CORE COMPETENCE

致勝之道

COSCO Pacific Limited

Annual Report 2011

CORE COMPETENCE

Core competence is the ability of an enterprise to sustain competitiveness over the long term. It is a set of techniques and abilities acquired through overcoming adversity, which competitors cannot easily imitate and which differentiate a company, allowing it to stand the test of time.

Core competence is the lifeline and stabilising force of an enterprise. We firmly believe that it is the firm ground on which our success rests, amidst a complex and ever-changing business environment.

Relying on its core strengths as a corporation, and driving synergies among corporate strategy, marketing, finance, management, human resources and investor relations, are the key to COSCO Pacific's development. Core competence allows us to take the initiative in a competitive market and continue our steady process of internationalisation.

Looking forward, COSCO Pacific will continue to optimise its business mix, thoroughly implement its corporate strategy, adhere to its principles for development, and enhance corporate governance, to strengthen core competence further.

COMPANY PROFILE

The ultimate parent company of COSCO Pacific is COSCO Group, the largest shipping enterprise in China and the second largest in the world.

COSCO Pacific has grown to become the world's fifth largest container terminal operator and third largest container leasing company. COSCO Pacific also holds a 21.8% equity interest in CIMC, the world's largest container manufacturer.

Strong support from our parent company, COSCO Group, and its affiliated subsidiaries, has provided us with competitive advantages that have allowed us steadily to expand our two main businesses: terminal operations, and container leasing, management and sale.

Backed by our parent company's powerful shipping fleet, COSCO Pacific is focusing on the development of its terminal business and is progressively acquiring majority stakes in terminals. We are also pursuing opportunities for expansion through investment in terminals overseas, in order to optimise our container terminal portfolio. The terminal business will continue to be our key growth driver.

In its terminal investment strategy, COSCO Pacific emphasises maintaining a balanced geographical distribution of terminals. Today, the Group's terminal portfolio covers four main port regions in China, as well as overseas hub ports. As of 31st December 2011, we operated and managed 103 berths at 18 ports worldwide, 14 of them in China and four overseas. Among the 103 berths, 93 are for containers, with a combined annual handling capacity of 55.45 million TEUs.

For the container leasing, management and sale businesses, our fleet size had reached 1,777,792 TEUs as of 31st December 2011, representing approximately 12.5% of global market share.

We provide comprehensive long and short-term container leasing and container management services to our customers. To minimise market cyclical risk, most lease contracts are long-term and in 2011 revenue from long-term leasing accounted for 93.8% of total leasing revenue. Our key customers include the world's top ten shipping lines, with revenue from these lines accounting for 70.3% of total leasing revenue in 2011.

CONTENTS

MAJOR EVENTS

January

- Held the first meeting of the Board of Directors of COSCO Pacific in 2011

February

- Florens (Tianjin) Finance Leasing Co., Ltd. commenced operations

March

- Held the second meeting of the Board of Directors of COSCO Pacific in 2011
- Announced 2010 annual results and held a press conference and analysts' panel discussion
- Conducted a results road show in Hong Kong

April

- Completed the disposal of a 50% equity interest in Qingdao Cosport Terminal
- Awarded "Foreign Company In-House Team of the Year" by *Asian Legal Business*, a well recognised professional magazine, for the second consecutive year
- Held the third meeting of the Board of Directors of COSCO Pacific in 2011
- Announced 2011 first quarter results on a voluntary basis

May

- Held Annual General Meeting and press conference

June

- Honoured for the fifth consecutive year with a "Corporate Governance Asia Recognition Award" from *Corporate Governance Asia* magazine

July

- Held the fourth meeting of the Board of Directors of COSCO Pacific in 2011. All Directors passed a unanimous resolution appointing Dr. WANG Xingru as Vice Chairman & Managing Director of COSCO Pacific

August

- The Board of Directors passed a written resolution appointing Mr. WAN Min, the Managing Director of COSCON and the Executive Vice President of China COSCO, as a non-executive director of COSCO Pacific

- Held the fifth meeting of the Board of Directors of COSCO Pacific in 2011
- Announced 2011 interim results and held a press conference and analysts' panel discussion
- Conducted a results road show in Hong Kong

October

- Three new berths at Suez Canal Terminal started operations
- Held the sixth meeting of the Board of Directors of COSCO Pacific in 2011
- Announced 2011 third quarter results on a voluntary basis

November

- "COSCO Pacific's take-over of the wholly owned terminal operation of Pier 2 at Port of Piraeus in Greece" was selected as the model case of China overseas investment at the China Overseas Investment Summit, jointly organised by China Central Television's finance channel and the Hong Kong Chinese Chamber of Commerce.
- Presented "The Most Potential Company Award" by Hong Kong financial magazines *Capital* and *Capital Weekly*
- The 2010 annual report of the company earned a "Citation for Corporate Governance Disclosure" from the Hong Kong Management Association
- Two berths in Xiamen Ocean Gate Terminal started Trial operation

December

- Named "The Hong Kong Outstanding Enterprise" by *Economist Digest* magazine for the seventh consecutive year
- Received two awards, "Best Investor Relations in Transport Sector" and "Best Overall Investor Relations by a Hong Kong Company" from *IR* magazine
- Received "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" given by *The Asset* magazine
- Won the "Best Investor Relations Company" given by *Corporate Governance Asia* magazine

BUSINESS OVERVIEW

Revenue

The Group's revenue rose by 34.2% to US$599,159,000 (2010: US$446,492,000). The revenue derived from the terminal business and from the container leasing, management and sale businesses, which respectively recorded increases of 65.3% and 10.2% to US$323,339,000 (2010: US$195,594,000) and US$276,547,000 (2010: US$250,898,000).

Profitability

Gross profit rose by 55.4% to US$259,018,000 (2010: US$166,724,000). This increase was due in part to Guangzhou South China Oceangate Terminal being reclassified from a jointly controlled entity to subsidiary from 1st January 2011. Also, Piraeus Terminal, the Group's wholly owned subsidiary, returned to profitability from September 2010.

Excluding non-recurring items[1], profit attributable to equity holders of the Company increased by 35.2% to US$364,373,000 (2010: US$269,577,000). Including non-recurring items, profit attributable to equity holders rose by 7.6% to US$388,771,000 (2010: US$361,307,000).

Dividends

The proposed final dividend is HK17.4 cents per share (2010: HK19.3 cents). The dividend will be payable in cash and with a scrip dividend alternative. Full-year dividend was HK44.6 cents (2010: HK44.1 cents) with payout ratio of 40.0% (2010: 40.0%).

Divisional Performance

Profit from the terminal business grew by 54.2% to US$184,890,000 (2010: US$119,882,000). The rise was mainly due to equity throughput having increased 21.9% to 13,744,329 TEUs (2010: 11,274,744 TEUs[2]), an approximately 10% additional stake in Yantian Terminal, and profit turnaround at Piraeus Terminal and Guangzhou South China Oceangate Terminal. Total throughput increased 15.1% to 50,695,897 TEUs (2010: 44,041,723 TEUs[2]).

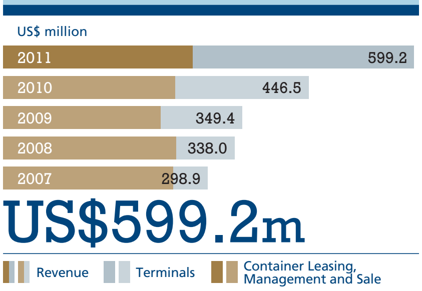
Profit from the container leasing, management and sale businesses increased by 20.9% to US$116,508,000 (2010: US$96,366,000). The increase was mainly due to the container fleet size having increased by 8.9% to 1,777,792 TEUs (2010: 1,631,783 TEUs) with an overall average utilisation rate of 96.1% (2010: 97.3%).

Profit from the container manufacturing business increased 30.4% to US$119,799,000 (2010: US$91,871,000).

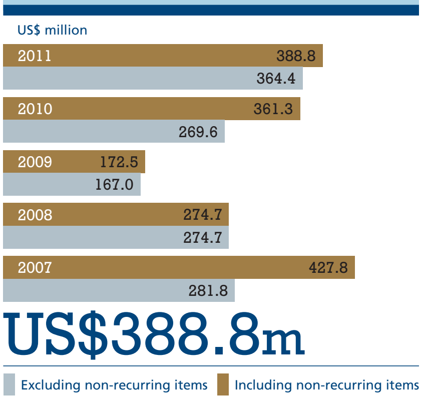
Note

1. Non-recurring items in 2011 include gain on release of exchange reserve of US$11,841,000 upon reclassification of COSCO Ports (Nansha) Limited and its subsidiary, Guangzhou South China Oceangate Terminal, from jointly controlled entities to subsidiaries from 1st January 2011, and profit on disposal of Qingdao Cosport Terminal of US$12,557,000 (2010: profit on disposal of COSCO Logistics Co., Ltd ("COSCO Logistics") of US$84,710,000 and profit on disposal of Dalian Port Container Co., Ltd. of US$7,020,000).
2. Total throughput and equity throughput in 2010 excluded throughput of Qingdao Cosport Terminal and Shanghai Terminal. The Group sold its 50% equity interest in Qingdao Cosport Terminal on 28th April 2011, and Shanghai Terminal made a strategic change in business model and ceased handling containers in January 2011.

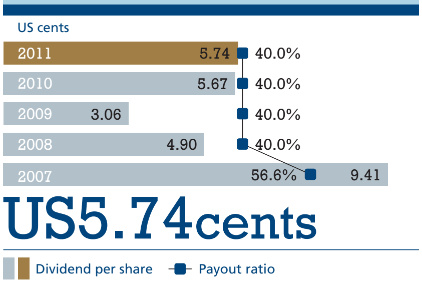
Revenue



Profit attributable to equity holders of the Company



Dividend per share and payout ratio



Note: The financial effect of the put options of CIMC was excluded in the calculation of dividend payout ratio for 2007.

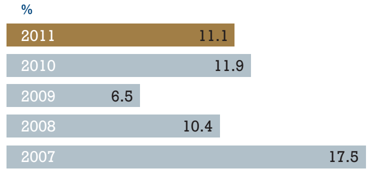
Results highlights

	2011	2010	Year-on-year change
	US$	US$	%
Revenue[1]	599,159,000	446,492,000	+34.2
Operating profit before finance income and finance costs	179,400,000	113,267,000	+58.4
Share of profits less losses of jointly controlled entities and associates	275,928,000	206,774,000	+33.4
Profit attributable to equity holders of the Company (excluding non-recurring items[2])	364,373,000	269,577,000	+35.2
Profit attributable to equity holders of the Company	388,771,000	361,307,000	+7.6
	US cents	US cents	%
Basic earnings per share (excluding non-recurring items[2])	13.44	10.57	+27.2
Basic earnings per share	14.34	14.17	+1.2
Dividend per share	5.736	5.668	+1.2
Interim dividend	3.496	1.759	+98.7
Special interim dividend[3]	–	1.426	n.a.
Final dividend	2.240	2.483	-9.8
Payout ratio	40.0%	40.0%	–
	US$	US$	%
Consolidated total assets	6,472,184,000	5,251,917,000	+23.2
Consolidated total liabilities	2,592,025,000	1,758,055,000	+47.4
Consolidated net assets	3,880,159,000	3,493,862,000	+11.1
Capital and reserves attributable to the equity holders of the Company	3,627,312,000	3,348,121,000	+8.3
Consolidated net debts	1,586,925,000	1,034,481,000	+53.4
	%	%	pp
Return on equity holders of the Company	11.1	11.9	-0.8
Return on total assets	6.6	7.3	-0.7
Net debt-to-total equity ratio	40.9	29.6	+11.3
Interest coverage[4]	8.3x	11.1x	-2.8x

Note

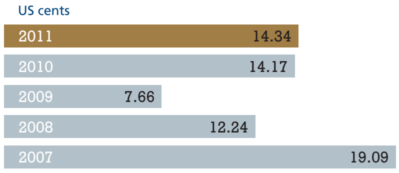
1. The Group's revenue was generated from Florens, Zhangjiagang Terminal, Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Jinjiang Pacific Terminal, Piraeus Terminal, Guangzhou South China Oceangate Terminal, Plangreat and its subsidiaries and COSCO Ports Services (Guangzhou) Limited.
2. Non-recurring items in 2011 include gain on release of exchange reserve of US$11,841,000 upon reclassification of COSCO Ports (Nansha) Limited and its subsidiary, Guangzhou South China Oceangate Terminal, from jointly controlled entities to subsidiaries from 1st January 2011, and profit on disposal of Qingdao Cosport Terminal of US$12,557,000 (2010: profit on disposal of COSCO Logistiscs of US$84,710,000 and profit on disposal of Dalian Port Container Co., Ltd. of US$7,020,000).
3. A special interim cash dividend was declared as a result of the disposal of the 49% equity interest in COSCO Logistiscs in 2010.
4. Interest coverage in 2010 excluded profit from the discontinued logistics operation.

Return on equity



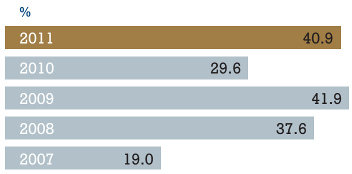
11.1%

Basic earnings per share

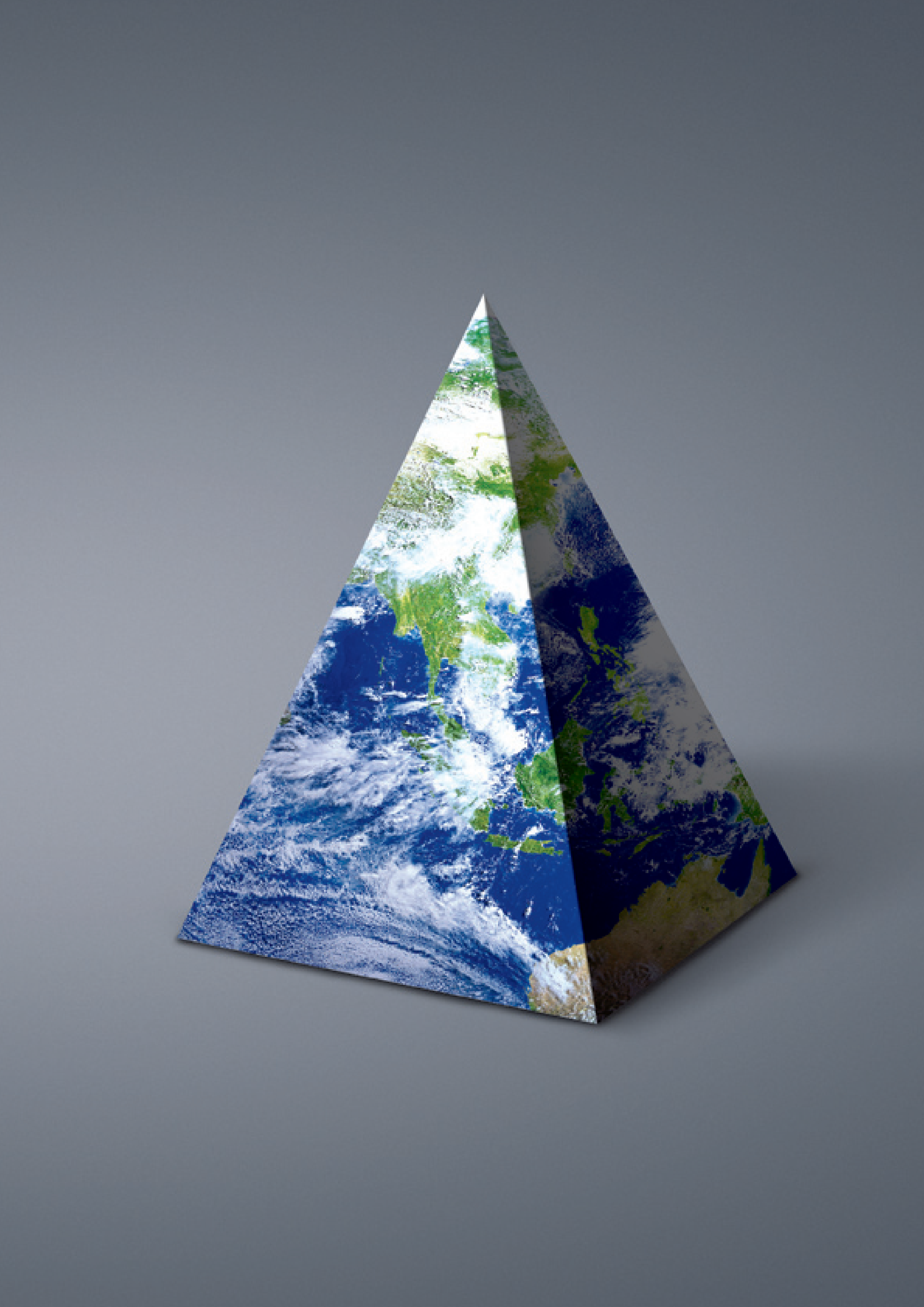


US14.34cents

Net debt-to-total equity ratio



40.9%



VISION & COMPETITIVE EDGE

COSCO Pacific has become the fifth largest container terminal operator and the third largest container leasing company in the world.
We will continue to put emphasis on the development of our core businesses and to strengthen and solidify our core competitiveness.



CHAIRMAN'S STATEMENT

"WE STRONGLY BELIEVE THAT OUR CORE COMPETENCIES ARE AN UNRIVALLED STRENGTH IN ENCOUNTERING A MORE COMPLEX AND VOLATILE OPERATING ENVIRONMENT."

Dear Shareholders,

It is my honour to have been appointed as Chairman of COSCO Pacific on 24th February 2012. I would like to express my sincere gratitude to the Board members for their trust, and my thanks also to Mr. Xu Lirong, the former Chairman, for his outstanding contribution to COSCO Pacific.

In the first half of 2011, the global economy continued the recovery that began in 2010. Despite the slowing economic recovery in the second half as a result of the widening European debt crisis, I am delighted to report that the Group delivered solid results in 2011, thanks to the strong profit growth in our terminal, container leasing and container manufacturing businesses. Profit attributable to equity holders of the Group (excluding the non-recurring items) rose by 35.2% year-on-year to US$364,373,000. Including the non-recurring items, profit attributable to equity holders rose by 7.6% year-on-year to US$388,771,000. Revenue was up 34.2%, reaching US$599,159,000. Earnings per share were US14.34 cents, full year dividends per share amounted to US5.736 cents, and the annual dividend payout ratio was maintained at 40.0%.

Enjoying support from the fleet of COSCO Group, our parent company

The support of COSCO Pacific's parent company, COSCO, together with that of China COSCO and sister companies, means that COSCO Pacific can rely on the second largest shipping fleet in the world to enhance its core competitiveness and strengthen its leading position in the container port and container leasing industries. COSCO Pacific has become the world's fifth largest container terminal operator, with a global market share of 8.8%[1], and the third largest container leasing company, with a global market share of approximately 12.5%[2]. During 2011, total throughput of our terminals increased by 15.1% year-on-year to 50,695,897 TEUs, and our container fleet capacity increased by 8.9% year-on-year to 1,777,792 TEUs.

Note

1 Source: Drewry, August 2011

2 Source: Drewry, 2011

COSCO Pacific operates and manages 23 terminal companies in

18 ports

world-wide, among which
19 are in the PRC and
4 are at overseas hub ports.

COSCON provides the Group's terminal business with a stable source of cargo, accounting for approximately 19.7% of the Group's total throughput in 2011. With the dedicated efforts of all shareholders, the terminal business has become the most profitable of our businesses. Its profit contribution rose significantly in 2011, by 54.2% to US$184,890,000, accounting for 43.9% of the total profit from the Group's core businesses, an increase of 5.0 percentage points.

Furthermore, our container leasing business is in a "win-win" situation as it combines the advantage of COSCON's very large fleet size with the brand recognition for professionalism and high quality service enjoyed by Florens . As of 31st December 2011, 30.8% of the Group's containers were leased by COSCON.

Further optimising the strategic distribution of our global terminal network

China's economy has grown rapidly since it entered the World Trade Organisation in 2001. While expanding its China terminals business, COSCO Pacific has seized the opportunity for development presented by this growth to optimise its global terminal distribution. As at 31st December 2011, COSCO Pacific operated and managed 23 terminal companies in 18 ports world-wide, among which 19 were in the PRC. The terminal network includes eight major ports in China (Shanghai, Hong Kong, Shenzhen, Ningbo, Guangzhou, Qingdao, Tianjin and Dalian) and six major feeders and ports for domestic trade (Quanzhou, Jinjiang, Yangzhou, Zhangjiagang, Yingkou and Nanjing). In addition, our network covers four major overseas hub ports (Piraeus in Greece, Port Said in Egypt, Antwerp in Belgium and Singapore). These ports have the geographical advantage of being located at the centre of their local economic area.

In 2011, the total throughput of the Group's terminals in Mainland China reached 42,360,271 TEUs, up 14.2% year-on-year. This was higher than the average 11.4% increment in Mainland China and accounted for 83.6% of the Group's total throughput. Although China's macroeconomic policy has been adjusted modestly, so as to maintain steady growth in 2012, its gross domestic product ("GDP") is expected to sustain a growth rate that is higher than the global average.

We expect the Group's terminal business in 2012 to continue to benefit from this growth in China. Moreover, the Group will continue to monitor opportunities to invest in more ports overseas. With an emphasis on keeping our deep roots in China while eyeing global expansion, the Group will proactively manage the strategic distribution of its global terminal network. In 2011, the Group's container throughput overseas increased by 23.6%, significantly higher than the global average of 6.8%[3].

Note

3 Sources: Drewry, December 2011

The Group provides efficient terminal services to international shipping lines and other port users, and over

450 routes

berth at the Group's terminals.

Joining hands with strong business partners for mutual benefit

Establishing solid cooperation with business partners is a crucial success factor for our terminal business. Our business partners principally include Chinese port authorities and leading global terminal operators. The handling capacity of the Group's terminal portfolio has been enhanced substantially as a result of cooperating with strong partners. In 2011, the Group's 93 operating container berths had an annual handling capacity of 55,450,000 TEUs. COSCO Pacific provides efficient terminal services to international shipping lines and other port users, and over 450 routes berth at the Group's terminals.

For our container leasing business, the total number of customers reached 287 in 2011, with 69.2% of the total container fleet for international customers. New containers purchased by the Group totalled 118,755 TEUs in 2011, of which 52.8% was for international customers. Our top ten shipping company customers accounted for 70.3% of the revenue from the Group's container leasing business.

Withstanding the global economic downturn

The terminal industry has significant strategic importance for the global supply chain. Goods transported by sea account for approximately 90% of the world's total freight volume, as a result of which the terminal industry has benefited from the steady growth of global trade. At the same time, the ports industry has a high barrier to entry. These favorable factors minimise fluctuations in terminal throughput during periods of economic downturn. During periods of economic recovery, by contrast, growth in terminal throughput is strong. Following the financial crisis in 2008, global and China port container throughput in 2009 declined by 9.1% and 4.6% respectively. In 2010, however, global and China port container throughput rose by 14.8% and 19.4% respectively. The International Monetary Fund ("IMF") expects the world trade volume to increase by 3.8% year-on-year in 2012. We are therefore confident that our terminal business will maintain its growth path.

> "THE CONTAINER LEASING BUSINESS PROVIDES STEADY PROFIT CONTRIBUTION AND CASH FLOW TO THE GROUP."

Optimising the business model of the leasing business

As at 31st December 2011, the size of container fleet under the operation and management of Florens, the Group's wholly owned subsidiary, was 1,777,792 TEUs. Florens' result in 2011 was satisfactory. Revenue from the container leasing, management and sale businesses was US$276,547,000, up 10.2% year-on-year. The number of owned containers was 874,160 TEUs, an increase of 7.4% year-on-year. The overall average utilisation rate remained at a high level of 96.1%.

To ensure a stable income for the leasing business and maintain a high utilisation rate in the current economic environment, new container leases entered into by the Group have been mainly long-term leases. As of 31st December 2011, rental income from long-term leases (those with rental periods of between 3 and 8 years) accounted for 93.8% of container leasing income.

The container leasing business of Florens provides steady profit contribution and cash flow to the Group, providing strong support for the Group's fast-developing strategy for the terminal business. In 2011, Florens contributed a profit of US$116,508,000 to the Group, up 20.9% year-on-year.

Looking forward to 2012, the global economy will continue to present challenges. Economic development will face even more uncertainties and instability, meaning we are likely to encounter a more complex and volatile operating environment. Nevertheless, the market consists of both favorable and unfavorable factors and we strongly believe that our core competencies are an unrivalled strength. In the coming year, we will spare no efforts to capture favourable business and turn adversity into opportunity, emphasising the development of our core businesses and strengthening our competitiveness. We will also introduce a "people-oriented" philosophy to accelerate the development of management talent to support the internationalisation of both our terminal and container leasing businesses. Our aim remains to create further value for our shareholders by enhancing COSCO Pacific's sustainable development.

Last but not least, on behalf of the Board of Directors, I would like to extend my sincere gratitude to our shareholders and business partners for their unfailing support to COSCO Pacific and to all staff members for their unfailing dedication.

Li Yunpeng
Chairman

27th March 2012

VICE CHAIRMAN'S REPORT

It was my honour to be appointed by the Board of Directors as Vice Chairman and Managing Director of COSCO Pacific on 11th July 2011.

The global terminal and container leasing industries were strong in the first half of 2011, but the second half was weaker as the operating environment for the shipping and related industries deteriorated sharply. Thanks to the unrelenting efforts of our colleagues, however, the Group nonetheless managed to achieve a satisfactory performance, with a meaningful contribution to shareholders of the Company and a solid foundation laid for future development.

Terminals with controlling stakes outperformed the competition

Piraeus Terminal, a wholly owned subsidiary of the Group, returned to profitability through strong marketing and internal management in 2011. Container throughput at the terminal rose significantly, by 73.5% year-on-year to 1,188,148 TEUs. Guangzhou South China Oceangate Terminal increased its market share in the Pearl River Delta, demonstrating the competitive advantage of its hinterland. Container throughput rose significantly by 27.9% to 3,914,348 TEUs in 2011, whilst the proportion of

"IN 2012, THE GROUP WILL BUILD ON THIS FOUNDATION TO STRENGTHEN ITS INTEGRATED MARKETING CAPABILITY SO AS TO CREATE SYNERGIES AMONG INTERNAL AND EXTERNAL RESOURCES, ENHANCE THE COMPETITIVE ADVANTAGE OF THE SUPPLY CHAIN AND ULTIMATELY, ENSURE STEADY BUSINESS GROWTH."

Terminal revenue accounted for

54.0%

of the Group's total revenue, an increase of 10.2 percentage points

Piraeus Terminal returned to profitability with a strong throughput growth of

73.5%

Results Highlights

	2011	2010	Year-on-year change
	US$	US$	%
Revenue	599,159,000	446,492,000	+34.2
Operating profit before finance income and finance costs	179,400,000	113,267,000	+58.4
Profit attributable to equity holders of the Company (excluding non-recurring items)	364,373,000	269,577,000	+35.2
Profit attributable to equity holders of the Company	388,771,000	361,307,000	+7.6
Basic earnings per share (excluding non-recurring items)	US13.44cents	US10.57cents	+27.2
Basic earnings per share	US14.34cents	US14.17cents	+1.2
Dividend per share	US5.736cents	US5.668cents	+1.2

international cargo increased by 10.2 percentage points to 48.0%. Driven by the revenue growth at these two terminals, the terminal revenue of the Group increased by 65.3% in 2011 to US$323,339,000, accounting for 54.0% of the Group's total revenue, an increase of 10.2 percentage points over last year. We expect throughput at these two terminals to maintain satisfactory growth in 2012 and to remain the key drivers for terminal revenue.

COSCO Pacific continued to

WIN

corresponding market recognition and awards including "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" given by *The Asset* and "Corporate Governance Asia Recognition Award" from *Corporate Governance* Asia magazine.

Throughput and operating results of the terminals with controlling stakes, namely Quan Zhou Pacific Terminal, Yangzhou Yuanyang Terminal, Jinjiang Pacific Terminal and Zhangjiagang Terminal, maintained steady growth. Xiamen Ocean Gate Terminal commenced trial operation on 28th November 2011.

Driven by the fast growing business development of terminals in which we own a controlling shareholding, the Group's equity throughput increased 21.9% to 13,744,329 TEUs.

Leasing business' "Blue Ocean" strategy achieved initial success

Florens is an integral part of the Group's business. Through continuous innovative changes, Florens' leasing business has actively sought "Blue Ocean" investment opportunities in the competitive container leasing market. Given the somewhat depressed state of the container shipping market in the second half of 2011, Florens utilised its diversified product mix to provide tailor-made container leasing services to customers. During the year, the Group also signed purchase and leaseback agreements with two major shipping lines. These transactions further expanded the Group's container fleet size and its market share, as well as increasing revenue and contributing stable returns to the Group.

Continuously enhancing our brand and corporate image

COSCO Pacific makes unremitting efforts with regard to corporate governance and investor relations, with the result that during 2011 we continued to win corresponding market recognition and awards. These included "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" given by *The Asset*, one of Asia's financial magazines, "Best Investor Relations in Transport Sector" and "Best Overall Investor Relations by a Hong Kong Company" from *IR* magazine, the "Corporate Governance Asia Recognition Award" and "Best Investor Relations Company" from *Corporate Governance Asia* magazine. We were named "Hong Kong Outstanding Enterprise" by *Economist Digest* magazine, awarded "The Most Potential Company Award" by Hong Kong financial magazines *Capital* and *Capital Weekly*, and "Foreign Company In-House Team of the Year" by *Asian Legal Business,* a recognised professional magazine. COSCO Pacific's 2010 annual report earned a "Citation for Corporate Governance Disclosure" from the Hong Kong Management Association. In addition, the Group's take-over of the wholly owned terminal operation of Pier 2 at Port of Piraeus in Greece was selected as the model case of Overseas Investment of Chinese Enterprises by China Central Television's finance channel and the Hong Kong Chinese Chamber of Commerce.

Continuous enhancement of our brand and corporate image has helped win goodwill and attract better financing terms in the capital markets, thus minimising financing costs and ensuring sustainable funding. It has also provided the Group with more favourable conditions for exploring market opportunities and for attracting high quality customers.

> “WE HAVE A STRONG CAPACITY TO WITHSTAND RISK, SINCE PROFIT GENERATED FROM OUR TERMINAL BUSINESS HAS GEOGRAPHICAL ADVANTAGES AND HENCE CAN SECURE STABLE SOURCES OF CARGO. IN ADDITION, OUR CONTAINER LEASING INCOME IS LARGELY GUARANTEED, SINCE 93.8% DERIVES FROM LONG-TERM LEASES.”

The global economy and business outlook in 2012

The year 2012 will present challenges and opportunities. The global economy will enter a period of low growth due to the economic downturn in the Eurozone and slowing growth in many other regions. According to a forecast by the IMF made in January 2012, GDP growth for the developed economies will decline to 1.2% in 2012 from 1.6% in 2011, whilst that of emerging and developing economies will decrease to 5.4% in 2012 from 6.2% in 2011. Downside risks for the global economy have increased, the report noted.

The Chinese economy will be subject to structural adjustment and macroeconomic policy is now targeting “stable growth”. Although China’s 2012 GDP growth target was adjusted to 7.5%, the adjustment is modest and the growth target is still relatively high. On the other hand, the US has been striving to recover its manufacturing competitiveness and increase exports in order to stimulate its economic growth. This policy has achieved initial success, with US export trade recording an increase of 14.5% in 2011, a trend we believe will continue in 2012. The Eurozone’s economy and trade, however, are likely to remain sluggish for a prolonged period as a result of the debt crisis.

Shipping companies face significant operational challenges arising from the imbalance between supply and demand in the shipping market. This will inevitably exert pressure on our businesses, but we have a strong capacity to withstand this risk, since profit generated from our terminal business derives principally from regions within China. These terminals have geographical advantages as they are located at major ports in China and hence can secure stable sources of cargo. In addition, our container leasing income is largely guaranteed, since 93.8% derives from long-term leases.

We remain cautiously optimistic regarding the prospects for the container leasing market. According to forecasts given by shipping information provider Clarkson Research Services Limited ("Clarkson") in February 2012, global container traffic will increase by 7.7% year-on-year to 163,000,000 TEUs in 2012. This will relieve the pressure arising from capacity growth in the shipping industry. Meanwhile, the expected global demand for new containers will be over 2,600,000 TEUs in 2012. We therefore expected a rebound in demand for containers from shipping companies.

Operating strategy in 2012: one core principle with enhancement in four areas

Core principle: Eye on the Market

Marketing is at the heart of any business and the pre-condition for a company's survival. It is also a yardstick by which to measure a company's core competence. In 2011, COSCO Pacific established a marketing headquarters to support and expand the marketing outreach programmes for our terminal and leasing businesses. The initiative has been proven effective and in 2012, the Group will build on this foundation to strengthen its integrated marketing capability so as to create synergies among internal and external resources, enhance the competitive advantage of the supply chain and ultimately, ensure steady business growth.

Implement proactive strategic planning

2012 is a critical year during which we will fine-tune our strategy for future development. The Group will draw on resources to speed up its asset re-structuring, with reference to the Central Government's "Twelfth Five-year Plan", and focus on efforts to build up the "COSCO Ports" brand.

Improve the profitability of terminals with controlling stakes

The Group will continue to improve the profitability of those terminals in which it has controlling stakes. We will provide greater support for these terminals in the areas of investment, funding, talent and incentives, to create a positive interaction between head office and the terminal operations. Our aim in so doing is to help nurture these assets towards becoming major profit contributors for our terminal business.

As part of our efforts, we are promoting the constructive sharing of resources, including the integration of the terminals along the Yangtze River, to generate synergies. Moreover, given the rise in domestic demand in China, the Group will continue to expand its customer base to increase its sourcing of domestic cargo and to grow revenue by raising the throughput of bulk goods while maintaining a stable volume of container throughput.

Innovative development of the container leasing business

Leasing is a key component of our business. In order to expand our container leasing business, we will continue to study the container leasing market, to capture the timing of new vessel launches and potential increases in container leasing by shipping companies during the expected downturn in the shipping market. Meanwhile, we will promote the implementation of our "Blue Ocean" strategy, to increase the number of purchase and leaseback transactions we engage in with large shipping companies.

Refinement of overall management

The Group is striving to transform itself from an investment-focused to an operation-focused enterprise. We will continue to improve our operational management systems, and put greater emphasis on improving our human resources management, financial management, corporate governance, risk management and safety management. By living our corporate citizenship goals, we will promote sustainable growth within the Group.

We are deeply aware of the importance of corporate citizenship in this period of uncertainty in the global economy and capital markets. To ensure the sustainable development of the Group, more resources will be deployed in the areas of corporate governance, transparency, environmental protection, the rights of staff and stakeholders, and the well-being of the communities in which we operate. To this end, in July 2011 COSCO Pacific appointed the Business Environment Council in Hong Kong to carry out an evaluation and analysis of the Group's sustainable development. After completing on-site studies and questionnaire surveys at COSCO Pacific and its subsidiaries, the Council will present a proposal to the Group containing measures designed to ensure sustainable growth.

Finally, I would like to take this opportunity to thank our shareholders for their trust towards us, as well as COSCO, China COSCO and our sister companies, our business partners and other stakeholders for their support. I firmly believe that with the guidance of the Board of Directors and the continued efforts of our colleagues, COSCO Pacific will develop its business further and deliver improved returns to shareholders.

WANG Xingru
Vice Chairman and Managing Director

27th March 2012

CORPORATE STRUCTURE

World's No. 1 Bulk Shipping Fleet

COSCO Bulk Carrier Co., Ltd.

Qingdao Ocean Shipping Co., Ltd.

COSCO (Hong Kong) Shipping Co., Ltd.

