	300,000

4 Financial risk management (Continued)

4.2 Capital 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 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 (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31 December 2014, the net debt-to-total equity ratio is 14.7% (2013: 16.7%).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or capital or sell assets to reduce debt.

4.3 Fair value estimation

The Group's financial instrument that is measured at fair value is disclosed by levels of the following fair value measurement hierarchy:

- 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 financial instrument that is measured at fair value at 31 December 2014 and 2013:

	2014 Level 3 US$'000	2013 Level 3 US$'000
Available-for-sale financial asset	**35,000**	27,000

As at 31 December 2014 and 2013, the fair value of unlisted available-for-sale financial asset is determined by reference to valuation report of an independent professional valuer which is determined using valuation technique (including price/earnings multiple method and direct market quote). A discount rate of 20% is applied to compute the fair value on top of market price/earnings multiples. This available-for-sale financial asset is included in level 3 (note 14).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer during the year.

4 Financial risk management (Continued)

4.3 Fair value estimation (Continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description Equity security:	Fair value at 31 December 2014 US$'000	Valuation techniques	Unobservable input	Range (weighted average)
Port industry	35,000	Market comparable companies	price/earnings multiples (a)	10.9%–34.3% (19.0%)
			discount for lack of marketability (b)	20%

Description Equity security:	Fair value at 31 December 2013 US$'000	Valuation techniques	Unobservable input	Range (weighted average)
Port industry	27,000	Market comparable companies	price/earnings multiples (a)	9.8%–18.6% (15.4%)
			discount for lack of marketability (b)	20%

(a) Represents amounts used when the entity has determined that market participants would use such price/earnings multiples when pricing the investment.

(b) Represents amounts used when the entity has determined that market participants would take into account the discount when pricing the investment.

The carrying amounts of receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

5 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 discussed below.

(a) Useful lives and residual values of containers

Management determines the estimated useful lives of containers by reference to the Group's business model, its assets management policy and industry practice. The change in these factors can significantly affect the estimation of useful lives of containers and depreciation expenses will change when useful lives are different from the previous estimates.

Management determines the residual values of containers based on all relevant factors (including the use of the current scrap value of steel in an active market as a reference value) at each measurement date. The depreciation expenses will change when the residual values are different from the previous estimates.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Any adjustment will result in a change in depreciation expenses.

5 Critical accounting estimates and judgements (Continued)

(a) Useful lives and residual values of containers (Continued)

If the useful lives of containers differ by 10% from management's estimates as at 31 December 2014 with all other variables held constant, the estimated depreciation charge for the year would be US$21,108,000 higher or US$14,821,000 lower for the year ended 31 December 2014.

If the residual values of containers differ by 10% from management's estimates as at 31 December 2014 with all other variables held constant, the estimated depreciation charge for the year would be US$4,633,000 higher or lower for the year ended 31 December 2014.

(b) Acquisition of a joint venture and a business

The initial accounting on the acquisition of a joint venture and a business involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(c) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 16).

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. 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 income tax provisions in the period in which such determination is made.

(d) Impairment of investments in joint ventures, associates and trade receivables

Management determines whether investments in joint ventures and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

Management determines the provision for impairment of trade receivables based on the credit history of customers and the current market condition.

6 Revenues and segment information

Revenues recognised during the year are as follows:

	2014 US$'000	2013 US$'000
Terminal operations income	**514,561**	452,063
Operating lease rentals on		
– containers	**295,774**	290,883
– generator sets	**1,427**	1,576
Sale of inventories	**47,771**	42,808
Finance lease income	**1,797**	959
Container management income	**6,377**	7,398
Container handling, transportation and storage income	**2,384**	2,939
Turnover	**870,091**	798,626

(a) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. The following operating segments were identified in accordance with the Group's continuing operations:

(i) terminals and related businesses including terminal operations, container handling, transportation and storage; and

(ii) container leasing, management, sale and related businesses.

The performance of the operating segments was assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the consolidated financial statements.

Corporate assets comprise property, plant and equipment, investment properties, intangible assets, inter-segment loans, other receivables and prepayments and cash and cash equivalents.

Additions to non-current assets comprise additions to property, plant and equipment, land use rights and intangible assets.

Segment assets

	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Segment total US$'000	Corporate US$'000	Inter-segment elimination US$'000	Total US$'000
At 31 December 2014						
Segment assets	**4,649,728**	**2,204,278**	**6,854,006**	**1,807,860**	**(1,045,156)**	**7,616,710**
Segment assets include:						
Joint ventures	**840,891**	**–**	**840,891**	**–**	**–**	**840,891**
Associates	**826,197**	**–**	**826,197**	**–**	**–**	**826,197**
Available-for-sale financial asset	**35,000**	**–**	**35,000**	**–**	**–**	**35,000**
At 31 December 2013						
Segment assets	4,399,661	2,134,325	6,533,986	2,031,613	(1,014,295)	7,551,304
Segment assets include:						
Joint ventures	635,554	–	635,554	–	–	635,554
Associates	824,598	–	824,598	–	–	824,598
Available-for-sale financial asset	27,000	–	27,000	–	–	27,000

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations					
	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment (revenues) and finance (income)/costs US$'000	Total US$'000
Year ended 31 December 2014						
Revenues – total sales	516,993	357,075	874,068	–	(3,977)	870,091
Segment profit/(loss) attributable to equity holders of the Company	220,978	95,757	316,735	(23,976)	–	292,759
Segment profit/(loss) attributable to equity holders of the Company includes:						
Finance income	962	874	1,836	51,135	(27,233)	25,738
Finance costs	(61,728)	(22,782)	(84,510)	(19,163)	31,167	(72,506)
Share of profits of						
– joint ventures	99,729	–	99,729	–	–	99,729
– associates	71,496	–	71,496	–	–	71,496
Income tax expenses	(18,350)	(2,739)	(21,089)	(17,906)	–	(38,995)
Depreciation and amortisation	(83,266)	(126,750)	(210,016)	(1,709)	–	(211,725)
Provision for inventories	–	(7,568)	(7,568)	–	–	(7,568)
Other non-cash expenses	(88)	(2,451)	(2,539)	(13)	–	(2,552)
Additions to non-current assets	(107,680)	(305,863)	(413,543)	(188)	–	(413,731)

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Continuing operations						Discontinued operation
	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment (revenues) and finance (income)/ costs US$'000	Total US$'000	Container manufacturing and related businesses US$'000
Year ended 31 December 2013							
Revenues – total sales	455,071	347,747	802,818	–	(4,192)	798,626	–
Segment profit/(loss) attributable to equity holders of the Company	186,767	125,259	312,026	(25,820)	–	286,206	416,470
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	934	452	1,386	33,094	(16,368)	18,112	–
Finance costs	(60,305)	(22,150)	(82,455)	(22,429)	20,345	(84,539)	–
Share of profits less losses of							
– joint ventures	81,406	–	81,406	–	–	81,406	–
– associates	72,504	–	72,504	–	–	72,504	23,059
Net gain on disposal of an associate	–	–	–	–	–	–	393,411
Income tax expenses	(13,249)	(3,128)	(16,377)	(17,120)	–	(33,497)	–
Depreciation and amortisation	(74,989)	(113,112)	(188,101)	(2,363)	–	(190,464)	–
Provision for inventories	–	(1,792)	(1,792)	–	–	(1,792)	–
Other non-cash expenses	(568)	(3,198)	(3,766)	–	–	(3,766)	–
Additions to non-current assets	(285,405)	(289,677)	(575,082)	(190)	–	(575,272)	–
Additions arising from business combination	(85,086)	–	(85,086)	–	–	(85,086)	–

Note:

For the year ended 31 December 2014, the container leasing, management, sale and related businesses segment revenues included US$172,877,000 (2013: US$153,436,000) container leasing income from COSCON.

6 Revenues and segment information (Continued)

(b) Geographical information

(i) Revenues

In respect of terminals and related businesses, revenues are based on the geographical areas in which the business operations are located.

In respect of container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present financial information by geographical areas and thus the revenues of which are presented as unallocated revenues.

	2014 US$'000	2013 US$'000
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**336,096**	296,634
– Europe	**178,466**	155,429
– Others	**2,383**	2,939
Unallocated	**353,146**	343,624
	870,091	798,626

(ii) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, investment properties, land use rights, intangible assets, joint ventures, associates and other non-current assets.

The containers and generator sets (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 containers and generator sets by geographical areas and thus the containers and generator sets are presented as unallocated non-current assets.

In respect of the terminals' non-current assets and the remaining Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

Other than container leasing, management, sale and related businesses, the activities of terminals and related businesses of the Group, its joint ventures and associates are predominantly carried out in Hong Kong, Mainland China, Singapore, Belgium, Egypt, Greece and Taiwan.

	2014 US$'000	2013 US$'000
Mainland China (excluding Hong Kong)	**3,623,862**	3,538,058
Europe	**366,132**	427,235
Others	**424,023**	256,064
Unallocated	**1,706,111**	1,771,066
	6,120,128	5,992,423

7 Property, plant and equipment

Group

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1 January 2014	2,238,919	11,748	24,079	1,327,159	3,257	837,302	462,368	4,904,832
Exchange differences	(65)	–	–	(22,174)	(13)	(23,962)	(8,689)	(54,903)
Additions	305,803	–	–	5,320	42	7,530	94,914	413,609
Disposals	(250,856)	(2,404)	–	(294)	(102)	(4,276)	–	(257,932)
Transfer to inventories	(105,042)	–	–	–	–	–	–	(105,042)
Fair value adjustment upon transfer to investment properties	–	–	1,098	9,610	–	–	–	10,708
Transfer to investment properties (note 8)	–	–	(2,121)	(25,388)	–	–	–	(27,509)
Transfers	–	–	–	89,504	–	14,820	(104,324)	–
At 31 December 2014	2,188,759	9,344	23,056	1,383,737	3,184	831,414	444,269	4,883,763
Accumulated depreciation and impairment losses								
At 1 January 2014	472,728	6,872	5,815	105,712	1,824	144,087	–	737,038
Exchange differences	(10)	–	–	(1,641)	(8)	(2,694)	–	(4,353)
Depreciation charge for the year	124,329	746	212	33,968	330	42,751	–	202,336
Disposals	(58,237)	(1,710)	–	(253)	(76)	(3,730)	–	(64,006)
Transfer to inventories	(52,727)	–	–	–	–	–	–	(52,727)
Transfer to investment properties (note 8)	–	–	(393)	(3,025)	–	–	–	(3,418)
At 31 December 2014	486,083	5,908	5,634	134,761	2,070	180,414	–	814,870
Net book value								
At 31 December 2014	1,702,676	3,436	17,422	1,248,976	1,114	651,000	444,269	4,068,893
The analysis of cost or valuation of the above assets as at 31 December 2014 is as follows:								
At cost	2,188,759	9,344	3,082	1,383,737	3,184	831,414	444,269	4,863,789
At 1994 professional valuation	–	–	19,974	–	–	–	–	19,974
	2,188,759	9,344	23,056	1,383,737	3,184	831,414	444,269	4,883,763

7 Property, plant and equipment (Continued)

Group (Continued)

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1 January 2013	2,073,889	11,939	24,079	1,162,733	3,188	650,382	394,119	4,320,329
Exchange differences	546	–	–	40,352	62	25,371	14,273	80,604
Acquisition of a subsidiary (note 44)	–	–	–	–	–	9,749	62,711	72,460
Additions	288,754	–	–	6,766	38	79,825	188,786	564,169
Disposals	(53,180)	(191)	–	(456)	(31)	(7,782)	–	(61,640)
Transfer to inventories	(71,090)	–	–	–	–	–	–	(71,090)
Transfers	–	–	–	117,764	–	79,757	(197,521)	–
At 31 December 2013	2,238,919	11,748	24,079	1,327,159	3,257	837,302	462,368	4,904,832
Accumulated depreciation and impairment losses								
At 1 January 2013	408,554	6,063	5,577	71,669	1,468	109,194	–	602,525
Exchange differences	99	–	–	2,832	22	3,937	–	6,890
Depreciation charge for the year	110,507	904	238	31,465	337	37,885	–	181,336
Disposals	(2,699)	(95)	–	(254)	(3)	(6,929)	–	(9,980)
Transfer to inventories	(43,733)	–	–	–	–	–	–	(43,733)
At 31 December 2013	472,728	6,872	5,815	105,712	1,824	144,087	–	737,038
Net book value								
At 31 December 2013	1,766,191	4,876	18,264	1,221,447	1,433	693,215	462,368	4,167,794
The analysis of cost or valuation of the above assets as at 31 December 2013 is as follows:								
At cost	2,238,919	11,748	4,105	1,327,159	3,257	837,302	462,368	4,884,858
At 1994 professional valuation	–	–	19,974	–	–	–	–	19,974
	2,238,919	11,748	24,079	1,327,159	3,257	837,302	462,368	4,904,832

7 Property, plant and equipment (Continued)

Company

	Other property, plant and equipment	
	2014	2013
	US$'000	US$'000
Cost		
At 1 January	**845**	845
Additions	**37**	–
At 31 December	**882**	845
Accumulated depreciation		
At 1 January	**752**	688
Depreciation charge for the year	**57**	64
At 31 December	**809**	752
Net book value		
At 31 December	**73**	93

Notes:

(a) Certain land and buildings in Hong Kong of the Group with carrying amount of US$14,488,000 (2013: US$14,628,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ), an independent professional property valuer.