Shenzhen Ocean Shipping Company Limited

World's No. 6 Container Shipping Fleet

COSCO Container Lines Company Limited

China Ocean Shipping (Group) Company

52.80%

China COSCO Holdings Company Limited

Stock code : 1919

100%

42.71%

COSCO Pacific Limited

Stock code : 1199

Independent shareholders

57.29%

World's No. 5

Terminal and related business

World's No. 3

Container leasing, management and sale businesses

World's No. 1

Container manufacturing business

Terminal and related business

Yangtze River Delta

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

Overseas

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

Bohai Rim

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

Pearl River Delta and Southeast Coast

50%	COSCO-HIT Terminal
14.59%	Yantian Terminal Phases I & II
13.36%	Yantian Terminal Phase III
39%	Guangzhou South China Oceangate Terminal
71.43%	Quan Zhou Pacific Terminal
80%	Jinjiang Pacific Terminal
70%	Xiamen Ocean Gate Terminal

Terminal Related Business

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

Container leasing, mangement and sale businesses

100%	Florens

Branches

Asia Pacific
Hong Kong • Shenzhen • Macau • Tianjin • Shanghai • Tokyo • Sydney • Singapore

Americas
San Francisco • New York • Sao Paulo

Europe
London • Hamburg • Genoa

Container manufacturing business

21.8%	CIMC

Location of container manufacturing plants

Dalian • Tianjin • Qingdao • Nantong • Yangzhou • Shanghai • Ningbo • Shenzhen • Xinhui • Zhangzhou • Taicang

As at 31st December 2011

STRONG NETWORK HIGH QUALITY SERVICE

With deep roots in China and its eye on global development, the Group will proactively implement its strategic distribution of Global Terminals Network.

WORLDWIDE TERMINAL NETWORK

Overseas

Terminal coverage

4 PORTS

4 Terminal companies in operation

Total annual handling capacity

9,300,000 TEUs

Overseas

% of total annual handling capacity	16.8%
Container berths	18
Annual handling capacity	9,300,000 TEUs

China

Terminal coverage

14 PORTS

19 Terminal companies in operation

Total annual handling capacity

46,150,000 TEUs

Total annual handling capacity (TEUs)

55,450,000

Bohai Rim

% of total annual handling capacity	33.4%
Container berths	33
Annual handling capacity	18,550,000 TEUs

Yangtze River Delta

% of total annual handling capacity	11.9%
Container berths	15
Annual handling capacity	6,600,000 TEUs

Pearl River Delta and Southeast Coast

% of total annual handling capacity	37.9%
Container berths	27
Annual handling capacity	21,000,000 TEUs

WORLDWIDE CONTAINER DEPOT NETWORK

Container
Depot Network

North America

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

Central America

Puerto Limon

South America

Buenos Aires
Guayaquil
Itajai
Paranagua
Rio de Janeiro
Rio Grande
San Antonio
Santiago
Santos
Talcahuano
Valparaiso

South Africa

Cape Town
Durban
Johannesburg

Container fleet capacity (TEUs)

1,777,792

Total container depots

206

Europe & Mediterranean

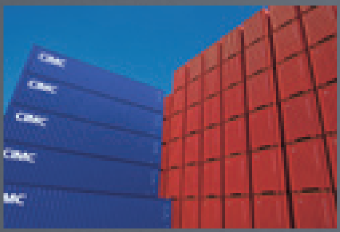
Aarhus
Antwerp
Barcelona
Basel
Bilbao
Birmingham
Bremen
Copenhagen
Dubai
Duisburg
Felixstowe
Fos
Genoa
Gothenburg
Hamburg
Helsinki
La Spezia
Leeds
Leghorn
Le Havre
Leixoes
Lisbon
Liverpool
London
Lyon
Mainz
Manchester
Mannheim
Marseille
Milan
Munich
Naples
Padua
Prague
Rotterdam
Rubiera
Valencia
Vienna

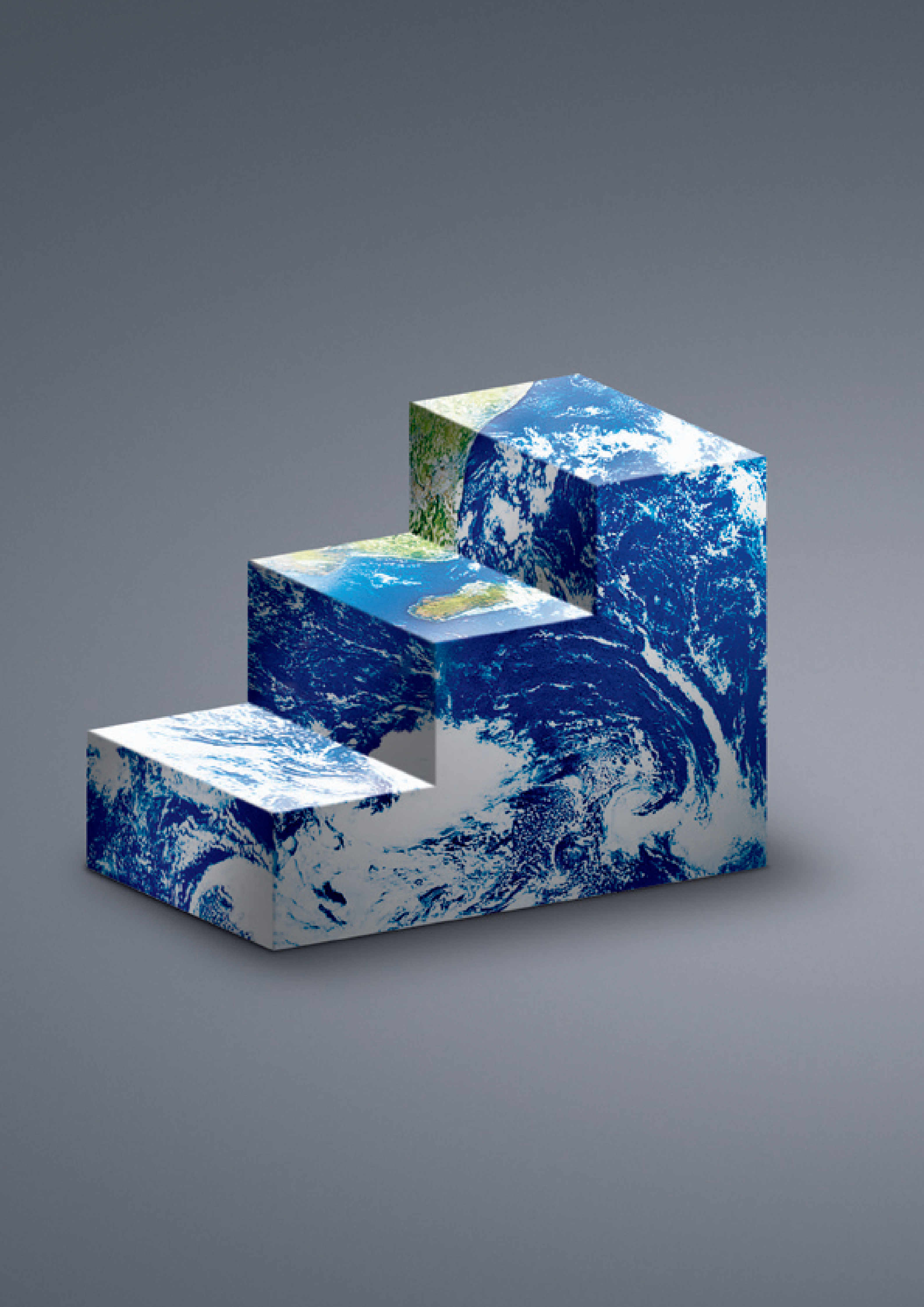
Asia Pacific

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

MANAGEMENT EXCELLENCE ENHANCED PROFITABILITY

Profit from the terminal business increased by 54.2% with an increase of 21.9% in equity throughput.
Profit from the container leasing, management and sale businesses rose 20.9% and container fleet capacity was up 8.9%.





Equity throughput increased by

21.9%

Revenue increased by

65.3%

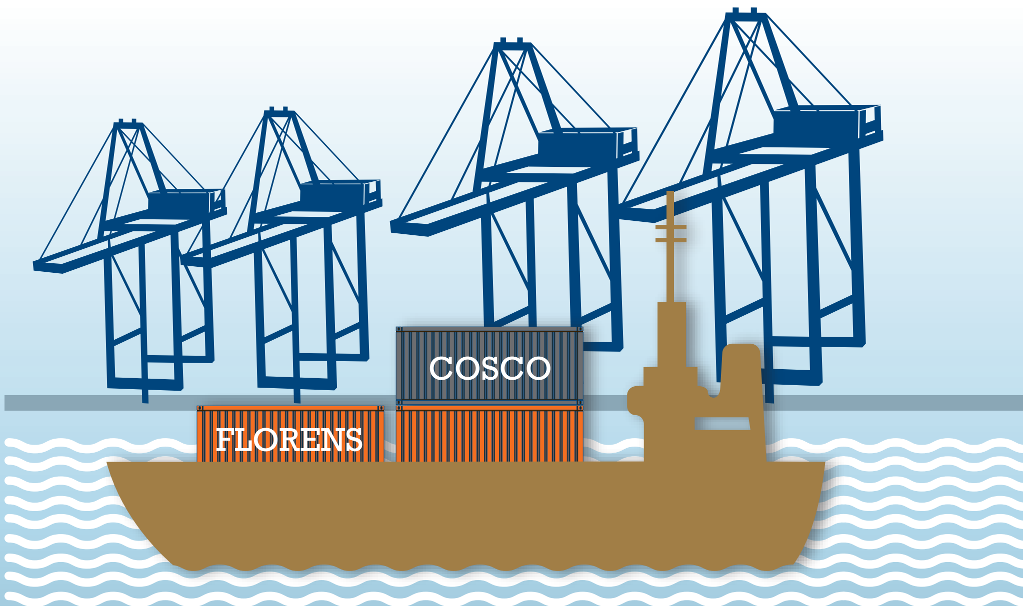
Profit increased by

54.2%

OPERATIONAL REVIEW

TERMINALS

The terminal business of COSCO Pacific achieved good results during the year as it increased operational efficiency. We continued to implement our business strategy and optimise our global terminal network to enhance the stability of our terminal business.



Global container port throughput maintained an upward momentum in 2011. According to a forecast by Drewry Shipping Consultants Limited ("Drewry") published in December 2011, the throughput of global container ports was expected to increase by 6.8% in 2011. The rapid growth trend of 2010 continued into the first half of 2011, with the port industry recording a satisfactory growth in throughput. Affected by the intensifying Eurozone sovereign debt crisis in the second half, however, global economic growth slowed significantly, with throughput growth experiencing a moderation. The trend of throughput growth was in line with the Group's expectation.

Statistics of throughput at Chinese ports in 2011 mirrored economic trends in Europe and the US. Statistics from the Chinese Ministry of Transport showed that for 2011, throughput at China's container ports rose by 11.4% to 162,310,000 TEUs. Among the top ten container ports in Mainland China, the performances of Dalian port and Yingkou port in Bohai Rim region were outstanding. Container throughput growth at Shanghai port and Ningbo port located in Yangtze River Delta was

Throughput of top 10 global container ports

Rank	Port	Throughput (TEUs)	Year-on-year change
1	Shanghai	31,739,000	9.2%
2	Singapore	29,938,000	5.3%
3	Hong Kong	24,384,000	2.9%
4	Shenzhen	22,571,000	0.3%
5	Busan	16,175,000	14.0%
6	Ningbo	14,686,000	11.7%
7	Guangzhou	14,230,000	13.4%
8	Qingdao	13,020,000	8.4%
9	Dubai	13,000,000	12.1%
10	Rotterdam	11,900,000	6.5%

Source: Hong Kong Port Development Council

Throughput of top 10 Chinese container ports

Rank	Port	Throughput (TEUs)	Year-on-year change
1	Shanghai	31,739,000	9.2%
2	Shenzhen	22,571,000	0.3%
3	Ningbo	14,686,000	11.7%
4	Guangzhou	14,230,000	13.4%
5	Qingdao	13,020,000	8.4%
6	Tianjin	11,500,000	14.1%
7	Xiamen	6,460,700	10.9%
8	Dalian	6,400,000	22.1%
9	Lianyungang	4,850,000	25.3%
10	Yingkou	4,033,000	20.8%

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

Profit increased by

54.2%

The Group's loss-making terminals made a significant turnaround in 2011.

in line with China's national average. In the Pearl River Delta, the slow economic recovery in Europe and the US had a greater impact on the Shenzhen ports, which recorded only minimal throughput growth.

The terminal business of COSCO Pacific achieved good results during the year as it increased operational efficiency. We continued to implement our business strategy and optimise our global terminal network to enhance the stability of our terminal business.

Increased operational leverage and outstanding profits

In 2011, the Group's terminal business recorded an annual profit of US$184,890,000 (2010: US$119,882,000), an increase of 54.2%, marking a year of very satisfactory growth.

The profit increased as a result of a 21.9% year-on-year growth in equity throughput of the Group's terminal business, as well as higher tariffs at the Group's terminals in Mainland China during 2011, resulting in a rise in operating profit. During the year, the profit of Qingdao Qianwan Terminal rose by 38.9% to US$35,513,000 (2010: US$25,563,000) due to an increase in operational leverage resulting from a 17.6% growth in throughput. The Group also acquired an approximately 10% additional stake in Yantian Terminal in 2010 and from June 2010 onwards, the profit of Yantian Terminal has been accounted for using the equity method. The related equity profit was fully reflected in 2011's results, amounting to US$51,011,000 (2010: US$30,216,000).

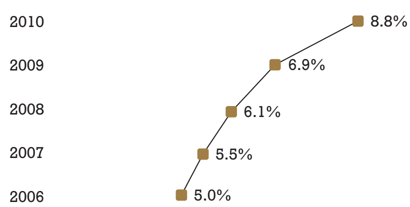
In addition, the Group's loss-making terminals made a significant turnaround in 2011. Piraeus Terminal and Guangzhou South China Oceangate Terminal returned to profitability in September 2010 and the first half of 2011 respectively. Benefiting from a strong 73.5% growth in throughput and a significant decrease in operating costs, Piraeus Terminal recorded a profit of US$6,502,000 in 2011 (2010: loss of US$10,156,000). The throughput of Guangzhou South China Oceangate Terminal rose by 27.9%, while both tariffs and the international cargo ratio increased, contributing profit of US$3,054,000 in 2011 (2010: loss of US$5,088,000).

During the year, the Group disposed of its equity interest in Qingdao Cosport Terminal, making a profit after tax of US$12,557,000 (2010: profit on disposal of Dalian Port Container Co., Ltd. was US$7,020,000).

Proportion of terminal revenue to the Group's total revenue continued to increase

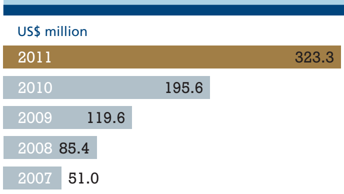
During the year, the revenue of COSCO Pacific's terminal business reached US$323,339,000 (2010: US$195,594,000), an increase of 65.3%. The significant increase was mainly attributable to the fact that Guangzhou South China Oceangate Terminal was reclassified from a jointly controlled entity to a subsidiary from 1st January 2011. Therefore, its income in 2011 has been accounted for as operating income of our terminal business. As a result, terminal revenue as a proportion of the Group's total revenue rose to 54.0% (2010: 43.8%).

Global market share continued to grow



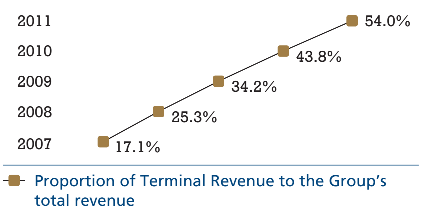
Source: Drewry Shipping Consultants Limited

Compounded annual growth rate of terminal revenue reached 58.6%



US$ 323.3million

Continuous growth in proportion of terminal revenue to the Group's total revenue



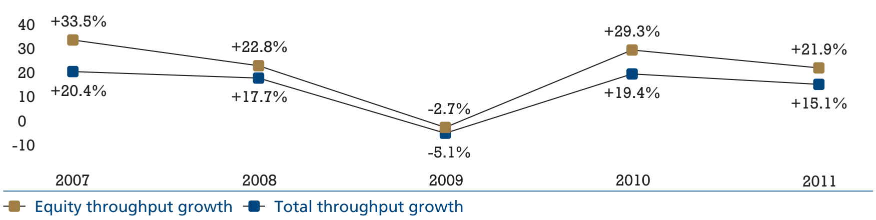
COSCO Pacific achieved an 8.8% share of the global container terminal market and consolidated its position as the world's fifth largest container terminal operator

According to Drewry's "Global Container Terminal Operators Annual Review and Forecast" in August 2011, COSCO Pacific remained the world's fifth largest container terminal operator, with an 8.8% global market share and a 1.9 percentage point year-on-year increase in market share, the strongest growth among the top ten operators. This result reflects the Group's strategy of increasing global market share in the past five years to consolidate its leading position through acquiring controlling stakes in new terminal investment projects. This has enhanced the terminal business, generating continuous high revenue growth, increasing the proportion of the Group's total revenue it accounts for and growing equity throughput faster than total throughput.

Our growth outperformed the average growth rate of Chinese ports

Following the rapid growth in the first half of 2011, the growth in our container throughput slowed in the second half of the year. However, our overall throughput growth remained steady and total container throughput increased by 15.1% in 2011, reaching 50,695,897 TEUs (2010: 44,041,723 TEUs). Our terminal companies in China (excluding Hong Kong) handled 42,360,271 TEUs (2010: 37,076,892 TEUs), a 14.2% increase, outperforming the national average growth rate of 11.4%. The rapid throughput growth of Piraeus Terminal and Guangzhou South China Oceangate Terminal, as well as the Group's increase in its shareholding in Yantian Terminal by approximately 10% in June 2010, drove equity throughput growth up by 21.9% to 13,744,329 TEUs (2010: 11,274,744 TEUs).

Equity throughput outperformed total throughput



Equity throughput outperformed total throughput, increasing

21.9%

Total throughput of different regions

	Throughput (TEUs)	Year-on-year change	% of total throughput
Bohai Rim	19,080,645	+19.8%	37.7%
Yangtze River Delta	7,599,938	+15.3%	15.0%
Pearl River Delta & Southeast Coast	17,305,507	+7.5%	34.1%
China (including Hong Kong)	**43,986,090**	**+13.9%**	**86.8%**
Overseas	6,709,807	+23.6%	13.2%
Total throughput	**50,695,897**	**+15.1%**	**100.0%**

Equity throughput of different regions

	Throughput (TEUs)	Year-on-year change	% of equity throughput
Bohai Rim	3,959,592	+18.0%	28.8%
Yangtze River Delta	2,231,511	+14.6%	16.2%
Pearl River Delta & Southeast Coast	4,939,930	+22.8%	36.0%
China (including Hong Kong)	**11,131,033**	**+19.4%**	**81.0%**
Overseas	2,613,296	+34.0%	19.0%
Total equity throughput	**13,744,329**	**+21.9%**	**100.0%**

Outstanding performance from overseas terminals and superior performance from Bohai Rim terminals

The throughput of the Bohai Rim region was 19,080,645 TEUs (2010: 15,925,584 TEUs), an increase of 19.8%, representing 37.7% of the Group's total throughput. The performance was better than the Yangtze River Delta and Pearl River Delta and growth was mainly driven by Qingdao Qianwan Terminal and Tianjin Euroasia Terminal. During the year a number of new shipping routes commenced, helping the throughput of Qingdao Qianwan Terminal to increase by 17.6%. Tianjin Euroasia Terminal started operation in July 2010 and hence contributed full-year throughput in 2011.

The throughput of the Yangtze River Delta accounted for 15.0% of total throughput, reaching 7,599,938 TEUs (2010: 6,592,455 TEUs), an increase of 15.3%. The growth was mainly driven by Ningbo Yuan Dong Terminal. During the year, its cargo volume from customers increased, resulting from an increase in operational efficiency, contributing to a 25.9% increase in throughput.

The combined throughput of the Pearl River Delta and Southeast Coast represented 34.1% of total throughput, reaching 17,305,507 TEUs (2010: 16,094,776 TEUs), an increase of 7.5%. Guangzhou South China Oceangate Terminal experienced a marked increase in throughput of 27.9%. The terminal's major customer, Maersk Line, increased shipping routes calling at this terminal.

Throughput of terminals

2011 (TEUs) | 2010 (TEUs)

Total Container Throughput

2011 (TEUs)	2010 (TEUs)	
50,695,897	44,041,723[2]	15.1%

Total Container Throughput in China

2011 (TEUs)	2010 (TEUs)	
43,986,090	38,612,815[2]	13.9%

Bohai Rim

	2011 (TEUs)	2010 (TEUs)	
Bohai Rim	19,080,645	15,925,584[2]	19.8%
Qingdao Qianwan Terminal[1]	12,426,090	10,568,065	17.6%
Dalian Port Terminal	1,900,204	1,668,418	13.9%
Tianjin Five Continents Terminal	2,100,321	1,917,873	9.5%
Tianjin Euroasia Terminal	1,350,962	574,296	135.2%
Yingkou Terminal	1,303,068	1,196,932	8.9%

Yangtze River Delta

	2011 (TEUs)	2010 (TEUs)	
Yangtze River Delta	7,599,938	6,592,455[2]	15.3%
Shanghai Pudong Terminal	2,388,156	2,450,176	2.5%
Ningbo Yuan Dong Terminal	2,145,653	1,704,588	25.9%
Zhangjiagang Terminal	1,065,382	889,515	19.8%
Yangzhou Yuanyang Terminal	400,224	302,617	32.3%
Nanjing Longtan Terminal	1,600,523	1,245,559	28.5%

Pearl River Delta and Southeast Coast

	2011 (TEUs)	2010 (TEUs)	
Pearl River Delta and Southeast Coast	17,305,507	16,094,776	7.5%
COSCO–HIT Terminal	1,625,819	1,535,923	5.9%
Yantian Terminal	10,264,440	10,133,967	1.3%
Guangzhou South China Oceangate Terminal	3,914,348	3,060,591	27.9%
Quan Zhou Pacific Terminal	1,186,799	1,050,710	13.0%
Jinjiang Pacific Terminal	314,101	313,585	0.2%

Overseas

	2011 (TEUs)	2010 (TEUs)	
Overseas	6,709,807	5,428,908	23.6%
Piraeus Terminal	1,188,148	684,881	73.5%
Suez Canal Terminal	3,246,467	2,856,854	13.6%
COSCO–PSA Terminal	1,106,262	1,091,639	1.3%
Antwerp Terminal	1,168,930	795,534	46.9%

Note

1. Throughput of Qingdao Qianwan Terminal includes the throughput of Qiandao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal and these two terminals are jointly controlled entities of Qiandao Qianwan Terminal. The throughput of Qingdao Qianwan United Terminal was 1,748,450 TEUs in 2011. Qingdao Qianwan United Advance Terminal started operation in July 2011 and its throughput in 2011 was 324,446 TEUs.
2. The throughput of 2010 does not include the throughput of Qingdao Cosport Terminal and Shanghai Terminal. The Group disposed of its 50% equity interest in Qingdao Cosport Terminal on 28th April 2011. 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"). The Group has a 10% effective interest in Shanghai Terminal with ten container berths of 3,700,000 TEUs annual handling capacity. 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. The throughput of the two terminals in 2010 amounted to 1,284,903 TEUs and 3,197,244 TEUs respectively.
3. The total throughput of break-bulk cargo in 2011 was 25,285,695 tonnes (2010: 23,606,588 tonnes), an increase of 7.1%. The throughput of Dailan Automobile Terminal reached 176,624 vehicles (2010: 121,887 vehicles), an increase of 44.9%.

"THE GROUP'S TERMINAL PORTFOLIO CURRENTLY COVERS FOUR MAIN PORT REGIONS IN CHINA AND OVERSEAS HUB PORTS, RESULTING IN AN OPTIMISED AND DIVERSIFIED TERMINAL PORTFOLIO."

The throughput of overseas terminals accounted for 13.2% of total throughput, reaching 6,709,807 TEUs (2010: 5,428,908 TEUs), an increase of 23.6%. Piraeus Terminal handled 1,188,148 TEUs (2010: 684,881TEUs), an increase of 73.5%. With an increase in calls at the terminal by a major customer from May 2011 and another shipping company starting to call from October 2011, the terminal's transhipment cargo volume has increased significantly.

Optimised port network and enhanced profitability

As of 31st December 2011, there were 93 berths (2010: 97) under the Group's operating container terminals and the annual handling capacity was 55,450,000 TEUs (2010: 55,497,500 TEUs). There were eight break-bulk berths (2010: 8), with a total annual handling capacity of 9,050,000 tonnes (2010: 9,050,000 tonnes).

Balanced geographical distribution of terminals

Terminal berths in operation	No. of berths	Annual handling capacity (TEUs)	% of annual total handling capacity
Bohai Rim			
Container	33	18,550,000	33.4%
Automobile	2	600,000 vehicles	100%
Total number of terminal berths	**35**		
Yangtze River Delta			
Container	15	6,600,000	11.9%
Break-bulk	5	6,550,000 tonnes	72.4%
Total number of terminal berths	**20**		
Pearl River Delta & Southeast Coast			
Container	27	21,000,000	37.9%
Break-bulk	3	2,500,000 tonnes	27.6%
Total number of terminal berths	**30**		
Overseas			
Total number of terminal berths	**18**	**9,300,000**	**16.8%**
Total number of container berths	**93**	**55,450,000**	
Total number of break-bulk berths	**8**	**9,050,000 tonnes**	
Total number of automobile berths	**2**	**600,000 vehicles**	
Total number of terminal berths	**103**		

During the year, the Group further strengthened the earning power of the terminal portfolio. The Group disposed of its 50% equity interest in Qingdao Cosport Terminal, a relatively low yielding asset, to Qingdao Port Group, the remaining shareholder, for a total consideration of RMB184,000,000 (equivalent to approximately US$28,000,000), yielding a profit after tax of US$12,557,000. The terminal has one container berth with an annual handling capacity of 600,000 TEUs.

In 2011, seven new berths were added with a total annual handling capacity of 4,252,500 TEUs. The new berths in operation included two at Qingdao Qianwan United Terminal with 1,040,000 TEUs annual handling capacity, two at Qingdao Qianwan United Advance Terminal providing 1,300,000 TEUs annual handling capacity and three at Suez Canal Terminal providing 1,912,500 TEUs annual handling capacity.

During the year, the Group also sold its entire equity interest in Qingdao Cosport Terminal, while Shanghai Terminal stopped handling containers from January 2011. These two terminals together had 11 berths with 4,300,000 TEUs annual handling capacity.

Newly-added annual handling capacity in 2011

Terminals	No. of berths	Annual handling capacity (TEUs)	Operation commenced
Qingdao Qianwan United Terminal	2	1,040,000	January
Qingdao Qianwan United Advance Terminal	2	1,300,000	July
Suez Canal Terminal	3	1,912,500	October
Total	**7**	**4,252,500**	

In 2012, annual handling capacity is expected to increase by

9.3%

to 60,600,000 TEUs.

Growing handling capacity and upgrading of facilities drive business growth

The Group has been acquiring terminal assets and expanding its existing terminals to increase handling capacity. At the same time, we have upgraded the infrastructure of our terminals to boost efficiency. This has strengthened our competitiveness and given momentum to our business growth.

The Group estimates that additional annual handling capacity provided by its new operations in 2012 will reach 5,150,000 TEUs. The new capacity will come from Dalian Port Terminal (850,000 TEUs), Xiamen Ocean Gate Terminal (1,400,000 TEUs), upgrading of Pier 2 at Piraeus Terminal (1,000,000 TEUs), Jinjiang Pacific Terminal (500,000 TEUs), Yangzhou Yuanyang Terminal (200,000 TEUs) and Ningbo Yuan Dong Terminal (1,200,000 TEUs).

Additional annual handling capacity in 2012

Terminal	No. of berths	Annual handling capacity (TEUs)	Operation commenced
Dalian Port Terminal	1	850,000	Second quarter
Xiamen Ocean Gate Terminal	2	1,400,000	Second quarter
Piraeus Terminal	–	1,000,000	Second quarter
Jinjiang Pacific Terminal	1	500,000	Third quarter
Yangzhou Yuanyang Terminal	1	200,000	Third quarter
Ningbo Yuan Dong Terminal	2	1,200,000	Fourth quarter
Total	**7**	**5,150,000**	

> "A BALANCED GEOGRAPHICAL DISTRIBUTION WILL HELP THE GROUP WITHSTAND ECONOMIC UNCERTAINTIES AND LEND RELATIVE STABILITY TO ITS OPERATIONS.
>
> THE GROUP EXPECTS TO SEE A SLOWDOWN OF THROUGHPUT GROWTH IN 2012 COMPARED TO 2011 FOR ITS TERMINAL BUSINESS.
>
> PIRAEUS TERMINAL AND GUANGZHOU SOUTH CHINA OCEANGATE TERMINAL ARE EXPECTED TO CONTINUE TO DRIVE THE GROWTH IN THE GROUP'S TOTAL THROUGHPUT AND EQUITY THROUGHPUT IN 2012."

Xiamen Ocean Gate Terminal started trial operation at the end of November 2011 and is expected to start formal operation in second quarter of 2012. In addition, in the second quarter of 2012, the new berth at Dalian Port Terminal will also commence operation and the upgrading of Pier 2 at Piraeus Terminal will be completed. The other new berths will be put into operation in the second half of 2012.

Balanced geographical distribution of terminals adds to confidence in future development

The Group's terminal investment strategy is focused on maintaining a balanced geographical distribution of terminals. We have been investing in ports in China and expanding the port network overseas. In addition, we invest not only in international hub ports along the coast of China, but also allocate resources to feeder ports in China that handle domestic and international trade. The Group's terminal portfolio currently covers four main port regions in China and overseas hub ports, resulting in an optimised and diversified terminal portfolio that reduces investment risk. A balanced geographical distribution will also help the Group withstand economic uncertainties and lend relative stability to its operations.

Affected by the slowdown in global economic growth, throughput growth at the Group's terminal business slackened in the second half of 2011. The Eurozone sovereign debt crisis has made global economic prospects more uncertain. According to a forecast by Drewry in December 2011, global port throughput growth in 2012 is expected to decrease by 1.3 percentage points to 5.5%. The Group expects to see a slowdown of throughput growth in 2012 compared to 2011 for its terminal business.

Enhancing operating leverage to strengthen the Group's earnings momentum

In 2011, strong growth in throughput resulting from new shipping routes and new customers drove income and profit growth at Piraeus Terminal and Guangzhou South China Oceangate Terminal. These two terminals are expected to continue to record strong throughput growth in 2012 and drive the growth in the Group's total throughput and equity throughput.

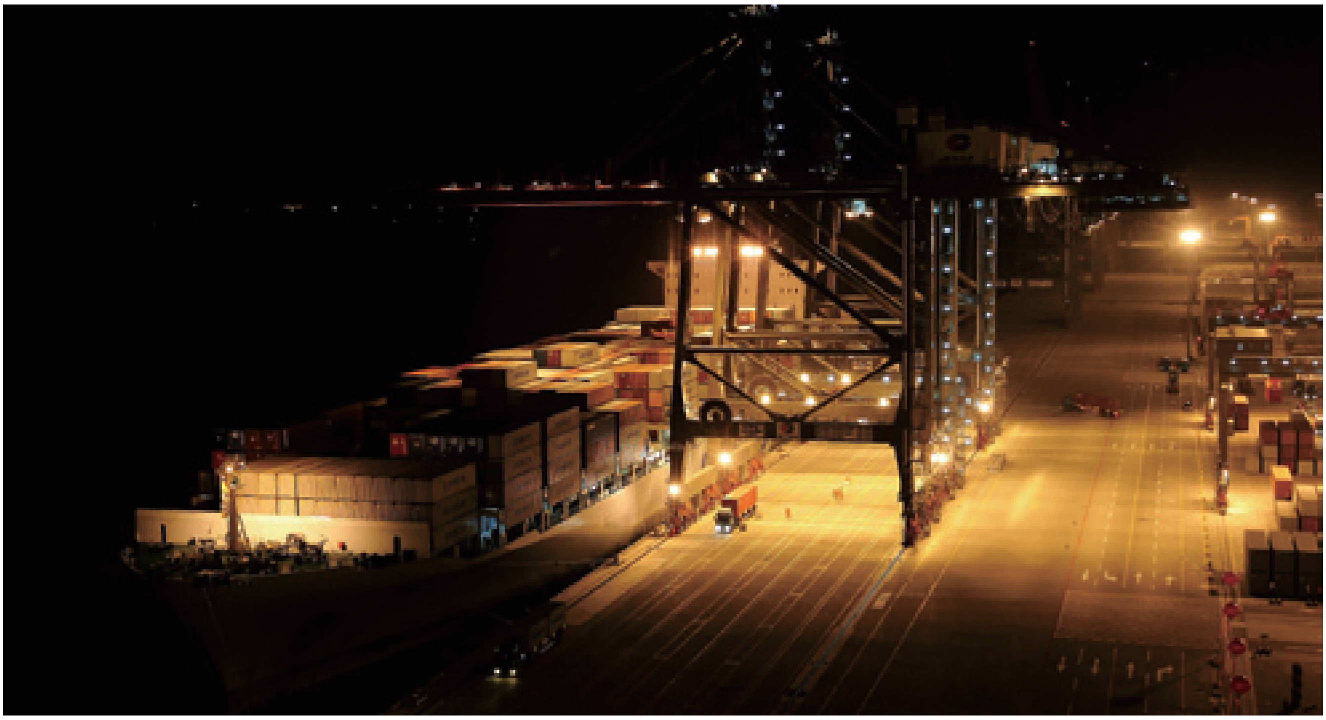
Upgrading work at Pier 2 of Piraeus Terminal started in the second quarter of 2010. Six new super post-panamax quay cranes and eight newly-acquired rail-mounted gantry cranes have put into operation. The works will be completed in the first half of 2012 and will increase the annual handling capacity from 1,600,000 TEUs to 2,600,000 TEUs. Construction of Pier 3 started in the fourth quarter of 2011 and is expected to bring an additional 1,100,000 TEUs annual handling capacity to the terminal after the completion of construction. Sales and marketing work has also progressed satisfactorily, with two international shipping companies increasing berthing and commencing calls during the year. Operating leverage continued to improve on the back of fast growth in business.

The Group is developing Piraeus Terminal into the key transshipment terminal in the Mediterranean region, providing efficient, reliable and stable transshipment container handling services to attract more international shipping companies. This has helped the Group maintain a stable cash flow and achieve a satisfactory investment return.

The Group holds a 70% equity interest in Xiamen Ocean Gate Terminal and has actively participated in the development of the four berths numbered 14 to 17 in Xiamen Haicang District since 2007. The four berths, with a quay length of 1,508 metres and a total area of 1,220,000 square metres, have a design annual handling capacity of 2,800,000 TEUs and can handle vessels up to 150,000 tonnes. Two berths started trial operation at the end of 2011.

Xiamen Port is connected with the most active economic zones in Fujian Province and will be developed into an international shipping hub for South-eastern China. Xiamen Haicang District belongs to the western district of Xiamen Haicang Bonded Port. The bonded port provides for international transshipment, international transit trade, export processing and related functions. The Group has four container berths located in Haicang District at Xiamen Port. We will use the geographical advantage of Xiamen Port to enhance the geographical strategic network of the Group's terminal business.

During its preliminary stages of operation, the Group has actively begun marketing Xiamen Ocean Gate Terminal, with the aim of enhancing operating leverage and shortening the ramp-up period. The operation will gradually mature within 2 to 3 years, providing additional momentum to the continued expansion of the Group's terminal business.