The carrying amount of these land and buildings as at 31 December 2014 would have been US$13,105,000 (2013: US$13,256,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost and accumulated depreciation as at 31 December 2014 of the leased assets of the Group (where the Group is a lessor) which comprised containers, generator sets and certain other property, plant and equipment and were leased to fellow subsidiaries and third parties under operating leases amounted to US$2,094,983,000 (2013: US$2,114,777,000) and US$492,039,000 (2013: US$479,634,000) respectively. There are no accumulated impairment losses as at 31 December 2014 (2013: US$Nil).

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31 December 2014 amounted to US$2,627,000 (2013: US$2,627,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$52,315,000 (2013: US$27,357,000) to inventories.

(e) During the year, the Group transferred buildings within and outside Hong Kong with an aggregate net book value of US$24,091,000 (2013: US$Nil) to investment properties at the time of commencement of leases during the year.

(f) As at 31 December 2014, certain other property, plant and equipment with an aggregate net book value of US$55,119,000 (2013: US$65,473,000) were pledged as security for a banking facility granted to the Group (note 24(h)).

(g) During the year, interest expense of US$6,700,000 (2013: US$12,611,000) was capitalised in construction in progress (note 30).

8 Investment properties

	Group 2014 US$'000	2013 US$'000
At 1 January	**5,356**	4,899
Exchange differences	**36**	93
Transfer from property, plant and equipment (note 7)	**24,091**	–
Revaluation (deficit)/surplus (note a)	**(289)**	364
At 31 December	**29,194**	5,356

Notes:

(a) The investment properties as at 31 December 2014 and 2013 were revalued on an open market value basis by China Tong Cheng Assets Appraisals Company Limited and Jones Lang Lasalle Sallmanns Limited, independent professional property valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. The revaluation deficit for the year ended 31 December 2014 of US$289,000 (2013: revaluation surplus of US$364,000) was accounted for in the consolidated income statement within other operating income and expenses (note 28 and 29). For all investment properties, their current use equates to the highest and best use.

(b) The Group's interests in investment properties are office units situated in PRC on leases of 50 years and in Hong Kong on leases of over 50 years respectively.

(c) The valuations are derived using direct comparison method, discounted cash flow method and income capitalisation method respectively.

For properties in PRC, valuations are derived by direct comparison method or discounted cash flow method. Discounted cash flow method is based on net present value of estimated income stream by adopting an appropriate discount rate which reflects the risk profile and net operating income growth rate. The higher the discount rate, the lower the fair value. The higher the net operating income growth rate, the higher the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

For properties in Hong Kong, income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

(d) There were no changes to the valuation techniques during the year.

9 Land use rights

	Group 2014 US$'000	2013 US$'000
At 1 January	**244,175**	219,631
Exchange differences	**(904)**	7,187
Acquisition of a subsidiary (note 44)	**–**	12,626
Additions	**–**	9,844
Amortisation	**(5,431)**	(5,113)
At 31 December	**237,840**	244,175

Note:

The Group's interests in land use rights represent prepaid operating lease payments for leases outside Hong Kong which held between 10 to 50 years (2013: between 10 to 50 years).

10 Intangible assets

Group	Computer software		Computer systems under development		Goodwill		Total	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Cost								
At 1 January	**23,504**	22,164	**1,529**	1,427	**343**	–	**25,376**	23,591
Exchange differences	**(493)**	267	**–**	1	**(1)**	10	**(494)**	278
Acquisition of a subsidiary (note 44)	**–**	–	**–**	–	**–**	333	**–**	333
Additions	**122**	589	**–**	670	**–**	–	**122**	1,259
Write-off	**(3)**	(85)	**–**	–	**–**	–	**(3)**	(85)
Transfer	**1,529**	569	**(1,529)**	(569)	**–**	–	**–**	–
At 31 December	**24,659**	23,504	**–**	1,529	**342**	343	**25,001**	25,376
Accumulated amortisation								
At 1 January	**15,699**	13,596	**–**	–	**–**	–	**15,699**	13,596
Exchange differences	**(125)**	71	**–**	–	**–**	–	**(125)**	71
Amortisation for the year	**2,069**	2,117	**–**	–	**–**	–	**2,069**	2,117
Write-off	**(3)**	(85)	**–**	–	**–**	–	**(3)**	(85)
At 31 December	**17,640**	15,699	**–**	–	**–**	–	**17,640**	15,699
Net book value								
At 31 December	**7,019**	7,805	**–**	1,529	**342**	343	**7,361**	9,677

11 Subsidiaries

	Company	
	2014 US$'000	2013 US$'000
Unlisted investments, at cost (note a)	**382,759**	382,759
Advances to subsidiaries (note b)	**1,723,205**	1,570,032
	2,105,964	1,952,791
Amounts due from subsidiaries (net of provision)		
– Non-current (note c)	**563,419**	476,012
– Current (note d)	**1,534,035**	1,385,044
Loan due to a subsidiary (note e)	**(296,610)**	(296,610)
Amounts due to subsidiaries (note f)	**(1,150,692)**	(918,462)

11 Subsidiaries (Continued)

Notes:

(a) As at 31 December 2014, the Company's investment in a subsidiary amounted to US$105,362,000 (2013: US$105,362,000) was pledged as security for a banking facility granted to the Group (note 24(h)).

(b) The advances to subsidiaries are equity in nature, unsecured, interest free and have no fixed terms of repayment.

(c) These amounts due from subsidiaries are unsecured, interest bearing and repayment terms as follows:

As at 31 December 2014, balances of US$10,000,000 (2013: US$10,000,000), US$10,000,000 (2013: US$10,000,000), US$15,000,000 (2013: US$15,000,000) and US$10,000,000 (2013: US$10,000,000) which bear interests of 4.2% (2013: 4.2%) per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 4 November 2017, 17 December 2017, 23 January 2018 and 17 March 2018 respectively. Balances of US$197,745,000 (2013: US$198,461,000), US$24,513,000 (2013: US$24,603,000), US$8,171,000 (2013: US$8,201,000), US$8,171,000 (2013: US$Nil) and US$11,440,000 (2013: US$Nil) which bear interests of 5.76% (2013: 5.76%) per annum and are wholly repayable on or before 15 July 2018, 5 August 2018, 18 December 2018, 27 August 2019 and 24 November 2019 respectively. Balance of US$163,425,000 (2013: US$164,018,000) which bears interests of 5.8425% (2013: 5.8425%) per annum and is wholly repayable on or before 23 July 2023. Balance of US$8,000,000 (2013: US$Nil) which bears interests of 3.8% per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 7 December 2017. Balance of US$27,322,000 (2013: US$26,229,000) which bears interest of 2.28% (2013: 2.28%) per annum and is wholly repayable on or before 31 December 2016. Balances of US$38,684,000 (2013: US$Nil) and US$30,947,000 (2013: US$Nil) which bear interests of 5% per annum above the US dollar Hong Kong Interbank Offered Rate ("HIBOR") and are wholly repayable on or before 7 March 2018 and 18 November 2018 respectively.

(d) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. Movement on the provision for impairment of amounts due from subsidiaries is as follows:

	Company	
	2014 US$'000	2013 US$'000
At 1 January	**(178,339)**	(153,639)
Provision for impairment of amounts due from subsidiaries	**(20,800)**	(24,700)
At 31 December	**(199,139)**	(178,339)

(e) The loan due to a subsidiary as at 31 December 2014 and 2013 is unsecured, interest free and repayable on demand.

(f) The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(g) Details of the subsidiaries as at 31 December 2014 are set out in note 45 to the consolidated financial statements.

12 Joint ventures

	Group	
	2014 US$'000	2013 US$'000
Investment in joint ventures (including goodwill on acquisitions) (note b)	**653,018**	590,554
Equity loans to joint ventures (note e)	**187,873**	45,000
	840,891	635,554
Loans to joint ventures (note f)	**73,503**	4,129

12 Joint ventures (Continued)

Notes:

(a) Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") is a joint venture (note 46) that is material to the Group. QQCT is a container terminal operator and developer of the port facilities in the Qingdao Qianwan Container Terminal. The information below reflects the amounts presented in the financial statements of the joint venture (not the Group's share of these amounts), adjusted for differences in accounting policies between the Group and the joint venture.

QQCT is a private company and there is no quoted market price available for its shares.

Set out below are the summarised consolidated financial information for QQCT which is accounted for using the equity method:

Summarised consolidated balance sheet

	QQCT	
	2014 US$'000	2013 US$'000
Non-current		
Assets	**1,473,815**	1,763,610
Financial liabilities	**(423,023)**	(344,437)
Current		
Cash and cash equivalents	**90,064**	81,891
Other current assets	**134,450**	63,210
Total current assets	**224,514**	145,101
Financial liabilities (excluding trade and other payables)	**(81,794)**	(221,424)
Other current liabilities	**(276,470)**	(411,945)
Total current liabilities	**(358,264)**	(633,369)
Net assets	**917,042**	930,905

Summarised consolidated statement of comprehensive income

	QQCT	
	2014 US$'000	2013 US$'000
Revenues	**439,650**	391,424
Depreciation and amortisation	**(51,291)**	(62,761)
Interest income	**26,021**	29,114
Interest expense	**(40,989)**	(44,774)
Profit before income tax	**261,946**	197,427
Income tax expense	**(65,865)**	(51,746)
Profit for the year	**196,081**	145,681
Other comprehensive (loss)/income	**(56)**	56
Total comprehensive income	**196,025**	145,737
Dividends declared by joint venture	**41,101**	28,833
Group's share of profit of joint venture	**39,034**	29,521

Reconciliation of summarised consolidated financial information

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in the joint venture.

Summarised consolidated financial information

	QQCT	
	2014 US$'000	2013 US$'000
Attributable to equity holders:		
Opening net assets	**939,146**	906,052
Profit for the year	**196,755**	147,749
Dividends	**(206,280)**	(142,666)
Other appropriations	**(252)**	(99)
Exchange difference	**(4,801)**	28,110
Closing net assets	**924,568**	939,146
Interest in joint venture at 20%	**184,914**	187,829
Goodwill	**5,361**	5,361
Carrying amount	**190,275**	193,190

12 Joint ventures (Continued)

(b) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$41,443,000 (2013: US$41,443,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, QQCT and Nanjing Port Longtan Containers Co., Ltd. of US$31,435,000 (2013: US$31,435,000), US$5,362,000 (2013: US$5,362,000) and US$4,533,000 (2013: US$4,533,000).

(c) In January 2014, the Group invested 25% equity interest in Dongjiakou Ore Terminal Co., Ltd. at a consideration of US$57,330,000.

(d) On 13 March 2014, the Group entered into a 50:50 joint venture agreement to establish COSCO-HPHT ACT Limited ("COSCO-HPHT ACT") for acquisition of 80% equity interest in Asia Container Terminals Limited ("ACT") at a total consideration of approximately US$212,335,000.

(e) The balance is equity in nature, unsecured, interest free and no fixed terms of repayment.

(f) Balances of US$3,871,000 (2013: US$4,129,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2016. The remaining balances are unsecured and interest bearing at the rate of 5% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and wholly repayable on or before March 2018 and November 2018.

(g) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective joint ventures other than QQCT disclosed above:

	Net assets US$'000	Profits less losses for the year US$'000	Other comprehensive (loss)/income US$'000	Total comprehensive income US$'000
2014	**650,616**	**60,695**	**(2,544)**	**58,151**
2013	442,364	51,885	9	51,894

(h) There are no contingent liabilities relating to the Group's interest in joint ventures.

(i) The Company has no directly owned joint venture as at 31 December 2014 and 2013. Details of the principal joint ventures as at 31 December 2014 are set out in note 46 to the consolidated financial statements.

13 Associates

	Group 2014 US$'000	Group 2013 US$'000
Investment in associates, including goodwill on acquisitions (note b)	**826,197**	797,385
Equity loans to associates (note c)	**–**	27,213
	826,197	824,598
Loan to an associate (note d)	**30,472**	33,543

Notes:

(a) Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group") are associates (note 47) that are material to the Group. Sigma and Wattrus Group are engaged in the operation, management and development of container terminals and investment holding. Set out below are the summarised financial information, after fair value adjustments upon acquisition, for these associates which are accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group 2014 US$'000	Sigma and Wattrus Group 2013 US$'000
Non-current assets	**3,927,526**	3,946,348
Current assets	**743,545**	693,096
Non-current liabilities	**(740,052)**	(406,357)
Current liabilities	**(561,103)**	(1,006,855)

13 Associates (Continued)

(a) **Summarised statement of comprehensive income**

	Sigma and Wattrus Group	
	2014 US$'000	2013 US$'000
Revenues	**926,370**	861,158
Profit attributable to equity holders for the year	**240,613**	267,182
Group's share of profits of associates	**49,446**	54,906

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in these associates.