Terminal portfolio[1]

Terminal companies	Shareholding	No. of berths	Depth (M)	Annual handling capacity (TEUs)
Bohai Rim		**43**		**23,850,000**
Qingdao Qianwan Container Terminal Co., Ltd.	20%	11	17.5	6,500,000
Qingdao New Qianwan Container Terminal Co., Ltd.	16%	6	15.0-20.0	3,600,000
Qingdao Qianwan United Container Terminal Co., Ltd.	8%	7	17.0-20.0	3,950,000
Qingdao Qianwan United Advance Container Terminal Co., Ltd.	5.6%	2	17.0-20.0	1,300,000
Dalian Port Container Terminal Co., Ltd.	20%	6	13.5-17.8	4,200,000
Dalian Automobile Terminal Co., Ltd.	30%	2	11.0	600,000 (vehicles)
Tianjin Five Continents International Container Terminal Co., Ltd.	14%	4	15.7	1,500,000
Tianjin Port Euroasia International Container Terminal Co., Ltd.	30%	3	15.5	1,800,000
Yingkou Container Terminals Company Limited	50%	2	14.0	1,000,000
Yangtze River Delta		**32**		**12,200,000**
Shanghai Pudong International Container Terminals Limited	30%	3	12.0	2,300,000
Shanghai Xiangdong International Container Terminal Limited	10%	4	15.0	3,200,000
Ningbo Yuan Dong Terminals Limited	20%	5	15.0	3,000,000
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	51%	3	10.0	1,000,000
Yangzhou Yuanyang International Ports Co., Ltd.	55.59%	2	12.0	700,000
		5	8.0-12.0	6,550,000 (tons of break-bulk cargo)
Nanjing Port Longtan Container Co., Ltd.	20%	10	12.0	2,000,000
Pearl River Delta and Southeast Coast		**37**		**24,300,000**
COSCO-HIT Terminals (Hong Kong) Limited	50%	2	15.5	1,800,000
Yantian International Container Terminals Co., Ltd. (Phase I & II)	14.59%	5	14.0-15.5	4,500,000
Yantian International Container Terminals (Phase III) Limited	13.36%	10	16.0	9,000,000
Guangzhou South China Oceangate Container Terminal Co., Ltd.	39%	6	15.5-16.0	4,200,000
Quan Zhou Pacific Container Terminal Co., Ltd.	71.43%	3	7.0-15.1	1,200,000
		2	5.1-9.6	1,000,000(tons of break-bulk cargo)
Jinjiang Pacific Ports Development Co., Ltd.	80%	2	10.2-14.0	800,000
		3	7.9-9.8	4,200,000(tons of break-bulk cargo)
Xiamen Ocean Gate Container Terminal Co., Ltd.	70%	4	17.0	2,800,000
Overseas		**22**		**13,300,000**
Piraeus Container Terminal S.A.	100%	6	14.0-16.0	3,700,000
Suez Canal Container Terminal S.A.E.	20%	8	16.0	5,100,000
COSCO-PSA Terminal Private Limited	49%	2	15.0	1,000,000
Antwerp Gateway NV	20%	6	17.0	3,500,000
Total no. of berths		**134**		
Total no. of container berths/Annual handling capacity		**122**		**73,650,000**
Total no. of break-bulk cargo berths/Annual handling capacity		**10**		**11,750,000 (tons of break-bulk cargo)**
Total no. of automobile berths/Annual handling capacity		**2**		**600,000 (vehicles)**

Note

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

MANAGEMENT EXCELLENCE ENHANCED PROFITABILITY

Container fleet capacity was up

8.9%

Revenue rose

10.2%

Profit rose

20.9%

OPERATIONAL REVIEW

CONTAINER LEASING, MANAGEMENT AND SALE

The Group's container leasing, management and sale businesses, operated and managed by Florens, had a satisfactory performance in 2011, driven by the growth in the size of the Group's container fleet during the year and an increase in the number of containers on hire.

Long-term leases accounted for

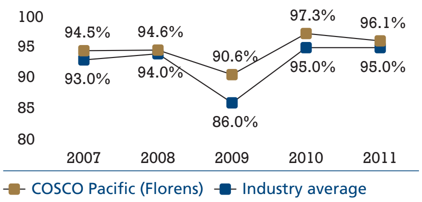
93.8%

of the total revenue of container leasing

Overall average utilisation rate was

96.1%

Utilisation rate maintained at a relatively high level



Continuing on from the strong demand of 2010, the leasing market for containers developed well in the first half of 2011. The demand for container leasing services was so high that most container shipping lines had confirmed full-year container leasing plans during the first quarter.

Affected by the intensifying Eurozone sovereign debt crisis in the second half of 2011, global economic growth slowed significantly and demand slackened, leading to a corresponding downturn for the container leasing industry.

Increase in on-hire containers contributed to profit growth

The Group's container leasing, management and sale businesses, operated and managed by Florens, had a satisfactory performance in 2011. Profit increased by 20.9% to US$116,508,000 (2010: US$96,366,000), driven by the growth in the size of the Group's container fleet during the year and an increase in the number of containers on hire.

The Group's container leasing business maintains an optimal balance of leases, with containers leased mainly on a long-term basis so as to maintain a relatively high utilisation rate and provide a stable source of income. Long-term leases accounted for 93.8% (2010: 92.7%) of the total revenue of the container leasing in 2011 while revenue from master leases accounted for 6.2% (2010: 7.3%).

The overall average utilisation rate of the Group's containers was 96.1% (2010: 97.3%), which was slightly higher than the industry average of approximately 95.0% (2010: approximately 95.0%).

Benefiting from satisfactory leasing revenue, businesses recorded steady growth

In 2011, revenue from the Group's container leasing, management and sale businesses reached US$276,547,000 (2010: US$250,898,000), representing an increase of 10.2%. The growth was mainly attributable to increased revenue from container leasing.

Revenue from container leasing was US$246,782,000 (2010: US$207,245,000), representing an increase of 19.1%. Revenue from container leasing represented 89.2% of the total revenue of the container leasing, management and sale businesses (2010: 82.6%). The fleet size of owned containers and sale-and-leaseback containers increased by 18.4% to 1,103,443 TEUs (2010: 931,719 TEUs), driving the growth of revenue from container leasing.

Revenue from managed containers increased 10.3% to US$8,181,000 (2010: US$7,416,000), representing 3.0% (2010: 3.0%) of the total revenue. Although the fleet size of managed containers fell 3.7% to 674,349 TEUs (2010: 700,064 TEUs), the net operating income increased as a result of a decrease in the operating expense of managed containers.

Revenue from the disposal of returned containers declined by 46.2% to US$18,245,000 (2010: US$33,895,000), representing 6.6% (2010: 13.5%) of the total revenue. The decrease in revenue from the sale business was mainly due to a decrease in the number of disposed returned containers to 9,826 TEUs (2010: 28,674 TEUs).

The solid growth of leasing revenue drove the overall business growth of container leasing, management and sale

	2011 US$	Year-on-year change	Percentage of total divisional revenue
Container leasing	**246,782,000**	+19.1%	89.2%
Disposal of returned containers	**18,245,000**	-46.2%	6.6%
Container management	**8,181,000**	+10.3%	3.0%
Others	**3,339,000**	+42.6%	1.2%
Total revenue	**276,547,000**	**+10.2%**	**100.0%**

Container fleet increased

8.9%↑

Expanding container fleet to drive business growth

As of 31st December 2011, the Group's container fleet had reached 1,777,792 TEUs (2010: 1,631,783 TEUs), representing an 8.9% increase. The Group remained the world's third largest container leasing company, with a market share of approximately 12.5% (2010: approximately 13.0%). The average age of containers in the fleet was 5.89 years (2010: 5.36 years).

During the year, the Group ordered 118,755 TEUs of new containers (2010: 111,625 TEUs). Among these, 56,050 TEUs were purchased for COSCON (2010: 14,900 TEUs), accounting for 47.2% (2010: 13.3%) of the total new containers, while 62,705 TEUs were for international customers (2010: 96,725 TEUs), representing 52.8% (2010: 86.7%) of the total new containers. The capital expenditure for the purchase of new containers was US$315,788,000 (2010: US$250,364,000).

In addition, Florens signed purchase and leaseback contracts with two shipping companies in the second half of 2011. Under these contracts, the Group purchased their owned containers and leased them back to the companies. The container fleet size amounted to 66,476 TEUs, involving a total investment of US$117,108,000. The objective of this transaction was to expand our container fleet size and market share, and most importantly to increase rental income and secure stable returns.

During the year, the number of containers returned from COSCON upon expiry of 10-year leases was 7,335 TEUs (2010: 40,992 TEUs).

The Group purchased containers of

185,231 TEUs

Owned container fleet size increased by

7.4%

Fleet capacity movement

	2011 (TEUs)	2010 (TEUs)	Year-on-year change (%)
Fleet capacity at 1st January	**1,631,783**	1,582,614	+3.1
New containers purchased	**118,755**	111,625	+6.4
Purchase and leaseback of shipping lines' owned containers	**66,476**	–	N/A
Managed containers deposited by a third party	**4,056**	4,402	-7.9
Containers returned from COSCON upon expiry of leases			
– Total	**(7,335)**	(40,992)	-82.1
– Re-leased	**360**	5,863	-93.9
– Disposed of and pending for disposal	**(6,975)**	(35,129)	-80.1
Ownership transferred to customers upon expiry of finance leases	**(3,599)**	(162)	+2,121.6
Defective containers written off	**(56)**	(59)	-5.1
Total loss of containers declared and compensated by customers	**(32,648)**	(31,508)	+3.6
Fleet capacity at 31st December	**1,777,792**	**1,631,783**	**+8.9**

A balanced development of container leasing, management and sale businesses

While expanding its container fleet, the Group is ensuring a balanced development of the container leasing, management and sale businesses to lower investment risk. In May 2011, the Group completed the sale of 111,189 TEUs of containers to a jointly controlled entity of ING Bank and DBS Bank, for a consideration equivalent to the net book value at the date of disposal. The containers were leased back to COSCON upon completion of the transaction.

The cash consideration of the disposal of these containers was US$198,000,000. The transaction increased the Group's cash flow and allowed the Group to reduce its gearing ratio. In addition, leasing back the containers enabled the Group to retain commercial control over the containers and sub-lease to its customer, with the Group retaining the profit from the sub-lease over the lease term.

As a result of these actions, the Group's container fleet mix has seen adjustments during the year. The owned container fleet reached 874,160 TEUs (2010: 813,625 TEUs), which represented 49.2% (2010: 49.8%) of the total container fleet. The sale-and-leaseback container fleet size amounted to 229,283 TEUs (2010: 118,094 TEUs), which represented 12.9% (2010: 7.3%) of the total container fleet size. The managed container fleet size amounted to 674,349 TEUs (2010: 700,064 TEUs), representing 37.9% (2010: 42.9%) of the total fleet size.

Classified by customer, COSCON leased 547,077 TEUs (2010: 499,106 TEUs), while international customers took up 1,230,715 TEUs (2010: 1,132,677 TEUs), which represented 30.8% (2010: 30.6%) and 69.2% (2010: 69.4%) of the total fleet size respectively.

Breakdown of owned, managed and sale-and-leaseback containers

As of 31st December	Leasing customers	2011 (TEUs)	2010 (TEUs)	Year-on-year change (%)
Owned containers	COSCON	**317,794**	381,012	-16.6
Owned containers	International customers	**556,366**	432,613	+28.6
Sale-and-leaseback containers	COSCON	**229,283**	118,094	+94.2
Managed containers	International customers	**674,349**	700,064	-3.7
Total		**1,777,792**	**1,631,783**	**+8.9**

As of 31st December	Leasing customers	2011 % of the total	2010 % of the total	Year-on-year change (pp)
Owned containers	COSCON	**17.9**	23.3	-5.4
Owned containers	International customers	**31.3**	26.5	+4.8
Sale-and-leaseback containers	COSCON	**12.9**	7.3	+5.6
Managed containers	International customers	**37.9**	42.9	-5.0
Total		**100.0**	**100.0**	**–**

Container leasing business focuses on long-term leasing to maintain rental income growth steadily

According to a forecast made in February 2012 by Clarkson, global shipping capacity will increase by about 1,300,000 TEUs in 2012. The addition of new vessels and the replacement of old containers will generate considerable demand for new containers. In addition, Clarkson estimated 7.7% growth in global container traffic in 2012 and the Group has a cautiously optimistic outlook for the container leasing business.

The majority of containers purchased in 2011 has been rented out on long-term leases and will drive container leasing income growth in 2012. In addition, most of the new containers were leased out at relatively high rental rates in the first quarter of 2011, with a satisfactory rental yield.

Furthermore, since the revenue from long-term leases accounts for 93.8% of the total revenue from container leasing, rental income is forecast to grow steadily in 2012.

As the global economic outlook for 2012 remains uncertain, the Group has made prudent capital expenditure plans for the purchase of new containers.

We believe that the successful business model of container leasing, management and sale can sustain market challenges.

The Group has a strong risk management system to evaluate the credit risk of customers. Core customers of the Group are reliable container shipping lines, and during the year, 70.3% (2010: 70.8%) of the container rental income of the Group came from the world's top ten container shipping lines. The Group's focus on long-term leasing reduces risk further, since it allows the utilisation rate to be maintained at a relatively high level and lowers exposure to market cycles.

Year-on-year Profit Contribution Increased

30.4%

OPERATIONAL REVIEW

CONTAINER MANUFACTURING

The demand for new dry containers was very strong in the first half of 2011 and most container shipping lines confirmed their container purchasing and leasing plans for the year. In the first half of 2011, the sale of dry containers grew rapidly and the price was maintained at a high level, but the demand for containers slowed in the second half of the year as the Eurozone sovereign debt crisis intensified and the shipping market turned weaker.

The Group holds a 21.8% equity stake in CIMC, the world's largest container manufacturer. Although the demand for containers slowed down in the second half of the year, supported by the stability in CIMC's vehicles business and the sustainable growth in its energy, chemical and liquid food equipment manufacturing business, the overall performance of CIMC was satisfactory in 2011. CIMC's profit contribution to the Group increased by 30.4% to US$119,799,000 (2010: US$91,871,000) in 2011.

FINANCIAL REVIEW

Overall analysis of results

Profit attributable to equity holders of the Group for the year 2011 was US$388,771,000 (2010: US$361,307,000), a 7.6% increase compared with last year. Excluding the non-recurring items, profit attributable to equity holders in 2011 was US$364,373,000 (2010: US$269,577,000), a 35.2% increase compared with last year. Non-recurring items include gain of US$11,841,000 on release of exchange reserve upon reclassification of Guangzhou South China Oceangate Terminal from a jointly controlled entity to a subsidiary in 2011, profit of US$12,557,000 on the disposal of Qingdao Cosport Terminal in 2011, profit of US$84,710,000 on the disposal of COSCO Logistics in 2010 and profit of US$7,020,000 on the disposal of Dalian Port Container in 2010.

Taking into account the non-recurring items of the profit of US$12,557,000 on the disposal of Qingdao Cosport Terminal in 2011 and the profit of US$7,020,000 on the disposal of Dalian Port Container Terminal Co. Ltd. in 2010, profit from the terminal business in 2011 was US$184,890,000 (2010: US$119,882,000), a significant increase of 54.2% compared with last year. Excluding these two non-recurring items, profit from the terminal business in 2011 was US$172,333,000 (2010: US$112,862,000), representing an increase of 52.7% compared with last year. In 2011, the throughput of container terminals reached 50,695,897 TEUs (2010: 44,041,723 TEUs), a 15.1% increase compared with last year. The completion of the Group's acquisition of an approximately 10% additional equity interest in Yantian Terminal in June 2010 further intensified the growth in the profit from COSCO Pacific's terminal business. In addition, Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal, which returned to profitability in September 2010 and the first half of 2011 respectively, showed strong performance during the year, boosting the overall profit from terminal business.

With regard to the container leasing, management and sale businesses, a profit of US$116,508,000 was recorded in 2011 (2010: US$96,366,000), a 20.9% increase compared with last year. As at 31st December 2011, the container fleet size increased to 1,777,792 TEUs (31st December 2010: 1,631,783 TEUs), an 8.9% increase compared with last year.

For CIMC, after the rapid growth in sales of dry cargo containers and persistently high container prices in the first half of 2011, demand for containers slowed down in the second half of the year. COSCO Pacific's profit attributable from CIMC was US$119,799,000 (2010: US$91,871,000) in 2011, representing a 30.4% increase compared with last year.

Financial analysis

Revenue

Revenue of the Group in 2011 was US$599,159,000 (2010: US$446,492,000), a 34.2% increase compared with last year. The revenue was primarily derived from the terminal business, amounting to US$323,339,000 (2010: US$195,594,000), and the container leasing, management and sale businesses, amounting to US$276,547,000 (2010: US$250,898,000). In 2011, total revenue from the terminal business rose significantly by 65.3% compared with last year, which was mainly attributable to the reclassification of Guangzhou South China Oceangate Terminal from a jointly controlled entity to a subsidiary since 1st January 2011, resulting in an increase in total terminal revenue in 2011. Throughput of Guangzhou South China Oceangate Terminal was 3,914,348 TEUs, recording a revenue of US$94,889,000 for the year. In addition, throughput of Piraeus Terminal in Greece rose to 1,188,148 TEUs (2010: 684,881 TEUs) in 2011, contributing revenue of US$101,420,000 (2010: US$83,303,000) to the Group during the year.

Revenue from the container leasing, management and sale businesses primarily included container leasing income and revenue from the disposal of returned containers. As at 31st December 2011, the fleet capacity of owned containers and sale-and-leaseback containers reached 874,160 TEUs and 229,283 TEUs respectively (31st December 2010: 813,625 TEUs and 118,094 TEUs respectively). Revenue from container leasing for the year was US$246,782,000 (2010: US$207,245,000), a 19.1% increase from last year. The number of returned containers disposed of during 2011 was 9,826 TEUs (2010: 28,674 TEUs), and the revenue from the sale of returned containers was US$18,245,000 (2010: US$33,895,000).

Cost of sales

Cost of sales mainly comprised depreciation charges on owned containers, net carrying amount of returned containers disposed of, container rental expenses and operating expenses of the terminal companies with controlling stakes. Cost of sales in 2011 was US$340,141,000 (2010: US$279,768,000), an increase of 21.6% compared with last year. The increase was mainly attributable to the consolidation of the cost of sales incurred by Guangzhou South China Oceangate Terminal starting from 1st January 2011. For container leasing, depreciation charges for containers were US$87,191,000 (2010: US$84,665,000) for the year. In addition, the drop in the number of returned containers sold reduced the net carrying amount of disposed returned containers to US$10,232,000 (2010: US$25,347,000).

Investment income

Investment income, comprising mainly dividend income, was US$1,992,000 (2010: US$1,612,000). The amount was primarily a dividend of US$1,628,000 declared by Tianjin Five Continents Terminal in 2011 (2010: US$1,485,000).

Administrative expenses

Administrative expenses in the year were US$89,323,000 (2010: US$59,823,000), an increase of 49.3% compared with last year. The increase was mainly attributable to the consolidation of administrative expenses incurred by Guangzhou South China Oceangate Terminal during the year and an increase in the initial costs of Xiamen Ocean Gate Terminal which is expected to commence operation in the second quarter of 2012. These caused an increase in the overall administrative expenses in 2011.

Other operating income, net

Net other operating income in 2011 was US$7,713,000 (2010: US$4,754,000), which included a net exchange gain of US$4,305,000 (2010: a net exchange loss of US$2,999,000) for the year. In addition, the subsidiaries received government subsidies in an aggregate of US$3,773,000 in 2011. On the other hand, a profit of US$7,020,000 generated from the disposal of Dalian Port Container was included in 2010. No such profit was recorded in 2011.

Finance costs

The Group's finance costs in 2011 were US$58,419,000 (2010: US$29,439,000). Finance costs included interest expenses and the amortisation of transaction costs over bank loans and notes. The increase in finance costs was primarily due to the consolidation of finance costs of Guangzhou South China Oceangate Terminal during the year. Upon the consolidation of the bank loans of Guangzhou South China Oceangate Terminal, the average balance of bank loans was US$2,076,681,000 (2010: US$1,579,766,000), a 31.5% increase compared with last year. In addition, the upward adjustment of the benchmark interest rate for RMB loans in the PRC led to increased finance costs for the year. Excluding the interest expenses on loans from a jointly controlled entity and non-controlling shareholders of subsidiaries, the average cost of borrowing in 2011, including the amortisation of transaction costs over bank loans and notes, was 2.66% (i.e. an average 6-month LIBOR of approximately 0.52% plus 214 basis points), while that for last year was 1.86% (i.e. an average 6-month LIBOR of approximately 0.51% plus 135 basis points).

Share of profits less losses of jointly controlled entities and associates

The net profit contribution from jointly controlled entities in 2011 amounted to US$96,638,000, representing a 29.4% increase compared with US$74,654,000 last year. The increase was mainly attributable to Qingdao Qianwan Terminal and the reclassification of Guangzhou South China Oceangate Terminal to a subsidiary. The throughput of Qingdao Qianwan Terminal increased to 12,426,090 TEUs (2010: 10,568,065 TEUs) in 2011, a 17.6% increase compared with last year. During the year, a share of profit from Qingdao Qianwan Terminal amounting to US$35,513,000 (2010: US$25,563,000) was recorded, representing a 38.9% increase. In addition, Guangzhou South China Oceangate Terminal was previously a jointly controlled entity of COSCO Pacific. Starting from 1st January 2011, COSCO Pacific has accounted for Guangzhou South China Oceangate Terminal as a subsidiary and consolidated to COSCO Pacific's financial statements. Accordingly, in 2011, the profit of Guangzhou South China Oceangate Terminal was not stated as share of a jointly controlled entity, while Guangzhou South China Oceangate Terminal stated as share of a jointly controlled entity recorded a loss of US$5,088,000 last year.

During the year, the share of net profit from associates increased significantly to US$179,290,000, representing a 35.7% increase compared with US$132,120,000 last year. The increase was primarily contributed by CIMC and the acquisition of a further interest in Yantian Terminal in 2010. After the completion of the acquisition of a further interest in Yantian Terminal in June 2010, the Group's investment in Yantian Terminal was reclassified from an available-for-sale financial asset to an associate and is accounted for using the equity method. The share of full-year profit from Yantian Terminal to the Group was US$51,011,000 (2010: US$30,216,000) in 2011, representing an increase of 68.8% compared with last year. With regard to the container manufacturing business, the sale of dry containers grew rapidly and the price was maintained at a high level in the first half of 2011. However, the demand for containers dropped in the second half of the year as the Eurozone sovereign debt crisis intensified and the shipping market was turning weak. CIMC's profit contribution to the Group was US$119,799,000 (2010: US$91,871,000) in 2011, a 30.4% increase compared with last year.

Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary

Guangzhou South China Oceangate Terminal was previously a jointly controlled entity of the Group. By virtue of the clause in an agreement entered into by the Group and the other shareholder of CP Nansha, the joint control of Guangzhou South China Oceangate Terminal expired on 31st December 2010 and COSCO Pacific has the power to govern the operating and financial policies of Guangzhou South China Oceangate Terminal. Accordingly, the Group has accounted for Guangzhou South China Oceangate Terminal as a subsidiary from 1st January 2011. During the year, a gain of US$11,841,000 on release of exchange reserve was recorded upon reclassification from a jointly controlled entity to a subsidiary.

Profit on disposal of a jointly controlled entity, net of tax

To optimise the Group's terminal business structure, on 10th March 2011, the Group entered into an agreement with Qingdao Port Group, the remaining shareholder of Qingdao Cosport Terminal, to dispose of its 50% equity interest in Qingdao Cosport Terminal at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). The disposal was completed on 28th April 2011, generating a profit after tax of US$12,557,000.

Income tax expenses

During the year, income tax expenses amounted to US$28,771,000 (2010: US$15,653,000). This included a provision of approximately US$20,808,000 (2010: US$12,900,000) for withholding income tax in respect of the profit distribution by certain investments of the Group in the PRC.

Profit from discontinued operations

Profit from discontinued operations in 2010 represented the profit generated from the disposal of COSCO Logistics. In March 2010, the Group completed the disposal of COSCO Logistics which resulted in a profit (net of direct expenses and tax) of US$84,710,000. No such profit was recorded in 2011.

Financial position

Cash flow

Cash inflow of the Group remained steady in 2011. During the year, net cash from operating activities amounted to US$331,933,000 (2010: US$255,702,000). The Group borrowed bank loans of US$605,318,000 (2010: US$202,401,000) and repaid US$536,866,000 (2010: US$265,153,000) in 2011.

The Group's cash outflow for the purchase of property, plant and equipment in 2011 amounted to US$666,969,000 (2010: US$375,342,000). The cash was used for the expansion of berths and the purchase of property, plant and equipment, of which US$458,282,000 (2010: US$239,607,000) was for the acquisition of containers. In addition, in 2011, the total cash outflow for capital investments by the Group amounted to US$4,689,000, mainly comprising an investment balance of US$3,974,000 in Jinjiang Pacific Terminal and an investment cost of US$712,000 invested in Piraeus Consolidation and Distribution Centre S.A. The total cash outflow for capital investments and shareholders' loans of the Group in 2010 amounted to US$570,871,000, mainly comprising US$520,000,000 used for the acquisition of an approximately 10% equity interest in Yantian Terminal, US$27,996,000 used for reinvestment of dividends from Yantian Terminal, US$9,052,000 used for capital injection in Nanjing Longtan Terminal, US$7,030,000 used for capital injection in Dalian Automobile Terminal and US$3,352,000 used for providing a shareholder's loan to Antwerp Gateway.

Financing and credit facilities

Upon the consolidation of Guangzhou South China Oceangate Terminal, the total bank loans of COSCO Pacific increased to US$2,167,994,000 (31st December 2010: US$1,558,755,000) as at 31st December 2011, with a cash balance of US$581,069,000 (31st December 2010: US$524,274,000). Banking facilities available but unused amounted to US$1,041,658,000 (31st December 2010: US$1,099,127,000).

Assets and liabilities

As of 31st December 2011, the Group's total assets and total liabilities increased to US$6,472,184,000 (31st December 2010: US$5,251,917,000) and US$2,592,025,000 (31st December 2010: US$1,758,055,000) respectively as a result of the consolidation of Guangzhou South China Oceangate Terminal into COSCO Pacific during the year.

Net assets were US$3,880,159,000, an increase of 11.1% as compared with US$3,493,862,000 as at the end of 2010. Net current assets as at 31st December 2011 amounted to US$50,698,000 (31st December 2010: US$439,366,000). As at 31st December 2011, the net asset value per share of the Company was US$1.43 (31st December 2010: US$1.29), representing an increase of 10.9% compared with last year.

As at 31st December 2011, the net debt-to-total equity ratio was 40.9% (31st December 2010: 29.6%), and the interest coverage was 8.3 times (2010: 11.1 times, excluding profit on disposal of logistics business). As at 31st December 2011, certain of the Group's property, plant and equipment with an aggregate net book value of US$19,277,000 (31st December 2010: US$20,896,000) were pledged as securities against bank borrowings of US$130,682,000 (31st December 2010: US$64,180,000).

Debt analysis

	As at 31st December 2011		As at 31st December 2010	
	US$	(%)	US$	(%)
By repayment term				
Within the first year	**594,524,000**	**27.4**	169,109,000	10.8
Within the second year	**732,863,000**	**33.8**	297,490,000	19.1
Within the third year	**328,158,000**	**15.1**	668,458,000	42.9
Within the fourth year	**48,307,000**	**2.2**	173,001,000	11.1
Within the fifth year and after	**464,142,000**	**21.5**	250,697,000	16.1
	2,167,994,000*	**100.0**	1,558,755,000*	100.0
By category				
Secured borrowings	**130,682,000**	**6.0**	64,180,000	4.1
Unsecured borrowings	**2,037,312,000**	**94.0**	1,494,575,000	95.9
	2,167,994,000*	**100.0**	1,558,755,000*	100.0
By denominated currency				
US dollar borrowings	**1,175,832,000**	**54.3**	1,165,404,000	74.8
RMB borrowings	**861,480,000**	**39.7**	329,171,000	21.1
Euro borrowings	**130,682,000**	**6.0**	64,180,000	4.1
	2,167,994,000*	**100.0**	1,558,755,000*	100.0

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

Financial guarantee contracts

As at 31st December 2011, the Group provided guarantees on a loan facility granted to an associate of US$27,513,000 (31st December 2010: US$29,505,000).

Contingent liabilities

A statement of claim was issued on 19th 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$7,500,000) in total. The Company and Piraeus Terminal defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (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$39,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. 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 container leasing business are mainly denominated in US dollars, which is the same currency as the majority of its revenue and expenses so as to minimise potential foreign exchange exposure.

The financing activities of jointly controlled entities and associates were denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

The Group continues to exercise stringent control over the use of financial derivatives to hedge against its interest rates exposure. As at 31st December 2011, outstanding interest rate swap contracts comprised nominal principal amounting to US$200,000,000 (31st December 2010: US$200,000,000) in total, whereby the Group agreed to pay the banks interest at floating rates ranging from 105 basis points to 116 basis points (31st December 2010: 105 basis points to 116 basis points) above 6-month LIBOR in return for receiving interest from the banks at a fixed interest rate of 5.875% per annum (31st December 2010: 5.875%).

As at 31st December 2011, after adjustment of the fixed rate borrowings for the interest rate swap contracts, 4.6% (31st December 2010: 6.4%) of the Group's borrowings were fixed rate bank loans. The Group continues 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.

CORPORATE RESPONSIBILITY & SUSTAINABLE DEVELOPMENT

We are committed to continuously improve our corporate sustainable development for the community, employees and the environment.
We are dedicated to achieving greater transparency and protecting shareholders' interests.

CORPORATE SUSTAINABLE DEVELOPMENT

Environmental protection

COSCO Pacific upholds measures and policies to protect and improve the environment. We have taken into account environmental protection during the course of our business development. We are committed to implementing environmental management both in business operations and in employee activities, with a view to minimising the impact of our daily operation on the environment. The Group continues to support the efforts of its subsidiaries to promote energy conservation and emission reduction as well as environmental protection.

Caring for the community

The Company is committed to embracing its corporate citizenship through active participation in social welfare and community services, producing a positive impact on the communities it operates in. The Group and its subsidiaries in different regions also care for and assist in the affairs of local communities through various means.

Employee-oriented philosophy

COSCO Pacific believes that employees are its most valuable asset and is committed to building a team of dedicated staff in pursuit of excellence. The expansion of the Group's businesses translates into valuable and sustainable career development opportunities for its employees. The Group is committed to creating a harmonious working environment, arranges a wide range of training programmes designed to enhance the management skills and professionalism of its management team and staff. In 2011, the Group organised various recreational activities to enrich the life of its staff members during leisure time and to enhance their team spirit, passion and sense of belonging to the Company. The Group has also focused on improving its incentive scheme and has implemented an internal job rotation scheme to bring the potential of its staff members into full play. The Group has optimised its staff assessment system and promotes the integration of different cultures. The successful operation of Piraeus Terminal in Greece is a result of joint efforts of staff in China and Greece.

Occupational health and safety

The Group is committed to providing employees with a safe working environment. In addition to promoting the awareness of occupational health and safety among its employees, the Group has established a safety management system and allocated resources to provide frontline staff with adequate safety protection.

Integrate corporate sustainability into the management philosophy

In 2011, the Company has assessed its Environmental, Social and Governance ("ESG") performance. It has set itself the goal of enhancing disclosure of environmental impacts, community involvement and corporate governance. For this purpose, the Company has engaged the Business Environment Council Limited ("BEC") to provide it with an objective assessment of current performance as well as strategic advice on how to improve the integration of ESG into its business operations. The Company is keen to meet the information requirements of our ESG investors and aims to enhance the sustainability of its businesses further in the coming years.

As remarked by BEC, the Company is taking a proactive approach in identifying strategies to enhance its corporate sustainability performance and is undertaking more on the sustainability front than it regularly discloses. The Company has shown commitment towards operational efficiencies, in many cases minimising the environmental impact of its businesses and implementing best practice in health and safety aspects.

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 according to standards higher than those of the disclosure regulations governing the Company's listing.

We respond promptly to investors' enquiries and organise planned regular communications such as investor meetings, panel discussions and presentations. This helps ensure COSCO Pacific's strengths and competitive advantages, as well as its ability to manage changes in the business environment, are fully understood, and so reflected in the Company's market valuation.

The investor relations team informs senior management regularly of the latest 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.

We analyse our shareholding structure regularly, 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.

In 2011, to keep interested parties fully aware of our performance, strategies and outlook for the business, we conducted press conferences, panel discussions with investors and analysts by teleconferencing, and also during luncheons and roadshows.

During the year, we have met investors and related parties 508 man-times, among which fund managers accounted for 50%, analysts accounted for 21%, investment banks accounted for 19%, and media accounted for 10%. During the year, we conducted ten roadshows and arranged six visits to our terminals.

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 results quarterly since the third quarter of 2007, providing timely updates on the latest developments affecting our operations and financial performance.

COSCO Pacific's efforts towards investor relations have been widely recognised by the market. During the year, the Group was awarded "Best Investor Relations in Transport Sector" and "Best Overall Investor Relations by a Hong Kong Company" by *IR* magazine, "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" by *The Asset* magazine and "Best Investor Relations Company" in *Corporate Governance Asia* magazine's 2nd Asian Excellence Recognition Award.

The 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 to be regarded by investors one of the most trusted listed companies in the capital markets.

One-on-one meetings 2011

	People	%
Fund managers	253	50%
Securities houses (including analysts and brokers)	106	21%
Investment banks	96	19%
Media	53	10%
Total	**508**	**100%**

Market Capitalisation

At 31st December	2007	2008	2009	2010	2011
Closing price (HK$)	20.80	7.91	9.93	13.54	**9.07**
Market capitalisation (in HK$ million)	46,694	17,758	22,467	36,714	**24,596**

Share price performance

(HK$)	2011	2010
Highest	**17.16**	14.00
Lowest	**7.52**	8.41
Average	**12.46**	11.28
Closing price on 31st December	**9.07**	13.54
Monthly average trading volume (shares)	**208,494,793**	251,765,563*
Monthly average trading value	**2,630,254,596**	2,779,893,313*
Total number of shares issued (shares)	**2,711,783,573**	2,711,525,573
Market capitalisation on 31st December	**24,595,877,000**	36,714,056,000

* Excluding the placing of 449 million new shares at HK$10.4 per share in 2010

Source: Bloomberg

Investor activities

March

- Released 2010 annual results announcement, and held press conference and analyst panel discussion
- Hong Kong results roadshow

April

- 2011 first quarter results announcement on a voluntary basis

May

- Participated in "Asia Transport Visit" held by Morgan Stanley Asia Limited
- Participated in "Greater China Conference" held by Macquarie Capital Securities Limited
- Participated in "China Forum" held by CLSA
- Participated in "Access Asia Conference" held by Deutsche Bank

July

- Participated in "Conglomerates and Gaming Corporate Day" held by Goldman Sachs (Asia) Limited

August

- Released 2011 interim results announcement, and held press conference and analyst panel discussion
- Hong Kong results roadshow

October

- 2011 third quarter results announcement on a voluntary basis
- Participated in investor luncheon held by Barclays Capital Asia Limited.

November

- Participated in Hong Kong/China Corporate Day held by Jefferies Hong Kong Limited

December

- Attended investor luncheon held by HSBC

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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
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
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal
Plangreat Limited	Plangreat
Piraeus Container Terminal S.A.	Piraeus Terminal
Qingdao Cosport International Container Terminals Co., Ltd.	Qingdao Cosport 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
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
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
Container manufacturing company	
China International Marine Containers (Group) Co., Ltd.	CIMC

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 the 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. In 2011, the Company continued to earn market recognition from different stakeholders for its high level of corporate transparency and good corporate governance. The Company was awarded "Foreign Company In-House Team of the Year" by *Asian Legal Business*, a well recognised professional magazine, for the second consecutive year. The Company also received other recognition in 2011, including "Best Investor Relations in Transport Sector" and "Best Overall Investor Relations by a Hong Kong Company" awarded by *IR* magazine, "The Asset Corporate Gold Award for Environmental Responsibility and Investor Relations" given by *The Asset* magazine, "Best Investor Relations Company" in the 2nd Asian Excellence Recognition Awards and "Corporate Governance Asia Recognition Award" for the fifth consecutive year from *Corporate Governance Asia* magazine, "Hong Kong Outstanding Enterprise" awarded by *Economist Digest* magazine for the seventh consecutive year and "The Most Potential Company Award" given by renowned Hong Kong financial magazines *Capital* and *Capital Weekly*. Meanwhile, the 2010 annual report of the Company earned a "Citation for Corporate Governance Disclosure" from the Hong Kong Management Association. Besides, "COSCO Pacific's take-over of the wholly owned terminal operation of Pier 2 at Port of Piraeus in Greece" was selected as model case of China overseas investment at the China Overseas Investment Summit jointly organised by China Central Television's finance channel and the Hong Kong Chinese Chamber of Commerce.

Corporate governance practices

The Company adopted the code provisions set out in the then Code on Corporate Governance Practices (the "Corporate Governance Code") 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. Long before the implementation of the Corporate Governance Code, the Company had taken its own initiative to disclose its corporate governance practices in its annual reports commencing from 2002.

The Company's corporate governance practices are in compliance with the Corporate Governance Code. The Company also takes reference from the Organisation for Economic Co-operation and Development ("OECD") principles for a set of ethics in maintaining 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 31st December 2011, it has complied with the code provisions of the Corporate Governance Code, except the deviation of the code provision E.1.2 which provides that the Chairman of the Board shall attend the annual general meeting of the company. Due to business commitment, Mr. XU Lirong, former Chairman of the Board, was unable to attend the annual general meeting of the Company held on 16th May 2011. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

On 1st April 2012, the Corporate Governance Code was amended and renamed as the Corporate Governance Code and Corporate Governance Report (the "New Corporate Governance Code"). To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company has adopted various code provisions in the New Corporate Governance Code prior to their becoming effective on 1st April 2012. The following are code provisions in the New Corporate Governance Code and the recommended best practices in the Corporate Governance Code which the Company adopted during the year ended 31st December 2011:

Code provision A.1.8

The code provision A.1.8 of the New 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 is reviewed by the Company on an annual basis.

Code provisions A.5.1 to A.5.5

The code provisions A.5.1 to A.5.5 of the New Corporate Governance Code provides 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 of "Nomination Committee" below.

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 26th April 2011 and 26th October 2011, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results as a regular compliance practice.

In order to promote transparency, the Company would conduct a review, from time to time, of the extent to which the Company would comply with the recommended best practices in the New Corporate Governance Code.

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 composition

The Board is responsible for the leadership and control of the Company and its subsidiaries (collectively, "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 interests of the Group and its shareholders. The Board should ensure that the Company complies with all applicable laws and regulations.

The Board currently consists of fourteen members. Among them, six are executive directors, four are non-executive directors and four are independent non-executive directors. The directors are Mr. LI Yunpeng[2] (Chairman), Dr. WANG Xingru[1] (Vice Chairman and Managing Director), Mr. WAN Min[2], Mr. HE Jiale[1], Mr. FENG Bo[1], Mr. FENG Jinhua[1], Mr. WANG Haimin[2], Mr. WANG Wei[2], Dr. WONG Tin Yau, Kelvin[1], Mr. YIN Weiyu[1], Dr. LI Kwok Po, David[3], Mr. CHOW Kwong Fai, Edward[3], Mr. Timothy George FRESHWATER[3] and Dr. FAN HSU Lai Tai, Rita[3].

Biographical details of the directors are set out in the section of "Directors and Senior Management Profiles" in this annual report and the Company's website at www.coscopac.com.hk.

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Separation of Chairman and Managing Director

To ensure the Board functions with independence, accountability and responsibility, the posts of Chairman and Managing Director are separated and each of them plays a distinctive role. The Chairman, Mr. LI Yunpeng, who is a non-executive director, is responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board is functioning properly with good corporate governance practices and procedures. The Vice Chairman and Managing Director, Dr. WANG Xingru, who is an executive director, supported by other Board members and the senior management, is 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 guides and motivates the senior management towards achieving the Group's objectives.

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

The Company has four non-executive directors and four independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The four non-executive directors have contributed innovative views to the Board's decision-making process based on their rich experience in container shipping business and corporate management. Their expertise helps to facilitate the process of formulating the Group's strategy. The four independent non-executive directors have well recognised experience in areas such as accounting, legal, banking and/or commercial fields. Their insightful advice, mix of skills and extensive business experience are major contributions 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 facilitate the Board to maintain a high standard of financial, regulatory and other mandatory reporting and provide adequate check-and-balance to safeguard the interests of shareholders in general and the Company as a whole.

Each of the non-executive directors and independent non-executive directors, has entered into an appointment letter with the Company pursuant to which each of them is appointed for service 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.

In 2011, 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

The Board held a total of four regular Board meetings during the financial year ended 31st December 2011 at quarterly intervals. Two additional Board meetings were also held as required. The average attendance rate was 91.83%. Amongst these, four meetings were held to approve the 2010 final results, 2011 interim results and 2011 first and third quarterly results of the Company; one meeting was held to consider new investment opportunities and review the strategy and business directions, as well as financial and operational performances of the Group, and the remaining one was held to approve the change of Vice Chairman of the Board and Managing Director of the Company. As the members of the Board are either in Hong Kong or in the 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 the Board meetings and Board committee meetings of preceding meetings. 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. When directors are unable to attend a meeting, they 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 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 the 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 the Board's decision-making process.

The Chairman or the Vice Chairman of the Company conducts the proceedings of the Board at all Board meetings. They ensure that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the directors to speak and 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 are complied with and for advising the Board on compliance matters.

Set out below are the details of all directors' attendance at the Board meetings during the financial year ended 31st December 2011 which illustrate the attention given by the Board in overseeing the Company's affairs:

Attendance of individual members at Board meetings

Name of Directors	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Directors		
Mr. XU Lirong[2 Note] (Chairman)	4/6	66.67
Dr. WANG Xingru[1] (Vice Chairman and Managing Director) (appointed on 11th July 2011)	3/3	100
Mr. WAN Min[2] (appointed on 9th August 2011)	1/2	50
Mr. HE Jiale[1]	6/6	100
Mr. WANG Zenghua[1 Note]	5/6	83.33
Mr. FENG Jinhua[1]	6/6	100
Mr. WANG Haimin[2]	6/6	100
Mr. GAO Ping[2 Note]	6/6	100
Dr. WONG Tin Yau, Kelvin[1]	6/6	100
Mr. YIN Weiyu[1]	6/6	100
Dr. LI Kwok Po, David[3]	6/6	100
Mr. CHOW Kwong Fai, Edward[3]	5/6	83.33
Mr. Timothy George FRESHWATER[3]	4/6	66.67
Dr. FAN HSU Lai Tai, Rita[3]	6/6	100
Ex-directors		
Mr. XU Minjie[1] (resigned on 11th July 2011)	4/4	100
Dr. SUN Jiakang[2] (resigned on 9th August 2011)	4/4	100

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note: Subsequent to the financial year ended 31st December 2011, Mr. XU Lirong resigned as Chairman of the Board and non-executive director, Mr. WANG Zenghua resigned as executive director and Mr. GAO Ping resigned as non-executive director of the Company with effect from 24th February 2012. Mr. LI Yunpeng was appointed as Chairman of the Board and non-executive director, Mr. FENG Bo was appointed as executive director and Mr. WANG Wei was appointed as non-executive director of the Company with effect from 24th February 2012.

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 vacancy of 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 2011 are set out under the section of "Nomination Committee" below.

At each annual general meeting, one-third of the directors for the time being (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.

Procedures to enable Directors to seek independent professional advice

To assist the directors to discharge their duties to the Company, the Board has established written procedures to enable the directors, 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 2011.

Responsibilities of Directors

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

The General Counsel & Company Secretary, who is responsible directly to the Board, is responsible for keeping directors updated on all relevant regulatory changes of which she is aware, including organising appropriate continuing development programme for directors. All newly appointed directors will undergo an all-encompassing programme which includes management presentations on the Group's businesses and strategic plans and objectives and receive a comprehensive orientation package on appointment which includes policies on disclosure of interest in securities, prohibitions on dealing in the Company's securities and restrictions on disclosure of price sensitive information and disclosure obligations of a listed company under the Listing Rules. They are also updated when there are changes in relevant laws and regulations from time to time and on a regular basis.

Directors may request for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from the management.

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 also established written guidelines on no less exacting terms than the Model Code for the senior management and relevant employees of the Company in respect of their dealings in the securities of the Company. 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 to confirm their compliance with the Model Code and the aforementioned guidelines respectively in 2011. No incident of non-compliance was noted by the Company in 2011.

General Counsel & Company Secretary

The General Counsel & Company Secretary is responsible directly to the Board. All directors have access to the General Counsel & Company Secretary who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with. The General Counsel & Company Secretary is also responsible for providing advice to the Board in relation to the directors' obligations as regards disclosure of interests in securities and disclosure requirements in respect of notifiable transactions, connected transactions and price-sensitive 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 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 shareholders' value. In addition, the General Counsel & Company Secretary will, on a timely basis, provide the directors with updated information regarding the directors' 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 and for directors' consideration.

Delegation by the Board

Management functions

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. The Board is responsible for steering the strategic direction of the Group, setting objectives and business development plans, monitoring the performance of the senior management and assuming primary responsibility for establishing a good corporate governance culture. The management, under the leadership of the Managing Director (who is also the Vice Chairman), is responsible for implementing these strategies and plans. To ensure effective discharge of the Board's responsibilities, the management submits reports on the Company's operations to the Board on a regular basis. The Board reviews and approves the Company's annual budget and business plans, which serves as an important benchmark in assessing and monitoring the performance of the management. Directors have access to the management and are welcome to request for explanations, briefings or discussions on the Company's operations or business issues.

Board committees

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various Board committees, which 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 its defined scope of duties and terms of reference and the 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 scheduled to meet regularly every year and will report to the Board on a regular basis. All businesses transacted at the committee meetings are well recorded and the records are well maintained and minutes of meetings are circulated to the Board for information.

1. Executive Committee

The Executive Committee consists of all executive directors of the Company who are from time to time in Hong Kong. The purpose of establishing this committee is to facilitate 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 a full Board meeting or arrange all directors to sign a written resolution 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 31st December 2011, the Executive Committee held a total of 24 meetings. All the matters considered and decided by the Executive Committee at the committee meetings had been recorded in detail by minutes. A committee member will present a summary report on the businesses transacted at the committee meetings to the Board at Board meetings. All directors of the Company could inspect the minutes of the committee meetings at any time and upon request, 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 four members, all of whom are independent non-executive directors of the Company. All committee members are professionals in their own working fields, including the accounting, legal, banking and/or 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 also 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 held normally four times a year on a quarterly basis, with additional meetings arranged, as and when required. During the year ended 31st December 2011, a total of five meetings were held and the average attendance rate was 95%.

The key matters deliberated on by the Audit Committee in 2011 include the following:

- 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 assuring the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of external audit and discussed with the external auditors on any significant findings and audit issues
- reviewed the internal audit plan and the 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 an operational report relating to the Company's investment at Piraeus Port in Greece

Attendance of individual members at Audit Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Mr. CHOW Kwong Fai, Edward[1] (Chairman)	5/5	100
Dr. LI Kwok Po, David[1]	4/5	80
Mr. Timothy George FRESHWATER[1]	5/5	100
Dr. FAN HSU Lai Tai, Rita[1]	5/5	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 Remuneration Committee formulates the Group's remuneration policy for directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board on the directors' fee and annual salary of directors. If necessary, the Remuneration Committee will engage professional advisers to assist and/or provide professional advice on relevant issues.

When formulating the 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, performance of the individual and 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 2011:

- reviewed the remuneration packages of all executive directors and senior management
- made recommendations to the Board on the remuneration and service agreement of the Vice Chairman and Managing Director
- made recommendations to the Board on the remuneration of non-executive directors

Attendance of individual members at Remuneration Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita[1] (Chairman)	4/4	100
Dr. LI Kwok Po, David[1]	4/4	100
Mr. CHOW Kwong Fai, Edward[1]	4/4	100
Dr. WANG Xingru[2] (appointed on 11th July 2011)	1/1	100
Mr. ZHU Lizhi	4/4	100
Ex-member		
Mr. XU Minjie[2] (resigned on 11th July 2011)	2/3	66.67

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

Remuneration policy

The remuneration policy of the Company ensures the competitiveness and effectiveness of the pay levels for attracting, retaining and motivating employees. No director, or any of his associates, is involved in determining his 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 the employees (including the executive directors and senior management) assures that the remuneration offered is appropriate for the duties 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. Cash bonus is tied to the performance of individual employee. 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 the 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 and resignation of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on such appointments.

During 2011, the work performed by the Nomination Committee included the following:

- made recommendations to the Board on matters relating to the resignation, appointment and re-election of directors
- conducted an annual review of the independence of the independent non-executive directors
- reviewed the renewal of terms of appointment of non-executive directors and independent non-executive directors

All new appointment of directors and nomination of directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee and are 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. In considering the new appointment or nomination of directors proposed for re-election, the Nomination Committee will assess the candidate or incumbent 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.

In early 2012, the Nomination Committee nominated and the Board recommended Mr. YIN Weiyu, Dr. LI Kwok Po, David and Mr. Timothy George FRESHWATER, being directors longest in office since their last re-election, to retire by rotation and Dr. WANG Xingru and Mr. WAN Min, who were appointed as directors with effect from 11th July and 9th August 2011 respectively, and Mr. LI Yunpeng, Mr. FENG Bo and Mr. WANG Wei, who were appointed as directors with effect from 24th February 2012, to retire at the forthcoming annual general meeting. Except Dr. LI Kwok Po, David who decided not to offer himself for re-election, all the other retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

In addition, Mr. Adrian David LI Man Kiu is nominated by the Nomination Committee and recommended by the Board for election by shareholders of the Company as a director at the forthcoming annual general meeting.

Attendance of individual members at Nomination Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	Attendance rate (%)
Members		
Dr. LI Kwok Po, David[1] (Chairman)	4/4	100
Mr. CHOW Kwong Fai, Edward[1]	4/4	100
Dr. FAN HSU Lai Tai, Rita[1]	4/4	100
Dr. WANG Xingru[2] (appointed on 11th July 2011)	1/1	100
Ex-member		
Mr. XU Minjie[2] (resigned on 11th July 2011)	3/3	100

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

5. 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 the proposed major investments, acquisitions and disposals, conducts post-investment evaluation of the 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 the financial year 2011	Attendance rate (%)
Members		
Dr. WANG Xingru[1] (Chairman) (appointed on 11th July 2011)	2/2	100
Mr. YIN Weiyu[2]	4/4	100
Mr. CHAN Hang, Ken	3/4	75
Mr. DING Weiming	4/4	100
Mr. QIU Jinguang	4/4	100
Mr. ZHANG Jie	4/4	100
Mr. XU Jian	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-member		
Mr. XU Minjie[1] (Chairman) (resigned on 11th July 2011)	2/2	100

1 Executive Director, Vice Chairman and Managing Director

2 Executive Director

6. 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 concerning corporate governance so as to enhance the standard of corporate governance of the Company.

Attendance of individual members at Corporate Governance Committee meetings

Name of Members	No. of meetings attended/held in the financial year 2011	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. ZHANG Jie	4/4	100
Mr. FAN Chih Kang, Ken	3/4	75
Ms. LIU Mei Wan, May	4/4	100

1 Executive Director

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises eight members (including an executive director, members of senior management and management). It provides support to the Board by identifying and minimising the operational risks of the Company, sets the direction for the Group's risk management strategy and strengthens 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 the financial year 2011	Attendance rate (%)
Mr. YIN Weiyu[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. DING Weiming	4/4	100
Mr. QIU Jinguang	3/4	75
Mr. ZHANG Jie	4/4	100
Mr. SHI Jingmin	1/4	25
Mr. XU Jian	3/4	75
Mr. FAN Chih Kang, Ken	4/4	100

1 Executive Director

Note: Subsequent to the financial year ended 31st December 2011, Mr. SHI Jingmin resigned and Mr. LI Jie was appointed as a member of the Risk Management Committee with effect from 6th February 2012.

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 110 which acknowledges the reporting responsibilities of the Group's auditor.

Annual report and financial statements

The directors acknowledge their responsibilities for preparing the 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 the 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 Organisations of the Treadway Commission 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. Therefore, the Group is dedicated to its enhancement and improvement on a continuous basis.

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

The management 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 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 the Risk Management Committee to assist 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 monitored and reviewed the results of internal control and risk management assessment for the year for report and discussion 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 discussing their opinion with the Board as to the system effectiveness. In 2011, the Audit Committee has reviewed the risk register and internal control and risk management assessment questionnaire submitted by the Risk Management Committee, annual report, interim report, results announcements and internal audit plans and reports. During the year of 2011, the directors have 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 also values and requires the integrity of the account and finance personnel, as well as their qualification. Continuous training resources and its budgets have been adequately considered.

Risk assessment

The Group is principally engaged in the businesses of managing and operating terminals, container leasing, management and sale, and container manufacturing and 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

Benefitting from the global economic recovery and the effect of quantitative easing in monetary policy, market interest rates in 2011 were well below historical averages. However, owing to the uncertainties in the global economy, the Group maintained a prudent financial policy. In order to cope with the budgeted development and operational needs of our container leasing and terminal businesses, the Group has striven to maintain a certain leverage in order to fund the Group's capital expenditures in accordance with the 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 to reduce cost of capital.

Following the Group's expansion in the global market, 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 the mainland China, the United States, Europe and Hong Kong, the Group is subject to risks which change as the systems of taxation change in these regions.

The Group conducts business and operations internationally and is thus exposed to foreign exchange risk arising from various currency exposures. For the container leasing business, the primary currency involved is the US dollar while for the terminal 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 of the containers will be affected by economic downturn and market fluctuations. Such unfavorable market factors will increase the asset impairment risk of containers.

In the case of the 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 terminal 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

As the Group has been investing in the mainland China and overseas, these new investments may be exposed to various foreign legal and regulatory regimes for which different levels of transparency and compliance are involved. Where necessary, the Group has requested for independent professional advice on compliance matters from legal firms of the relevant foreign jurisdictions in order to further protect its interests. Regulatory changes are normally designed to promote transparency and raise the profile of compliance. Therefore, having substantially satisfied 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 the terminal 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 Holdings Company Limited, an intermediate holding company of the Company, (2) COSCO Group, (3) the Maersk Group, (4) the DP World Group and (5) 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 in relation 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 subject to approval by shareholders under the Listing Rules. The need for timely and strict compliance with the 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 mis-statements 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 regard to the basis for determining control activities (fundamentally including financial, operational and compliance controls) and to ensure a high level of operational efficiency; 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 on changing operational behaviour and regards the internal control system as an early warning mechanism which would trigger a quick response. Monitoring and control procedures are derived therefrom.

The Group's risk assessment procedures involve consideration of the entire organisation. Attention was paid to all kinds of major relationships and the correlation thereof, including situations of fraud, going concern and internal and external reporting, and whether the accounting tasks were performed in accordance with the 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 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, behavioral 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. Variances against actual performances 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 the internal audit functions. The internal audit's roles include assisting the 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 efficiency of operation, 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 the 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 as of higher risk, including, amongst others, income, expenditures and other areas of concern as highlighted by the management. The Internal Auditor, as head of the internal audit function, 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 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 which is based on the COSO framework and the requirements laid down by the Hong Kong Institute of Certified Public Accountants, considering such factors as recognised risks and focuses on material internal controls and risk management, including financial, operational and compliance controls during the financial year ended 31st December 2011. Internal audits were carried out on all significant business units in the Group, a total of 23 audit assignments were conducted for the above period. 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 also 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 sizes 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 2011 has been completed. All areas of concern reported by the Internal Auditor were monitored by the management until appropriate corrective measures are 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. Financial Controller, General Counsel & Company Secretary, other senior management and the Internal Auditor conduct reviews of the effectiveness of the Company's system of internal control, including financial, operational and compliance controls and risk management function and the Audit Committee reviews the findings and opinion of the Internal Auditor and the management on the effectiveness of the Company's system of internal control twice a year and reports annually to the Board on such reviews.

8. In consideration of identified major risk factors involving financial risk, operational risk and compliance risk, the management manages and monitors exposures to such risks 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 the 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 operation, investments and capital expenditure, the Group adopts prudent liquidity risk management which implies 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 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 an annual Group tax planning exercise 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 well 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 terminal 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 to safeguard 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 every detail of the approval and procedures to be strictly followed. Moreover, subsidiaries prepare and report relevant information for management discussion on a weekly, monthly and quarterly basis. Furthermore, self inspection and evaluation is be conducted half yearly to mitigate non-compliance and enhance effectiveness. A centralised capital management platform has been established in the mainland China to enhance the timely monitoring of capital use by 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 their 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 will be accounted for if the carrying value of the containers exceeds the recoverable amount. The weekly departmental meetings among the management and departmental managers helps 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 to the Board on price performance and re-affirms the strategic objective of these strategic investments.

- The Group limits its exposure to credit risk through 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 workflow and procedures have been improved to strengthen the management of credit risk.

- For the container leasing business, the credit committee of each operating unit establishes the maximum credit limit for each customer based on their credit quality, taking into account the financial position, past settlement history and other factors. Utilisation of credit limits is regularly monitored. The system will suspend the provision of 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 container leasing and terminal 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 the 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 build the highest safety standard within its organisations so that managers and staff put safety as the top priority, and promote the Group's safety standard 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 prepared and updated on a regular basis. In order to assess and report effectively of 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 the transaction amounts on a monthly basis. Furthermore, management meetings are held regularly 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 the 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 that 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 the mutual understanding between the Company and employees.

3. The Company attaches great priority 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 handling and dissemination of price-sensitive information, the Company,

    - is well aware of its obligations under the Listing Rules and the overriding principle that information which is considered price-sensitive should be announced promptly when it is the subject of a decision;
    - conducts its affairs with close regard to the "Guide on Disclosure of Price-sensitive Information" issued by the Stock Exchange;
    - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Stock Exchange;
    - has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or insider information, and has communicated it 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' interests were identified.

Auditor's remuneration

For the year ended 31st December 2011, the auditor's remuneration paid or payable in respect of the auditing and other non-audit service provided by the auditor to the Company were as follows:

Nature of Service	2011	2010
	US$	US$
Audit service	**817,000**	669,000
Audit related service	**217,000**	201,000
Non-audit services:		
– Tax related services	**152,000**	295,000
– Circular related services	–	205,000
– Financial advisory services	–	54,000

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 attend to any queries promptly. An intensive 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 are available to answer questions regarding the Group's operational and financial performances.

Communication with shareholders

The Company believes regular and timely communication with shareholders forms part of the Company's effort to help our shareholders understand our business better. It has established its Shareholders' Communication Policy.

The Company has committed to a fair, transparent and timely disclosure policy and practices. All price-sensitive information or data are publicly released, prior to individual sessions held with investors or analysts. There is a 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 our investor relations department whose contact details are available on the Company's website.

The Company views the Annual General Meeting ("AGM") 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 AGM to address shareholders' queries on the financial statements. The Chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee are normally available at AGMs to take any relevant questions. All shareholders will be given at least 20 business days' notice of the AGM and they are encouraged to attend the AGM and other shareholders' meetings. The Company follows the code provisions contained in the Corporate Governance Code to encourage shareholders' participation. Questioning by the shareholders at such 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.

Shareholders' holding not less than one-tenth of the issued capital of the Company may deposit a requisition to the Board or the General Counsel & Company Secretary to convene a special general meeting and state the purpose therefor at the Company's principal place of business in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

Shareholdings and shareholders information

Share capital (as at 31st December 2011)

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$271,178,357.3 comprising 2,711,783,573 shares of HK$0.1 each

Types of shareholders (as at 31st December 2011)

Type of shareholders	No. of shares held	% of the issued share capital
COSCO Pacific Investment Holdings Limited and its subsidiary	1,158,303,338	42.71
Other corporate shareholders	1,545,846,007	57.01
Individual shareholders	7,634,228	0.28
Total	**2,711,783,573**	**100.00**

Location of shareholders (as at 31st December 2011)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	542	2,711,773,573[2]
Macau	1	2,000
The United States	1	4,000
The People's Republic of China	1	4,000
Total	**545**	**2,711,783,573**

Note

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

2 These shares include 1,747,034,065 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

At the AGM of the Company held on 16th May 2011, amendments to the Company's Bye-laws were approved by the Company's shareholders, pursuant to which:

(a) the Company shall be allowed to use the website of the Company or the website of the Stock Exchange and other electronic means to send or make available notices or documents to the shareholders, to the extent permitted under the applicable laws;

(b) notice to the shareholders shall be sent in the case of AGM or any special general meeting at which the passing of a special resolution is to be considered at least 21 clear days or such longer period as prescribed by the Stock Exchange before the meeting and in the case of all other general meetings at least 14 clear days or such longer period as prescribed by the Stock Exchange; and

(c) at each AGM one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years, and directors who have been appointed by the Board to fill a casual vacancy or as an addition to the Board and re-elected at an AGM shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation at the same AGM.

The Company's latest consolidated version of memorandum of association and Bye-laws are publicised on the Company's website.

Key corporate dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2011 Interim Dividend	21st September 2011
2011 Final Results Announcement	27th March 2012
2012 First Quarter Results Announcement	25th April 2012
Closure of Register of Members (a) for attending the 2012 Annual General Meeting (b) for receiving the 2011 Final Dividend	 15th May 2012 to 17th May 2012 23rd May 2012 to 28th May 2012
Annual General Meeting	17th May 2012
Payment of 2011 Final Dividend	20th July 2012
2012 Interim Results Announcement	August 2012
2012 Third Quarter Results Announcement	October 2012

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

LI Yunpeng

Non-executive Director and Chairman of the Board

Mr. LI, aged 53, has been appointed as a Non-executive Director and the Chairman of the Board of the Company since February 2012. He is also the Executive Vice President of China Ocean Shipping (Group) Company, a Non-executive Director of China COSCO Holdings Company Limited and a director of certain of its subsidiaries. Mr. LI is the Spokesman of China Ocean Shipping (Group) Company. Mr. LI had been the Deputy Manager, the Manager, and the General Manager of the Executive Division of Tianjin Ocean Shipping Company, the Deputy General Manager of the Executive Division, the General Manager of the Supervision Division, the General Manager of the Human Resources Division, the Assistant President and the Head of the CPC Discipline Inspection Committee of China Ocean Shipping (Group) Company, and a Supervisor and the Chairman of the Supervisory Committee of China COSCO Holdings Company Limited. Mr. LI has over 30 years of experience in the shipping industry and has extensive experience in corporate management, internal control and human resources. Mr. LI obtained a master's degree in shipping and marine engineering from Tianjin University. He is a senior engineer and a senior administrative officer.

WANG Xingru

Executive Director, Vice Chairman of the Board and Managing Director

Dr. WANG, aged 47, has been appointed as an Executive Director, Vice Chairman of the Board and Managing Director of the Company, the Chairman of the Investment and Strategic Planning Committee and a member of the Executive Committee, the Nomination Committee and the Remuneration Committee of the Company since July 2011. He is also a director of China International Marine Containers (Group) Co., Ltd. and the Executive Vice President of China COSCO Holdings Company Limited. Dr. WANG joined COSCO group in 1991, and had held important and senior positions including Deputy Managing Director of COSCO Co-Development (Tianjin) Co., Ltd., Vice President of COSCO Industry Company, Managing Director of COSCO Shipyard Group Co., Ltd. and Non-Independent and Non-Executive Director of COSCO Corporation (Singapore) Limited. Dr. WANG is the Vice President of the Marine Engineering Equipment Branch of China Association of the National Shipbuilding Industry, and was previously the President of the Ship Repair Branch of China Association of the National Shipbuilding Industry and the Vice President of China Association of the National Shipbuilding Industry. Dr. WANG graduated from Shandong Industrial University with a Master of Engineering degree in machinery manufacturing and obtained a Doctor of Engineering degree in marine engineering from Dalian Maritime University. He is a senior engineer with outstanding results. Dr. WANG has over 20 years of operation and management experience in the shipping related industries and has demonstrated excellent experience in enterprise operation and management and assets operation. His outstanding vision and management power have been highly appreciated by the industry. Dr. WANG leads the Company's overall management, strategic development, corporate governance and financial management.

WAN Min

Non-executive Director

Mr. WAN, aged 43, has been appointed as a Non-executive Director of the Company since August 2011. He is also the Managing Director and Deputy Secretary of the Communist Party of China (CPC) Committee of COSCO Container Lines Company Limited and the Executive Vice President of China COSCO Holdings Company Limited. Mr. WAN joined COSCO group in 1990 and served successively as Deputy Section Manager of Exportation, 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. Mr. WAN obtained his Master of Business Administration from Shanghai Jiao Tong University. He is an engineer.

HE Jiale

Executive Director

Mr. HE, aged 57, has been appointed as an Executive Director of the Company since January 2009. He is also the Financial Controller of COSCO (Hong Kong) Group Limited and a director of certain subsidiaries of China COSCO Holdings Company Limited. Mr. HE joined COSCO group in 1974. He was the Chief Accountant of COSCO Container Lines Company Limited in 1998 and the Financial Controller of COSCO (Hong Kong) Group Limited in 2003. He was an Executive Director of the Company during 2003 to 2005. Mr. HE had been the Deputy Director of the Finance Division of Shanghai Ocean Shipping Company, the Deputy General Manager of Finance Department of the COSCO Container Lines, the Deputy General Manager of Finance and Capital Department of China Ocean Shipping (Group) Company, the Chief Accountant of COSCO Container Lines Company Limited and the Chief Financial Officer of China COSCO Holdings Company Limited. Mr. HE has over 30 years of experience in the shipping business and has extensive experience in corporate finance, financial management and capital operation. Mr. HE graduated from the postgraduate studies of management science and engineering from Shanghai University. He is a senior accountant.

FENG Bo

Executive Director

Mr. FENG, aged 41, has been appointed as 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 Managers 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 graduated from Beijing Foreign Studies University, majoring in Spanish.

FENG Jinhua

Executive Director

Mr. FENG, aged 56, has been an Executive Director of the Company since October 2010. 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. Mr. FENG joined COSCO group in 1980. He had been the Heads of Planning and Finance Department and Finance Department and the Chief Financial Officer of Qingdao Ocean Shipping Co., Ltd. and the General Manager of the Finance and Capital Division of China Ocean Shipping (Group) Company. Mr. FENG obtained his Executive Master of Business Administration degree from the University of International Business and Economics. He is a senior accountant.

WANG Haimin

Non-executive Director

Mr. WANG, aged 39, has been a Non-executive Director of the Company since October 2010. He is also the General Manager of the Transportation 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, and a Non-independent and Non-executive Director of COSCO Corporation (Singapore) Limited. He 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, and the General Manager of the Transportation Division of China Ocean Shipping (Group) Company. Mr. WANG obtained his Master of Business Administration degree from Shanghai Fudan University. He is an engineer.

WANG Wei

Non-executive Director

Mr. WANG, aged 40, has been appointed as 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 and a director of certain subsidiaries of China Ocean Shipping (Group) Company and China COSCO Holdings Company Limited. 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.

WONG Tin Yau, Kelvin

Executive Director

Dr. WONG, aged 51, is a Deputy Managing Director of the Company. He is also the Chairman of the Corporate Governance Committee and member of the Executive Committee of the Company. Dr. WONG is the Chairman of The Hong Kong Institute of Directors, the council advisor and past chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee, a member of the Board of Review (Inland Revenue Ordinance), a board director of Business Environment Council, a member of the Appeal Board Panel (Town Planning), a council member of the Hong Kong Management Association and was appointed by the Hong Kong Special Administrative Region as a member of the Standing Committee on Company Law Reform and the Corruption Prevention Advisory Committee of Independent Commission Against Corruption. He 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 Metal International Holdings Inc., 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. All the aforementioned companies are listed on The Stock Exchange of Hong Kong Limited. Dr. WONG held various senior positions in several listed companies in Hong Kong before he joined the Company in July 1996. He is responsible for the management of the Company's work relating to the capital markets and investor relations.

YIN Weiyu

Executive Director

Mr. YIN, aged 45, is a Deputy Managing Director of the Company. He is also the Chairman of the Risk Management Committee and a member of the Executive Committee and the Investment and Strategic Planning Committee of the Company. He obtained his Master of Science degree major in Applied Mathematics from Graduate School of Sun Yat-Sen University in 1990. Before joining the Company in October 2006, Mr. YIN has been the Managing Director of COSCO Guangzhou International Freight Co., Ltd. and Deputy General Manager of South China COSCO International Freight Co., Ltd. Mr. YIN is responsible for the Company's commercial management.

LI Kwok Po, David GBM, GBS, OBE, JP

Independent Non-executive Director

Dr. LI, aged 73, has been an Independent Non-executive Director of the Company since February 1998. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Dr. LI is currently the Chairman and Chief Executive of The Bank of East Asia, Limited, and an Independent Non-executive Director of China Overseas Land & Investment Limited, Guangdong Investment Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited and Vitasoy International Holdings Limited. All the aforementioned companies are listed in Hong Kong. Dr. LI is also a director of CaixaBank, S.A. (formerly "Criteria CaixaCorp, S.A.") and AFFIN Holdings Berhad, which are listed in Spain and Malaysia respectively. He is a member of the Legislative Council of Hong Kong. He is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is also a member of the Banking Advisory Committee and the Council of the Treasury Markets Association. Dr. LI was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in July 2007 and the badge of "Commandeur dans l'Ordre National de la Légion d'Honneur" by the French Government in January 2012.

CHOW Kwong Fai, Edward JP

Independent Non-executive Director

Mr. CHOW, aged 59, has been an Independent Non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. CHOW is a fellow and council member of The Institute of Chartered Accountants in England and Wales and a past president of the Hong Kong Institute of Certified Public Accountants (HKICPA). Before elected president, he chaired the HKICPA's Corporate Governance Committee and Professional Accountants in Business (PAIB) Committee. He was a Deputy Chairman of The Hong Kong Institute of Directors from 2001 to 2008 and the Chairman of the PAIB Committee of the International Federation of Accountants (IFAC) from 2006 to 2008. Mr. CHOW is currently a core member of the OECD/World Bank Asian Corporate Governance Roundtable, a Deputy Chairman of the Business and Professionals Federation of Hong Kong, a member of The Chinese People's Political Consultative Conference – Zhejiang Province, a member of the Election Committee of the Hong Kong Special Administrative Region and an expert advisor of the Accounting Standards Committee of the Ministry of Finance, the People's Republic of China. Mr. CHOW is currently Chairman of China Infrastructure Group. He is also an independent director of China Merchants Bank Co., Ltd., which is listed on the stock exchanges of Hong Kong and Shanghai, and was the Chairman of CIG Yangtze Ports PLC, listed in Hong Kong and an independent director of Mountain China Resorts (Holdings) Limited, listed in Toronto. Between 1988 and 1996, he was Managing Director of a conglomerate which had companies listed on the stock exchanges of Hong Kong and Thailand. Prior to entering the commercial sector, Mr. CHOW spent 11 years working for two major accounting firms, Deloitte Haskins & Sells and Price Waterhouse (as they were then known), respectively in London and Hong Kong. Mr. CHOW was appointed as a Justice of Peace by the Chief Executive of the Hong Kong Special Administrative Region in July 2008. Mr. CHOW was also an awardee of the Directors of the Year Award 2010 in the non-executive director of listed companies (SEHK – Hang Seng Index Constituents) category, awarded by the Hong Kong Institute of Directors.