Summarised financial information

	Sigma and Wattrus Group	
	2014 US$'000	2013 US$'000
Capital and reserves attributable to equity holders	**2,616,204**	2,487,713
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**537,630**	511,225
Equity loans to associates	**–**	27,213
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**584,490**	585,298

(b) The carrying amount of goodwill on acquisitions of associates amounted to US$30,192,000 (2013: US$28,415,000), mainly represented the goodwill on acquisition of equity interests in Sigma and Wattrus of US$20,669,000 (2013: US$20,669,000) and US$7,523,000 (2013: US$7,523,000) respectively.

(c) As at 31 December 2013, the balances were equity in nature, unsecured, interest free and have no fixed terms of repayment.

(d) The loan to an associate is unsecured, bears interest at 2% (2013: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment.

(e) 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 other than Sigma and Wattrus Group disclosed above and CIMC which was disposed in 2013 (note 32):

	Net assets US$'000	Profits less losses for the year US$'000	Other comprehensive income US$'000	Total comprehensive income US$'000
2014	**241,707**	**22,050**	**318**	**22,368**
2013	239,300	17,598	2,042	19,640

(f) There are no significant contingent liabilities relating to the Group's interest in associates.

(g) The Company has no directly owned associate as at 31 December 2014 and 2013. Details of the Group's associates as at 31 December 2014 are set out in note 47 to the consolidated financial statements.

14 Available-for-sale financial asset

	Group	
	2014 US$'000	2013 US$'000
At 1 January	**27,000**	25,000
Fair value gain recognised in equity	**8,000**	2,000
At 31 December	**35,000**	27,000

Note:

As at 31 December 2014 and 2013, available-for-sale financial asset represents equity interest in an unlisted investee company, Tianjin Five Continents International Container Terminal Co., Ltd. which operates container terminals in Tianjin of Mainland China and is denominated in Renminbi.

15 Finance lease receivables

	Group					
	2014			2013		
	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivables US$'000	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivables US$'000
Amounts receivable under finance leases:						
Current portion (note 19)	**7,244**	**(1,773)**	**5,471**	2,821	(838)	1,983
Non-current portion						
– later than one year and not later than five years	**26,223**	**(3,789)**	**22,434**	9,502	(2,114)	7,388
– later than five years	**3,034**	**(144)**	**2,890**	4,962	(406)	4,556
	29,257	**(3,933)**	**25,324**	14,464	(2,520)	11,944
	36,501	**(5,706)**	**30,795**	17,285	(3,358)	13,927

As at 31 December 2014, the Group entered into 13 (2013: 9) finance lease contracts for leasing of certain containers and a vessel. The average term of the finance lease contracts is 5.1 years (2013: 3.9 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$39,200,000 (2013: US$17,974,000) as at 31 December 2014.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$40,000 (2013: US$1,000).

16 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

The movements on the net deferred income tax liabilities during the year are as follows:

	Group	
	2014 US$'000	2013 US$'000
At 1 January	**33,386**	50,002
Exchange differences	**159**	(38)
Charged to consolidated income statement (note 31)	**5,867**	9,823
Charged to other comprehensive income (note 31)	**2,403**	–
Write back of deferred income tax on undistributed profit resulted from disposal of an associate	**–**	(26,401)
At 31 December	**41,815**	33,386

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 2014, the Group has unrecognised tax losses of US$61,330,000 (2013: US$79,611,000) to carry forward. Except for the tax losses of US$199,000 (2013: US$9,255,000), US$2,647,000 (2013: US$1,745,000), US$16,625,000 (2013: US$11,892,000) and US$3,782,000 (2013: US$Nil) of the Group which will be expired as at 31 December 2015, 2016, 2017 and 2018 respectively, all other tax losses have no expiry dates.

16 Deferred income tax (Continued)

As at 31 December 2014, deferred income tax liabilities of US$8,295,000 (2013: US$7,443,000) have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries in certain tax jurisdictions totaling US$50,374,000 (2013: US$43,420,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary differences will not be reversed in the foreseeable future.

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year, are as follows:

Deferred income tax liabilities

	Group							
	Accelerated tax depreciation		Undistributed profits		Fair value gains		Total	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
At 1 January	**9,735**	8,082	**28,974**	45,773	**–**	–	**38,709**	53,855
Exchange differences	**(258)**	83	**–**	–	**–**	–	**(258)**	83
Charged to consolidated income statement	**592**	1,570	**6,842**	9,602	**–**	–	**7,434**	11,172
Charged to other comprehensive income	**–**	–	**–**	–	**2,403**	–	**2,403**	–
Write back resulted from disposal of an associate	**–**	–	**–**	(26,401)	**–**	–	**–**	(26,401)
At 31 December	**10,069**	9,735	**35,816**	28,974	**2,403**	–	**48,288**	38,709

Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
At 1 January	**322**	262	**5,001**	3,591	**5,323**	3,853
Exchange differences	**–**	(1)	**(417)**	122	**(417)**	121
(Charged)/credited to consolidated income statement	**(13)**	61	**1,580**	1,288	**1,567**	1,349
At 31 December	**309**	322	**6,164**	5,001	**6,473**	5,323

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2014 US$'000	2013 US$'000
Deferred income tax assets	**2,470**	1,236
Deferred income tax liabilities	**44,285**	34,622

The amounts shown in the consolidated balance sheet include the following:

	Group	
	2014 US$'000	2013 US$'000
Deferred income tax assets to be recovered after more than 12 months	**4,066**	3,958
Deferred income tax liabilities to be settled after more than 12 months	**12,418**	9,609

As at 31 December 2014 and 2013, the Company did not have significant deferred income tax assets and liabilities.

17 Other non-current assets

Other non-current assets of the Group mainly represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1 October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 41(b)).

18 Inventories

Inventories of the Group mainly include containers held for sale transferred from property, plant and equipment and consumable parts for terminal operations at their carrying amount.

19 Trade and other receivables

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade receivables (note a)				
– third parties	**56,016**	59,138	**–**	–
– fellow subsidiaries (notes b and c)	**36,251**	28,107	**–**	–
– non-controlling shareholders of a subsidiary (note b)	**4,997**	4,561	**–**	–
– related companies (note b)	**1,046**	468	**–**	–
	98,310	92,274	**–**	–
Bills receivable (note a)	**3,450**	6,520	**–**	–
	101,760	98,794	**–**	–
Less: provision for impairment	**(4,240)**	(3,946)	**–**	–
	97,520	94,848	**–**	–
Other receivables, deposits and prepayments	**41,475**	47,416	**3,924**	7,611
Rent receivable collected on behalf of owners of managed containers (note d)	**20,248**	22,685	**–**	–
Current portion of finance lease receivables (note 15)	**5,471**	1,983	**–**	–
Loans to joint ventures (note e)	**20,599**	22,485	**–**	–
Amounts due from				
– fellow subsidiaries (note b)	**163**	525	**–**	–
– joint ventures (note f)	**285**	28,186	**–**	–
– associates (note f)	**1,537**	4,430	**–**	–
– non-controlling shareholders of subsidiaries (note b)	**2,296**	1,935	**–**	–
	189,594	224,493	**3,924**	7,611

Notes:

(a) The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables and bills receivable (net of provision) based on invoice date and issuance date respectively is as follows:

	Group	
	2014 US$'000	2013 US$'000
Within 30 days	**54,081**	50,734
31–60 days	**33,802**	32,707
61–90 days	**4,947**	6,125
Over 90 days	**4,690**	5,282
	97,520	94,848

19 Trade and other receivables (Continued)

(a) As at 31 December 2014, trade receivables and bills receivable of US$91,151,000 (2013: US$71,102,000) were fully performing.

As at 31 December 2014, trade receivables of US$6,369,000 (2013: US$23,746,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	Group	
	2014 US$'000	2013 US$'000
Within 30 days	**4,245**	20,968
31–60 days	**763**	1,783
61–90 days	**80**	592
Over 90 days	**1,281**	403
	6,369	23,746

As at 31 December 2014, trade receivables of US$4,240,000 (2013: US$3,946,000) were impaired. The amount of the provision was US$4,240,000 (2013: US$3,946,000) as at 31 December 2014. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	Group	
	2014 US$'000	2013 US$'000
Within 30 days	**689**	737
31–60 days	**660**	693
61–90 days	**549**	518
Over 90 days	**2,342**	1,998
	4,240	3,946

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

	Group	
	2014 US$'000	2013 US$'000
At 1 January	**(3,946)**	(2,508)
Exchange differences	**(2)**	(15)
Provision for impairment of trade receivables (note 29)	**(1,078)**	(3,068)
Write back of provision for impairment of trade receivables (note 28)	**786**	1,493
Receivables written off during the year as uncollectible	**–**	152
At 31 December	**(4,240)**	(3,946)

(b) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) The balance mainly represented container leasing income receivables from fellow subsidiaries and included a receivable balance from COSCON of US$32,686,000 (2013: US$24,681,000). During the year ended 31 December 2014, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$172,883,000 (2013: US$153,440,000) and US$191,000 (2013: US$18,000) respectively.

(d) The balance represented the unsettled billings to be collected by the Group in respect of the leases of those containers managed on behalf of third parties.

(e) As at 31 December 2014, balance of US$20,115,000 (2013: US$21,109,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US$484,000 (2013: US$1,376,000) is secured, bears interest at 5% per annum above 3 months EURIBOR and repayable within twelve months.

(f) The amounts receivable mainly represented dividend and interest receivable from joint ventures and associates.

(g) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
US dollar	**84,147**	108,844	**1,290**	3,726
Renminbi	**59,162**	89,114	**2,065**	3,332
Hong Kong dollar	**2,407**	2,162	**499**	438
Euro	**23,034**	23,671	**70**	115
Other currencies	**20,844**	702	**–**	–
	189,594	224,493	**3,924**	7,611

(h) The carrying amounts of trade and other receivables approximate their fair values.

20 Financial instruments by category – Group and Company

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Assets as per balance sheet				
Available-for-sale financial assets	**35,000**	27,000	**–**	–
Loans and receivables				
Loans to joint ventures	**94,102**	26,614	**–**	–
Loan to an associate	**30,472**	33,543	**–**	–
Loans to subsidiaries	**–**	–	**850,289**	778,857
Finance lease receivables	**30,795**	13,927	**–**	–
Trade and other receivables excluding prepayments	**148,122**	188,399	**1,250,885**	1,089,740
Cash and cash equivalents	**1,116,307**	1,237,403	**736,821**	878,308
Restricted bank deposits	**172**	148	**–**	–
Total	**1,454,970**	1,527,034	**2,837,995**	2,746,905
Liabilities as per balance sheet				
Financial liabilities at amortised cost				
Borrowings	**1,860,193**	2,046,210	**180,000**	230,000
Loans from non-controlling shareholders of subsidiaries	**206,028**	206,285	**–**	–
Loan from a joint venture	**31,868**	24,603	**–**	–
Trade and other payables excluding receipt in advance	**286,150**	276,556	**1,817**	2,696
Total	**2,384,239**	2,553,654	**181,817**	232,696

21 Share capital

	2014 US$'000	2013 US$'000
Authorised:		
4,000,000,000 (2013: 4,000,000,000) ordinary shares of HK$0.10 each	**51,282**	51,282
Issued and fully paid:		
2,940,437,862 (2013: 2,912,325,528) ordinary shares of HK$0.10 each	**37,753**	37,391

The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	**Nominal value US$'000**
At 1 January 2014	**2,912,325,528**	**37,391**
Issue of scrip dividend for 2013 final (note a)	**26,454,797**	**341**
Issue of scrip dividend for 2014 interim (note b)	**1,657,537**	**21**
At 31 December 2014	**2,940,437,862**	**37,753**
At 1 January 2013	2,786,052,002	35,762
Issue of scrip dividend for 2012 final (note a)	20,981,194	270
Issue of scrip dividend for 2013 interim and special interim (note b)	103,381,332	1,334
Issued on exercise of share options (note 22)	1,911,000	25
At 31 December 2013	2,912,325,528	37,391

Notes:

(a) During the year ended 31 December 2014, 26,454,797 (2013: 20,981,194) new shares were issued by the Company at HK$10.472 (2013: HK$11.164) per share for the settlement of 2013 final (2013: 2012 final) scrip dividends.

(b) During the year ended 31 December 2014, 1,657,537 (2013: 103,381,332) new shares were issued by the Company at HK$10.788 (2013: HK$11.352) per share for the settlement of 2014 interim (2013: 2013 interim and special interim) scrip dividends.

22 Share-based payment

On 23 May 2003, the shareholders of the Company approved the adoption of an option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

On 5 December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of options is HK$1.00.