Timothy George FRESHWATER

Independent Non-executive Director

Mr. FRESHWATER, aged 67, has been an Independent Non-executive Director of the Company since June 2005. He is also a member of the Audit Committee of the Company. He is a Vice Chairman of Goldman Sachs (Asia) L.L.C. 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 a Non-executive Director of Chong Hing Bank Limited and an Independent Non-executive Director of Swire Pacific Limited, both 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 66, has been appointed as an Independent Non-executive Director of the Company since January 2009. She is also 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. Dr. FAN is currently a member of the Standing Committee of the Eleventh 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, the Hong Kong Transplant Sports Association and the Whole Person Education Foundation. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

SENIOR MANAGEMENT

CHAN Hang, Ken

Deputy Managing Director

Mr. CHAN, aged 54, is a Deputy Managing Director of the Company and a member of the Investment and Strategic Planning 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 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 20 years of working experience in corporate strategic planning and management and finance and securities. Mr. CHAN is responsible for corporate management and safety management of the Company.

QIU Jinguang

Deputy Managing Director and General Manager of the Strategy and Development Department

Mr. QIU, aged 50, is the Deputy Managing Director and General Manager of the Strategy and Development Department of the Company. He also serves as a member of the Investment and Strategic Planning Committee and the Risk Management Committee of the Company. Before joining the Company in February 2008, 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 COSCO Group. He also served as Deputy Manager of Foreign Affairs Department of Penavico Head Office. Having graduated from Shanghai Maritime University with an International Shipping major, Mr. QIU then obtained his MBA degree at University of California Los Angeles in 1999. Mr. QIU is responsible for the work of the Strategy and Development Department and the strategy planning, project development, investment management and project management of the Company.

LUI Sai Kit, Eddie

Financial Controller

Mr. LUI, aged 48, is the Financial Controller of the Company. He joined the Company in 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

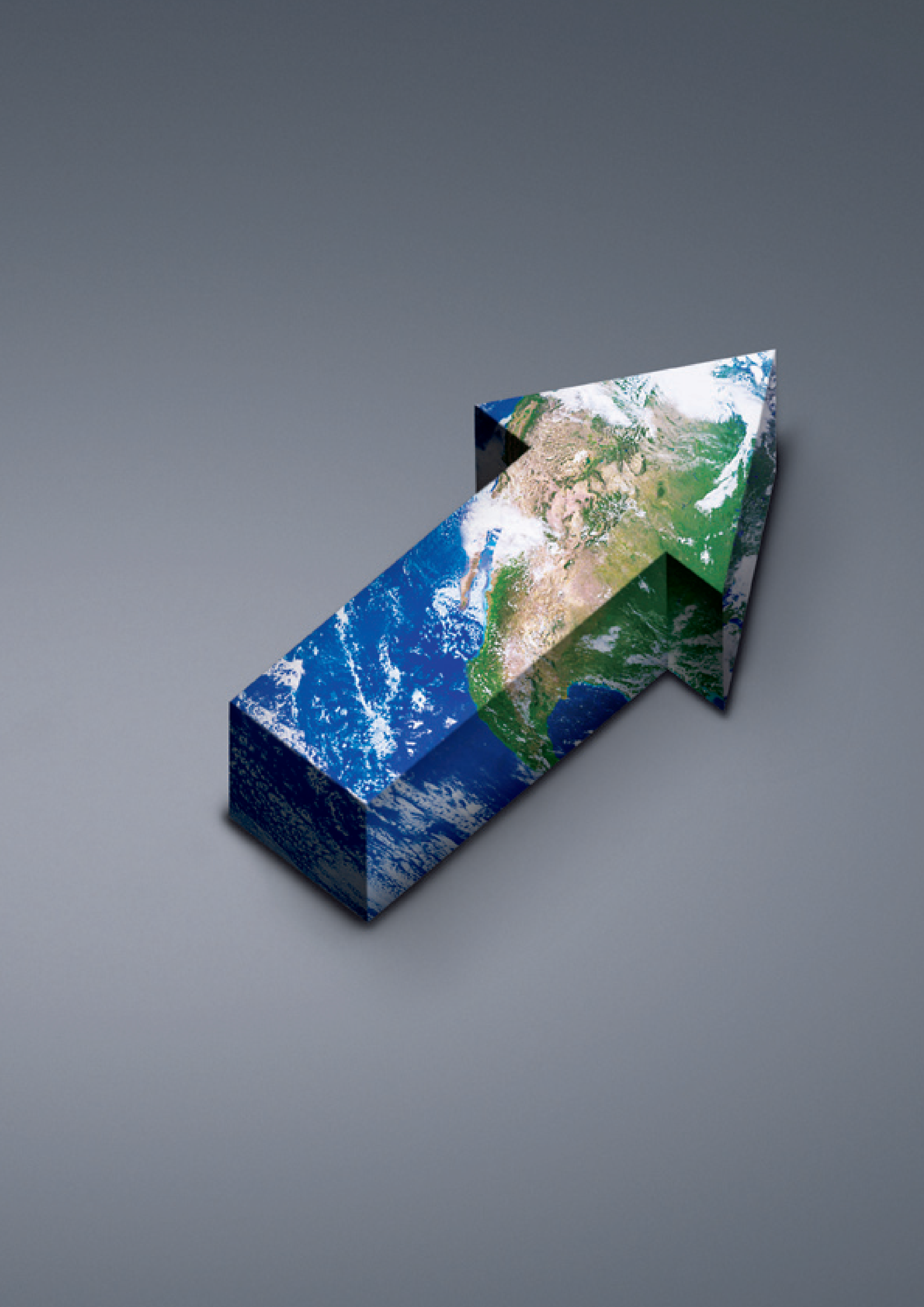
General Counsel & Company Secretary

Ms. HUNG, aged 42, 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 responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Company. She is also a member of the Corporate Governance Committee and Risk Management Committee of the Company. In addition, Ms. HUNG has served as the Joint Company Secretary of China COSCO Holdings Company Limited since January 2012. 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.

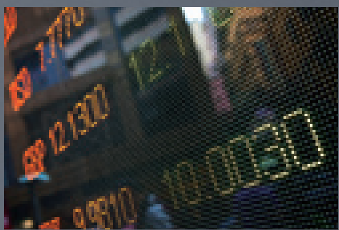
DING Weiming

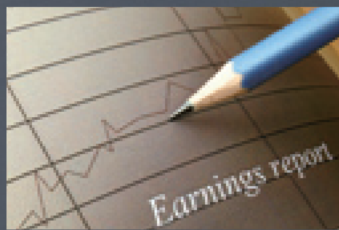
Deputy Financial Controller

Mr. DING, aged 53, 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 Risk Management Committee and the Investment and Strategic Planning 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. He graduated from Shanghai Maritime University majoring in marine transportation management and obtained a bachelor degree in Economics in 1982. Mr. DING was awarded the professional qualification of senior accountant by the Ministry of Communications of the PRC in 1994. Before he joined the Company, he 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 and is in charge of the financial management and corporate finance of Florens Container Services Company Limited.



REPORT OF THE DIRECTORS & FINANCIAL STATEMENTS





REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") submits its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2011.

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 46 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 31st December 2011 are set out in the consolidated income statement on page 114 of this annual report.

The directors declared an interim cash dividend of HK27.2 cents (equivalent to US3.496 cents) per share, totaling HK$737,605,000 (equivalent to US$94,804,000), which was paid on 21st September 2011.

The directors recommend the payment of a final dividend of HK17.4 cents (equivalent to US2.240 cents) per share, with a scrip dividend alternative, totaling HK$471,850,000 (equivalent to US$60,744,000), payable on or about 20th July 2012.

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 187 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 116 and 117 of this annual report.

Movements in the reserves of the Company during the year are set out in note 24 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to US$84,000.

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 22 to the consolidated financial statements.

Distributable reserves

The distributable reserves of the Company as at 31st December 2011 calculated under the Companies Act of Bermuda amounted to US$989,646,000.

Borrowings

Details of the borrowings of the Group are set out in note 25 to the consolidated financial statements.

Retirement benefit schemes

Details of retirement benefit schemes of the Group are set out in notes 3.23 and 37 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)*	(appointed on 24th February 2012)
Mr. XU Lirong[2]	(resigned as a non-executive director and Chairman on 24th February 2012)
Mr. XU Minjie[1]	(resigned as an executive director and Vice Chairman and Managing Director on 11th July 2011)
Dr. WANG Xingru[1] *(Vice Chairman and Managing Director)*	(appointed on 11th July 2011)
Dr. SUN Jiakang[2]	(resigned on 9th August 2011)
Mr. WAN Min[2]	(appointed on 9th August 2011)
Mr. HE Jiale[1]	
Mr. FENG Bo[1]	(appointed on 24th February 2012)
Mr. WANG Zenghua[1]	(resigned on 24th February 2012)
Mr. FENG Jinhua[1]	
Mr. WANG Haimin[2]	
Mr. WANG Wei[2]	(appointed on 24th February 2012)
Mr. GAO Ping[2]	(resigned on 24th February 2012)
Dr. WONG Tin Yau, Kelvin[1]	
Mr. YIN Weiyu[1]	
Dr. LI Kwok Po, David[3]	
Mr. CHOW Kwong Fai, Edward[3]	
Mr. Timothy George FRESHWATER[3]	
Dr. FAN HSU Lai Tai, Rita[3]	

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

In accordance with Clause 86(2) of the Bye-laws of the Company, Mr. LI Yunpeng, Dr. WANG Xingru, Mr. WAN Min, Mr. FENG Bo and Mr. WANG Wei, being new directors appointed during the year, retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. YIN Weiyu, Dr. LI Kwok Po, David and Mr. Timothy George FRESHWATER, being directors longest in office since their last re-election, shall retire by rotation from office by rotation at the forthcoming annual general meeting. Except Dr. LI Kwok Po, David who decided not to offer himself for re-election, the remaining retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 as at the date of this report are set out on pages 80 to 87 of this annual report.

Directors' service contracts

No director proposed for election or 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' interests 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 23rd May 2003, the shareholders of the Company approved the adoption of a new share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30th November 1994.

On 5th 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 28th 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 is 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 may approve from time to time.

Under the 2003 Share Option Scheme, the Board may, 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 may at its discretion consider appropriate.

The maximum number of shares which may 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 shall 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 "Scheme Mandate Limit") unless the Company seeks approval of its shareholders in general meeting to refresh the Scheme Mandate Limit, such that the maximum number of shares which may be issued upon exercise of all options to be granted under the 2003 Share Option Scheme or any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval to refresh such limit. The Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided that the options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. Notwithstanding the above, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2003 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time (or such higher percentage as may be allowed under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

As at the date of this report, a total of 91,983,229 shares (representing approximately 3.39% of the existing issued share capital of the Company) may be issued upon exercise of all options which may be granted under the 2003 Share Option Scheme and a total of 38,103,000 shares (representing approximately 1.41% 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.

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

The period under which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall 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 is determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of an option is 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 shall be determined by the Board in its absolute discretion, but in any event shall 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 is 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 is offered; and (iii) the nominal value of a share.

The 2003 Share Option Scheme will expire on 22nd May 2013.

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 jointly controlled entities (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 jointly controlled entities refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and joint ventures and/or jointly controlled entities of the Company in the latest audited financial statements of the Company.

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

Category	Exercise price HK$	Number of share options: Outstanding at 1st January 2011	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31st December 2011	% of total issued share capital	Exercisable period	Note
Directors										
Dr. WONG Tin Yau, Kelvin	9.54	800,000	—	—	—	—	800,000	0.030%	28.10.2003–27.10.2013	(1), (4)
	13.75	1,000,000	—	—	—	—	1,000,000	0.037%	2.12.2004–1.12.2014	(2), (4)
	19.30	500,000	—	—	—	—	500,000	0.018%	18.4.2007–17.4.2017	(3), (4)
Mr. YIN Weiyu	19.30	500,000	—	—	—	—	500,000	0.018%	19.4.2007–18.4.2017	(3), (4)
Ex-directors										
Mr. XU Minjie	19.30	800,000	—	—	(800,000)	—	—	—	19.4.2007–18.4.2017	(3), (4), (5)
Dr. SUN Jiakang	13.75	700,000	—	—	(700,000)	—	—	—	1.12.2004–30.11.2014	(2), (4), (5)
		4,300,000	—	—	(1,500,000)	—	2,800,000			
Continuous contract employees	9.54	1,519,000	—	(8,000)	—	—	1,511,000	0.056%	(refer to note 1)	(1), (6)
	13.75	12,632,000	—	(200,000)	—	(20,000)	12,412,000	0.458%	(refer to note 2)	(2), (6)
	19.30	13,120,000	—	—	—	(220,000)	12,900,000	0.476%	(refer to note 3)	(3)
Others	9.54	50,000	—	—	—	—	50,000	0.002%	(refer to note 1)	(1)
	13.75	7,480,000	—	(50,000)	700,000	(500,000)	7,630,000	0.281%	(refer to note 2)	(2), (6)
	19.30	340,000	—	—	800,000	(340,000)	800,000	0.030%	(refer to note 3)	(3)
		35,141,000	—	(258,000)	1,500,000	(1,080,000)	35,303,000			
		39,441,000	—	(258,000)	—	(1,080,000)	38,103,000			

Notes:

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

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

(3) The share options were granted during the period from 17th April 2007 to 19th 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 17th April 2007 to 19th April 2007.

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

(5) Mr. XU Minjie resigned as an executive director and Vice Chairman and Managing Director on 11th July 2011. Dr. SUN Jiakang resigned as a non-executive director of the Company on 9th August 2011. In this respect, the options granted to Mr. XU Minjie and Dr. SUN Jiakang were re-classified from the category of "directors" to the category of "others".

(6) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$14.76.

(7) No share options were granted or cancelled under the 2003 Share Option Scheme during the year ended 31st December 2011.

Directors' interests in shares, underlying shares and debentures

As at 31st December 2011, the interests 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 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. WANG Xingru	Beneficial owner	Personal	120,000	0.004%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	500,000	0.018%
Dr. LI Kwok Po, David	Beneficial owner	Personal	1,000,000	0.037%
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' interests 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%

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. WANG Xingru	Beneficial owner	Personal	100,000	0.007%
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	203,529	0.013%
COSCO Corporation (Singapore) Limited	Dr. WANG Xingru	Beneficial owner	Personal	467,000	0.021%
COSCO Shipping Co., Ltd.	Mr. WANG Zenghua	Beneficial owner	Personal	46,800	0.003%

(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 1st January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2011	% of total issued share capital of the relevant associated corporation	Note
COSCO International Holdings Limited	Mr. HE Jiale	Beneficial owner	Personal	1.37	1,200,000	—	—	—	1,200,000	0.079%	(1)
	Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1.37	500,000	—	—	—	500,000	0.033%	(1)
	Ex-director										
	Dr. SUN Jiakang	Beneficial owner	Personal	1.37	800,000	—	—	—	N/A	N/A	(1), (2)

Notes:

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

(2) Dr. SUN Jiakang resigned as a non-executive director of the Company on 9th August 2011.

(3) During the year, no share options mentioned above were cancelled.

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price S$	Number of share options: Outstanding at 1st January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31st December 2011	% of total issued share capital of the relevant associated corporation	Note
COSCO Corporation (Singapore) Limited	Mr. FENG Jinhua	Beneficial owner	Personal	2.48	300,000	—	—	(300,000)	—	—	(1)
	Dr. WANG Xingru	Beneficial owner	Personal	2.48	N/A	—	—	—	700,000	0.031%	(2), (4)
		Beneficial owner	Personal	2.95	N/A	—	—	—	700,000	0.031%	(3), (4)

Notes:

(1) The share options were granted by COSCO Corporation (Singapore) Limited ("COSCO Singapore"), an associated corporation of the Company listed on the Main Board of the Singapore Exchange, on 5th February 2007 and are exercisable at any time between 5th February 2008 and 27th September 2011.

(2) The share options were granted by COSCO Singapore on 5th February 2007 and are exercisable at any time between 5th February 2008 and 13th July 2012.

(3) The share options were granted by COSCO Singapore on 24th March 2008 and are exercisable at any time between 24th March 2009 and 13th July 2012.

(4) Dr. WANG Xingru was appointed as an executive director and Vice Chairman and Managing Director of the Company on 11th July 2011.

(5) During the year, no share options mentioned above were cancelled.

(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:

					Number of units of share appreciation rights					
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1st January 2011	Granted during the year	Exercised during the year	Outstanding at 31st December 2011	% of total issued H share capital of the relevant associated corporation	Note
China COSCO Holdings Company Limited	Mr. XU Lirong	Beneficial owner	Personal	3.195	375,000	—	—	375,000	0.015%	(1), (4)
				3.588	500,000	—	—	500,000	0.019%	(2), (4)
				9.540	580,000	—	—	580,000	0.022%	(3), (4)
	Mr. WAN Min	Beneficial owner	Personal	3.195	N/A	—	—	75,000	0.003%	(1), (5)
				3.588	N/A	—	—	280,000	0.011%	(2), (5)
				9.540	N/A	—	—	260,000	0.010%	(3), (5)
	Mr. HE Jiale	Beneficial owner	Personal	3.195	375,000	—	—	375,000	0.015%	(1)
				3.588	500,000	—	—	500,000	0.019%	(2)
				9.540	480,000	—	—	480,000	0.019%	(3)
	Mr. WANG Zenghua	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. 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. 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)
	Mr. GAO Ping	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. YIN Weiyu	Beneficial owner	Personal	3.195	100,000	—	—	100,000	0.004%	(1)
				3.588	65,000	—	—	65,000	0.003%	(2)
	Ex-directors									
	Mr. XU Minjie	Beneficial owner	Personal	3.195	75,000	—	—	N/A	N/A	(1), (6)
				3.588	90,000	—	—	N/A	N/A	(2), (6)
	Dr. SUN Jiakang	Beneficial owner	Personal	3.195	375,000	—	—	N/A	N/A	(1), (5)
				3.588	500,000	—	—	N/A	N/A	(2), (5)
				9.540	480,000	—	—	N/A	N/A	(3), (5)

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 16th 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 16th December 2007 and 15th 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 5th 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 5th October 2008 and 4th 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 4th 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 4th June 2009 and 3rd June 2017.

(4) Mr. XU Lirong resigned as a non-executive director and Chairman of the Company on 24th February 2012.

(5) On 9th August 2011, Mr. WAN Min was appointed as a non-executive director of the Company and Dr. SUN Jiakang resigned as a non-executive director of the Company.

(6) Mr. XU Minjie resigned as an executive director and Vice Chairman and Managing Director of the Company on 11th July 2011.

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

Save as disclosed above, as at 31st December 2011, none of the directors or chief executive of the Company had any interests or short positions in any shares or underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' interests in competing business

As at 31st December 2011, the then directors namely Mr. XU Lirong, Dr. WANG Xingru, Mr. WAN Min, Mr. HE Jiale, Mr. WANG Zenghua, Mr. FENG Jinhua, Mr. WANG Haimin and Mr. GAO Ping held directorships and/or senior management positions in COSCO and/or COSCO Container Lines Company Limited ("COSCON") and their respective associates and/or other companies which have interests in container terminals (the "Container Terminal Interests").

The Board is of the view that the Group is capable of carrying on its businesses independently of the Container Terminal Interests. When making decisions on the container terminal 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 interests of the Group.

Substantial interests in the share capital of the Company

So far as is known to any directors or chief executive of the Company, as at 31st December 2011, the interests 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 and the Stock Exchange were as follows:

			Number of ordinary shares/Percentage of total issued share capital						
Name	Capacity	Nature of interests	Long positions	%	Short positions	%	Lending pool	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	202,592,613	7.47	—	—	—	—	(1)
COSCO Pacific Investment Holdings Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,158,303,338	42.71	—	—	—	—	(1)
China COSCO Holdings Company Limited	Interest of controlled corporation	Corporate interest	1,158,303,338	42.71	—	—	—	—	(1)
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,158,303,338	42.71	—	—	—	—	(1)
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	Beneficial interest and corporate interest	271,656,048	10.02	34,000	0.00	130,713,091	4.82	(2)

Notes:

(1) The 1,158,303,338 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of COSCO Pacific Investment Holdings Limited ("COSCO Pacific Investment"). Accordingly, the 202,592,613 shares of the Company held by COSCO Investments are also included as part of COSCO Pacific Investment's interests in the Company. COSCO Pacific Investment is a wholly owned subsidiary of China COSCO and it itself held 955,710,725 shares of the Company beneficially. Accordingly, COSCO Pacific Investment's interests in relation to the 1,158,303,338 shares of the Company are also recorded as China COSCO's interests in the Company. COSCO held 52.80% interest of the issued share capital of China COSCO as at 31st December 2011, and accordingly, COSCO is deemed to have the interests of 1,158,303,338 shares of the Company held by COSCO Pacific Investment.

(2) The corporate interest of JPMorgan Chase & Co. was attributable on account through a number of its wholly owned and non wholly owned subsidiaries (including J.P. Morgan Securities Ltd. (98.95% control) and JPMorgan Funds (Asia) Limited (99.99% control)).

Save as disclosed above, as at 31st December 2011, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company which had been 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	19.49%
Percentage of container purchases attributable to the Group's five largest suppliers	53.36%
Percentage of leasing income attributable to the Group's largest lessee, which is a subsidiary of COSCO	53.28%
Percentage of leasing income attributable to the Group's five largest lessees	71.12%

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

During the year ended 31st December 2011, the Group and COSCO have equity interest in China International Marine Containers (Group) Co., Ltd., the holding company of two of the five largest suppliers of the Group. In 2011, these two suppliers attributed 19.61% 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' interests. The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31st December 2011, except for the following deviation:

Code provision E.1.2

The code provision E.1.2 of the Corporate Governance Code provides that the chairman of the board shall attend the annual general meeting of the company. Due to business commitment, Mr. XU Lirong, former Chairman of the Board, was unable to attend the annual general meeting of the Company held on 16th May 2011. This constituted a deviation from the code provision E.1.2 of the Corporate Governance Code.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 60 to 79 of this annual report.

Connected transactions

During the year, the Group entered into the following connected transaction and continuing connected transactions:

(I) Connected transaction

Deemed disposal of 50% equity interest in Florens Capital Management Company Limited

On 22nd November 2011, the Company and its then wholly owned subsidiary, Florens Capital Management Company Limited ("Florens Capital"), entered into a conditional capital subscription agreement (the "Subscription Agreement") with COSCO (Cayman) Fortune Holding Co., Ltd. ("Fortune Holding"), pursuant to which (i) Fortune Holding or its wholly owned subsidiary as nominated by it (the "Subscriber") would subscribe for 1,000 shares of HK$1.00 each in the share capital of Florens Capital (the "Subscription Shares") for cash at the subscription price of HK$1,000 in aggregate (the "Subscription") and advance a shareholder's loan of US$50,000,000 (the "Shareholder's Loan") to Florens Capital; (ii) Florens Capital would increase its authorised share capital by HK$1,000 to HK$2,000 by the creation of an additional 1,000 shares of HK$1.00 each and agreed to allot and issue the Subscription Shares to the Subscriber; and (iii) the Company should, among other things, guarantee the performance by Florens Capital of all of its obligations under the Subscription Agreement. The Subscription Shares represented 50% of the issued share capital of Florens Capital as enlarged by the issue of the Subscription Shares.

The Shareholder's Loan was unsecured, interest free and with no fixed repayment date and was of the same amount, on the same terms, as the shareholder's loan already advance to Florens Capital by Florens Container Holdings Limited ("Florens"), a wholly owned subsidiary of the Company and the sole shareholder of Florens Capital before the Subscription. The total consideration paid by the Subscriber under the Subscription Agreement was approximately US$50,000,128.

After completion of the Subscription Agreement on 22nd December 2011, the interests of Florens in the issued share capital of Florens Capital were diluted from 100% to 50%. The Subscription constituted a deemed disposal by the Company of 50% of its indirect interests in the issued share capital of Florens Capital under Rule 14.29 of the Listing Rules.

As COSCO is the ultimate controlling shareholder of the Company and Fortune Holding is a wholly owned subsidiary of COSCO, Fortune Holding is a connected person of the Company. Accordingly, the entering into of the Subscription Agreement constituted a connected transaction of the Company under the Listing Rules.

The Company considered that the cooperation between Florens and Fortune Holding would not only strengthen the business of Florens Capital and its wholly owned subsidiary, Florens (Tianjin) Finance Leasing Co., Ltd. (together "Florens Capital Group") but also build a diversified finance leasing platform. This platform would increase the sources of funding available to Florens Capital Group and provide a foundation for the sustainable development of Florens Capital Group, which would enable it to seize the opportunities for future development.

(II) Continuing connected transactions

Rental of office premises

On 28th November 2008, COSCO Pacific Management as tenant entered into a tenancy agreement (the "2008 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 2008 Tenancy Agreement, COSCO Pacific Management agreed to rent from Wing Thye the Premises for a term of three years commencing from 29th November 2008 at a monthly rental of HK$846,846 exclusive of government rent, rates and management fees payable to Wing Thye. The monthly management fees payable to Wing Thye was HK$72,586.80, and the maximum aggregate annual value of the rental and the management fee was HK$11,033,193.60.

On 28th November 2011, COSCO Pacific Management as tenant entered into a new tenancy agreement with Wing Thye as landlord (the "2011 Tenancy Agreement") in respect of the leasing of 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 29th 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.

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 2008 Tenancy Agreement and the 2011 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 2008 Tenancy Agreement and the 2011 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 is a controlling shareholder of both the Company and COSCO Hong Kong. Accordingly, COSCO, COSCO Hong Kong and Wing Thye are all connected persons of the Company. The 2008 Tenancy Agreement and the 2011 Tenancy Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

Master agreements relating to container related services and shipping related services transactions

On 30th November 2009, certain subsidiaries of the Company entered into the following master agreements each for a term of three years from 1st January 2010 to 31st December 2012:

(1) COSCON Shipping 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), COSCO and COSCON in respect of the provision of shipping related services by COSCO Ports and its subsidiaries (collectively "COSCO Ports Group") or PCT to COSCO and COSCON and their respective associates (excluding the Group) (collectively "COSCO Group"). The service fees shall be at rates no less favourable to the relevant members of COSCO Ports Group or to PCT than those at which the relevant members of COSCO Ports Group or PCT charges independent third party customers for the relevant services.

    The annual caps of the aggregate amount receivable by COSCO Ports Group and PCT from COSCO Group for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB815,402,000, RMB1,097,176,000 and RMB1,310,131,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB396,769,696.

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

    The annual caps of the aggregate amount receivable by COSCO Ports Group and PCT from the Line for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB334,504,000, RMB443,599,000 and RMB527,878,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB177,540,754.

(3) Florens-COSCON Container Related Services and Purchase of Materials Master Agreement entered into between Florens (a wholly owned subsidiary of the Company), COSCO and COSCON in respect of the following transactions:

    (a) Purchase of container related materials by Florens and its subsidiaries (collectively "Florens Group") from members of COSCO Group (including COSCON). The annual caps of the aggregate amount payable by Florens Group to COSCO Group for such purchases for the years ended/ending 31st December 2010, 2011 and 2012 are US$300,000, US$400,000 and US$500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$18,064.

    (b) Provision of container related services by members of COSCO Group (including COSCON) to members of Florens Group. The annual caps of the aggregate amount payable by Florens Group to COSCO Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are US$6,307,000, US$8,032,000 and US$8,912,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$433,939.

    It was agreed that the consideration for the purchase of container related materials by Florens Group and the provision of container related services by COSCO Group (including COSCON) shall be at rates no less favourable to the relevant members of Florens Group (as purchaser or service receiving party, as the case may be) than those at which the relevant members of COSCO Group (including COSCON) charge 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 members of Florens Group from the Line. The annual cap of the aggregate amount payable by Florens Group to the Line for such purchases for the years ended/ending 31st December 2010, 2011 and 2012 is US$15,000,000.

(b) Provision of container related services by the Line to members of Florens Group. The annual cap of the aggregate amount payable by Florens Group to the Line for such services for the years ended/ending 31st December 2010, 2011 and 2012 is US$100,000.

It was agreed that the consideration for the purchase of containers and container related materials by Florens Group and the provision of container related services by the Line shall be at rates no less favourable to Florens Group (as purchaser or service receiving party, as the case may be) than those at which the Line charge independent third parties for the relevant transactions. For the year ended 31st December 2011, Florens did not pay any fees to the Line pursuant to such agreement.

(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 Holding Company Limited ("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 ("GZ Port Group"). The annual caps of aggregate amount receivable by GZ South China from GZ Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB14,900,000, RMB20,500,000 and RMB26,400,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB2,745,439.

(b) Provision of container terminal related services by members of GZ Port Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to GZ Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB73,050,000, RMB87,120,000 and RMB104,970,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB70,913,998.

(c) The appointment of GZ South China by GZ Port Holding to charge on behalf of GZ Port Holding the port construction fee (港口建設費) in respect of cargoes entering and departing from the phase 2 terminal at the Nansha Port in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the port construction fee payable by GZ South China to GZ Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB30,000,000, RMB36,500,000 and RMB40,500,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31st December 2011 was RMB24,055,760.

(ii) The annual caps of the aggregate amount of the handling fee receivable by GZ South China from GZ Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB100,000, RMB150,000 and RMB180,000 respectively. The total amount of the handling fee received by GZ South China from GZ Port Holding for the year ended 31st December 2011 was RMB100,547.

(iii) The annual caps of the aggregate amount of the refunded fee receivable by GZ South China from GZ Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB7,700,000, RMB11,850,000 and RMB14,420,000 respectively. The total amount of the refunded fee received by GZ South China from GZ Port Holding for the year ended 31st December 2011 was RMB6,695,606.

(d) 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 (甚高頻無線電通訊服務) at the Guangzhou port, or the agents of such vessels, the high-frequency communication fee (甚高頻通訊費) at a rate as prescribed by GZ Port Holding from time to time. 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/ending 31st December 2010, 2011 and 2012 are RMB1,000,000, RMB2,200,000 and RMB3,000,000 respectively. The total amount of the aforesaid fee paid by GZ South China to GZ Port Holding for the year ended 31st December 2011 was RMB531,900.

(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/ending 31st December 2010, 2011 and 2012 are RMB30,000, RMB70,000 and RMB90,000 respectively. The total amount of the handling fee received by GZ South China for the year ended 31st December 2011 was RMB9,102.

It was agreed that the terms for the provision of the aforesaid 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 GZ Port Group shall be no less favourable to GZ South China (as service receiving party) than terms available to independent third parties from 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 following transactions:

(a) Provision of terminal related services by Yangzhou Port Holding and its subsidiaries, branches and associates ("Yangzhou Port Group") to Yangzhou Yuanyang. The annual caps of the aggregate amount payable by Yangzhou Yuanyang to Yangzhou Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB68,985,000, RMB92,080,000 and RMB136,188,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB61,122,155.

(b) The appointment of Yangzhou Yuanyang by Yangzhou Port Holding to charge on behalf of Yangzhou Port Holding the port construction fee in respect of cargoes entering and departing from the terminals of Yangzhou Yuanyang in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the port construction fee payable by Yangzhou Yuanyang to Yangzhou Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB1,700,000, RMB2,035,000 and RMB2,442,000 respectively. The total amount of port construction fee paid by Yangzhou Yuanyang to Yangzhou Port Holding for the year ended 31st December 2011 was RMB803,938.

(ii) The annual caps of the aggregate amount of the refunded fee receivable by Yangzhou Yuanyang from Yangzhou Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB424,000, RMB509,000 and RMB611,000 respectively. For the year ended 31st December 2011, Yangzhou Yuanyang did not receive any refunded fees from Yangzhou Port Holding pursuant to such agreement.

(c) The appointment of Yangzhou Yuanyang by Yangzhou Port Holding to receive on behalf of the relevant members of Yangzhou Port Group the service fees which are payable by independent third party terminal users to such members of Yangzhou Port Group in accordance with tripartite agreements between the relevant members of Yangzhou Port Group, Yangzhou Yuanyang and such independent third party terminal users and are paid by such independent third party terminal users to Yangzhou Yuanyang.

Under the above appointment, Yangzhou Yuanyang shall pay the entire amount of the service fees to the relevant members of Yangzhou Port Group, and Yangzhou Yuanyang shall not be liable to pay any of such service fees to the relevant members of Yangzhou Port Group if the relevant independent third party terminal users fail to pay such fees to Yangzhou Port Group; and no amount is receivable by Yangzhou Yuanyang in respect of the receipt of service fees from independent third party terminal users on behalf of Yangzhou Port Group. Accordingly, no annual cap was set in respect of such payment arrangement.

It was agreed that the terms for the provision of services by Yangzhou Port Group shall be no less favourable to Yangzhou Yuanyang (as service receiving party) than terms available to independent third parties from 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 members of COSCO Group (including COSCON). The service fees shall be at rates no less favourable to Plangreat and its subsidiaries than those at which Plangreat and its subsidiaries charge independent third parties for the relevant services.

The annual cap of the aggregate amount receivable by Plangreat and its subsidiaries from COSCO Group for the years ended/ending 31st December 2010, 2011 and 2012 is US$3,372,000. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$2,576,455.

(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 (being containers which have been used for at least 10 years) for a term of not more than 3 years by members of Florens Group to members of COSCO Group. The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$468,000, US$985,000 and US$1,358,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$10,504.

(b) Sales of old containers by members of Florens Group to members of COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$2,500,000, US$3,000,000 and US$3,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$18,400.

(c) Provision of container related services by members of Florens Group to members of COSCO Group (including COSCON). The annual caps of the aggregate amount receivable by Florens Group from COSCO Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are US$1,000,000, US$1,500,000 and US$1,800,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$482,032.

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

(9) Florens-APM Container Leasing, Sales and Related Services Master Agreement entered into between Florens and the Line in respect of the following transactions:

(a) Grant of leases of containers for a term of not more than 3 years by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for such transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$55,000, US$65,000 and US$80,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$6,810.

(b) Sales of old containers by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for the aforesaid transactions for the years ended/ending 31st December 2010, 2011 and 2012 are US$300,000, US$350,000 and US$400,000 respectively. For the year ended 31st December 2011, Florens did not receive any amount from the Line pursuant to such agreement.

(c) Provision of container related services by members of Florens Group to the Line. The annual caps of the aggregate amount receivable by Florens Group from the Line for the aforesaid services for the years ended/ending 31st December 2010, 2011 and 2012 is US$20,000. The total amount of the aforesaid transactions for the year ended 31st December 2011 was US$2,030.

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

(10) 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) (formerly "China Marine Bunker Supply Guangzhou Company (中國船舶燃料供應廣州公司)") ("CM Supply") in respect of the purchase of diesel oil by GZ South China from CM Supply. The terms for the supply of diesel oil by CM Supply shall be no less favourable to GZ South China than terms available to independent third parties from CM Supply for the relevant transactions.

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the years ended/ending 31st December 2010, 2011 and 2012 are RMB35,000,000, RMB40,000,000 and RMB50,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB8,299,463.

(11) Zhangjiagang Container Terminal Services Master Agreement entered into between COSCO Ports, Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky", a subsidiary of the Company) and Zhangjiagang Port Group Co., Ltd. ("Zhangjiagang Port Holding") in respect of the following transactions:

(a) Provision of container terminal related services by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding and its subsidiaries, branches and associates (collectively "Zhangjiagang Port Group"). The annual caps of the aggregate amount receivable by Zhangjiagang Win Hanverky from Zhangjiagang Port Group for such services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB8,450,000, RMB9,970,000 and RMB12,490,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB459,869.

(b) Provision of container terminal related services by members of Zhangjiagang Port Group to Zhangjiagang Win Hanverky. The annual caps of the aggregate amount payable by Zhangjiagang Win Hanverky to Zhangjiagang Port Group for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB18,990,000, RMB23,980,000 and RMB29,390,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was RMB19,963,930.

(c) The appointment of Zhangjiagang Win Hanverky by Zhangjiagang Port Holding to charge on behalf of Zhangjiagang Port Holding the port construction fee in respect of cargoes entering and departing from the terminal of Zhangjiagang Win Hanverky in accordance with the applicable laws and regulations and/or as required by the relevant government or supervisory authorities from time to time. The relevant annual caps are as follows:

(i) The annual caps of the aggregate amount of the port construction fee payable by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding for the years ended/ending 31st December 2010, 2011 and 2012 are RMB18,260,000, RMB21,910,000 and RMB26,290,000 respectively. The total amount of the aforesaid fee paid by Zhangjiagang Win Hanverky to Zhangjiagang Port Holding for the year ended 31st December 2011 was RMB13,494,787.