The 2003 Share Option Scheme was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share option Scheme but in all other respects the provision of the 2003 Share Option Scheme shall remain in full force and effect.

Movements of the share options are set out below:

			For the year ended 31 December 2014 Number of share options				
Category	**Note**	**Exercise Price HK$**	**Outstanding at 1 January 2014**	**Exercised during the year**	**Transfer (to)/from other categories during the year**	**Lapsed during the year**	**Outstanding at 31 December 2014**
Directors	(i) (iii)	**13.75**	**1,000,000**	**–**	**–**	**(1,000,000)**	**–**
	(i) (iv)	**19.30**	**500,000**	**–**	**–**	**–**	**500,000**
Continuous contract employees	(i) (iii)	**13.75**	**10,806,000**	**–**	**–**	**(10,806,000)**	**–**
	(i) (iv)	**19.30**	**12,030,000**	**–**	**(70,000)**	**(80,000)**	**11,880,000**
Others	(i) (iii)	**13.75**	**1,650,000**	**–**	**–**	**(1,650,000)**	**–**
	(i) (iv)	**19.30**	**860,000**	**–**	**70,000**	**(70,000)**	**860,000**
			26,846,000	**–**	**–**	**(13,606,000)**	**13,240,000**

22 Share-based payment (Continued)

Category	Note	Exercise Price HK$	Outstanding at 1 January 2013	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31 December 2013
			For the year ended 31 December 2013 Number of share options				
Directors	(i) (ii)	9.54	800,000	(800,000)	–	–	–
	(i) (iii)	13.75	1,000,000	–	–	–	1,000,000
	(i) (iv)	19.30	1,000,000	–	(500,000)	–	500,000
Continuous contract employees	(i) (ii)	9.54	1,381,000	(1,061,000)	–	(320,000)	–
	(i) (iii)	13.75	10,948,000	–	(80,000)	(62,000)	10,806,000
	(i) (iv)	19.30	12,160,000	–	(60,000)	(70,000)	12,030,000
Others	(i) (ii)	9.54	50,000	(50,000)	–	–	–
	(i) (iii)	13.75	1,630,000	–	80,000	(60,000)	1,650,000
	(i) (iv)	19.30	300,000	–	560,000	–	860,000
			29,269,000	(1,911,000)	–	(512,000)	26,846,000

Notes:

(i) All the outstanding options were vested and exercisable as at 31 December 2014 and 2013. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted during the period from 28 October 2003 to 6 November 2003 under the 2003 Share Option Scheme at an exercise price of HK$9.54. The options are exercisable at any time within ten years from the 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, which have already been lapsed for the year ended 31 December 2013.

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

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

(v) Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	**Exercise price** HK$	**Number of share options** **2014**	2013
25 November 2014 to 16 December 2014	13.75	**–**	13,456,000
17 April 2017 to 19 April 2017	19.30	**13,240,000**	13,390,000
		13,240,000	26,846,000

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

	2014 Average exercise price per share HK$	**2014** Number of share options	2013 Average exercise price per share HK$	2013 Number of share options
At 1 January	**16.52**	**26,846,000**	15.98	29,269,000
Exercised	**–**	**–**	9.54	(1,911,000)
Lapsed	**13.81**	**(13,606,000)**	11.88	(512,000)
At 31 December	**19.30**	**13,240,000**	16.52	26,846,000

23 Reserves

Company

	Share Premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2014	**1,572,097**	**414,214**	**8,514**	**1,140,624**	**3,135,449**
Profit for the year	**–**	**–**	**–**	**140,550**	**140,550**
Issue of shares on settlement of scrip dividends	**37,682**	**–**	**–**	**–**	**37,682**
Transfer of reserve upon lapse of share options	**–**	**–**	**(95)**	**95**	**–**
Dividends					
– 2013 final	**–**	**–**	**–**	**(56,383)**	**(56,383)**
– 2014 interim	**–**	**–**	**–**	**(59,245)**	**(59,245)**
Unclaimed dividends forfeited	**–**	**–**	**–**	**35**	**35**
At 31 December 2014	**1,609,779**	**414,214**	**8,419**	**1,165,676**	**3,198,088**
Representing:					
Reserves	**1,609,779**	**414,214**	**8,419**	**1,107,220**	**3,139,632**
2014 final dividend proposed	**–**	**–**	**–**	**58,456**	**58,456**
At 31 December 2014	**1,609,779**	**414,214**	**8,419**	**1,165,676**	**3,198,088**
At 1 January 2013	1,389,831	414,214	8,558	562,018	2,374,621
Profit for the year	–	–	–	870,294	870,294
Issue of shares on exercise of share options	2,326	–	–	–	2,326
Issue of shares on settlement of scrip dividends	179,940	–	–	–	179,940
Transfer of reserve upon lapse of share options	–	–	(44)	44	–
Dividends					
– 2012 final	–	–	–	(65,866)	(65,866)
– 2013 interim and special interim	–	–	–	(225,866)	(225,866)
At 31 December 2013	1,572,097	414,214	8,514	1,140,624	3,135,449
Representing:					
Reserves	1,572,097	414,214	8,514	1,084,241	3,079,066
2013 final dividend proposed	–	–	–	56,383	56,383
At 31 December 2013	1,572,097	414,214	8,514	1,140,624	3,135,449

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders.

24 Borrowings

	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Long term borrowings				
– secured	**241,967**	275,277	**–**	–
– unsecured	**1,608,420**	1,754,531	**180,000**	230,000
	1,850,387	2,029,808	**180,000**	230,000
Amounts due within one year included under current liabilities	**(419,956)**	(259,383)	**(180,000)**	–
	1,430,431	1,770,425	**–**	230,000
Short term bank loans – unsecured	**9,806**	16,402	**–**	–

Notes:

(a) The analysis of long term borrowings is as follows:

	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Wholly repayable within five years				
– Bank loans	**1,196,084**	1,307,418	**180,000**	230,000
Bank loans not wholly repayable within five years				
– Bank loans	**357,442**	426,108	**–**	–
– Notes (note c)	**296,861**	296,282	**–**	–
	1,850,387	2,029,808	**180,000**	230,000

(b) The maturity of long term borrowings is as follows:

	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
Bank loans				
Within one year	**419,956**	259,383	**180,000**	–
Between one and two years	**142,804**	567,710	**–**	230,000
Between two and five years	**704,847**	521,111	**–**	–
Over five years	**285,919**	385,322	**–**	–
	1,553,526	1,733,526	**180,000**	230,000
Notes (note c)				
Over five years	**296,861**	296,282	**–**	–
	1,850,387	2,029,808	**180,000**	230,000

(c) Details of the notes as at 31 December 2014 are as follows:

	Group 2014 US$'000	Group 2013 US$'000
Principal amount	**300,000**	300,000
Discount on issue	**(2,040)**	(2,040)
Notes issuance cost	**(2,250)**	(2,250)
Net proceeds received	**295,710**	295,710
Accumulated amortised amounts of		
– discount on issue	**547**	272
– notes issuance cost	**604**	300
	296,861	296,282

24 Borrowings (Continued)

(c) 10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(d) The exposure of long term borrowings to interest rate changes and the contractual repricing dates are as follows:

	Group				Company			
	Less than one year US$'000	One to five years US$'000	Over five years US$'000	Total US$'000	Less than one year US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
At 31 December 2014								
Total long term borrowings	**1,553,526**	**–**	**296,861**	**1,850,387**	**180,000**	**–**	**–**	**180,000**
At 31 December 2013								
Total long term borrowings	1,733,526	–	296,282	2,029,808	230,000	–	–	230,000

(e) The carrying amounts of the long term borrowings and short term bank loans are denominated in the following currencies:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
US dollar	**1,266,764**	1,375,387	**180,000**	230,000
Renminbi	**351,462**	395,546	**–**	–
Euro	**241,967**	275,277	**–**	–
	1,860,193	2,046,210	**180,000**	230,000

The effective interest rates per annum at the balance sheet date were as follows:

	Group						Company	
	2014			2013			2014	2013
	US$	RMB	Euro	US$	RMB	Euro	US$	US$
Bank loans	**2.5%**	**5.7%**	**1.3%**	2.3%	5.6%	1.5%	**2.7%**	2.6%
Notes	**4.4%**	**N/A**	**N/A**	4.4%	N/A	N/A	**N/A**	N/A

(f) The carrying amounts and fair values of the non-current borrowings are as follows:

	Group				Company			
	Carrying amounts		Fair values		Carrying amounts		Fair values	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Bank loans	**1,133,570**	1,474,143	**1,132,029**	1,472,720	**180,000**	230,000	**180,000**	230,000
Notes	**296,861**	296,282	**296,568**	295,925	**–**	–	**–**	–
	1,430,431	1,770,425	**1,428,597**	1,768,645	**180,000**	230,000	**180,000**	230,000

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 2.5% (2013: 2.3%) per annum.

(g) The carrying amounts of short term bank loans approximate their fair values.

(h) As at 31 December 2014, a bank loan of US$241,967,000 (2013: US$275,277,000) granted to a subsidiary of the Company was secured by certain other property, plant and equipment of the Group (note 7(f)) and the Company's interest in the subsidiary (note 11(a)). Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$36,706,000 (2013: US$38,367,000) would be pledged as security (note 42(b)(iii)). As at 31 December 2014, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

(i) The Company obtained a bank loan of US$230,000,000 from China Development Bank Corporation, Hong Kong Branch in December 2012, which is unsecured, bears interest at 2.4% over the US dollar LIBOR per annum, the loan has been partly repaid in 2014 and the remaining balance is repayable within twelve months.

(j) As at 31 December 2014, the committed and undrawn borrowing facilities of the Group amounted to US$475,694,000 (2013: US$504,575,000).

25 Loans from non-controlling shareholders of subsidiaries

As at 31 December 2014 and 2013, balance of US$50,000,000 was unsecured, interest free and not repayable within next twelve months.

As at 31 December 2014, balance of US$98,055,000 was unsecured, bore interest at 6% per annum and wholly repayable on or before October 2016.

The carrying values of the loans are not materially different from their fair values.

26 Other long term liabilities

	Group	
	2014 US$'000	2013 US$'000
Deferred income	**30,921**	21,847
Others	**1,879**	1,617
	32,800	23,464
Less: current portion (note 27)	**(903)**	(934)
	31,897	22,530

27 Trade and other payables

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Trade payables (note a)				
– third parties	**40,650**	51,561	**–**	–
– fellow subsidiaries (note b)	**58**	213	**–**	–
– non-controlling shareholders of subsidiaries (note b)	**7,835**	5,595	**–**	–
– related companies (note b)	**52,720**	23,614	**–**	–
	101,263	80,983	**–**	–
Other payables and accruals	**153,795**	159,648	**1,934**	2,756
Payable to owners of managed containers (note c)	**23,570**	26,241	**–**	–
Current portion of other long term liabilities (note 26)	**903**	934	**–**	–
Dividend payable	**7**	39	**7**	39
Loan from a joint venture (note d)	**31,868**	24,603	**–**	–
Loans from non-controlling shareholders of subsidiaries (note e)	**57,973**	156,285	**–**	–
Amounts due to (note b)				
– fellow subsidiaries	**39**	192	**–**	–
– non-controlling shareholders of subsidiaries	**15,516**	15,419	**–**	–
– joint ventures	**351**	390	**–**	–
– related companies	**12**	5	**–**	–
	385,297	464,739	**1,941**	2,795

27 Trade and other payables (Continued)

Notes:

(a) The ageing analysis of the trade payables based on invoice date is as follows:

	Group	
	2014 **US$'000**	2013 US$'000
Within 30 days	**61,085**	36,945
31–60 days	**4,180**	24,155
61–90 days	**18,429**	2,373
Over 90 days	**17,569**	17,510
	101,263	80,983

(b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(c) The balances represented the rental income of the managed containers collected, net of the direct operating expenses of the managed containers paid by the Group on behalf of third parties and the management fee income entitled by the Group.

(d) Loan from a joint venture is unsecured, bears interest at 3.5% per annum and repayable within twelve months.

(e) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$8,292,000 (2013: US$8,193,000) bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US$49,681,000 (2013: US$49,681,000) is interest free. As at 31 December 2013, balance of US$32,804,000 bore interest at 5.13% per annum and balance of US$65,607,000 bore interest at 6.77% per annum.

(f) The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2014 **US$'000**	2013 US$'000	**2014** **US$'000**	2013 US$'000
US dollar	**201,280**	166,634	**972**	1,501
Renminbi	**134,447**	228,745	**32**	23
Euro	**41,729**	62,221	**138**	229
Hong Kong dollar	**7,101**	6,440	**799**	1,042
Other currencies	**740**	699	**–**	–
	385,297	464,739	**1,941**	2,795

(g) The carrying amounts of trade and other payables approximate their fair values.

28 Other operating income

	2014 **US$'000**	2013 US$'000
Management fee and other service income	**5,321**	6,936
Dividend income from an unlisted investment	**2,034**	1,923
Write back of provision for impairment of trade receivables (note 19(a)) and finance lease receivable	**786**	1,530
Revaluation surplus of investment properties (note 8)	**–**	364
Rental income from		
– investment properties	**1,315**	397
– buildings, leasehold land and land use rights	**802**	872
Gain on disposal of property, plant and equipment	**8,354**	479
Exchange gain, net	**–**	11,468
Net gain on liquidation of subsidiaries	**811**	–
Others	**3,526**	7,695
	22,949	31,664

29 Operating profit

Operating profit is stated after charging the following:

	2014 US$'000	2013 US$'000
Charging:		
Amortisation of		
– land use rights	**5,431**	5,113
– intangible assets (note a)	**2,069**	2,117
– other non-current assets (note 17)	**1,889**	1,898
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**125,089**	111,424
– other owned property, plant and equipment	**77,247**	69,912
Exchange loss, net	**7,600**	–
Loss on disposal of property, plant and equipment	**1,167**	564
Cost of inventories sold	**40,848**	20,165
Auditors' remuneration		
– current year	**1,055**	1,037
– underprovision in prior year	**3**	4
Revaluation deficit of investment properties (note 8)	**289**	–
Outgoings in respect of investment properties	**6**	6
Provision for impairment of trade receivables (note 19(a))	**1,078**	3,068
Provision for inventories	**7,568**	1,792
Rental expense under operating leases of		
– land and buildings leased from third parties	**2,764**	3,247
– buildings leased from a fellow subsidiary	**1,569**	1,553
– buildings leased from a joint venture	**33**	37
– land use rights leased from non-controlling shareholders of subsidiaries	**1,106**	1,096
– plant and machinery leased from third parties	**590**	443
– containers leased from third parties	**33,048**	30,462
– Concession (note 17)	**46,790**	40,611
Total staff costs (including directors' emoluments and retirement benefit costs) (note b):		
Wages, salaries and other benefits	**195,214**	179,912
Less: amounts capitalised in intangible assets	**–**	(91)
	195,214	179,821

Notes:

(a) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 22 to the consolidated financial statements.

30 Finance income and costs

	2014 US$'000	2013 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**20,786**	15,705
– loans to joint ventures and an associate	**4,952**	2,407
	25,738	18,112
Finance costs		
Interest expenses on		
– bank loans	**(52,749)**	(68,923)
– notes wholly repayable within five years	**–**	(4,840)
– notes not wholly repayable within five years	**(13,128)**	(12,033)
– loans from non-controlling shareholders of subsidiaries (note 25)	**(6,204)**	(7,299)
– loan from a joint venture (note 27(d))	**(1,034)**	(825)
Fair value loss on derivative financial instruments	**–**	(8,563)
Fair value adjustment of notes attributable to interest rate risk	**–**	11,239
	–	2,676
Amortised amount of		
– discount on issue of notes	**(275)**	(378)
– transaction costs on bank loans and notes	**(3,342)**	(3,359)
	(76,732)	(94,981)
Less: amount capitalised in construction in progress (note 7(g))	**6,700**	12,611
	(70,032)	(82,370)
Other incidental borrowing costs and charges	**(2,474)**	(2,169)
	(72,506)	(84,539)
Net finance costs	**(46,768)**	(66,427)

31 Income tax expenses

	2014 US$'000	2013 US$'000
Current income tax		
– Hong Kong profits tax	**(101)**	(228)
– Mainland China taxation	**(19,963)**	(13,302)
– Overseas taxation	**(12,847)**	(10,089)
– Under provision in prior years	**(217)**	(55)
	(33,128)	(23,674)
Deferred income tax charge (note 16)	**(5,867)**	(9,823)
	(38,995)	(33,497)

The Group's share of income tax expenses of joint ventures and associates of US$28,384,000 (2013: US$23,059,000) and US$14,764,000 (2013: US$18,315,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed earnings for the year of the Group's subsidiaries, joint ventures and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

31 Income tax expenses (Continued)

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2014 US$'000	2013 US$'000
Profit before income tax from continuing operations	**351,882**	334,302
Less: Share of profits less losses of joint ventures and associates from continuing operations	**(171,225)**	(153,910)
	180,657	180,392
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**22,581**	17,667
Income not subject to income tax	**(6,094)**	(9,807)
Expenses not deductible for income tax purposes	**1,352**	4,108
Under provision in prior years	**217**	55
Utilisation of previously unrecognised tax losses	**(960)**	(2,470)
Tax losses not recognised	**4,534**	7,290
Withholding income tax upon distribution of profits and payment of interest	**17,465**	16,981
Tax effect of change in tax rate	**–**	(130)
Others	**(100)**	(197)
Income tax expenses	**38,995**	33,497

Except for the income tax of US$2,403,000 (2013: US$Nil) relating to the fair value adjustment upon transfer to investment properties (note 8) and Group's share of income tax credit of an associate recognised in other comprehensive income of US$213,000 in 2013, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2014 and 2013 respectively.

32 Net gain on disposal of an associate

The disposal of 21.8% equity interest in CIMC, a then associate of the Group listed in Shenzhen, which represented a discontinued operation, was completed on 27 June 2013 and resulted in a net gain of US$393,411,000 after deducting transaction costs and provisions of US$80,867,000. There was a net investing cash inflow from the discontinued operation amounting US$1,218,815,000 for the year ended 31 December 2013. The cash consideration was US$1,219,789,000.

33 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$140,550,000 (2013: US$870,294,000).

34 Earnings per share

(a) Basic

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

	2014	2013
Profit from continuing operations attributable to equity holders of the Company	**US$292,759,000**	US$286,206,000
Profit from discontinued operation attributable to equity holders of the Company	**–**	US$416,470,000
	US$292,759,000	US$702,676,000
Weighted average number of ordinary shares in issue	**2,924,874,180**	2,816,153,817
Basic earnings per share		
– from continuing operations	**US10.01 cents**	US10.16 cents
– from discontinued operation	**–**	US14.79 cents
	US10.01 cents	US24.95 cents

34 Earnings per share (Continued)

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2014, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2014.

For the year ended 31 December 2013, diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

	2013
Profit from continuing operations attributable to equity holders of the Company	US$286,206,000
Profit from discontinued operation attributable to equity holders of the Company	US$416,470,000
	US$702,676,000
Weighted average number of ordinary shares in issue	2,816,153,817
Adjustments for assumed issuance of shares on exercise of dilutive share options	190,291
Weighted average number of ordinary shares for diluted earnings per share	2,816,344,108
Diluted earnings per share	
– from continuing operations	US10.16 cents
– from discontinued operation	US14.79 cents
	US24.95 cents

35 Dividends

	2014 US$'000	2013 US$'000
Interim dividend paid of US$2.016 cents (2013: US2.396 cents) per ordinary share	**58,712**	66,758
2013 special interim dividend paid of US$5.648 cents per ordinary share	**–**	157,366
Final dividend proposed of US1.988 cents (2013: US1.936 cents) per ordinary share	**58,456**	56,383
Additional dividends paid on shares issued due to issue of scrip dividend and exercise of share options before the closure of register of members:		
– 2014 interim	**533**	–
– 2013 interim and special interim	**–**	1,742
– 2012 final	**–**	4
	117,701	282,253

Note:

At a meeting held on 24 March 2015, the directors recommended the payment of a final dividend of HK15.4 cents (equivalent to US1.988 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2015.

36 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$9,774,000 (2013: US$9,436,000). Contributions totaling US$1,647,000 (2013: US$1,630,000) were payable to the retirement benefit schemes as at 31 December 2014 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2014 and 31 December 2013 to reduce future contributions.

37 Directors' and management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2014 US$'000	2013 US$'000
Fees	**282**	309
Salaries, housing and other allowances	**1,595**	1,485
Benefits in kind	**58**	98
Bonuses	**284**	298
Contributions to retirement benefit schemes	**2**	2
	2,221	2,192

Directors' fees disclosed above include US$222,000 (2013: US$221,000) paid to independent non-executive directors. The Company did not grant any share options during the year ended 31 December 2014 and 2013.

As at 31 December 2013, one director of the Company had 1,000,000 share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme. These have been lapsed for the year ended 31 December 2014.

As at 31 December 2014, one (2013: one) director of the Company had 500,000 (2013: 500,000) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31 December 2014, no (2013: 800,000) share option was exercised.

Details and movements of share options granted and exercised during the year are set out in note 22 to the consolidated financial statements.

The directors' emoluments are analysed as follows:

Year ended 31 December 2014

Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Mr. LI Yunpeng		–	–	–	–	–	–
Dr. WANG Xingru	(i)	–	421	53	103	–	577
Mr. WAN Min		15	–	–	–	–	15
Mr. WANG Haimin		–	268	5	15	–	288
Mr. FENG Jinhua		–	268	–	15	–	283
Mr. TANG Runjiang	(ii)	15	–	–	–	–	15
Mr. FENG Bo		15	–	–	–	–	15
Mr. WANG Wei		15	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	370	–	71	2	443
Mr. QIU Jinguang	(iii)	–	268	–	80	–	348
Mr. Timothy George FRESHWATER		40	–	–	–	–	40
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	50
Mr. Adrian David LI Man Kiu		57	–	–	–	–	57
Mr. IP Sing Chi		41	–	–	–	–	41
Mr. FAN Ergang	(iv)	34	–	–	–	–	34
		282	1,595	58	284	2	2,221

37 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

		Year ended 31 December 2013					
Name of directors	Note	Fees US$'000	Salaries, housing and other allowances US$'000	Benefits in kind US$'000	Bonuses US$'000	Contributions to retirement benefit schemes US$'000	Total US$'000
Mr. LI Yunpeng		–	–	–	–	–	–
Dr. WANG Xingru	(i)	–	727	98	88	–	913
Mr. WAN Min		15	–	–	–	–	15
Mr. WANG Haimin		13	54	–	–	–	67
Mr. FENG Jinhua		13	54	–	–	–	67
Mr. TANG Runjiang	(ii)	13	–	–	–	–	13
Mr. FENG Bo		15	–	–	–	–	15
Mr. WANG Wei		15	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	358	–	70	2	430
Mr. QIU Jinguang	(iii)	–	259	–	71	–	330
Mr. Timothy George FRESHWATER		40	–	–	–	–	40
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	50
Mr. Adrian David LI Man Kiu		55	–	–	–	–	55
Mr. IP Sing Chi		39	–	–	–	–	39
Mr. FAN Ergang	(iv)	14	–	–	–	–	14
Mr. HE Jiale	(v)	4	–	–	–	–	4
Mr. YIN Weiyu	(vi)	–	33	–	69	–	102
Mr. CHOW Kwong Fai, Edward	(vii)	23	–	–	–	–	23
		309	1,485	98	298	2	2,192

Notes:

(i) resigned on 4 July 2014

(ii) appointed on 21 March 2013

(iii) appointed on 8 April 2013

(iv) appointed on 22 August 2013

(v) resigned on 21 March 2013

(vi) resigned on 8 April 2013

(vii) retired on 23 May 2013

The above analysis includes two (2013: two) directors whose emoluments were among the five highest in the Group.

37 Directors' and management's emoluments (Continued)

(b) Management's emoluments

Details of the aggregate emoluments paid to three (2013: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2014 US$'000	2013 US$'000
Salaries and other allowances	**911**	883
Bonuses	**258**	228
Contributions to retirement benefit schemes	**8**	8
	1,177	1,119

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands		
US$322,334–US$386,799 (HK$2,500,001–HK$3,000,000)	**1**	3
US$386,800–US$451,266 (HK$3,000,001–HK$3,500,000)	**2**	–
	3	3

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

38 Financial guarantee contracts

The financial guarantees issued by the Group and the Company as at 31 December 2014 are analysed as below:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Guarantees for:				
– Notes issued by a subsidiary (note 24(c))	**–**	–	**300,000**	300,000
– Other loan facilities granted to subsidiaries	**–**	–	**747,000**	802,000
– Bank guarantees to an associate	**13,613**	21,094	**13,613**	21,094
	13,613	21,094	**1,060,613**	1,123,094

The directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

39 Contingent liabilities

A statement of claim was issued on 19 October 2009 by Aronis-Drettas-Karlaftis Consultant Engineers S.A. ("ADK") against the Company and Piraeus Container Terminal S.A. ("Piraeus Terminal"), a wholly owned subsidiary of the Company, in a civil claim at the Court of First Instance of Athens in Greece alleging non-payment of fees for design services and project management services. The plaintiff has claimed approximately Euro 5,800,000 (equivalent to approximately US$7,000,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30 November 2010.

The Court of First Instance of Athens has issued and pronounced judgment on the case and has dismissed the aforementioned statement of claim in its entirety both as regards the Company and as regards Piraeus Terminal, and has awarded to the Company and Piraeus Terminal part of the legal expenses in the amount of Euro 30,000 (equivalent to approximately US$36,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens according to Greek procedural law.