(ii) The annual caps of the aggregate amount of the handling fee receivable by Zhangjiagang Win Hanverky from Zhangjiagang Port Holding in respect of the charging of the port construction fee for the years ended/ending 31st December 2010, 2011 and 2012 are RMB92,000, RMB110,000 and RMB132,000 respectively. For the year ended 31st December 2011, Zhangjiagang Win Hanverky did not receive any handling fees from Zhangjiagang Port Holding pursuant to such agreement.

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

It was also agreed that the terms for the provision of services by Zhangjiagang Port Group shall be no less favourable to Zhangjiagang Win Hanverky (as service receiving party) than terms available to independent third parties from 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 provision of container terminal related services by Xiamen Haicang Holding and its subsidiaries, branches and associates (collectively "Xiamen Haicang Group") to Xiamen Ocean Gate. The terms for the provision of services by Xiamen Haicang Group shall be no less favourable to Xiamen Ocean Gate than terms available to independent third parties from Xiamen Haicang Group for the relevant services.

The annual caps of the aggregate amount payable by Xiamen Ocean Gate to Xiamen Haicang Group for the abovementioned services for the years ended/ending 31st December 2010, 2011 and 2012 are RMB3,200,000, RMB19,700,000 and RMB22,200,000 respectively. The total amount for the aforesaid transactions for the year ended 31st December 2011 was RMB2,750,000.

COSCO is the ultimate controlling shareholder of the Company. COSCON is a subsidiary of COSCO. Accordingly, members of COSCO Group (including 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 indirectly holds a 41% equity interest in GZ South China. Accordingly, members of GZ Port Group (including GZ Port Holding) are connected persons of the Company. As Yangzhou Port Holding indirectly holds a 40% equity interest in Yangzhou Yuanyang, members of 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 holds a 49% equity interest in Zhangjiagang Win Hanverky. Accordingly, members of Zhangjiagang Port Group (including Zhangjiagang Port Holding) are connected persons of the Company. Xiamen Haicang Holding indirectly holds a 30% equity interest in Xiamen Ocean Gate. Therefore, members of Xiamen Haicang Group (including Xiamen Haicang Holding) are connected persons of the Company.

Each of the above master agreements and the transactions contemplated thereunder constituted continuing connected transactions under Chapter 14A of the Listing Rules. The continuing connected transactions under agreements no. (1) to (6) above were subject to the reporting, announcement and independent shareholders' approval requirements. Accordingly, the written approval for the transactions under agreements no. (2), (4), (5) and (6) above was obtained from COSCO Pacific Investment and COSCO Investments (both being subsidiaries of COSCO and together being interested in an aggregate of 51.20% of the total issued share capital of the Company as at the date of such agreements). The continuing connected transactions under agreements no. (1) and (3) above were approved by the independent shareholders of the Company at the special general meeting held on 7th January 2010.

With respect to the continuing connected transactions under agreements no. (7) to (12) above, they were subject to the reporting and announcement requirements, but were exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 14th 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 31st December 2011 amounted to US$131,488,018. 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 four 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.37 of the Listing Rules, Dr. LI Kwok Po, David, Mr. CHOW Kwong Fai, Edward and Mr. Timothy George FRESHWATER, 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 four 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 the office premises transactions and the transactions entered into by COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Win Hanverky and Xiamen Ocean Gate under the master agreements were:

- entered into in the ordinary and usual course of the Group's businesses;
- entered into on 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 interests 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 COSCON (a subsidiary of China COSCO) was a party to the long term container leasing transactions, and for good corporate governance practices, she would not take part in the review process in respect of the long term container leasing transactions and the continuing connected transactions under agreements no. (1), (3), (7) and (8) and would not express her opinion in relation to such transactions reviewed by the other independent non-executive directors of the Company.

Dr. FAN HSU Lai Tai, Rita further confirmed that she has reviewed the rental of the office premises transactions and the continuing connected transactions under agreements no. (2), (4), (5), (6), (9), (10), (11) and (12), of which neither China COSCO nor any of its subsidiaries is a party to the transactions stipulated therein, and opined that the aforementioned transactions were:

- entered into in the ordinary and usual course of the Group's businesses;
- entered into on 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 interests of the shareholders of the Company as a whole.

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 31st December 2011 (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 four of the top ten independent container leasing companies.

For the purposes of Rule 14A.38 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 other continuing connected transactions as identified by the management 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 the other continuing connected transactions, including the rental of the office premises transactions and the transactions entered into by COSCO Ports, PCT, Florens, GZ South China, Yangzhou Yuanyang, Plangreat, Zhangjiagang Win Hanverky and Xiamen Ocean Gate under the master agreements for the Relevant Year, in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 31st December 2011 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	7,086,164
Current assets	2,131,440
Current liabilities	(3,312,306)
Non-current liabilities	(2,099,013)
Net assets	3,806,285
Share capital	500,807
Reserves	1,802,661
Non-controlling interests	1,502,817
Capital and reserves	3,806,285

As at 31st December 2011, the Group's attributable interests in these affiliated companies amounted to US$916,396,000.

Audit Committee

As at the date of this report, the Audit Committee of the Company consists of four 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.

On behalf of the Board

WANG Xingru
Vice Chairman and Managing Director

Hong Kong, 27th March 2012

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 111 to 186, which comprise the consolidated and company balance sheets as at 31st December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 31st December 2011, 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, 27th March 2012

CONSOLIDATED BALANCE SHEET

As at 31st December 2011

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,155,865**	2,127,307
Investment properties	8	**7,571**	4,742
Land use rights	9	**223,870**	141,736
Intangible assets	10	**9,231**	7,593
Jointly controlled entities	12	**537,700**	460,898
Loans to jointly controlled entities	12	**—**	131,342
Associates	13	**1,550,030**	1,460,370
Loan to an associate	13	**28,930**	28,500
Available-for-sale financial asset	14	**17,000**	25,000
Finance lease receivables	15	**15,259**	1,418
Deferred income tax assets	16	**1,690**	3,477
Derivative financial instruments	17	**13,948**	19,532
Other non-current assets	18	**60,668**	64,466
		5,621,762	4,476,381
Current assets			
Inventories	19	**9,332**	13,553
Trade and other receivables	20	**259,991**	214,771
Current income tax recoverable		**30**	860
Restricted bank deposits	43(b)	**111**	—
Cash and cash equivalents	43(b)	**580,958**	524,274
		850,422	753,458
Asset held for sale	21	**—**	22,078
		850,422	775,536
Total assets		**6,472,184**	5,251,917
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**34,805**	34,801
Reserves		**3,531,763**	3,245,993
Proposed final dividend		**60,744**	67,327
		3,627,312	3,348,121
Non-controlling interests		**252,847**	145,741
Total equity		**3,880,159**	3,493,862

CONSOLIDATED BALANCE SHEET

As at 31st December 2011

	Note	2011 US$'000	2010 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**45,455**	29,814
Long term borrowings	25	**1,573,470**	1,389,646
Loans from non-controlling shareholders of subsidiaries	26	**169,812**	—
Other long term liabilities	27	**3,564**	2,425
		1,792,301	1,421,885
Current liabilities			
Trade and other payables	28	**201,470**	162,370
Current income tax liabilities		**3,730**	4,691
Current portion of long term borrowings	25	**420,131**	136,045
Short term bank loans	25	**174,393**	33,064
		799,724	336,170
Total liabilities		**2,592,025**	1,758,055
Total equity and liabilities		**6,472,184**	5,251,917
Net current assets		**50,698**	439,366
Total assets less current liabilities		**5,672,460**	4,915,747

On behalf of the Board

WANG Xingru
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 119 to 186 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31st December 2011

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**220**	153
Subsidiaries	11	**2,117,493**	2,417,654
Amounts due from subsidiaries	11	**109,833**	109,114
		2,227,546	2,526,921
Current assets			
Other receivables	20	**375**	360
Amounts due from subsidiaries	11	**540,899**	325,869
Cash and cash equivalents	43(b)	**179,660**	269,988
		720,934	596,217
Total assets		**2,948,480**	3,123,138
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**34,805**	34,801
Reserves	24	**2,235,524**	2,279,599
Proposed final dividend	24	**60,744**	67,327
Total equity		**2,331,073**	2,381,727
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	11	**296,655**	296,655
Current liabilities			
Other payables	28	**2,160**	2,955
Amounts due to subsidiaries	11	**318,592**	441,801
		320,752	444,756
Total liabilities		**617,407**	741,411
Total equity and liabilities		**2,948,480**	3,123,138

On behalf of the Board

WANG Xingru
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 119 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2011

	Note	2011 US$'000	2010 US$'000
Continuing operations:			
Revenue	6	**599,159**	446,492
Cost of sales		**(340,141)**	(279,768)
Gross profit		**259,018**	166,724
Investment income		**1,992**	1,612
Administrative expenses		**(89,323)**	(59,823)
Other operating income	29	**20,448**	21,172
Other operating expenses		**(12,735)**	(16,418)
Operating profit	30	**179,400**	113,267
Finance income	31	**5,070**	6,537
Finance costs	31	**(58,419)**	(29,439)
Operating profit after finance income and costs		**126,051**	90,365
Share of profits less losses of			
– jointly controlled entities		**96,638**	74,654
– associates		**179,290**	132,120
Profit on disposal of a jointly controlled entity, net of tax	21	**12,557**	—
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	45	**11,841**	—
Profit before income tax from continuing operations		**426,377**	297,139
Income tax expenses	32	**(28,771)**	(15,653)
Profit for the year from continuing operations		**397,606**	281,486
Discontinued operation:			
Profit on disposal of a jointly controlled entity, net of tax	33	**—**	84,710
Profit for the year		**397,606**	366,196
Profit attributable to:			
Equity holders of the Company	34	**388,771**	361,307
Non-controlling interests		**8,835**	4,889
		397,606	366,196
Dividends	35	**155,416**	159,113
Earnings per share for profit attributable to equity holders of the Company			
– basic	36		
– from continuing operations		**US14.34 cents**	US10.85 cents
– from discontinued operation		**—**	US3.32 cents
		US14.34 cents	US14.17 cents
– diluted	36		
– from continuing operations		**US14.33 cents**	US10.84 cents
– from discontinued operation		**—**	US3.32 cents
		US14.33 cents	US14.16 cents

The accompanying notes on pages 119 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2011

	2011 US$'000	2010 US$'000
Profit for the year	**397,606**	366,196
Other comprehensive income		
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	**93,122**	45,138
Fair value loss on an available-for-sale financial asset	**(8,000)**	(1,000)
Release of investment revaluation reserve upon reclassification of an available-for-sale financial asset to an associate	**—**	(237,023)
Share of reserves upon reclassification of an available-for-sale financial asset to an associate	**—**	48,385
Release of reserves upon disposal of a jointly controlled entity	**(6,838)**	(46,364)
Release of reserves upon disposal of an available-for-sale financial asset	**—**	(7,020)
Release of exchange reserve upon reclassification of a jointly controlled entity to a subsidiary	**(11,841)**	—
Share of reserves of jointly controlled entities and associates		
– exchange reserve	**328**	(3,847)
– revaluation reserve	**(5,071)**	(8,643)
– hedging reserve	**(423)**	(630)
– other reserves	**2,864**	(93)
Other comprehensive income/(loss) for the year	**64,141**	(211,097)
Total comprehensive income for the year	**461,747**	155,099
Total comprehensive income attributable to:		
Equity holders of the Company	**439,409**	145,944
Non-controlling interests	**22,338**	9,155
	461,747	155,099

The accompanying notes on pages 119 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2011

	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 1st January 2011	34,801	1,296,828	9,702	6,049	115	(8,080)	1,160	163,642	60,941	1,782,963	3,313,320	145,741	3,493,862
Profit for the year	—	—	—	—	—	—	—	—	—	388,771	388,771	8,835	397,606
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	—	—	—	—	—	—	—	79,619	—	—	79,619	13,503	93,122
Fair value loss on an available-for-sale financial asset	—	—	—	—	—	(8,000)	—	—	—	—	(8,000)	—	(8,000)
Share of reserves of jointly controlled entities and associates	—	—	—	—	—	(5,071)	—	328	2,441	—	(2,302)	—	(2,302)
Release of reserves upon disposal of a jointly controlled entity	—	—	—	(1,551)	—	—	—	(5,287)	(1,379)	1,379	(6,838)	—	(6,838)
Release of exchange reserve upon reclassification of a jointly controlled entity to a subsidiary	—	—	—	—	—	—	—	(11,841)	—	—	(11,841)	—	(11,841)
Total comprehensive income for the year	—	—	—	(1,551)	—	(13,071)	—	62,819	1,062	390,150	439,409	22,338	461,747
Issue of shares on exercise of share options	4	448	—	—	—	—	—	—	—	—	448	—	452
Transfer of reserve upon lapse of share options	—	—	(356)	—	—	—	—	—	—	356	—	—	—
Acquisition of additional interests in a subsidiary	—	—	—	14	—	—	—	—	—	—	14	(17)	(3)
Capital contributions from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	19,234	19,234
Reclassification of a jointly controlled entity to a subsidiary	—	—	—	—	—	—	—	—	—	—	—	71,385	71,385
Transfer of reserves	—	—	—	—	—	—	—	—	7,725	(7,725)	—	—	—
Share of reserves of an associate	—	—	—	—	—	—	—	—	1,985	(670)	1,315	—	1,315
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(5,834)	(5,834)
Dividends paid to equity holders of the Company													
– 2010 final	—	—	—	—	—	—	—	—	—	(67,377)	(67,377)	—	(67,377)
– 2011 interim	—	—	—	—	—	—	—	—	—	(94,622)	(94,622)	—	(94,622)
	4	448	(356)	(1,537)	—	(13,071)	—	62,819	10,772	220,112	279,187	107,106	386,297
At 31st December 2011	34,805	1,297,276	9,346	4,512	115	(21,151)	1,160	226,461	71,713	2,003,075	3,592,507	252,847	3,880,159
Representing:													
Share capital	34,805	—	—	—	—	—	—	—	—	—	—		
Reserves	—	1,297,276	9,346	4,512	115	(21,151)	1,160	226,461	71,713	1,942,331	3,531,763		
2011 final dividend proposed	—	—	—	—	—	—	—	—	—	60,744	60,744		
	34,805	1,297,276	9,346	4,512	115	(21,151)	1,160	226,461	71,713	2,003,075	3,592,507		

	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 1st January 2010	29,018	718,489	10,408	4,686	115	258,295	1,160	160,291	51,837	1,507,994	2,713,275	116,058	2,858,351
Profit for the year	—	—	—	—	—	—	—	—	—	361,307	361,307	4,889	366,196
Exchange differences from retranslation of financial statements of subsidiaries, jointly controlled entities and associates	—	—	—	—	—	—	—	40,872	—	—	40,872	4,266	45,138
Fair value loss on an available-for-sale financial asset	—	—	—	—	—	(1,000)	—	—	—	—	(1,000)	—	(1,000)
Release of investment revaluation reserve upon reclassification of an available-for-sale financial asset to an associate	—	—	—	—	—	(237,023)	—	—	—	—	(237,023)	—	(237,023)
Share of reserves upon reclassification of an available-for-sale financial asset to an associate	—	—	—	—	—	—	—	—	—	48,385	48,385	—	48,385
Share of reserves of jointly controlled entities and associates	—	—	—	7	—	(8,643)	—	(3,847)	(730)	—	(13,213)	—	(13,213)
Release of reserves upon disposal of a jointly controlled entity	—	—	—	1,356	—	(13,376)	—	(32,987)	2,360	(3,717)	(46,364)	—	(46,364)
Release of reserves upon disposal of an available-for-sale financial asset	—	—	—	—	—	(6,333)	—	(687)	—	—	(7,020)	—	(7,020)
Total comprehensive income for the year	—	—	—	1,363	—	(266,375)	—	3,351	1,630	405,975	145,944	9,155	155,099
Placement of shares	5,783	595,698	—	—	—	—	—	—	—	—	595,698	—	601,481
Share issue expenses	—	(17,359)	—	—	—	—	—	—	—	—	(17,359)	—	(17,359)
Transfer of reserve upon lapse of share options	—	—	(706)	—	—	—	—	—	—	706	—	—	—
Capital contributions from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	24,449	24,449
Transfer of reserves	—	—	—	—	—	—	—	—	5,471	(5,471)	—	—	—
Share of reserves of an associate	—	—	—	—	—	—	—	—	2,003	(7,327)	(5,324)	—	(5,324)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(3,921)	(3,921)
Dividends paid to equity holders of the Company													
– 2009 final	—	—	—	—	—	—	—	—	—	(32,552)	(32,552)	—	(32,552)
– 2010 interim and special interim	—	—	—	—	—	—	—	—	—	(86,362)	(86,362)	—	(86,362)
	5,783	578,339	(706)	1,363	—	(266,375)	—	3,351	9,104	274,969	600,045	29,683	635,511
At 31st December 2010	34,801	1,296,828	9,702	6,049	115	(8,080)	1,160	163,642	60,941	1,782,963	3,313,320	145,741	3,493,862
Representing:													
Share capital	34,801	—	—	—	—	—	—	—	—	—	—		
Reserves	—	1,296,828	9,702	6,049	115	(8,080)	1,160	163,642	60,941	1,715,636	3,245,993		
2010 final dividend proposed	—	—	—	—	—	—	—	—	—	67,327	67,327		
	34,801	1,296,828	9,702	6,049	115	(8,080)	1,160	163,642	60,941	1,782,963	3,313,320		

The accompanying notes on pages 119 to 186 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2011

	Note	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Cash generated from operations	43(a)	**330,885**	250,631
Interest received		**3,835**	2,912
Net cash received from interest rate swap contracts		**8,543**	8,398
Tax refunded		**—**	109
Tax paid		**(11,330)**	(6,348)
Net cash generated from operating activities		**331,933**	255,702
Cash flows from investing activities			
Dividends received from jointly controlled entities		**83,425**	50,678
Dividends received from associates		**80,710**	40,609
Dividends received from an available-for-sale financial asset		**1,650**	1,493
Purchase of property, plant and equipment, land use rights and intangible assets		**(666,969)**	(375,342)
Payment of consideration of a business acquisition in prior years		**(3,974)**	—
Acquisition of additional interest in a subsidiary		**(3)**	—
Acquisition of associates		**—**	(428,733)
Reclassification of a jointly controlled entity to a subsidiary		**9,517**	—
Investments in jointly controlled entities		**(712)**	(9,052)
Investment in an associate		**—**	(7,030)
Loans advanced to associates		**—**	(126,056)
Repayment of loans from associates		**38,120**	6,868
Sale of an available-for-sale financial asset		**—**	20,581
Sale of property, plant and equipment		**198,511**	5,996
Net proceeds on disposal of jointly controlled entities		**27,993**	300,161
Compensation received for loss of containers		**474**	1,789
Net cash used in investing activities		**(231,258)**	(518,038)
Cash flows from financing activities			
Loans borrowed		**605,318**	202,401
Loans repaid		**(536,866)**	(265,153)
Loans from non-controlling shareholders of subsidiaries		**89,880**	—
Loan from a jointly controlled entity		**23,604**	—
Issue of shares		**452**	601,481
Share issue expenses		**—**	(17,359)
Dividends paid to equity holders of the Company		**(161,999)**	(118,914)
Dividends paid to non-controlling shareholders of subsidiaries		**(5,835)**	(3,656)
Interest paid		**(76,071)**	(43,931)
Other incidental borrowing costs paid		**(1,253)**	(44)
Capital contributions from non-controlling shareholders of subsidiaries		**19,234**	24,449
Net cash (used in)/generated from financing activities		**(43,536)**	379,274
Net increase in cash and cash equivalents		**57,139**	116,938
Cash and cash equivalents at 1st January	43(b)	**524,274**	405,740
Exchange differences		**(455)**	1,596
Cash and cash equivalents at 31st December		**580,958**	524,274

The accompanying notes on pages 119 to 186 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, container manufacturing, 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 27th March 2012.

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 assets, derivative financial instruments and investment properties are carried at fair value and certain buildings are carried at valuation as at 31st December 1994 less accumulated depreciation and impairment losses.

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 new HKFRSs

In 2011, the Group has adopted the following new and revised HKFRS standards, interpretations, amendments or improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year ended 31st December 2011:

HKAS 32 Amendment	Classification of Right Issues
HKFRS 1 Amendment	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to existing standards

HKAS 1 (Revised) Amendment	Presentation of Financial Statements
HKAS 27 (Revised) Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 1 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised) Amendment	Business Combinations
HKFRS 7 Amendment	Financial Instruments: Disclosures
HK(IFRIC)-Int 13 Amendment	Customer Loyalty Programmes

The adoption of the above new HKFRSs in the current year did not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

2 Basis of preparation (Continued)

(b) Standards, interpretation and amendments to existing standards that are not yet effective for the year ended 31st December 2011 and have not been early adopted by the Group

The HKICPA has issued the following new HKFRS standards, interpretation and amendments to existing standards which are not yet effective for the year ended 31st December 2011 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretation and amendments		
HKAS 1 Amendment	Presentation of Financial Statements	1st July 2012
HKAS 12 Amendment	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 19 (2011)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investment in Associates and Joint Ventures	1st January 2013
HKAS 32 Amendment	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRS 1 Amendment	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1st July 2011
HKFRS 7 Amendment	Disclosures – Transfer of Financial Assets	1st July 2011
HKFRS 7 Amendment	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	1st January 2013
HKFRS 7 and HKFRS 9 Amendments	Mandatory Effective Date and Transition Disclosures	1st January 2015
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1st January 2013

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

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, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

(b) Subsidiaries

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 consolidated income statement.

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

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

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.

(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.

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(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 jointly controlled entities, 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 consolidated income statement.

(e) Jointly controlled entities/associates

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

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

Investment in a jointly controlled entity/an associate is accounted for using the equity method from the date on which it becomes a jointly controlled entity/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 jointly controlled entities/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 associates and reclassification of jointly controlled entities to subsidiaries 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.

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.

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(e) Jointly controlled entities/associates (Continued)

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

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

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

(f) Balances with subsidiaries, jointly controlled entities and associates

Balances with subsidiaries, jointly controlled entities 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 Board of 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 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 equity 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 differences 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 jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to 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 equity.

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 expensed in the consolidated income statement during the financial period in which they are incurred.

Effective from 30th September 1995, no further revaluations of the Group's certain 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 amortisation from the time when the land interest becomes available for its intended use. Amortisation 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 25 years

Other property, plant and equipment includes plant and machinery, furniture, fixtures and equipment and motor vehicles.

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.

3 Summary of significant accounting policies (Continued)

3.4 Property, plant and equipment (Continued)

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. Fair value is based on valuations carried out by external valuers. 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.

3.7 Assets held for sale

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

3 Summary of significant accounting policies (Continued)

3.8 Intangible assets

(a) Goodwill

Goodwill arises on acquisition of subsidiaries, jointly controlled entities 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 to sell. 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.

3.9 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life or 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3 Summary of significant accounting policies (Continued)

3.10 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 and 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.

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.

3.11 Derivative financial instruments and hedging activities

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

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

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining hedged item is more than 12 months, and as a current asset or liability, if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the consolidated income statement within finance costs. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within other operating income/expenses. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the consolidated income statement within finance costs. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated income statement.

3 Summary of significant accounting policies (Continued)

3.12 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) Available-for-sale financial assets

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 Summary of significant accounting policies (Continued)

3.13 Inventories

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

3.14 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.

3.15 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).

3.16 Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases, 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 3.24(b) and 3.24(e) below.

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.24(b) below.

3 Summary of significant accounting policies (Continued)

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.22 Current and deferred income tax

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

(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 jointly controlled entities 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.

3 Summary of significant accounting policies (Continued)

3.22 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is 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 is not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except 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.

(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.

3.23 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.

3 Summary of significant accounting policies (Continued)

3.23 Employee benefits (Continued)

(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.

(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.

3.24 Recognition of revenue and income

The Group recognises revenue and income on the following bases:

(a) Revenue from terminal operations

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

(b) Revenue from leasing of containers and generator sets

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.

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

(c) Revenue from container handling, transportation and storage

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

(d) Revenue from container management

Revenue from container management is 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 investment income.

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

Revenue from sale of resaleable containers is 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.

3 Summary of significant accounting policies (Continued)

3.24 Recognition of revenue and income (Continued)

(h) Dividend income

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

(j) Deal management fee and upfront administration fee

Deal management fee and upfront administration fee regarding the containers management services were received from the purchasers of containers. The above fees are recognised as income in the consolidated income statement over the management periods pursuant to the deal management fee agreement and administrative services agreement accordingly.

3.25 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.

3.26 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.

3.27 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.

3.28 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, 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. Details of these financial instruments are disclosed in respective notes.

Risk management is carried out under direction by the Board 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$1,940,000 (2010: increase/decreased US$328,000) 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 security 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 cash and loans to jointly controlled entities and associates (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 jointly controlled entity, 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$7,230,000 (2010: US$3,952,000).

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 associates and finance lease receivables.

The majority of the Group's trade and finance lease receivables relate to container leasing rental income receivables 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 22% (2010: 28%) of the Group's revenue and most of balance receivables 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 revenue. 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, jointly controlled entities 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.

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 31st December 2011				
Bank and other borrowings	**660,577**	**782,696**	**555,559**	**414,318**
Loans from non-controlling shareholders of subsidiaries	**5,215**	**103,214**	**73,632**	**—**
Trade and other payables	**202,095**	**—**	**—**	**—**
Financial guarantee contracts	**—**	**3,883**	**18,113**	**5,517**
At 31st December 2010				
Bank and other borrowings	211,842	336,311	949,459	251,223
Trade and other payables	162,370	—	—	—
Financial guarantee contracts	—	—	16,044	13,461

	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 31st December 2011				
Loan due to a subsidiary	**—**	**296,655**	**—**	**—**
Other payables	**2,160**	**—**	**—**	**—**
Amounts due to subsidiaries	**318,592**	**—**	**—**	**—**
Financial guarantee contracts	**341,000**	**629,883**	**150,113**	**5,517**
At 31st December 2010				
Loan due to a subsidiary	—	—	296,655	—
Other payables	2,955	—	—	—
Amounts due to subsidiaries	441,801	—	—	—
Financial guarantee contracts	108,000	266,000	774,044	13,461

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 31st December 2011, the net debt-to-total equity ratio is 40.9% (2010: 29.6%).

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 Financial risk management (Continued)

4.3 Fair value estimation

The Group's financial instruments that are measured at fair value are 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 instruments that are measured at fair value at 31st December 2011:

	2011 Level 2 US$'000	**2010 Level 2 US$'000**
Available-for-sale financial asset	**17,000**	25,000
Derivative financial instruments	**13,948**	19,532
Borrowings under fair value hedge	**213,707**	219,652

The Group will determine the fair value of unlisted available-for-sale financial assets by reference to valuation report of an independent professional valuer which is determined using valuation techniques (including price/earnings multiple method and direct market quote). The assumptions that are mainly based on market conditions existing at each balance sheet date. These available-for-sale financial assets are included in level 2.

The fair values of interest rate swap contracts and borrowings are calculated as the present values of the estimated future cash flows. These instruments are included in level 2.

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

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.

5.1 Critical accounting estimates and assumptions

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 expense 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 where the residual values are different from the previous estimates.

The assets' 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 charge.

If the useful lives of containers differ by 10% from management's estimates as at 31st December 2011 with all other variables held constant, the estimated depreciation charge for the year would be US$12,418,000 higher or US$9,277,000 lower for the year ended 31st December 2011.

If the residual values of containers differ by 10% from management's estimates as at 31st December 2011 with all other variables held constant, the estimated depreciation charge for the year would be US$2,690,000 higher or lower for the year ended 31st December 2011.

(b) Impairment of containers and terminal equipment

Containers and terminal equipment represent the Group's major operating assets. The Group tests whether containers and terminal equipment have suffered any impairment in accordance with the accounting policy stated in note 3.9.

The recoverable amounts of containers have been determined based on value-in-use calculations. These calculations require the use of estimates on the projections of cash inflows from the continual use of containers (including the amount to be received for the disposal of containers) and discount rate. There would be no significant impact on the carrying amount of the containers if the estimated pre-tax discount rate applied to the value-in-use calculations differ by 5% from management's estimates.

Management determines whether terminal equipment has 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. Management considered that there was no indicator for impairment of terminal equipment as at 31st December 2011.

5 Critical accounting estimates and judgements (Continued)

5.2 Critical judgement in applying the Group's accounting policies

(a) Income taxes

Deferred 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.

(b) Impairment of investments in jointly controlled entities and associates, and trade receivables

Management determines whether investments in jointly controlled entities and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts 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.

(c) Reclassification of a jointly controlled entity to a subsidiary

The reclassification of a jointly controlled entity to a subsidiary involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities. The fair values of identifiable net assets are determined 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 amounts of these assets and liabilities.

6 Revenue and segment information

Revenues recognised during the year are as follows:

	2011 US$'000	2010 US$'000
Terminal operation income	**320,063**	190,832
Operating lease rentals on		
– containers	**246,782**	207,245
– generator sets	**1,877**	2,135
Sale of inventories	**18,245**	33,895
Finance lease income	**744**	207
Container management income	**8,181**	7,416
Container handling, transportation and storage income	**3,267**	4,762
Turnover	**599,159**	446,492

(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) terminal and related businesses including terminal operation, container handling, transportation and storage;

(ii) container leasing, management, sale and related businesses; and

(iii) container manufacturing 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, derivative financial assets, inter-segment loans, other prepayments and receivables and cash and cash equivalents.

Additions to non-current assets comprise additions to property, plant and equipment, land use rights, intangible assets and other non-current assets.

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment assets

	Terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment loans US$'000	Total US$'000
At 31st December 2011							
Segment assets	**3,563,538**	**1,722,943**	**777,379**	**6,063,860**	**517,601**	**(109,277)**	**6,472,184**
Segment assets include:							
Jointly controlled entities	**537,700**	**—**	**—**	**537,700**	**—**	**—**	**537,700**
Associates	**772,651**	**—**	**777,379**	**1,550,030**	**—**	**—**	**1,550,030**
Available-for-sale financial asset	**17,000**	**—**	**—**	**17,000**	**—**	**—**	**17,000**
At 31st December 2010							
Segment assets	2,589,021	1,685,327	671,831	4,946,179	595,114	(289,376)	5,251,917
Segment assets include:							
Jointly controlled entities	460,898	—	—	460,898	—	—	460,898
Associates	788,539	—	671,831	1,460,370	—	—	1,460,370
Available-for-sale financial asset	25,000	—	—	25,000	—	—	25,000
Asset held for sale	22,078	—	—	22,078	—	—	22,078

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information

	Continuing operations						
	Terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment (revenue) and finance (income)/costs US$'000	Total US$'000
Year ended 31st December 2011							
Revenue – external sales	323,339	276,547	—	599,886	—	(727)	599,159
Segment profit/(loss) attributable to equity holders of the Company	184,890	116,508	119,799	421,197	(32,426)	—	388,771
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	749	1,016	—	1,765	9,744	(6,439)	5,070
Finance costs	(47,913)	(7,558)	—	(55,471)	(10,387)	7,439	(58,419)
Share of profits less losses of							
– jointly controlled entities	96,638	—	—	96,638	—	—	96,638
– associates	59,491	—	119,799	179,290	—	—	179,290
Profit on disposal of a jointly controlled entity, net of tax	12,557	—	—	12,557	—	—	12,557
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	—	—	—	—	11,841	—	11,841
Income tax expenses	(4,667)	(2,566)	—	(7,233)	(21,538)	—	(28,771)
Depreciation and amortisation	(50,453)	(89,683)	—	(140,136)	(2,017)	—	(142,153)
Other non-cash expenses	(489)	(6,501)	—	(6,990)	(310)	—	(7,300)
Additions to non-current assets	(214,490)	(434,617)	—	(649,107)	(597)	—	(649,704)
Additions arising from business combination (note 45)	(735,394)	—	—	(735,394)	—	—	(735,394)

6 Revenue and segment information (Continued)

(a) Operating segments (Continued)

Segment revenue, results and other information (Continued)

	Continuing operations							Discontinued operation
	Terminal and related businesses US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses US$'000	Segment total US$'000	Corporate US$'000	Elimination of inter-segment finance (income)/ costs US$'000	Total US$'000	Logistics and related businesses US$'000
Year ended 31st December 2010								
Revenue – external sales	195,594	250,898	—	446,492	—	—	446,492	—
Segment profit/(loss) attributable to equity holders of the Company	119,882	96,366	91,871	308,119	(31,522)	—	276,597	84,710
Segment profit/(loss) attributable to equity holders of the Company includes:								
Finance income	414	2,108	—	2,522	10,473	(6,458)	6,537	—
Finance costs	(15,317)	(8,149)	—	(23,466)	(12,431)	6,458	(29,439)	—
Share of profits less losses of								
– jointly controlled entities	74,654	—	—	74,654	—	—	74,654	—
– associates	40,249	—	91,871	132,120	—	—	132,120	—
Profit on disposal of a jointly controlled entity, net of tax	—	—	—	—	—	—	—	84,710
Income tax expenses	(261)	(884)	—	(1,145)	(14,508)	—	(15,653)	—
Depreciation and amortisation	(23,097)	(86,909)	—	(110,006)	(1,815)	—	(111,821)	—
Impairment loss of property, plant and equipment	(295)	(872)	—	(1,167)	—	—	(1,167)	—
Provision for inventories	—	(1,495)	—	(1,495)	—	—	(1,495)	—
Other non-cash expenses	(54)	(4,064)	—	(4,118)	(331)	—	(4,449)	—
Additions to non-current assets	(150,180)	(251,593)	—	(401,773)	(4,441)	—	(406,214)	—

6 Revenue and segment information (Continued)

(b) Geographical information

(i) Revenue

In respect of terminal and related businesses, revenue is 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 reports 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 revenue of which is presented as unallocated revenue.