The hearing of this appeal was first scheduled to take place on 13 November 2012 but was then postponed to 26 November 2013 due to the strike called by the Association of the Justices of the Greek courts. The hearing was further adjourned by the Court of Appeals of Athens to 21 October 2014 at the request of ADK. Subsequently, the appeal was held on 21 October 2014 before the Court of Appeal in Greece. There were no verbal pleadings during the hearing before the Court of Appeals, and the Company is awaiting the verdict. The directors and management of the Company, having taken legal advice, are of the view that the Company and Piraeus Terminal have good rebuttal to the arguments set forth in the appeal document. Nonetheless, it is still not possible to predict the final outcome of this litigation with certainty. No provision has been made for the claims.

40 Capital commitments

The Group has the following significant capital commitments as at 31 December 2014:

	Group	
	2014 US$'000	2013 US$'000
Authorised but not contracted for		
– Investments (note)	**33,572**	33,694
– Containers	**349,920**	418,000
– Computer system under development	**1,000**	790
– Other property, plant and equipment	**822,596**	377,627
	1,207,088	830,111
Contracted but not provided for		
– Containers	**21,619**	16,540
– Investments (note)	**566,195**	630,304
– Other property, plant and equipment	**185,486**	215,882
	773,300	862,726

The Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	Group	
	2014 US$'000	2013 US$'000
Authorised but not contracted for	**25,408**	6,014
Contracted but not provided for	**9,789**	9,385
	35,197	15,399

The Company did not have any capital commitments as at 31 December 2014 and 2013.

40 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 31 December 2014 are as follows:

	Group 2014 US$'000	2013 US$'000
Authorised but not contracted for		
Investment in:		
– Changshu Chang Jiang International Port Co., Ltd.	**33,572**	33,694
Contracted but not provided for		
Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997
– Antwerp Gateway NV	**49,063**	61,312
– Dalian Port Container Terminal Co., Ltd.	**47,720**	47,893
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**114,725**	115,140
– Qingdao Port Dongjiakou Ore Terminal Co, Ltd.	**98,055**	155,817
– Others	**121,012**	114,266
	495,572	559,425
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**65,370**	65,607
– Others	**5,253**	5,272
	70,623	70,879
	566,195	630,304

41 Operating lease arrangements/commitments

(a) Operating lease arrangements – where the Group is the lessor

As at 31 December 2014, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2014 US$'000	2013 US$'000
Containers		
– not later than one year	**256,171**	267,979
– later than one year and not later than five years	**608,601**	626,031
– later than five years	**276,401**	260,599
	1,141,173	1,154,609
Generator sets		
– not later than one year	**666**	835
– later than one year and not later than five years	**448**	909
– later than five years	**87**	210
	1,201	1,954
Plant and machinery		
– not later than one year	**23**	23
– later than one year and not later than five years	**78**	92
– later than five years	**–**	10
	101	125
Buildings, leasehold land and land use rights		
– not later than one year	**2,493**	930
– later than one year and not later than five years	**1,290**	2,491
– later than five years	**973**	415
	4,756	3,836
Investment properties		
– not later than one year	**657**	130
– later than one year and not later than five years	**1,093**	18
	1,750	148
	1,148,981	1,160,672

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.

41 Operating lease arrangements/commitments (Continued)

(b) Operating lease commitments – where the Group is the lessee

As at 31 December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2014	2013
	US$'000	US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**3,040**	3,254
– later than one year and not later than five years	**4,361**	1,609
	7,401	4,863
Plant and machinery		
– not later than one year	**93**	120
– later than one year and not later than five years	**37**	91
	130	211
Containers (note)		
– not later than one year	**44,059**	33,063
– later than one year and not later than five years	**81,226**	91,654
	125,285	124,717
Concession (note 17)		
– not later than one year	**41,690**	46,268
– later than one year and not later than five years	**228,268**	171,018
– later than five years	**3,526,157**	4,044,292
	3,796,115	4,261,578
	3,928,931	4,391,369

Note:

The Group had entered operating lease agreements from 2008 to 2014 for the disposal of certain containers and agreed to lease back these containers from the purchasers with lease terms of five to six years. The lessors calculated the rent payable by the Group, which was determined on the terms agreed among the parties.

Pursuant to the operating lease agreement entered into in 2008, the lessor has granted a lease extension option to the Group, which must be exercised by the Group at least six months but not more than eight months from the expiry date of the original term. If exercised, the lease term of all containers under the operating lease agreement will be extended for a further term of five years from the original expiry date. During 2012, the Group has exercised the lease extension option with same terms. The new expiry date of this operating lease agreement is in July 2018.

(c) The Company did not have any lease commitments as at 31 December 2014 and 2013.

42 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations

	2014 US$'000	2013 US$'000
Profit before income tax including discontinued operation	**351,882**	750,772
Depreciation and amortisation	**211,725**	190,464
Interest expenses	**66,415**	78,633
Amortised amount of		
– discount on issue of notes	**275**	378
– transaction costs on bank loans and notes	**3,342**	3,359
Other incidental borrowing costs and charges	**2,474**	2,169
Provision for impairment of trade and finance lease receivables	**1,078**	3,068
Provision for inventories	**7,568**	1,792
(Gain)/loss on disposal of property, plant and equipment, net	**(7,187)**	85
Dividend income from an unlisted investment	**(2,034)**	(1,923)
Gain on disposal of an associate	**–**	(393,411)
Net gain on liquidation of subsidiaries	**(811)**	–
Revaluation deficit/(surplus) of investment properties	**289**	(364)
Write back of provision for impairment of trade receivables and finance lease receivables	**(786)**	(1,530)
Interest income	**(25,738)**	(18,112)
Share of profits less losses of		
– joint ventures	**(99,729)**	(81,406)
– associates	**(71,496)**	(95,563)
Operating profit before working capital changes	**437,267**	438,411
(Increase)/decrease in finance lease receivables	**(16,852)**	1,489
Increase in prepaid agency fee for finance lease	**(16)**	(20)
Decrease in rent receivable collected on behalf of owners of managed containers	**2,437**	7,491
Decrease in inventories	**40,049**	19,326
(Increase)/decrease in trade and other receivables	**(3,257)**	1,674
(Increase)/decrease in restricted bank deposits	**(24)**	759
Decrease/(increase) in amounts due from fellow subsidiaries	**362**	(278)
Decrease/(increase) in amount due from an associate	**1,641**	(1,903)
Increase in amount due from a joint venture	**(68)**	–
Increase in amounts due from non-controlling shareholders	**(361)**	(1,867)
Increase in trade and other payables	**107**	4,225
(Decrease)/increase in payables to owners of managed containers	**(2,671)**	4,728
(Decrease)/increase in amounts due to fellow subsidiaries	**(153)**	80
(Decrease)/increase in amounts due to joint ventures	**(47)**	1,103
Increase in amounts due to related companies	**6**	2
Increase in amounts due to non-controlling shareholders of subsidiaries	**1,455**	5,820
Increase in other long term liabilities	**9,444**	–
Cash generated from operations	**469,319**	481,040

42 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of the balances of cash and cash equivalents

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
Total time deposits, bank balances and cash (note i)	**1,116,479**	1,237,551	**736,821**	878,308
Restricted bank deposits included in current assets	**(172)**	(148)	**–**	–
	1,116,307	1,237,403	**736,821**	878,308
Representing:				
Time deposits	**948,401**	1,017,071	**736,064**	857,675
Bank balances and cash	**146,049**	220,332	**757**	20,633
Balance placed with COSCO Finance Co., Ltd. ("COSCO Finance") (note iv)	**21,857**	–	**–**	–
	1,116,307	1,237,403	**736,821**	878,308

Notes:

(i) As at 31 December 2014, cash and cash equivalents of US$278,214,000 (2013: US$540,143,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	Group		Company	
	2014 US$'000	2013 US$'000	**2014 US$'000**	2013 US$'000
US dollar	**516,228**	598,793	**279,170**	458,773
Renminbi	**482,175**	505,228	**384,314**	333,005
Euro	**64,083**	70,293	**27,079**	30,400
Hong Kong dollar	**53,657**	62,679	**46,258**	56,130
Other currencies	**164**	410	**–**	–
	1,116,307	1,237,403	**736,821**	878,308

(iii) Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$36,706,000(2013: US$38,367,000) would be pledged as security for a banking facility granted to the Group (note 24(h)). As at 31 December 2014, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

(iv) Balances placed with COSCO Finance, a fellow subsidiary of the Group, bear interest at prevailing market rates.

43 Related party transactions

The Group is controlled by China COSCO which owns 44.54% of the Company's shares as at 31 December 2014. The parent company of China COSCO is COSCO.

COSCO is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. PRC government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO and its subsidiaries, 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, and are exempted from disclosure upon 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 those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Sales/purchases of goods, services and investments

	2014 **US$'000**	2013 US$'000
Container rental income from fellow subsidiaries (note i, xiv)		
– long term leases	**172,877**	153,436
– short term leases	**197**	22
Compensation for loss of containers from a fellow subsidiary (note ii, xiv)	**528**	478
Handling, storage and transportation income from fellow subsidiaries (note iii, xiv)	**1,927**	2,566
Management fee and service fee income from (note iv, xiv)		
– joint ventures	**4,298**	4,029
– associates	**625**	2,267
– an investee company	**102**	99
Terminal handling and storage income received from (note v, xiv)		
– fellow subsidiaries	**42,159**	41,019
– a non-controlling shareholder of a subsidiary	**43,292**	43,928
Container freight charges to subsidiaries of CIMC (note vi)	**(1,588)**	(1,551)
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note vii, xiv)	**(19,985)**	(17,616)
Electricity and fuel expenses paid to (note viii, xiv)		
– a fellow subsidiary	**(611)**	(1,113)
– non-controlling shareholders of subsidiaries	**(5,385)**	(4,870)
Approved continuous examination program fees to a fellow subsidiary (note ix, xiv)	**–**	(2,000)
Purchase of containers from subsidiaries of CIMC (note x)	**(250,371)**	(167,573)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note xi, xiv)	**(1,565)**	(1,274)
High-frequency communication fee to non-controlling shareholders of subsidiaries (note xii, xiv)	**(161)**	(133)
Rental expenses paid to (note xiii, xiv)		
– a fellow subsidiary	**(1,569)**	(1,554)
– non-controlling shareholders of subsidiaries	**(3,053)**	(3,569)

43 Related party transactions (Continued)

(a) Sales/purchases of goods, services and investments (Continued)

Notes:

(i) The Group conducts long term container leasing business with COSCON. During the two years ended 31 December 2013 and 2014, the Group entered into new long term container leasing contracts/arrangements with COSCON. The Group's long term container leasing transactions with COSCON during the year were conducted by reference to, if applicable, the average of the available leasing rates quoted from five (2013: four) independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCON and other subsidiaries of COSCO were conducted at terms as agreed between the Group and respective parties in concern.

(ii) During the year the Group had compensation received and receivable of US$528,000 (2013: US$478,000) from COSCON for the loss of containers under operating leases, resulting in a loss of US$60,000 (2013: profit of US$3,000).

(iii) The handling, storage and transportation income received from fellow subsidiaries of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a joint venture of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,579,000) (2013: HK$20,000,000 (equivalent to US$2,579,000)) per annum.

Other management fee and service fee income charged to joint ventures, associates and an investee company were agreed between the Group and the respective parties in concern.

(v) The terminal handling and storage income received from fellow subsidiaries and a non-controlling shareholder of a subsidiary in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou, Jinjiang, Xiamen and Nansha were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Terminal were charged at rates as mutually agreed.

(vi) The container freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.

(vii) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(viii) Electricity and fuel expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(ix) Approved continuous examination program fees of US$2,000,000 to COSCON in connection with the containers leased to COSCON on a long term basis were agreed between the Group and COSCON for the year ended 31 December 2013.

(x) The purchases of containers from subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(xi) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(xii) High-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(xiii) Rental expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(xiv) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange.

43 Related party transactions (Continued)

(b) Balances with state-owned banks

	2014 US$'000	2013 US$'000
Bank deposit balances		
– in Mainland China	**116,358**	540,143
– outside Mainland China	**770,469**	573,747
Long term bank loans		
– in Mainland China	**382,316**	420,412
– outside Mainland China	**765,634**	853,649
Short term bank loans		
– in Mainland China	**9,806**	16,402
Committed and undrawn bank borrowing facilities		
– in Mainland China	**357,546**	385,429
– outside Mainland China	**18,148**	20,646

The deposits and loans with state-owned banks were in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern.

(c) Balances with other state-controlled entities in the PRC

	2014 US$'000	2013 US$'000
Other payable to a government port authority	**10,074**	9,983

The balance represented the port construction levies collected by a subsidiary of the Group on behalf of the port authority in Zhangjiagang pursuant to a notice issued by the Ministry of Communications of the PRC. The balance is unsecured, interest free and have no fixed terms of repayment.

43 Related party transactions (Continued)

(d) Key management compensation

	2014 US$'000	2013 US$'000
Fees	**–**	26
Salaries, bonuses and other allowances	**3,445**	3,313
Contributions to retirement benefit schemes	**13**	11
	3,458	3,350

Key management includes directors of the Company and four (2013: four) senior management members of the Group.

The emoluments of the senior management members fell within the following bands:

	Number of individuals 2014	2013
Emolument bands		
US$257,866–US$322,333 (HK$2,000,001–HK$2,500,000)	**–**	1
US$322,334–US$386,799 (HK$2,500,001–HK$3,000,000)	**2**	3
US$386,800–US$451,266 (HK$3,000,001–HK$3,500,000)	**2**	–
	4	4

44 Business combination

On 29 March 2013, the Group acquired a subsidiary with 70% effective shareholdings with a consideration of US$33,575,000. Details of net asset acquired are as follows:

	2013 US$'000
Purchase consideration	33,575
Fair value of net assets acquired shown as below	(33,242)
Goodwill	333

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value 2013 US$'000
Property, plant and equipment	72,460
Land use rights	12,626
Deferred income tax assets	1
Trade and other receivables	783
Current income tax recoverable	16
Cash and cash equivalents	1,781
Long term borrowings	(40,358)
Trade and other payables	(6,330)
Current portion of long term borrowings	(7,737)
Total identifiable net assets acquired	33,242
Purchase consideration settled in cash	(33,575)
Cash and cash equivalents in acquired terminal operation	1,781
Net cash outflow on acquisition	(31,794)

The acquired terminal operations contributed approximately US$2,527,000 revenues and contributed a loss of approximately US$76,000 for the year ended 31 December 2013 since the date of acquisition. If the acquisition have occurred on 1 January 2013, the Group's revenues and profit for the year ended 31 December 2013 would have been increased by approximately US$587,000 and decreased by approximately US$71,000 respectively.

45 Details of subsidiaries

Details of the subsidiaries as at 31 December 2014 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2014	Group equity interest 2013
2	Allgood International Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	HK$100,000 divided into 10,000 ordinary shares	**77.00%**	77.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	HK$2 divided into 2 ordinary shares	**100.00%**	100.00%
1, 2, 3	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$147,000,000	**100.00%**	100.00%
1	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	HK$2 divided into 2 ordinary shares	**100.00%**	100.00%
1, 2	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Pacific Properties Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (ACT) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	**100.00%**	100.00%
	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
2	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Europe) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Fuzhou) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2014	Group equity interest 2013
1, 2	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	Euro512,500	**100.00%**	100.00%
2	COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Haikou) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Lian Yun Gang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	US$10,000	**66.10%**	66.10%
2	COSCO Ports (Netherlands) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 4	COSCO Ports (Rotterdam) Coöperatief U.A.	Netherlands	Netherlands	Inactive	–	**100.00%**	100.00%
2	COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2014	2013
	COSCO Ports (Taiwan Kaohsiung) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
2	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Ports (Zhenjiang Terminal) Limited	Hong Kong	Hong Kong	Inactive	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
2, 3, 6	COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$2,500,000	**–**	100.00%
1	CPL Treasury Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	Elegance Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	HK$500,000 divided into 5,000 ordinary shares	**100.00%**	100.00%
2	Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	**100.00%**	100.00%
2, 3, 5	Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	PRC	Financing leasing	US$50,000,000	**50.00%**	50.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2014	Group equity interest 2013
5	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	HK$2,000 divided into 2,000 ordinary shares	**50.00%**	50.00%
	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**100.00%**	100.00%
1	Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container Inc. (1999)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2000)	United States of America	United States of America	Information technology development and software maintenance	100 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Container, Inc. (2001)	United States of America	United States of America	Container leasing	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	**100.00%**	100.00%
	Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	HK$100 divided into 100 ordinary shares	**100.00%**	100.00%
2	Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	**100.00%**	100.00%
2	Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of Euro 12,782.30 each	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2014	2013
2	Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of Euro 0.52 each	**100.00%**	100.00%
2, 6	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**–**	100.00%
2, 3	Florens Container Services (Shenzhen) Co., Ltd.	PRC	PRC	Container leasing, sale, management and auxiliary services	US$500,000	**100.00%**	100.00%
	Florens Container Services (Singapore) Pte. Ltd.	Singapore	Singapore	Provision of container management services	1,000 ordinary shares of SGD1 each	**100.00%**	–
2	Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	**100.00%**	100.00%
	Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	**100.00%**	100.00%
1, 2	Florens Industrial Holdings Limited	Bermuda	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	**100.00%**	100.00%
	Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	**100.00%**	100.00%
2	Fota Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	HK$250,000 divided into 250,000 ordinary shares	**100.00%**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
1, 2	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2014	2013
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%
2	Loson Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminals	Euro77,299,800	**100.00%**	100.00%
2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1, 2	Topview Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**100.00%**	100.00%
2, 3	Xiamen Haitou Tongda Terminal Co., Ltd.	PRC	PRC	Operation of terminals	RMB150,000,000	**70.00%**	70.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,627,480,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$61,500,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**51.00%**	51.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 COSCO Pacific (China) Investments Co., Ltd., COSCO Ports Services (Guangzhou) Limited, Florens (China) Company Limited, Florens (Tianjin) Finance Leasing Co., Ltd. and Florens Container Services (Shenzhen) Co., Ltd. are wholly foreign-owned enterprises. Guangzhou South China Oceangate Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Xiamen Haitou Tongda Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd. and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. are sino-foreign equity joint ventures established in the PRC.

4 As at 31 December 2014, there is no issued share capital and paid up capital for this subsidiary.

5 The directors of the Company considered that the Group remains to have control through its representatives on the board of directors of Florens Capital Management Company Limited ("FCMCL") and Florens (Tianjin) Finance Leasing Co., Ltd. ("FFLTJ") and therefore classified FCMCL and FFLTJ as subsidiaries as at 31 December 2014 and 2013.

6 These subsidiaries were dissolved during the year.

46 Details of joint ventures

Details of the joint ventures as at 31 December 2014, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/profit sharing	
				2014	2013
Cheer Dragon Investment Limited (note i)	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	**33.33%**	33.33%
China Ports and Shipping Consortium Coöperatief U.A.	Netherlands	Investment holding	–	**33.33%**	33.33%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminals	HK$20 divided into 2 "A" ordinary shares HK$20 divided into 2 "B" ordinary shares HK$40 divided into 4 non-voting 5% deferred shares	**50.00%**	50.00%
COSCO-HPHT ACT Limited (notes ii)	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**50.00%**	–
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	PRC	Operation of iron ore terminals	RMB1,400,000,000	**25.00%/ 22.22%/ 25.00%**	–
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminals	RMB1,246,450,000	**20.00%/ 22.20%/ 20.00%**	20.00%/ 22.20%/ 20.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminals	RMB2,500,000,000	**20.00%**	20.00%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	**50.00%**	50.00%
Piraeus Consolidation and Distribution Centre S.A.	Greece	Storage, consolidation and distribution	Euro1,000,000	**50.00%/ 60.00%/ 50.00%**	50.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminals	US$308,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminals	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	22.40%/ 33.33%/ 22.40%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminals	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%

Notes:

(i) Cheer Dragon Investment Limited ("Cheer Dragon") effectively holds 30% equity interest in Kao Ming Container Terminal Corp., which engages in container terminal operations in Taiwan, and is considered as an associate of Cheer Dragon.

(ii) COSCO-HPHT ACT effectively holds 80% equity interest in ACT, which engages in the operation, management and development of container terminals in Hong Kong, and is considered as a subsidiary of COSCO-HPHT ACT.

47 Details of associates

Details of the associates as at 31 December 2014, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of incorporation/ establishment	Principal activities	Issued share capital/registered capital	Group equity interest 2014	Group equity interest 2013
Antwerp Gateway NV	Belgium	Operation of container terminals	Euro17,900,000	**20.00%**	20.00%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB730,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Sigma Enterprises Limited (note)	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of terminals	RMB450,800,000	**39.04%**	39.04%
Wattrus Limited (note)	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**5.12%**	5.12%

Note:

The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2014 and 2013.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2014 US$'000	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000
Revenues	**870,091**	798,626	735,500	599,159	446,492
Operating profit after finance income and costs	**180,657**	180,392	159,336	126,051	90,365
Share of profits less losses of					
– joint ventures	**99,729**	81,406	96,461	96,638	74,654
– associates (note 3)	**71,496**	95,563	126,577	179,290	132,120
Gain on disposal of joint ventures/associates (note 3, 4)	**–**	393,411	–	12,557	84,710
Gain on release of exchange reserve upon reclassification from a joint venture to a subsidiary	**–**	–	–	11,841	–
Profit before income tax	**351,882**	750,772	382,374	426,377	381,849
Income tax expenses	**(38,995)**	(33,497)	(27,905)	(28,771)	(15,653)
Profit for the year	**312,887**	717,275	354,469	397,606	366,196
Profit attributable to:					
Equity holders of the Company	**292,759**	702,676	342,194	388,771	361,307
Non-controlling interests	**20,128**	14,599	12,275	8,835	4,889
	312,887	717,275	354,469	397,606	366,196
Dividends	**117,701**	282,253	138,474	155,416	159,113
Basic earnings per share (US cents)	**10.01**	24.95	12.51	14.34	14.17
Dividend per share (US cents)	**4.004**	9.980	5.004	5.736	5.668

	As at 31 December				
	2014 US$'000	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000
Total assets	**7,616,710**	7,551,304	7,363,858	6,472,184	5,251,917
Total liabilities	**(2,558,048)**	(2,707,810)	(3,146,465)	(2,592,025)	(1,758,055)
Net assets	**5,058,662**	4,843,494	4,217,393	3,880,159	3,493,862

Notes:

1 The consolidated results of the Group for the two years ended 31 December 2014 and the assets and liabilities of the Group as at 31 December 2014 have been extracted from the audited consolidated financial statements of the Group as set out on pages 117 to 124 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26 July 1994.

3 Balances included share of profit of CIMC, which was classified as a discontinued operation in 2013.

4 Balances included the net gain on disposal of CIMC in 2013 and the gain on disposal of COSCO Logistics in 2010 which were classified as discontinued operation in 2013 and 2010 respectively.

HISTORICAL STATISTICS SUMMARY

Financial statistics		2005	2006
Consolidated income statement	US$M		
Revenues			
Terminals		12.5	20.9
Container leasing, management, sale and related businesses		299.0	269.0
Container handling, transportation and storage		6.8	7.6
Elimination of inter-segment		–	–
Total		318.3	297.5
EBITDA		499.3	462.6
Depreciation & amortisation		(107.7)	(88.1)
EBIT		391.6	374.5
Interest expenses		(35.6)	(43.4)
Interest income		4.4	12.6
Profit before income tax		360.4	343.7
Operating profit after finance income and costs		205.1	169.5
Profit attributable to equity holders of the Company		334.9	291.1
Breakdown of profit attributable to equity holders of the Company			
Terminals and related businesses		161.0	100.6
Container leasing, management, sale and related businesses		114.8	166.4
Container manufacturing and related businesses		58.7	16.9 Note1
Logistics and related businesses		15.1	18.4
Other operations		10.3	12.8
Net corporate finance income/(costs)		(15.8)	(13.3)
Net corporate expenses		(9.2)	(10.7)
Total		334.9	291.1
Consolidated balance sheet	US$M		
Consolidated total assets		2,855.1	2,987.2
Consolidated total liabilities		964.8	779.0
Consolidated net assets		1,890.3	2,208.2
Consolidated total debts		835.6	531.6
Consolidated cash balances		179.3	224.7
Consolidated net debts		656.3	306.9
Per share data			
Capital and reserves attributable to the equity holders of the Company per share	US$	0.85	0.97
Basic earnings per share	US cents	15.28	13.14
Dividend per share	US cents	8.650	8.847
Net asset value per share	US$	0.86	0.99
Net asset value per share	HK$	6.666	7.704
Share price (as at 31 December)	US$	1.830	2.349
	HK$	14.20	18.26
Ratios			
P/E (as at 31 December)	Times	11.9	17.9
Dividend payout ratio	%	56.6	56.6 Note 2
Return on total assets	%	13.1	10.0
Return on net assets	%	19.8	14.2
Return on equity holders of the Company	%	20.0	14.4
Net debt-to-total equity ratio	%	34.7	13.9
Interest coverage	Times	11.1	8.8
Other information			
Total number of shares issued (as at 31 December)	M	2,199.0	2,228.7
Weighted average number of ordinary shares issued	M	2,192.1	2,214.7
Market capitalisation (as at 31 December)	US$M	4,024.2	5,234.1

Notes:

1. The amount in 2006 & 2007 included the financial effect of put options associated with the CIMC share reform.
2. The financial effect of put options associated with the CIMC share reform was excluded in the calculation of dividend payout ratio of year 2006 & 2007.
3. The comparative figures from 2005 to 2008 for the breakdown of profit attributable to equity holders of the Company as presented above have been restated as a result of the adoption of Hong Kong Financial Reporting Standard 8 "Operating Segments" issues.