	2011 US$'000	2010 US$'000
Terminal and related businesses		
– Mainland China (excluding Hong Kong)	**218,643**	109,208
– Europe	**101,420**	83,303
– Others	**3,268**	3,083
Unallocated	**275,828**	250,898
	599,159	446,492

(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, jointly controlled entities, 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 terminal 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 Group's activities are predominantly carried out in the following geographical areas:

Operating segments	Geographical areas
Terminal and related businesses	Mainland China, Greece, Belgium, Hong Kong, Singapore and Egypt
Container manufacturing and related businesses	Mainly Mainland China

	2011 US$'000	2010 US$'000
Mainland China (excluding Hong Kong)	**3,724,076**	2,663,394
Europe	**196,738**	131,035
Others	**199,347**	185,591
Unallocated	**1,424,774**	1,287,092
	5,544,935	4,267,112

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 1st January 2011	1,598,356	13,479	20,265	322,287	2,141	228,803	349,789	2,535,120
Exchange differences	471	—	—	37,633	56	16,131	17,341	71,632
Reclassification of a jointly controlled entity to a subsidiary (note 45)	—	—	—	400,026	—	179,939	87,055	667,020
Additions	432,897	—	—	1,459	148	37,971	163,478	635,953
Disposals	(237,946)	(991)	—	(31)	(105)	(1,961)	—	(241,034)
Write-off	—	—	—	—	—	—	(309)	(309)
Transfer to inventories	(28,084)	—	—	—	—	—	—	(28,084)
Transfer from investment properties (note 8)	—	—	731	—	—	—	—	731
Transfer	—	—	—	50,899	—	18,940	(69,839)	—
At 31st December 2011	1,765,694	12,488	20,996	812,273	2,240	479,823	547,515	3,641,029
Accumulated depreciation and impairment losses								
At 1st January 2011	319,775	4,968	4,954	27,140	1,116	49,558	302	407,813
Exchange differences	52	—	—	1,800	17	2,640	7	4,516
Write-off	—	—	—	—	—	—	(309)	(309)
Depreciation charge for the year	87,191	993	259	19,119	276	26,187	—	134,025
Disposals – accumulated depreciation and impairment losses	(36,727)	(479)	—	(54)	(105)	(1,151)	—	(38,516)
Transfer to inventories	(22,365)	—	—	—	—	—	—	(22,365)
At 31st December 2011	347,926	5,482	5,213	48,005	1,304	77,234	—	485,164
Net book value								
At 31st December 2011	1,417,768	7,006	15,783	764,268	936	402,589	547,515	3,155,865
The analysis of cost or valuation of the above assets as at 31st December 2011 is as follows:								
At cost	1,765,694	12,488	1,022	812,273	2,240	479,823	547,515	3,621,055
At 1994 professional valuation	—	—	19,974	—	—	—	—	19,974
	1,765,694	12,488	20,996	812,273	2,240	479,823	547,515	3,641,029

7 Property, plant and equipment (Continued)

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 1st January 2010	1,462,742	13,564	2,537	281,892	1,938	193,945	256,403	2,213,021
Reclassification from land use rights upon adoption of HKAS 17 Amendment	—	—	17,728	—	—	—	—	17,728
Exchange differences	63	—	—	9,360	22	6,080	9,242	24,767
Additions	250,364	—	—	5,514	856	6,994	132,278	396,006
Disposals	(25,187)	(85)	—	(146)	(675)	(683)	—	(26,776)
Transfer to inventories	(89,626)	—	—	—	—	—	—	(89,626)
Transfer	—	—	—	25,667	—	22,467	(48,134)	—
At 31st December 2010	1,598,356	13,479	20,265	322,287	2,141	228,803	349,789	2,535,120
Accumulated depreciation and impairment losses								
At 1st January 2010	316,216	3,963	1,765	18,288	1,564	37,146	—	378,942
Reclassification from land use rights upon adoption of HKAS 17 Amendment	—	—	3,037	—	—	—	—	3,037
Exchange differences	37	—	—	745	3	1,252	7	2,044
Impairment loss for the year	872	—	—	—	—	—	295	1,167
Depreciation charge for the year	84,665	1,033	152	8,126	216	11,807	—	105,999
Disposals – accumulated depreciation and impairment losses	(18,772)	(28)	—	(19)	(667)	(647)	—	(20,133)
Transfer to inventories	(63,243)	—	—	—	—	—	—	(63,243)
At 31st December 2010	319,775	4,968	4,954	27,140	1,116	49,558	302	407,813
Net book value								
At 31st December 2010	1,278,581	8,511	15,311	295,147	1,025	179,245	349,487	2,127,307
The analysis of cost or valuation of the above assets as at 31st December 2010 is as follows:								
At cost	1,598,356	13,479	291	322,287	2,141	228,803	349,789	2,515,146
At 1994 professional valuation	—	—	19,974	—	—	—	—	19,974
	1,598,356	13,479	20,265	322,287	2,141	228,803	349,789	2,535,120

7 Property, plant and equipment (Continued)

Company

	Other property, plant and equipment 2011 US$'000	2010 US$'000
Cost		
At 1st January	**736**	736
Additions	**109**	—
At 31st December	**845**	736
Accumulated depreciation		
At 1st January	**583**	541
Depreciation charge for the year	**42**	42
At 31st December	**625**	583
Net book value		
At 31st December	**220**	153

Notes:

(a) Certain land and buildings in Hong Kong of the Group with carrying amount of US$14,911,000 (2010: US$15,052,000) were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Debenham Tie Leung Limited), an independent professional property valuer.

The carrying amount of these land and buildings as at 31st December 2011 would have been US$13,563,000 (2010: US$13,718,000) had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

(b) The aggregate cost, accumulated depreciation and accumulated impairment losses as at 31st December 2011 of the leased assets of the Group (where the Group is a lessor) which comprised containers and generator sets and were leased to fellow subsidiaries and third parties under operating leases amounted to US$1,685,906,000 (2010: US$1,574,219,000), US$352,598,000 (2010: US$322,785,000) and US$816,000 (2010: US$1,958,000) respectively.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31st December 2011 amounted to US$3,443,000 (2010: US$4,887,000).

(d) During the year, the Group transferred containers with an aggregate net book value of US$5,719,000 (2010: US$26,383,000) to inventories.

(e) As at 31st December 2011, certain other property, plant and equipment with an aggregate net book value of US$19,277,000 (2010: US$20,896,000) were pledged as securities for a banking facility granted to the Group (note 25(h)).

(f) During the year, interest expenses of US$12,668,000 (2010: US$9,352,000) were capitalised in construction in progress (note 31).

8 Investment properties

	Group 2011 US$'000	2010 US$'000
At 1st January	**4,742**	4,169
Exchange differences	**146**	—
Reclassification of a jointly controlled entity to a subsidiary (note 45)	**2,864**	—
Transfer to property, plant and equipment (note 7)	**(731)**	—
Revaluation surplus (note a)	**550**	573
At 31st December	**7,571**	4,742

Notes:

(a) The investment properties as at 31st December 2011 and 2010 were revalued on an open market value basis by DTZ Debenham Tie Leung Limited and Jones Lang Lasalle Sallmanns Limited, independent professional property valuers, respectively. Valuations were based on current prices in an active market for all properties. The revaluation surplus for the year ended 31st December 2011 of US$550,000 (2010: US$573,000) was accounted for in the consolidated income statement within other operating income (note 29).

(b) The Group's interests in investment properties are situated in Hong Kong and are held on leases of over 50 years.

9 Land use rights

	Group 2011 US$'000	Group 2010 US$'000
At 1st January	**141,736**	148,237
Reclassification to property, plant and equipment upon adoption of HKAS 17 Amendment	**—**	(14,691)
Exchange differences	**10,692**	4,226
Reclassification of a jointly controlled entity to a subsidiary (note 45)	**64,166**	—
Additions	**11,903**	7,252
Amortisation	**(4,627)**	(2,878)
Disposal	**—**	(410)
At 31st December	**223,870**	141,736

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. (2010: between 10 to 50 years)

10 Intangible assets

Group

	Computer software		Computer systems under development		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Cost						
At 1st January	**15,904**	12,565	**2,022**	2,431	**17,926**	14,996
Exchange differences	**(38)**	18	**—**	(44)	**(38)**	(26)
Reclassification of a jointly controlled entity to a subsidiary (note 45)	**1,343**	—	**—**	—	**1,343**	—
Additions	**964**	1,221	**884**	1,735	**1,848**	2,956
Write-off	**(6)**	—	**—**	—	**(6)**	—
Transfer	**1,675**	2,100	**(1,675)**	(2,100)	**—**	—
At 31st December	**19,842**	15,904	**1,231**	2,022	**21,073**	17,926
Accumulated amortisation						
At 1st January	**10,333**	9,277	**—**	—	**10,333**	9,277
Exchange differences	**3**	8	**—**	—	**3**	8
Amortisation for the year	**1,512**	1,048	**—**	—	**1,512**	1,048
Write-off	**(6)**	—	**—**	—	**(6)**	—
At 31st December	**11,842**	10,333	**—**	—	**11,842**	10,333
Net book value						
At 31st December	**8,000**	5,571	**1,231**	2,022	**9,231**	7,593

11 Subsidiaries

	Company 2011 US$'000	Company 2010 US$'000
Unlisted investments, at cost (note a)	**273,255**	214,148
Advances to subsidiaries (note b)	**1,844,238**	2,203,506
	2,117,493	2,417,654
Amounts due from subsidiaries (net of provision)		
– Non-current (note c)	**109,833**	109,114
– Current (note d)	**540,899**	325,869
Loan due to a subsidiary (note e)	**(296,655)**	(296,655)
Amounts due to subsidiaries (note f)	**(318,592)**	(441,801)

Notes:

(a) As at 31st December 2011, the Company's investment in a subsidiary amounted to US$105,362,000 (2010: US$46,980,000) was pledged as securities for a banking facility granted to the Group (noted 25(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:

(i) US$94,359,000 (2010: US$93,069,000) and US$15,474,000 (2010: US$Nil) which bear interests of 0.6% (2010: 0.6%) per annum above the US dollar London Interbank Offered Rate ("LIBOR") and are wholly repayable on or before 30th June 2013 and 30th December 2014 respectively. These payables are not repayable within twelve months.

(ii) As at 31st December 2010, balance of US$16,045,000 bore interests of 1.5% per annum above the Euro Interbank Offered Rate and had no fixed terms of repayment.

(d) Except for an amount due from a subsidiary of US$57,227,000 as at 31st December 2010 which bore interests of 1.5% per annum above the Euro Interbank Offered Rate, the amounts due from/(to) 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 2011 US$'000	Company 2010 US$'000
At 1st January	**(116,439)**	(104,939)
Provision for impairment of amounts due from subsidiaries	**(18,800)**	(11,500)
At 31st December	**(135,239)**	(116,439)

(e) The loan due to a subsidiary is unsecured, interest free and wholly repayable on or before 3rd October 2013. The carrying amount of the loan due to a subsidiary approximates its fair value. The loan is not repayable within twelve months.

(f) Details of the subsidiaries as at 31st December 2011 are set out in note 46 to the consolidated financial statements.

12 Jointly controlled entities

	Group 2011 US$'000	2010 US$'000
Investment in jointly controlled entities including goodwill on acquisitions (note a)	**517,140**	440,128
Equity loan to a jointly controlled entity (note b)	**20,560**	20,770
	537,700	460,898
Loans to jointly controlled entities (note c)	**—**	131,342

Notes:

(a) The carrying amount of goodwill on acquisitions of jointly controlled entities amounted to US$41,443,000 (2010: US$41,443,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Qingdao Qianwan Container Terminal Co., Ltd. and Nanjing Port Longtan Containers Co., Ltd. of US$31,435,000 (2010: US$31,435,000), US$5,362,000 (2010: US$5,362,000) and US$4,533,000 (2010: US$4,533,000) respectively.

(b) The balance is equity in nature, unsecured, interest free and not repayable within twelve months.

(c) As at 31st December 2010, the loans to jointly controlled entities were unsecured. Except for the loan to a jointly controlled entity of US$93,069,000 which bore interest at 0.6% per annum above the US dollar LIBOR, was wholly repayable on or before 30th June 2013 and not repayable within twelve months; the remaining balances were interest free and not repayable within twelve months.

Upon the reclassification of a jointly controlled entity to a subsidiary (note 45), the loan to a jointly controlled entity of US$93,069,000 as at 31st December 2010 has been reclassified and eliminated at the Group level.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective jointly controlled entities:

	Non-current assets US$'000	Current assets US$'000	Non-current liabilities US$'000	Current liabilities US$'000	Revenue US$'000	Expenses US$'000	Profits less losses after income tax US$'000
2011	**839,565**	**127,471**	**(309,148)**	**(176,722)**	**272,910**	**(162,727)**	**96,638**
2010	1,326,359	120,245	(611,048)	(379,158)	278,085	(195,500)	74,654

(e) The Company has no directly owned jointly controlled entity as at 31st December 2011 and 2010. Details of the principal jointly controlled entities as at 31st December 2011 are set out in note 47 to the consolidated financial statements.

13 Associates

	Group 2011 US$'000	2010 US$'000
Investment in associates including goodwill on acquisitions (note a)		
– Share listed outside Hong Kong	**777,379**	671,831
– Unlisted shares	**630,964**	608,727
	1,408,343	1,280,558
Equity loans to associates (note b)	**141,687**	179,812
	1,550,030	1,460,370
Loan to an associate (note c)	**28,930**	28,500
Market value of listed shares	**1,051,306**	1,843,722

13 Associates (Continued)

Notes:

(a) In June 2010, the Group completed the acquisition of additional 9.64% equity interest in Sigma Enterprises Limited ("Sigma"), previously an available-for-sale financial asset of the Group, and 5.12% equity interest in Wattrus Limited ("Wattrus"), a shareholder with 79.4% interest in Sigma, and shareholders' loans to Sigma and Wattrus at a total consideration of US$520,000,000. After the acquisition, the Group held 16.49% equity interest in Sigma and 5.12% equity interest in Wattrus, representing an effective equity interest of 20.55% in Sigma which is equivalent to approximately 15% shareholding in Yantian terminal.

The carrying amount of goodwill on acquisition of associates amounted to US$28,279,000 (2010: US$28,279,000), mainly represented the goodwill on acquisition of equity interests in Sigma and Wattrus of US$20,669,000 (2010: US$20,669,000) and US$7,523,000 (2010: US$7,523,000) respectively.

(b) The balances are equity in nature, unsecured, interest free and have no fixed terms of repayment.

(c) The loan to an associate is unsecured, bears interest at 2% (2010: 2%) per annum above the 10-year Belgium prime rate and has no fixed terms of repayment.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates:

	Total assets US$'000	Total liabilities US$'000	Revenue US$'000	Expenses US$'000	Profit less losses after income tax US$'000
2011	**3,726,636**	**(2,092,280)**	**2,399,686**	**(2,125,144)**	**179,290**
2010	3,279,648	(1,790,464)	1,807,816	(1,631,012)	132,120

(e) The Company has no directly owned associate as at 31st December 2011 and 2010. Details of the principal associates as at 31st December 2011 are set out in note 48 to the consolidated financial statements.

14 Available-for-sale financial asset

	Group 2011 US$'000	2010 US$'000
At 1st January	**25,000**	340,581
Reclassification to an associate (note b)	**—**	(294,000)
Disposals	**—**	(20,581)
Fair value loss recognised in equity	**(8,000)**	(1,000)
At 31st December	**17,000**	25,000

Notes:

(a) As at 31st December 2011 and 2010, available-for-sale financial asset represents equity interest in an unlisted investee company, Tianjin Five Continents International Container Terminal Co., Ltd. which operates container terminal in Tianjin of Mainland China and is denominated in Renminbi.

(b) Upon the acquisition of additional equity interest in Sigma (note 13(a)), the investment in Sigma was reclassified to investment in an associate during the year ended 31st December 2010.

15 Finance lease receivables

	Group							
	2011				2010			
	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivable US$'000	Gross receivables US$'000	Unearned finance income US$'000	Provision US$'000	Present value of minimum lease payment receivable US$'000
Amounts receivable under finance leases:								
Current portion (note 20)	**2,908**	**(1,137)**	**(108)**	**1,663**	840	(209)	(97)	534
Non-current portion								
– later than one year and not later five years	**10,472**	**(3,199)**	**(37)**	**7,236**	1,769	(375)	(145)	1,249
– later than five years	**9,317**	**(1,294)**	**—**	**8,023**	186	(17)	—	169
	19,789	**(4,493)**	**(37)**	**15,259**	1,955	(392)	(145)	1,418
	22,697	**(5,630)**	**(145)**	**16,922**	2,795	(601)	(242)	1,952

As at 31st December 2011, the Group entered into 11 (2010: 10) finance lease contracts for leasing of certain containers and a vessel. The average term of the finance lease contracts is 5.25 years (2010: 5 years).

The cost of assets acquired for the purpose of letting under finance leases amounted to US$18,409,000 (2010: US$6,943,000) as at 31st December 2011.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$1,000 (2010: US$3,000).

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 movement on the net deferred income tax liabilities during the year is as follows:

	Group	
	2011 US$'000	2010 US$'000
At 1st January	**26,337**	17,623
Exchange differences	**(145)**	118
Charged to consolidated income statement (note 32)	**17,573**	8,596
At 31st December	**43,765**	26,337

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2011, the Group and the Company have unrecognised tax losses of US$19,122,000 (2010: US$10,157,000) and US$2,563,000 (2010: US$2,563,000) respectively to carry forward. Except for the tax losses of US$193,000 (2010: US$Nil) and US$2,986,000 (2010: US$Nil) of the Group which will be expired as at 31st December 2015 and 2016 respectively, all other tax losses have no expiry dates.

As at 31st December 2011, deferred income tax liabilities of US$9,707,000 (2010: US$6,119,000) have not been established for the withholding taxation that would be payable on the undistributed earnings of certain subsidiaries in certain tax jurisdictions totaling US$45,888,000 (2010: US$33,674,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary difference will not be reversed in the foreseeable future.

16 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year, is as follows:

Deferred income tax liabilities

	Group					
	Accelerated tax depreciation		Undistributed profits		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
At 1st January	**5,100**	4,421	**26,678**	17,111	**31,778**	21,532
Exchange differences	**(28)**	—	**—**	—	**(28)**	—
Charged to consolidated income statement	**1,604**	679	**14,372**	9,567	**15,976**	10,246
At 31st December	**6,676**	5,100	**41,050**	26,678	**47,726**	31,778

Deferred income tax assets

	Group					
	Tax losses		Others		Total	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
At 1st January	**3,202**	1,978	**2,239**	1,931	**5,441**	3,909
Exchange differences	**123**	(72)	**(6)**	(46)	**117**	(118)
(Charged)/credited to consolidated income statement	**(1,629)**	1,296	**32**	354	**(1,597)**	1,650
At 31st December	**1,696**	3,202	**2,265**	2,239	**3,961**	5,441

Deferred 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	
	2011 US$'000	2010 US$'000
Deferred income tax assets	**1,690**	3,477
Deferred income tax liabilities	**45,455**	29,814

The amounts shown in the consolidated balance sheet include the following:

	Group	
	2011 US$'000	2010 US$'000
Deferred income tax assets to be recovered after more than 12 months	**559**	3,271
Deferred income tax liabilities to be settled after more than 12 months	**4,797**	3,301

As at 31st December 2011 and 2010, the Company did not have significant deferred income tax assets and liabilities.

17 Derivative financial instruments

	Group 2011 US$'000	Group 2010 US$'000
Interest rate swap contracts		
– fair value hedges (note)	**13,948**	19,532

Note:
The notional principal amount of the related interest rate swap contracts amounted to US$200,000,000 (2010: US$200,000,000) which were committed with interest rates ranging from 1.05% to 1.16% (2010: 1.05% to 1.16%) per annum above LIBOR. These interest rate swap contracts have been designated as a hedge of the fair value of the notes issued by the Group.

18 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 1st October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 42(b)).

19 Inventories

Inventories of the Group mainly included containers held for sale transferred from property, plant and equipment at their carrying amounts.

20 Trade and other receivables

	Group 2011 US$'000	Group 2010 US$'000	Company 2011 US$'000	Company 2010 US$'000
Trade receivables (note a)				
– third parties	**50,881**	39,571	**—**	—
– fellow subsidiaries (notes b and c)	**28,870**	21,391	**—**	—
– jointly controlled entities (note b)	**—**	170	**—**	—
– related companies (note b)	**470**	483		
– a non-controlling shareholder of a subsidiary (note b)	**2,809**	—	**—**	—
	83,030	61,615	**—**	—
Less: provision for impairment	**(3,446)**	(3,852)	**—**	—
	79,584	57,763	**—**	—
Other receivables, deposits and prepayments	**78,124**	67,983	**375**	360
Rent receivable collected on behalf of owners of managed containers (note d)	**30,594**	32,743	**—**	—
Current portion of finance lease receivables (note 15)	**1,663**	534	**—**	—
Amounts due from (note b)				
– fellow subsidiaries	**197**	172	**—**	—
– jointly controlled entities (note e)	**46,151**	33,644	**—**	—
– associates (note e)	**23,665**	21,819	**—**	—
– a non-controlling shareholder of a subsidiary	**13**	113	**—**	—
	259,991	214,771	**375**	360

20 Trade and other receivables (Continued)

Notes:

(a) The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables (net of provision) is as follows:

	Group 2011 US$'000	2010 US$'000
Within 30 days	**44,329**	27,517
31-60 days	**28,109**	23,593
61-90 days	**5,855**	5,504
Over 90 days	**1,291**	1,149
	79,584	57,763

As at 31st December 2011, trade receivables of US$59,994,000 (2010: US$39,079,000) were fully performing.

As at 31st December 2011, trade receivables of US$19,590,000 (2010: US$18,684,000) 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 2011 US$'000	2010 US$'000
Within 30 days	**17,975**	15,590
31-60 days	**976**	2,106
61-90 days	**432**	786
Over 90 days	**207**	202
	19,590	18,684

As at 31st December 2011, trade receivables of US$3,446,000 (2010: US$3,852,000) were impaired. The amount of the provision was US$3,446,000 (2010: US$3,852,000) as at 31st December 2011. The individually impaired receivables mainly relate to lessees, which are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group 2011 US$'000	2010 US$'000
Within 30 days	**1,419**	1,027
31-60 days	**836**	980
61-90 days	**81**	779
Over 90 days	**1,110**	1,066
	3,446	3,852

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

	Group 2011 US$'000	2010 US$'000
At 1st January	**(3,852)**	(4,206)
Exchange differences	**(32)**	(18)
Provision for impairment of trade receivables (note 30)	**(1,864)**	(2,628)
Write back of provision for impairment of trade receivables (note 30)	**2,208**	2,920
Receivables written off during the year as uncollectible	**94**	80
At 31st December	**(3,446)**	(3,852)

(b) The amounts due from fellow subsidiaries, jointly controlled entities, associates, related companies and a non-controlling shareholder of a subsidiary 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 receivable from fellow subsidiaries and included a receivable balance from COSCON of US$22,210,000 (2010: US$19,634,000). During the year ended 31st December 2011, the container leasing income from COSCON and the other fellow subsidiaries amounted to US$131,488,000 (2010: US$123,309,000) and US$11,000 (2010: US$14,000) 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) The amounts receivable mainly represented dividend and interest receivable from jointly controlled entities and associates.

20 Trade and other receivables (Continued)

(f) The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
US dollar	**90,202**	73,013	**276**	81
Renminbi	**106,825**	72,338	**43**	—
Hong Kong dollar	**23,944**	22,618	**55**	279
Euro	**32,643**	46,140	**1**	—
Other currencies	**6,377**	662	**—**	—
	259,991	214,771	**375**	360

(g) The carrying amounts of trade and other receivables approximate their fair values.

21 Asset held for sale

	Group	
	2011 US$'000	2010 US$'000
A jointly controlled entity	**—**	22,078

Note:

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

On 10th March 2011, the Group entered into an agreement with Qingdao Port (Group) Co., Ltd. ("Qingdao Port Group"), the remaining shareholder of Qingdao Cosport Terminal, to dispose of the aforesaid equity interest at a consideration of RMB184,000,000 (equivalent to approximately US$28,000,000). The disposal was completed on 28th April 2011 with a profit after tax of US$12,557,000.

22 Share capital

	2011 US$'000	2010 US$'000
Authorised:		
4,000,000,000 (2010: 3,000,000,000) ordinary shares of HK$0.10 each (note a)	**51,282**	38,462
Issued and fully paid:		
2,711,783,573 (2010: 2,711,525,573) ordinary shares of HK$0.10 each	**34,805**	34,801

Movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value US$'000
At 1st January 2011	**2,711,525,573**	**34,801**
Issue upon exercise of share options (note 23)	**258,000**	**4**
At 31st December 2011	**2,711,783,573**	**34,805**
At 1st January 2010	2,262,525,573	29,018
Placement of shares (note b)	449,000,000	5,783
At 31st December 2010	2,711,525,573	34,801

Notes:

(a) On 16th May 2011, an ordinary resolution was passed to increase the authorised share capital to HK$400,000,000 (equivalent to approximately US$51,282,000).

(b) During the year ended 31st December 2010, 449,000,000 new shares of HK$0.10 each were issued at HK$10.4 per share for cash to strengthen the Company's balance sheet and cash resources and to support the acquisition of Sigma and Wattrus.

23 Share-based payment

On 23rd May 2003, the shareholders of the Company approved the adoption of a new option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30th November 1994.

On 5th 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 an option is HK$1.00.

Movements of the share options are set out below:

			For the year ended 31st December 2011 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1st January 2011**	**Exercised during the year**	**Transfer (to)/from other categories during the year**	**Lapsed during the year**	**Outstanding at 31st December 2011**
Directors	(i) (ii)	**9.54**	**800,000**	—	—	—	**800,000**
	(i) (iii)	**13.75**	**1,700,000**	—	**(700,000)**	—	**1,000,000**
	(i) (iv)	**19.30**	**1,800,000**	—	**(800,000)**	—	**1,000,000**
Continuous contract employees	(i) (ii)	**9.54**	**1,519,000**	**(8,000)**	—	—	**1,511,000**
	(i) (iii)	**13.75**	**12,632,000**	**(200,000)**	—	**(20,000)**	**12,412,000**
	(i) (iv)	**19.30**	**13,120,000**	—	—	**(220,000)**	**12,900,000**
Others	(i) (ii)	**9.54**	**50,000**	—	—	—	**50,000**
	(i) (iii)	**13.75**	**7,480,000**	**(50,000)**	**700,000**	**(500,000)**	**7,630,000**
	(i) (iv)	**19.30**	**340,000**	—	**800,000**	**(340,000)**	**800,000**
			39,441,000	**(258,000)**	—	**(1,080,000)**	**38,103,000**

23 Share-based payment (Continued)

Category	Note	Exercise price HK$	Outstanding at 1st January 2010	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31st December 2010
			For the year ended 31st December 2010 Number of share options				
Directors	(i) (ii)	9.54	800,000	—	—	—	800,000
	(i) (iii)	13.75	4,700,000	—	(3,000,000)	—	1,700,000
	(i) (iv)	19.30	1,800,000	—	—	—	1,800,000
Continuous contract employees	(i) (ii)	9.54	1,519,000	—	—	—	1,519,000
	(i) (iii)	13.75	13,482,000	—	(500,000)	(350,000)	12,632,000
	(i) (iv)	19.30	13,910,000	—	(340,000)	(450,000)	13,120,000
Others	(i) (ii)	9.54	50,000	—	—	—	50,000
	(i) (iii)	13.75	4,790,000	—	3,500,000	(810,000)	7,480,000
	(i) (iv)	19.30	660,000	—	340,000	(660,000)	340,000
			41,711,000	—	—	(2,270,000)	39,441,000

Notes:

(i) All the outstanding options were vested and exercisable as at 31st December 2011 and 2010. 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 28th October 2003 to 6th 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 28th October 2003 to 6th November 2003.

(iii) The share options were granted during the period from 25th November 2004 to 16th 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 25th November 2004 to 16th December 2004.

(iv) The share options were granted during the period from 17th April 2007 to 19th 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 17th April 2007 to 19th April 2007.

23 Share-based payment (Continued)

(v) In 2011, the proceeds, net of transaction costs, yielded from the exercise of 258,000 share options were as follows:

	2011 US$'000
Ordinary share capital – at par	4
Share premium (net of issue expenses)	448
Proceeds (net of issue expenses)	452

(vi) 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 2011	2010
28th October 2013 to 6th November 2013	9.54	2,361,000	2,369,000
25th November 2014 to 16th December 2014	13.75	21,042,000	21,812,000
17th April 2017 to 19th April 2017	19.30	14,700,000	15,260,000
		38,103,000	39,441,000

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

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

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

24 Reserves

Company

	Share premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1st January 2011	1,296,828	414,214	9,702	626,182	2,346,926
Issue of shares on exercise of share options	448	—	—	—	448
Transfer of reserve upon lapse of share options	—	—	(356)	356	—
Profit for the year	—	—	—	110,893	110,893
Dividends					
– 2010 final	—	—	—	(67,377)	(67,377)
– 2011 interim	—	—	—	(94,622)	(94,622)
At 31st December 2011	1,297,276	414,214	9,346	575,432	2,296,268
Representing:					
Reserves	1,297,276	414,214	9,346	514,688	2,235,524
2011 final dividend proposed	—	—	—	60,744	60,744
At 31st December 2011	1,297,276	414,214	9,346	575,432	2,296,268

24 Reserves (Continued)

	Share premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1st January 2010	718,489	414,214	10,408	483,933	1,627,044
Placement of shares	595,698	—	—	—	595,698
Share issue expense	(17,359)	—	—	—	(17,359)
Transfer of reserve upon lapse of share options	—	—	(706)	706	—
Profit for the year	—	—	—	260,457	260,457
Dividends					
– 2009 final	—	—	—	(32,552)	(32,552)
– 2010 interim and special interim	—	—	—	(86,362)	(86,362)
At 31st December 2010	1,296,828	414,214	9,702	626,182	2,346,926
Representing:					
Reserves	1,296,828	414,214	9,702	558,855	2,279,599
2010 final dividend proposed	—	—	—	67,327	67,327
At 31st December 2010	1,296,828	414,214	9,702	626,182	2,346,926

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 contribution surplus is distributable to shareholders.

25 Borrowings

	Group 2011 US$'000	Group 2010 US$'000
Long term borrowings		
– secured	**130,682**	64,180
– unsecured	**1,862,919**	1,461,511
	1,993,601	1,525,691
Amounts due within one year included under current liabilities	**(420,131)**	(136,045)
	1,573,470	1,389,646
Short term bank loans – unsecured	**174,393**	33,064

Notes:

(a) The analysis of long term borrowings is as follows:

	Group 2011 US$'000	Group 2010 US$'000
Wholly repayable within five years		
– Bank loans	**1,299,323**	935,416
– Notes (note c)	**313,541**	319,382
	1,612,864	1,254,798
Bank loans not wholly repayable within five years	**380,737**	270,893
	1,993,601	1,525,691

25 Borrowings (Continued)

(b) The maturity of long term borrowings is as follows:

	Group 2011 US$'000	Group 2010 US$'000
Bank loans		
Within one year	**420,131**	136,045
Between one and two years	**419,322**	297,490
Between two and five years	**493,797**	561,801
Over five years	**346,810**	210,973
	1,680,060	1,206,309
Notes (note c)		
Between one and two years	**313,541**	—
Between two and five years	**—**	319,382
	1,993,601	1,525,691

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

	Group 2011 US$'000	Group 2010 US$'000
Principal amount	**300,000**	300,000
Discount on issue	**(1,899)**	(1,899)
Notes issuance cost	**(1,800)**	(1,800)
Net proceeds received	**296,301**	296,301
Accumulated amortised amounts of		
– discount on issue	**1,643**	1,484
– notes issuance cost	**1,557**	1,406
	299,501	299,191
Effect of fair value hedge	**14,040**	20,191
	313,541	319,382

Notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 3rd October 2003. The notes carried a fixed interest yield of 5.96% per annum and were issued at a price of 99.367 per cent of their principal amount with a fixed coupon rate of 5.875% per annum, resulting in a discount on issue of US$1,899,000. The notes bear interest from 3rd October 2003, payable semi-annually in arrear on 3rd April and 3rd October of each year, commencing on 3rd April 2004. The notes are guaranteed unconditionally and irrevocably by the Company and listed on Singapore Exchange Limited.

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

(d) The exposure of Group's long term borrowings to interest rate changes and the contractual repricing dates are as follows:

	Less than one year US$'000	One to five years US$'000	Total US$'000
At 31st December 2011			
Total borrowings	**1,680,060**	**313,541**	**1,993,601**
Effect of interest rate swaps qualified as hedges	**—**	**(200,000)**	**(200,000)**
	1,680,060	**113,541**	**1,793,601**
At 31st December 2010			
Total borrowings	1,206,309	319,382	1,525,691
Effect of interest rate swaps qualified as hedges	—	(200,000)	(200,000)
	1,206,309	119,382	1,325,691

25 Borrowings (Continued)

(e) The carrying amounts of the Group's long term borrowings and short term bank loans are denominated in the following currencies:

	2011 US$'000	2010 US$'000
US dollar	**1,175,832**	1,165,404
Renminbi	**861,480**	329,171
Euro	**130,682**	64,180
	2,167,994	1,558,755

The effective interest rates per annum at the balance sheet date were as follows:

	2011			2010		
	US$	RMB	Euro	US$	RMB	Euro
Bank loans	**1.1%**	**6.1%**	**2.6%**	1.0%	5.7%	2.2%
Notes	**5.9%**	**N/A**	**N/A**	5.9%	N/A	N/A

(f) The carrying amounts and fair values of the Group's non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Bank loans	**1,259,929**	1,070,264	**1,257,722**	1,069,659
Notes	**313,541**	319,382	**327,515**	340,419
	1,573,470	1,389,646	**1,585,237**	1,410,078

The fair values are determined based on cash flows discounted using a weighted average borrowing rate of 1.1% (2010: 1.0%) per annum.

(g) The carrying amounts of short term bank loans approximate their fair values.

(h) As at 31st December 2011, a bank loan of US$130,682,000 (2010: US$64,180,000) granted to a subsidiary of the Company was secured by certain other property, plant and equipment of the Group (note 7(e)) 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$12,108,000 (2010: US$12,629,000) would be pledged as securities (note 43(b)(iii)). As at 31st December 2011, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

(i) As at 31st December 2011, the committed and undrawn borrowing facilities of the Group amounted to US$1,041,658,000 (2010: US$1,099,127,000).

26 Loans from non-controlling shareholders of subsidiaries

Loans from non-controlling shareholders of subsidiaries are unsecured. Balances of US$63,483,000 bear interest at 6.77% per annum and repayable in 2014. Balances of US$56,329,000 bear interest at 0.6% above 1-year LIBOR per annum and repayable in 2013 and 2014. Balance of US$50,000,000 is interest-free and not repayable within next twelve months. The carrying values of the loans approximate their fair values.

27 Other long term liabilities

	Group	
	2011 US$'000	2010 US$'000
Deferred deal management fee	**808**	—
Deferred upfront administration fee	**—**	744
Deferred income	**2,504**	2,273
Others	**330**	220
	3,642	3,237
Less: current portion (note 28)	**(78)**	(812)
	3,564	2,425

28 Trade and other payables

	Group 2011 US$'000	Group 2010 US$'000	Company 2011 US$'000	Company 2010 US$'000
Trade payables (note a)				
– third parties	**28,452**	36,298	**—**	—
– fellow subsidiaries (note b)	**33**	72	**—**	—
– a jointly controlled entity (note b)	**—**	59	**—**	—
– non-controlling shareholders of subsidiaries (note b)	**2,741**	1,054	**—**	—
– subsidiaries of an associate (notes b and c)	**34**	2,334	**—**	—
– related companies (note b)	**1**	—	**—**	—
	31,261	39,817	**—**	—
Other payables and accruals	**103,055**	75,414	**2,123**	2,919
Payable to owners of managed containers (note d)	**37,802**	40,730	**—**	—
Current portion of other long term liabilities (note 27)	**78**	812	**—**	—
Dividend payable	**37**	36	**37**	36
Loan from a jointly controlled entity (note e)	**23,832**	—	**—**	—
Amounts due to (note b)				
– fellow subsidiaries	**65**	11	**—**	—
– non-controlling shareholders of subsidiaries	**5,339**	5,521	**—**	—
– subsidiaries of an associate	**—**	25	**—**	—
– related companies	**1**	4	**—**	—
	201,470	162,370	**2,160**	2,955

Notes:

(a) The ageing analysis of the trade payables is as follows:

	Group 2011 US$'000	Group 2010 US$'000
Within 30 days	**17,399**	36,189
31-60 days	**1,504**	776
61-90 days	**998**	138
Over 90 days	**11,360**	2,714
	31,261	39,817

(b) Amounts due to fellow subsidiaries, a jointly controlled entity, non-controlling shareholders of subsidiaries, subsidiaries of an associate and related companies 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 amounts payable to subsidiaries of an associate of the Group in respect of the purchases of containers (note 44(a)(x)).

(d) The balance 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.

(e) Loan from a jointly controlled entity is unsecured, bears interest at 3.5% per annum and is repayable within twelve months.

28 Trade and other payables (Continued)

(f) The carrying amounts of trade and other payables are denominated in the following currencies:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
US dollar	**69,622**	88,935	**510**	1,371
Renminbi	**94,389**	38,488	**13**	500
Euro	**31,838**	30,282	**18**	134
Hong Kong dollar	**5,478**	4,579	**1,619**	950
Other currencies	**143**	86	**—**	—
	201,470	162,370	**2,160**	2,955

(g) The carrying amounts of trade and other payables approximate their fair values.