2007	2008	2009	2010	2011	2012	2013	2014
43.3	78.7	114.9	190.8	320.1	398.5	452.2	**514.7**
247.9	252.6	229.8	250.9	276.5	336.2	347.7	**357.1**
7.7	6.7	4.7	4.8	3.3	3.7	2.9	**2.3**
–	–	–	–	(0.7)	(2.9)	(4.2)	**(4.0)**
298.9	338.0	349.4	446.5	599.2	735.5	798.6	**870.1**
574.2	413.6	321.4	516.6	621.9	618.3	1,007.7	**610.4**
(84.0)	(92.6)	(98.3)	(111.8)	(142.2)	(167.9)	(190.5)	**(211.7)**
490.2	321.0	223.1	404.8	479.7	450.4	817.2	**398.7**
(49.9)	(52.7)	(39.8)	(29.4)	(58.4)	(77.3)	(84.5)	**(72.5)**
10.5	6.9	6.0	6.5	5.1	9.2	18.1	**25.7**
450.8	275.2	189.3	381.9	426.4	382.3	750.8	**351.9**
172.8	120.0	66.1	90.4	126.1	159.3	180.4	**180.7**
427.8	274.7	172.5	361.3	388.8	342.2	702.7	**292.8**
120.6	120.6	83.5	119.9	184.9	189.0	186.8	**221.0**
92.3	115.0	71.4	96.3	116.5	139.5	125.2	**95.8**
123.5[Note1]	39.3	30.9	91.9	119.8	61.9	416.5	**–**
19.7	25.0	25.6	84.7	–	–	–	**–**
98.4	–	–	–	–	–	–	**–**
(14.5)	(9.7)	(9.6)	(1.9)	(0.6)	(1.9)	10.7	**32.0**
(12.2)	(15.5)	(29.3)	(29.6)	(31.8)	(46.3)	(36.5)	**(56.0)**
427.8	274.7	172.5	361.3	388.8	342.2	702.7	**292.8**
3,871.6	4,213.2	4,635.3	5,251.9	6,472.2	7,363.9	7,551.3	**7,616.7**
1,096.9	1,566.9	1,776.9	1,758.0	2,592.0	3,146.5	2,707.8	**2,558.0**
2,774.7	2,646.3	2,858.4	3,493.9	3,880.2	4,217.4	4,843.5	**5,058.7**
914.0	1,424.3	1,604.3	1,558.8	2,168.0	2,601.7	2,046.2	**1,860.2**
387.4	429.0	405.8	524.3	581.1	849.3	1,237.6	**1,116.5**
526.6	995.3	1,198.5	1,034.5	1,586.9	1,752.4	808.6	**743.7**
1.21	1.14	1.21	1.23	1.34	1.42	1.56	**1.61**
19.09	12.24	7.66	14.17	14.34	12.51	24.95	**10.01**
9.406	4.896	3.061	5.668	5.736	5.004	9.980	**4.004**
1.24	1.18	1.26	1.29	1.43	1.51	1.66	**1.72**
9.637	9.135	9.796	10.015	11.115	11.732	12.895	**13.342**
2.668	1.021	1.281	1.742	1.167	1.424	1.372	**1.421**
20.80	7.91	9.93	13.54	9.07	11.04	10.64	**11.02**
14.0	8.3	16.7	12.3	8.1	11.4	5.5	**14.2**
56.6[Note 2]	40.0	40.0	40.0	40.0	40.0	40.0	**40.0**
12.5	6.8	3.9	7.3	6.6	4.9	9.4	**3.9**
17.2	10.1	6.3	11.4	10.5	8.5	15.5	**5.9**
17.5	10.4	6.5	11.9	11.1	9.0	16.5	**6.3**
19.0	37.6	41.9	29.6	40.9	41.6	16.7	**14.7**
10.0	6.2	5.8	14.0	8.3	5.9	9.9	**5.9**
2,244.9	2,245.0	2,262.5	2,711.5	2,711.8	2,786.1	2,912.3	**2,940.4**
2,240.3	2,245.0	2,252.9	2,550.4	2,711.8	2,735.1	2,816.2	**2,924.9**
5,988.4	2,291.3	2,897.3	4,723.5	3,166.4	3,968.5	3,996.4	**4,178.3**

Operating statistics		2005	2006
Container leasing, management and sale			
Breakdown of rental income	US$M		
– COSCON		126.4	136.9
– International customers (long term lease)		104.3	60.9
– International customers (master lease)		43.8	21.8
Total		274.5	219.6
Fleet capacity	TEU	1,042,852	1,250,609
Breakdown of fleet capacity by customers			
– COSCON (included owned, sale-and-leaseback containers)	TEU	377,324	456,877
– International customers			
Owned containers	TEU	630,925	163,851
Managed containers	TEU	34,603	629,881
– COSCON (included owned, sale-and-leaseback containers)	%	36.2	36.5
– International customers			
Owned containers	%	60.5	13.1
Managed containers	%	3.3	50.4
Breakdown of fleet capacity			
– Dry	TEU	993,988	1,198,770
– Reefer	TEU	38,020	41,456
– Special	TEU	10,844	10,383
– Dry	%	95.3	95.9
– Reefer	%	3.6	3.3
– Special	%	1.1	0.8
Capital expenditure on containers	US$M	333.6	480.6
Purchase of containers	TEU	168,592	268,236
Disposal of returned containers	TEU	27,288	48,071
Fleet age	Year	4.3	4.0
Utilisation rate			
– COSCO Pacific (Florens)	%	95.5	96.2
– Industry average	%	90.9	91.8
Number of customers		256	270
Container throughput	TEU		
COSCO-HIT Terminal		1,841,193	1,688,697
Yantian Terminal		7,355,459	8,470,919
Shanghai Terminal		3,646,732	3,703,460
Zhangjiagang Terminal		377,121	455,946
Qingdao Cosport Terminal		605,791	744,276
Dalian Port Container Co., Ltd.		2,334,481	2,464,208
Shanghai Pudong Terminal		2,471,840	2,650,007
Qingdao Qianwan Terminal		5,443,086	6,770,003
COSCO-PSA Terminal		611,013	627,894
Yangzhou Yuanyang Terminal		157,123	222,912
Yingkou Terminal		633,573	837,574
Nanjing Longtan Terminal		178,686	700,098
Dalian Port Terminal		132,984	421,068
Tianjin Five Continents Terminal		87,462	1,773,141
Antwerp Terminal		70,084	599,170
Quan Zhou Pacific Terminal		–	241,272
Guangzhou South China Oceangate Terminal		–	–
Ningbo Yuan Dong Terminal		–	–
Suez Canal Terminal		–	–
Jinjiang Pacific Terminal		–	–
Piraeus Terminal		–	–
Tianjin Euroasia Terminal		–	–
Xiamen Ocean Gate Terminal		–	–
Kao Ming Terminal		–	–
Taicang Terminal		–	–
Asia Container Terminal		–	–
Total		25,946,628	32,370,645

2007	2008	2009	2010	2011	2012	2013	**2014**
140.1	142.4	134.3	123.3	131.5	139.1	153.4	**172.9**
32.7	44.3	50.3	68.9	100.1	125.3	124.3	**111.6**
8.5	15.7	13.5	15.0	15.2	16.1	13.2	**11.3**
181.3	202.4	198.1	207.2	246.8	280.5	290.9	**295.8**
1,519,671	1,621,222	1,582,614	1,631,783	1,777,792	1,855,597	1,888,200	**1,907,778**
517,311	551,219	527,891	499,106	547,077	638,631	740,481	**806,060**
239,742	314,077	332,591	432,613	556,366	586,613	595,316	**564,264**
762,618	755,926	722,132	700,064	674,349	630,353	552,403	**537,454**
34.0	34.0	33.4	30.6	30.8	34.4	39.2	**42.2**
15.8	19.4	21.0	26.5	31.3	31.6	31.5	**29.6**
50.2	46.6	45.6	42.9	37.9	34.0	29.3	**28.2**
1,470,832	1,570,462	1,532,723	1,587,775	1,731,530	1,810,448	1,846,286	**1,869,409**
38,745	41,183	39,860	35,616	38,658	38,774	36,146	**33,190**
10,094	9,577	10,031	8,392	7,604	6,375	5,768	**5,179**
96.8	96.9	96.9	97.3	97.4	97.6	97.8	**98.0**
2.5	2.5	2.5	2.2	2.2	2.1	1.9	**1.7**
0.7	0.6	0.6	0.5	0.4	0.3	0.3	**0.3**
586.3	348.0	61.9	250.4	432.9	371.7	288.8	**305.8**
326,715	152,752	15,000	111,625	185,231	162,742	151,500	**161,106**
56,759	34,043	22,863	28,674	9,826	31,671	35,714	**50,860**
3.8	4.2	5.0	5.4	5.9	6.1	6.4	**6.5**
94.5	94.6	90.6	97.3	96.1	95.3	94.5	**95.3**
93.0	94.0	86.0	95.0	95.0	94.8	93.9	**94.0**
280	300	306	300	287	276	264	**256**
1,846,559	1,752,251	1,360,945	1,535,923	1,625,819	1,683,748	1,639,275	**1,639,995**
9,368,696	9,683,493	8,579,013	10,133,967	10,264,440	10,666,758	10,796,113	**11,672,798**
3,446,135	3,681,785	2,979,849	3,197,244	–	–	–	**–**
601,801	710,831	715,413	889,515	1,065,382	1,228,935	1,374,596	**798,773**
1,005,439	1,099,937	1,145,352	1,284,903	–	–	–	**–**
2,873,474	2,742,503	2,906,768	–	–	–	–	**–**
2,723,722	2,779,109	2,291,281	2,450,176	2,388,156	2,151,297	2,246,026	**2,373,620**
8,237,501	8,715,098	8,961,785	10,568,065	12,426,090	14,045,503	14,981,635	**16,108,145**
833,892	1,247,283	904,829	1,091,639	1,106,262	1,232,954	1,048,846	**1,311,747**
253,772	267,970	221,046	302,617	400,224	401,003	449,849	**481,704**
1,125,557	950,801	1,023,107	1,196,932	1,303,068	1,600,094	1,716,106	**1,716,128**
950,289	1,160,261	1,058,499	1,245,559	1,600,523	2,035,617	2,400,370	**2,495,608**
850,359	1,656,968	1,509,401	1,668,418	1,900,204	2,216,353	2,732,174	**2,732,136**
1,988,456	1,938,580	1,940,933	1,917,873	2,100,321	2,180,184	2,300,918	**2,569,695**
792,459	1,091,657	639,957	795,534	1,168,930	1,101,163	1,370,609	**1,727,116**
856,784	910,058	936,136	1,050,710	1,186,799	1,201,279	1,090,660	**1,160,480**
577,196	2,000,130	2,158,291	3,060,591	3,914,348	4,230,574	4,449,311	**4,647,266**
331,361	903,865	1,117,169	1,704,588	2,145,653	2,402,554	2,806,406	**3,214,703**
319,153	2,392,516	2,659,584	2,856,854	3,246,467	2,863,167	3,124,828	**3,400,397**
–	193,779	274,390	313,585	314,101	358,836	418,242	**467,610**
–	–	166,062	684,881	1,188,148	2,108,090	2,519,664	**2,986,904**
–	–	–	574,296	1,350,962	1,705,667	1,803,407	**2,004,170**
–	–	–	–	–	271,449	609,393	**806,183**
–	–	–	–	–	–	1,170,704	**1,333,226**
–	–	–	–	–	–	235,759	**538,304**
–	–	–	–	–	–	–	**1,139,414**
38,982,605	45,878,875	43,549,810	48,523,870	50,695,897	55,685,225	61,284,891	**67,326,122**

CORPORATE INFORMATION

Board of Directors

Mr. WAN Min[2] *(Chairman)*
Mr. QIU Jinguang[1] *(Vice Chairman and Managing Director)*
Mr. FENG Jinhua[1]
Mr. TANG Runjiang[1]
Mr. FENG Bo[1]
Mr. WANG Wei[2]
Mr. WANG Haimin[2]
Dr. WONG Tin Yau, Kelvin[1]
Mr. Timothy George FRESHWATER[3]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[3]
Mr. IP Sing Chi[3]
Mr. FAN Ergang[3]

[1] Executive Director
[2] Non-executive Director
[3] Independent Non-executive Director

General Counsel & Company Secretary

Ms. HUNG Man, Michelle

Place of Incorporation

Bermuda

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Hong Kong

Solicitors

Holman Fenwick Willan
Linklaters
Slaughter & May
Woo, Kwan, Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
China Development Bank
China Merchant Bank
Commonwealth Bank of Australia
DBS Bank Ltd
ING Bank N.V.
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

Principal Registrar and Transfer Office in Bermuda

Codan Services Limited
Clarendon House
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Hamilton HM 11
Bermuda

Branch Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
Level 22, Hopewell Centre
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Hong Kong

Listing Information/Stock Code

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199 HK
Reuters: 1199. HK

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