29 Other operating income

	2011 US$'000	2010 US$'000
Management fee and other service income	**4,405**	4,116
Exchange gain, net	**4,305**	—
Write back of provision for impairment of trade receivables	**2,208**	2,920
Revaluation surplus of investment properties (note 8)	**550**	573
Profit on disposal of an available-for-sale financial asset	**—**	7,020
Profit on disposal of property, plant and equipment	**1,003**	1,969
Others	**7,977**	4,574
	20,448	21,172

30 Operating profit

Operating profit is stated after crediting and charging the following:

	2011 US$'000	2010 US$'000
Crediting:		
Dividend income from an unlisted investment (note a)	**1,628**	1,485
Rental income from		
– investment properties (note a)	**364**	127
– buildings, leasehold land and land use rights	**1,040**	731
Profit on disposal of an available-for-sale financial asset	**—**	7,020
Profit on disposal of property, plant and equipment	**1,003**	1,969
Write back of provision for impairment of trade receivables (note 20) and finance lease receivables (note 15)	**2,305**	2,920
Write back of provision for inventories	**43**	—
Revaluation surplus of investment properties (note 8)	**550**	573
Exchange gain, net	**4,305**	—
Charging:		
Amortisation of		
– land use rights	**4,627**	2,878
– intangible assets (note b)	**1,512**	1,048
– other non-current assets (note 18)	**1,989**	1,896
Depreciation of		
– owned property, plant and equipment leased out under operating leases	**88,191**	85,698
– other owned property, plant and equipment	**45,834**	20,301
Exchange loss, net	**—**	2,999
Loss on disposal of property, plant and equipment	**3,954**	—
Impairment loss of property, plant and equipment	**—**	1,167
Cost of inventories sold	**10,232**	25,347
Auditors' remuneration		
– current year	**975**	763
– overprovision in prior year	**(11)**	(60)
Outgoings in respect of investment properties	**3**	5
Provision for inventories	**—**	1,495
Provision for impairment of trade receivables (note 20) and finance lease receivables (note 15)	**1,864**	2,870
Rental expense under operating leases of		
– land and buildings leased from third parties	**5,015**	1,472
– buildings leased from fellow subsidiaries	**1,429**	1,420
– buildings leased from a jointly controlled entity	**32**	33
– land use rights leased from non-controlling shareholders of subsidiaries	**1,052**	1,148
– plant and machinery leased from third parties	**584**	1,385
– containers leased from third parties	**22,376**	9,823
– Concession (note 18)	**37,044**	31,008
Total staff costs (including directors' emoluments and retirement benefit costs) (note c):		
Wages, salaries and other benefits	**106,604**	98,960
Less: amounts capitalised in intangible assets	**(84)**	(209)
	106,520	98,751

Notes:

(a) Dividend income and rental income from investment properties are included in investment income in the consolidated income statement.

(b) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(c) 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 23 to the consolidated financial statements.

31 Finance income and costs

	2011 US$'000	2010 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**3,591**	3,348
– loans to a jointly controlled entity and associates	**1,479**	3,189
	5,070	6,537
Finance costs		
Interest expenses on		
– bank loans	**(56,753)**	(26,441)
– notes wholly repayable within five years	**(9,082)**	(9,227)
– loans from non-controlling shareholders of subsidiaries (note 26)	**(2,552)**	—
– loan from a jointly controlled entity (note 28(e))	**(564)**	—
Fair value (loss)/gain on derivative financial instruments	**(5,584)**	2,976
Fair value adjustment of notes attributable to interest rate risk	**6,151**	(3,878)
	567	(902)
Amortised amount of		
– discount on issue of notes	**(159)**	(169)
– transaction costs on bank loans and notes	**(1,198)**	(1,286)
	(69,741)	(38,025)
Less: amount capitalised in construction in progress	**12,668**	9,352
	(57,073)	(28,673)
Other incidental borrowing costs and charges	**(1,346)**	(766)
	(58,419)	(29,439)
Net finance costs	**(53,349)**	(22,902)

32 Income tax expenses

	2011 US$'000	2010 US$'000
Current income tax		
– Hong Kong profits tax	**(77)**	(86)
– China mainland taxation	**(9,853)**	(5,282)
– Overseas taxation	**(1,248)**	(1,837)
– (Under)/over provision in prior years	**(20)**	148
	(11,198)	(7,057)
Deferred income tax charge (note 16)	**(17,573)**	(8,596)
	(28,771)	(15,653)

The Group's share of income tax expenses of jointly controlled entities and associates of US$13,377,000 (2010: US$11,675,000) and US$56,864,000 (2010: US$30,333,000) are included in the Group's share of profits less losses of jointly controlled entities 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, jointly controlled entities and associates.

32 Income tax expenses (Continued)

Hong Kong profits tax was provided at a rate of 16.5% (2010: 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.

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:

	2011 US$'000	2010 US$'000
Profit before income tax from continuing operations	**426,377**	297,139
Less: Share of profits less losses of jointly controlled entities and associates from continuing operations	**(275,928)**	(206,774)
Profit on disposal of a jointly controlled entity, net of tax	**(12,557)**	—
Gain on release of exchange reserve upon reclassification of a jointly controlled entity to a subsidiary	**(11,841)**	—
	126,051	90,365
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**5,810**	575
Income not subject to income tax	**(720)**	(554)
Expenses not deductible for income tax purposes	**716**	957
Under/(over) provision in prior years	**20**	(148)
Utilisation of previously unrecognised tax losses	**(118)**	—
Tax losses not recognised	**2,116**	847
Withholding income tax upon distribution of profits and payment of interest	**21,050**	14,130
Others	**(103)**	(154)
Income tax expenses	**28,771**	15,653

Except for the Group's share of income tax credit of an associate recognised in other comprehensive income of US$1,579,000 (2010: US$1,564,000), there was no income tax relating to components of other comprehensive income for the year ended 31st December 2011 and 2010.

33 Profit on disposal of a jointly controlled entity, net of tax

On 27th August 2009, COSCO Pacific Logistics Company Limited ("CP Logistics"), a wholly owned subsidiary of the Company, entered into an equity transfer agreement with China COSCO, pursuant to which CP Logistics conditionally agreed to sell and China COSCO conditionally agreed to purchase CP Logistics' 49% equity interest in COSCO Logistics Co., Ltd ("COSCO Logistics"), a jointly controlled entity of the Group, at a cash consideration of RMB2,000,000,000 (equivalent to approximately US$292,900,000). Apart from the aforesaid cash consideration, CP Logistics was entitled to receive a special distribution of an additional cash amount equivalent to 273/365 (representing the first nine months of year 2009) of 49% of 90% of the audited consolidated net profit after tax and non-controlling interest of COSCO Logistics for the year ended 31st December 2009 as shown in the audited consolidated financial statements of COSCO Logistics for the year ended 31st December 2009 prepared in accordance with the accounting standards generally accepted in the PRC. The disposal of COSCO Logistics was completed in March 2010, and the profit on disposal was set out as follows:

	2010 US$'000
Profit on disposal (net of direct expenses)	98,081
Tax on profit on disposal	(13,371)
Profit on disposal (net of direct expenses and tax)	84,710

34 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$110,893,000 (2010: US$260,457,000).

35 Dividends

	2011 US$'000	2010 US$'000
Interim dividend paid of US3.496 cents (2010: US1.759 cents) per ordinary share	**94,804**	47,696
2010 special interim dividend paid of US1.426 cents per ordinary share	**—**	38,666
Final dividend proposed of US2.240 cents (2010: US2.483 cents) per ordinary share	**60,744**	67,327
Exchange differences	**(138)**	—
Additional dividends paid on shares issued due to exercise of share options and placement of shares before the closure of register of members:		
– 2010 final	**6**	—
– 2009 final	**—**	5,424
	155,416	159,113

Note:

At a meeting held on 27th March 2012, the directors recommended the payment of a final dividend of HK17.4 cents (equivalent to US2.240 cents) per ordinary share. The 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 31st December 2012.

36 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.

	2011	2010
Profit from continuing operations attributable to equity holders of the Company	**US$388,771,000**	US$276,597,000
Profit from discontinued operation attributable to equity holders of the Company	**—**	US$84,710,000
	US$388,771,000	US$361,307,000
Weighted average number of ordinary shares in issue	**2,711,755,398**	2,550,377,628
Basic earnings per share		
– from continuing operations	**US14.34 cents**	US10.85 cents
– from discontinued operation	**—**	US3.32 cents
	US14.34 cents	US14.17 cents

36 Earnings per share (Continued)

(b) Diluted

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.

	2011	2010
Profit from continuing operations attributable to equity holders of the Company	**US$388,771,000**	US$276,597,000
Profit from discontinued operation attributable to equity holders of the Company	—	US$84,710,000
	US$388,771,000	US$361,307,000
Weighted average number of ordinary shares in issue	**2,711,755,398**	2,550,377,628
Adjustments for assumed issuance of shares on exercise of dilutive share options	**546,114**	379,751
Weighted average number of ordinary shares for diluted earnings per share	**2,712,301,512**	2,550,757,379
Diluted earnings per share		
– from continuing operations	**US14.33 cents**	US10.84 cents
– from discontinued operation	—	US3.32 cents
	US14.33 cents	US14.16 cents

37 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$7,434,000 (2010: US$5,758,000). Contributions totaling US$952,000 (2010: US$1,666,000) were payable to the retirement benefit schemes as at 31st December 2011 and were included in trade and other payables. No forfeited contributions were available as at 31st December 2011 (2010: US$Nil) to reduce future contributions.

38 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:

	2011 US$'000	2010 US$'000
Fees	**304**	266
Salaries, housing and other allowances	**1,300**	1,280
Benefits in kind	—	76
Bonuses	**237**	174
Contributions to retirement benefit schemes	**2**	2
	1,843	1,798

Directors' fees disclosed above include US$194,000 (2010: US$162,000) paid to independent non-executive directors.

The Company did not grant any share options during the year ended 31st December 2011 and 2010.

As at 31st December 2011, one (2010: one) director of the Company had 800,000 (2010: 800,000) share options which are exercisable at HK$9.54 per share granted by the Company under the 2003 Share Option Scheme.

As at 31st December 2011, one (2010: two) director of the Company had 1,000,000 (2010: 1,700,000) share options which are exercisable at HK$13.75 per share granted by the Company under the 2003 Share Option Scheme.

38 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

As at 31st December 2011, two (2010: three) directors of the Company had 1,000,000 (2010: 1,800,000) 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 31st December 2011 and 2010, there was no share option exercised by the directors.

Details and movement of share options granted and exercised during the year are set out in note 23 to the consolidated financial statements.

The directors' emoluments are analysed as follows:

		Year ended 31st December 2011					
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. XU Lirong		19	—	—	—	—	19
Dr. WANG Xingru	(i)	—	336	—	—	—	336
Mr. WAN Min	(ii)	6	—	—	—	—	6
Mr. HE Jiale		15	—	—	—	—	15
Mr. WANG Zenghua	(iii)	15	—	—	—	—	15
Mr. FENG Jinhua	(iii)	15	—	—	—	—	15
Mr. WANG Haimin	(iii)	15	—	—	—	—	15
Mr. GAO Ping	(iii)	15	—	—	—	—	15
Dr. WONG Tin Yau, Kelvin		—	344	—	77	2	423
Mr. YIN Weiyu		—	249	—	67	—	316
Dr. LI Kwok Po, David		50	—	—	—	—	50
Mr. CHOW Kwong Fai, Edward		54	—	—	—	—	54
Mr. Timothy George FRESHWATER		40	—	—	—	—	40
Dr. FAN HSU Lai Tai, Rita		50	—	—	—	—	50
Mr. XU Minjie	(iv)	—	371	—	93	—	464
Dr. SUN Jiakang	(v)	10	—	—	—	—	10
		304	1,300	—	237	2	1,843

38 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31st December 2010					
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. XU Lirong		16	—	—	—	—	16
Mr. XU Minjie	(iv)	—	679	76	68	—	823
Dr. SUN Jiakang	(v)	15	—	—	—	—	15
Mr. HE Jiale		15	—	—	—	—	15
Mr. WANG Zenghua	(iii)	4	—	—	—	—	4
Mr. FENG Jinhua	(iii)	4	—	—	—	—	4
Mr. WANG Haimin	(iii)	4	—	—	—	—	4
Mr. GAO Ping	(iii)	4	—	—	—	—	4
Dr. WONG Tin Yau, Kelvin		—	355	—	58	2	415
Mr. YIN Weiyu		—	246	—	48	—	294
Dr. LI Kwok Po, David		42	—	—	—	—	42
Mr. CHOW Kwong Fai, Edward		46	—	—	—	—	46
Mr. Timothy George FRESHWATER		32	—	—	—	—	32
Dr. FAN HSU Lai Tai, Rita		42	—	—	—	—	42
Mr. CHEN Hongsheng	(vi)	16	—	—	—	—	16
Mr. LI Jianhong	(vi)	13	—	—	—	—	13
Ms. SUN Yueying	(vi)	13	—	—	—	—	13
		266	1,280	76	174	2	1,798

Notes:
(i) appointed on 11th July 2011
(ii) appointed on 9th August 2011
(iii) appointed on 12th October 2010
(iv) resigned on 11th July 2011
(v) resigned on 9th August 2011
(vi) resigned on 12th October 2010

The above analysis includes two (2010: three) directors whose emoluments were among the five highest in the Group.

38 Directors' and management's emoluments (Continued)

(b) Management's emoluments

Details of the aggregate emoluments paid to three (2010: two) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2011 US$'000	2010 US$'000
Salaries and other allowances	**858**	589
Bonuses	**210**	102
Contributions to retirement benefit schemes	**4**	4
	1,072	695

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
US$256,990-US$321,237 (HK$2,000,001-HK$2,500,000)	**—**	—
US$321,238-US$385,485 (HK$2,500,001-HK$3,000,000)	**3**	2
	3	2

(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.

39 Financial guarantee contracts

The financial guarantees issued by the Group and the Company as at 31st December 2011 are analysed as below:

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Guarantees for:				
– Notes issued by a subsidiary (note 25(c))	**—**	—	**300,000**	300,000
– Other loan facilities granted to subsidiaries	**—**	—	**799,000**	832,000
– Bank guarantees to an associate	**27,513**	29,505	**27,513**	29,505
	27,513	29,505	**1,126,513**	1,161,505

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.

40 Contingent liabilities

A statement of claim was issued on 19th 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$7,500,000) in total. The Company and Piraeus Terminal have defended all material claims at the trial hearing held on 30th November 2010.

The Court of First Instance of Athens has issued (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$39,000) against the plaintiff (ADK). The plaintiff has filed an appeal against the judgment of the Court of First Instance of Athens before the Court of Appeals of Athens according to Greek procedural law. The hearing of this appeal has been set to take place before the Court of Appeals of Athens on 13th November 2012. 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.

41 Capital commitments

The Group has the following significant capital commitments as at 31st December 2011:

	Group	
	2011	**2010**
	US$'000	**US$'000**
Authorised but not contracted for		
– Containers	**757,566**	249,621
– Computer system under development	**798**	756
– Other property, plant and equipment	**189,680**	141,298
	948,044	391,675
Contracted but not provided for		
– Containers	**8,730**	138,470
– Investments (note)	**409,671**	583,977
– Other property, plant and equipment	**358,458**	287,502
	776,859	1,009,949

The Group's share of capital commitments of the jointly controlled entities themselves not included in the above are as follows:

	Group	
	2011	**2010**
	US$'000	**US$'000**
Contracted but not provided for	**8,520**	3,282
Authorised but not contracted for	**14,418**	11,936
	22,938	15,218

The Company did not have any capital commitments as at 31st December 2011 and 2010.

41 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 31st December 2011 are as follows:

	Group 2011 US$'000	Group 2010 US$'000
Contracted but not provided for Investments in:		
– Qingdao Qianwan Container Terminal Co., Ltd.	**64,997**	64,997
– Antwerp Gateway NV	**57,637**	59,561
– Dalian Port Container Terminal Co., Ltd.	**46,343**	44,091
– COSCO Ports (Nansha) Limited	**—**	183,545
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**111,412**	105,999
– Others	**60,697**	60,532
	341,086	518,725
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**63,483**	60,398
– Others	**5,102**	4,854
	68,585	65,252
	409,671	583,977

42 Operating lease arrangements/commitments

(a) Operating lease arrangements – where the Group is the lessor

At 31st December 2011, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	Group 2011 US$'000	Group 2010 US$'000
Containers		
– not later than one year	**244,204**	200,697
– later than one year and not later than five years	**685,520**	605,128
– later than five years	**212,465**	147,670
	1,142,189	953,495
Generator sets		
– not later than one year	**998**	1,469
– later than one year and not later than five years	**2,051**	1,696
– later than five years	**379**	120
	3,428	3,285
Plant and machinery		
– not later than one year	**22**	—
– later than one year and not later than five years	**89**	—
– later than five years	**54**	—
	165	—
Buildings, leasehold land and land use rights		
– not later than one year	**366**	182
– later than one year and not later than five years	**698**	79
– later than five years	**614**	—
	1,678	261
Investment properties		
– not later than one year	**287**	43
– later than one year and not later than five years	**44**	—
	331	43
	1,147,791	957,084

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.

42 Operating lease arrangements/commitments (Continued)

(b) Operating lease commitments – where the Group is the lessee

At 31st December 2011, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group 2011 US$'000	2010 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**4,082**	2,187
– later than one year and not later than five years	**6,382**	1,623
– later than five years	**431**	766
	10,895	4,576
Plant and machinery		
– not later than one year	**296**	608
– later than one year and not later than five years	**59**	395
	355	1,003
Containers (note)		
– not later than one year	**29,821**	10,031
– later than one year and not later than five years	**71,856**	15,647
	101,677	25,678
Concession (note 18)		
– not later than one year	**36,700**	35,326
– later than one year and not later than five years	**178,555**	168,394
– later than five years	**3,980,794**	4,222,612
	4,196,049	4,426,332
	4,308,976	4,457,589

Note:

After the disposal of certain containers in 2008 and 2011, the Group entered into operating lease agreements of which the Group agreed to lease back these containers from the purchasers with lease terms of five years each. 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.

(c) The Company did not have any lease commitments as at 31st December 2011 and 2010.

43 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax (including discontinued operation) to cash generated from operations

	2011 US$'000	2010 US$'000
Profit before income tax including discontinued operation	**426,377**	381,849
Depreciation and amortisation	**142,153**	111,821
Interest expenses	**55,716**	27,218
Amortised amount of		
– discount on issue of notes	**159**	169
– transaction costs on bank loans and notes	**1,198**	1,286
Other incidental borrowing costs and charges	**1,346**	766
Impairment loss of property, plant and equipment	**—**	1,167
Provision for impairment of trade and finance lease receivables	**1,864**	2,870
(Write back of provision)/provision for inventories	**(43)**	1,495
Loss/(profit) on disposal of property, plant and equipment	**2,951**	(1,969)
Dividend income from an unlisted investment	**(1,628)**	(1,485)
Profit on disposal of		
– jointly controlled entities, net of tax	**(12,557)**	(84,710)
– an available-for-sale financial asset	**—**	(7,020)
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	**(11,841)**	—
Revaluation surplus of investment properties	**(550)**	(573)
Write back of provision for impairment of trade receivables and finance lease receivables	**(2,305)**	(2,920)
Interest income	**(5,070)**	(6,537)
Share of profits less losses of		
– jointly controlled entities	**(96,638)**	(74,654)
– associates	**(179,290)**	(132,120)
Operating profit before working capital changes	**321,842**	216,653
Increase in net amount due from jointly controlled entities	**—**	(119)
(Increase)/decrease in finance lease receivables	**(14,294)**	1,029
Increase in prepaid agency fee for finance lease	**(159)**	—
Decrease in rent receivable collected on behalf of owners of managed containers	**2,149**	2,374
Decrease in inventories	**9,983**	21,157
(Increase)/decrease in trade and other receivables	**(7,738)**	6,637
(Increase)/decrease in restricted bank deposits	**(111)**	14
Increase in amounts due from fellow subsidiaries	**(28)**	(121)
Increase in amounts due from related companies	**(3)**	—
Increase in amount due from an associate	**(25)**	(30)
Decrease/(increase) in amounts due from non-controlling shareholders	**106**	(113)
Increase in trade and other payables	**19,866**	953
(Decrease)/increase in payables to owners of managed containers	**(2,928)**	2,187
Increase/(decrease) in amounts due to fellow subsidiaries	**54**	(141)
Decrease in amounts due to related companies	**(3)**	(3)
Increase in amounts due to non-controlling shareholders of subsidiaries	**2,174**	154
Cash generated from operations	**330,885**	250,631

43 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of the balances of cash and cash equivalents

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Total time deposits, bank balances and cash (note i)	**581,069**	524,274	**179,660**	269,988
Restricted bank deposits included in current assets	**(111)**	—	**—**	—
	580,958	524,274	**179,660**	269,988
Representing:				
Time deposits	**264,283**	245,856	**170,704**	194,914
Bank balances and cash	**316,675**	278,418	**8,956**	75,074
	580,958	524,274	**179,660**	269,988

Notes:

(i) As at 31st December 2011, cash and cash equivalents of US$176,636,000 (2010: US$124,979,000) 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	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
US dollar	**324,494**	423,882	**125,923**	255,674
Renminbi	**182,442**	65,666	**—**	—
Euro	**43,653**	13,761	**30,135**	—
Hong Kong dollar	**29,589**	19,795	**23,602**	14,314
Other currencies	**891**	1,170	**—**	—
	581,069	524,274	**179,660**	269,988

(iii) Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$12,108,000 (2010: US$12,629,000) would be pledged as securities for a banking facility granted to the Group (note 25(h)). As at 31st December 2011, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

44 Related party transactions

The Group is controlled by China COSCO which owns 42.71% of the Company's shares as at 31st December 2011. 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. In accordance with HKAS 24 (Revised) "Related Party Disclosures" issued by the HKICPA, 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.

44 Related party transactions (Continued)

(a) Sales/purchases of goods, services and investments

	2011 US$'000	2010 US$'000
Container rental income from fellow subsidiaries (note i)		
– long term leases	**131,488**	123,309
– short term leases	**11**	14
Compensation for loss of containers from a fellow subsidiary (note ii)	**474**	1,789
Handling, storage and transportation income from (note iii)		
– fellow subsidiaries	**2,573**	2,165
– a jointly controlled entity	**3**	1,767
Management fee and service fee income from (note iv)		
– jointly controlled entities	**4,163**	3,932
– associates	**149**	106
– an investee company	**93**	77
Terminal handling and storage income received from (note v)		
– fellow subsidiaries and an associate of the parent company	**62,715**	14,552
– a non-controlling shareholder of a subsidiary	**22,504**	—
Refund of port construction fee from a non-controlling shareholder of a subsidiary (note xiii)	**1,037**	—
Container freight charges to (note vi)		
– a fellow subsidiary	**(13)**	(1)
– subsidiaries of CIMC	**(1,156)**	(1,338)
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note vii)	**(11,860)**	(7,521)
Electricity and fuel expenses to (note viii)		
– a fellow subsidiary	**(1,285)**	—
– non-controlling shareholders of subsidiaries	**(8,649)**	(1,744)
Approved continuous examination program fees to a fellow subsidiary (note ix)	**(2,000)**	(2,000)
Purchase of containers from subsidiaries of CIMC (note x)	**(215,308)**	(158,467)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note xi)	**(269)**	(697)
Port construction fee and high-frequency communication fee to non-controlling shareholders of subsidiaries (note xii)	**(5,897)**	(2,565)
Proceeds on disposal of a jointly controlled entity to intermediate holding company (note 33)	**—**	314,167

Notes:

(i) The Group conducts long term container leasing business with COSCON. During the two years ended 31st December 2011, 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 four (2010: three) 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$474,000 (2010: US$1,789,000) from COSCON for the loss of containers under operating leases, resulting in a profit of US$50,000 (2010: US$336,000).

(iii) The handling, storage and transportation income received from fellow subsidiaries and a jointly controlled entity of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries and the jointly controlled entity.

(iv) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a jointly controlled entity of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,570,000) (2010: HK$20,000,000 (equivalent to US$2,574,000)) per annum.

Other management fee and service fee income charged to jointly controlled entities, associates and an investee company were agreed between the Group and the respective parties in concern.

44 Related party transactions (Continued)

(a) Sales/purchases of goods, services and investments (Continued)

(v) The terminal handling and storage income received from fellow subsidiaries, an associate of COSCO and a non-controlling shareholder of a subsidiary in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou 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 Ports were charged at rates as mutually agreed.

(vi) The container freight charges paid to a fellow subsidiary of the Group and 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 (2010: 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.

(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) Port construction fee and high-frequency communication fee paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(xiii) Refund of port construction fee from a non-controlling shareholder of a subsidiary was charged at amounts as mutually agreed.

(b) Balances with state-owned banks

	2011 US$'000	2010 US$'000
Bank deposit balances		
– in China mainland	**176,636**	124,979
– outside China mainland	**356,432**	235,844
Long term bank loans		
– in China mainland	**811,013**	297,582
– outside China mainland	**504,682**	471,180
Short term bank loans		
– in China mainland	**99,393**	33,064
Committed and undrawn bank borrowings facilities		
– in China mainland	**875,111**	634,241
– outside China mainland	**147,502**	223,292

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 government related entities

	2011 US$'000	2010 US$'000
Other payables to government related entities	**10,092**	7,144

The balance represented the port construction levies collected by subsidiaries of the Group on behalf of the port authority in Zhangjiagang and Nansha pursuant to a notice issued by the Ministry of Communications of the PRC. The balances are unsecured, interest free and have no fixed terms of repayment.

44 Related party transactions (Continued)

(d) Key management compensation

	2011 US$'000	2010 US$'000
Salaries, bonuses and other allowances	**3,015**	2,942
Contributions to retirement benefit schemes	**8**	8
	3,023	2,950

Key management includes directors of the Company and five (2010: five) senior management members of the Group.

45 Business combination

COSCO Ports (Nansha) Limited ("CP Nansha") was a jointly controlled entity of the Group in prior year. By virtue of the clause in an agreement entered into by the Group and the other shareholder of CP Nansha, the joint control of CP Nansha expired on 31st December 2010 and the Group has the power to govern the operating and financial policies of CP Nansha and its subsidiary, Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal"), from then onwards. Accordingly, the Group has accounted for CP Nansha as a subsidiary since 1st January 2011. Upon the reclassification of CP Nansha as a subsidiary, the Group recorded a gain of US$11,841,000 on release of exchange reserve.

Details of net assets acquired are as follows:

	2010 US$'000
Purchase consideration	—
Fair value of equity interest in and loan to CP Nansha before the business combination	76,691
	76,691

The assets and liabilities arising from the reclassification are as follows:

	Fair value 2010 US$'000
Property, plant and equipment	667,020
Investment properties	2,864
Land use rights	64,166
Intangible assets	1,343
Trade and other receivables	21,272
Cash and cash equivalents	9,517
Long term borrowings	(386,101)
Loan from a non-controlling shareholder	(47,732)
Trade and other payables	(27,667)
Current income tax liabilities	(325)
Short term bank loans	(126,082)
Current portion of long term borrowings	(30,199)
Total identifiable net assets	148,076
Non-controlling interests	(71,385)
	76,691

For the year ended 31st December 2011, CP Nansha and Guangzhou South China Oceangate Terminal contributed revenue of US$94,889,000 and profit of US$1,731,000 to the Group.

46 Details of subsidiaries

Details of the subsidiaries as at 31st December 2011 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
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	10,000 ordinary shares of HK$10 each	**77.00%**	75.00%
1, 2	COSCO Container Industries Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	2 ordinary shares of HK$1 each	**100.00%**	100.00%
1, 2, 3	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$37,496,000	**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, 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	2 ordinary shares of HK$1 each	**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 Property Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 3, 7	COSCO Ports Services (Guangzhou) Limited	PRC	PRC	Depot handling, storage and container repairing	US$5,000,000	**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	1 ordinary share of HK$1	**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%
1, 2	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	Euro12,500	**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%
5	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	US$10,000	**66.10%**	N/A

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
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%
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	1 ordinary share of HK$1	**100.00%**	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	5,000 ordinary shares of HK$100 each	**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, 6	Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	PRC	Financing leasing	US$50,000,000	**50.00%**	100.00%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
6	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	2,000 ordinary shares of HK$1 each	**50.00%**	100.00%
	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	100 ordinary shares of US$1 each	**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%
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	Florens Container Services (Japan) Co. Ltd.	Japan	Japan	Provision of container management services	200 ordinary shares of JPY50,000 each	**100.00%**	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%
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%

46 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2011	Group equity interest 2010
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	12,000 ordinary shares of US$1 each	**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	250,000 ordinary shares of HK$1 each	**100.00%**	100.00%
2, 3, 5	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminal	RMB1,928,293,400	**39.00%**	N/A
1	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminal	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%
2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminal	Euro77,299,800	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminal	US$49,900,000	**71.43%**	71.43%
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	10,000 ordinary shares of HK$10 each	**100.00%**	100.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	RMB1,396,850,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminal	US$61,500,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminal	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 Container Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Quan Zhou Pacific Container 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.

46 Details of subsidiaries (Continued)

4 As at 31st December 2011, there is no issued share capital and paid up capital for this subsidiary.

5 COSCO Ports (Nansha) Limited ("CP Nansha") was a jointly controlled entity of the Group. By virtue of the clause in an agreement entered into by the Group and other shareholder of CP Nansha, the joint control of CP Nansha expired on 31st December 2010 and the Group has the power to govern the operating and financial policies of CP Nansha and its subsidiary, Guangzhou South China Oceangate Container Terminal Company Limited, from then onwards. Accordingly, the Group has accounted for CP Nansha as a subsidiary since 1st January 2011.

6 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 31st December 2011.

7 As at 31st December 2011, COSCO Ports Services (Guangzhou) Limited is in the process of liquidation.

47 Details of principal jointly controlled entities

Details of the principal jointly controlled entities as at 31st December 2011, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/profit sharing 2011	2010
COSCO Ports (Nansha) Limited (note 45)	British Virgin Islands/PRC	Investment in a container terminal	US$10,000	**N/A**	66.10%/ 66.67%/ 66.10%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	2 "A" ordinary shares of HK$10 each, 2 "B" ordinary shares of HK$10 each and 4 non-voting 5% deferred shares of HK$10 each	**50.00%**	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Guangzhou South China Oceangate Container Terminal Company Limited (note 45)	PRC	Operation of container terminal	RMB1,928,293,400	**N/A**	39.00%/ 40.00%/ 39.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	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 terminal	RMB624,000,000	**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%**	N/A
Qingdao Cosport International Container Terminals Co., Ltd. (note 21)	PRC	Operation of container terminal	RMB337,868,700	**—**	50.00%

47 Details of principal jointly controlled entities (Continued)

Name	Place of establishment/ operation	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/profit sharing 2011	2010
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	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 terminal	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminal	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%

48 Details of principal associates

Details of the principal associates as at 31st December 2011, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment/ operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2011	2010
Antwerp Gateway NV	Belgium	Operation of container terminal	Euro17,900,000	**20.00%**	20.00%
China International Marine Containers (Group) Co., Ltd.	PRC	Container manufacturing	RMB2,662,396,051 (1,231,917,342 "A" shares and 1,430,478,709 "B" shares), all of RMB1 each	**21.80%**	21.80%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminal	RMB320,000,000	**30.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB730,000,000	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands/PRC	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/PRC	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 terminal	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Wattrus Limited (note)	British Virgin Islands/PRC	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 and therefore classified Sigma and Wattrus as associates as at 31st December 2011 and 2010.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31st December				
	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Revenue	**599,159**	446,492	349,424	337,973	298,948
Operating profit after finance income and costs	**126,051**	90,365	66,118	120,089	172,844
Share of profits less losses of					
– jointly controlled entities (note 3)	**96,638**	74,654	84,810	100,273	106,933
– associates	**179,290**	132,120	32,890	54,815	80,326
Profit on disposal of jointly controlled entities/ associates (note 3)	**12,557**	84,710	5,516	—	90,742
Gain on release of exchange reserve upon reclassification from a jointly controlled entity to a subsidiary	**11,841**	—	—	—	—
Profit before income tax	**426,377**	381,849	189,334	275,177	450,845
Income tax (expenses)/credit	**(28,771)**	(15,653)	(13,286)	4,585	(17,796)
Profit for the year	**397,606**	366,196	176,048	279,762	433,049
Profit attributable to:					
Equity holders of the Company	**388,771**	361,307	172,526	274,725	427,768
Non-controlling interests	**8,835**	4,889	3,522	5,037	5,281
	397,606	366,196	176,048	279,762	433,049
Dividends	**155,416**	159,113	69,162	109,873	211,003
Basic earnings per share (US cents)	**14.34**	14.17	7.66	12.24	19.09
Dividend per share (US cents)	**5.736**	5.668	3.061	4.896	9.406

	As at 31st December				
	2011 US$'000	2010 US$'000	2009 US$'000	2008 US$'000	2007 US$'000
Total assets	**6,472,184**	5,251,917	4,635,312	4,213,208	3,871,575
Total liabilities	**(2,592,025)**	(1,758,055)	(1,776,961)	(1,566,905)	(1,096,916)
Net assets	**3,880,159**	3,493,862	2,858,351	2,646,303	2,774,659

Notes:

1 The consolidated results of the Group for the two years ended 31st December 2011 and the assets and liabilities of the Group as at 31st December 2011 have been extracted from the audited consolidated financial statements of the Group as set out on pages 111 to 118 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26th July 1994.

3 Balances included the profit on disposal of COSCO Logistics in 2010 and the share of profit of COSCO Logistics in 2009, which was classified as a discontinued operation.

FIVE-YEAR FINANCIAL SUMMARY

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HISTORICAL STATISTICS SUMMARY

Financial statistics		2002	2003
Consolidated income statement	US$M		
Revenue			
Terminals		7.8	9.0
Container leasing, management, sale and related businesses		232.1	250.5
Container handling, transportation and storage		8.8	8.8
Elimination of inter-segment		—	—
Total		248.7	268.3
EBITDA		254.6	274.1
Depreciation & amortisation		(87.7)	(95.5)
EBIT		166.9	178.6
Interest expenses		(15.5)	(11.9)
Interest income		3.8	2.3
Profit before income tax		155.2	169.0
Operating profit after finance income and costs		91.9	109.3
Profit attributable to equity holders of the Company		142.5	154.7
Breakdown of profit attributable to equity holders of the Company			
Terminal and related businesses		54.3	68.0
Container leasing, management, sale and related businesses		75.2	80.8
Container manufacturing and related businesses		5.9	6.2
Logistics and related businesses		—	—
Other operations		8.4	9.8
Net corporate finance income/(costs)		2.1	(4.5)
Net corporate expenses		(3.4)	(5.6)
Total		142.5	154.7
Consolidated balance sheet	US$M		
Consolidated total assets		1,746.4	1,903.3
Consolidated total liabilities		482.4	570.5
Consolidated net assets		1,264.0	1,332.8
Consolidated total debts		420.7	478.3
Consolidated cash balances		236.1	283.8
Consolidated net debts		184.6	194.5
Per share data			
Capital and reserves attributable to the equity holders of the Company per share	US$	0.58	0.61
Basic earnings per share	US cents	6.64	7.20
Dividend per share	US cents	3.718	4.077
Net asset value per share	US$	0.59	0.62
Net asset value per share	HK$	4.592	4.839
Share price (as at 31st December)	US$	0.821	1.327
	HK$	6.40	10.35
Ratios			
P/E (as at 31st December)	Times	12.4	18.4
Dividend payout ratio	%	56.0	56.6
Return on total assets	%	8.2	8.5
Return on net assets	%	11.6	11.9
Return on equity holders of the Company	%	11.8	12.1
Net debt-to-total equity ratio	%	14.6	14.6
Interest coverage	Times	11.0	15.2
Other information			
Total number of shares issued (as at 31st December)	M	2,147.0	2,148.5
Weighted average number of ordinary shares issued	M	2,146.2	2,147.3
Market capitalisation (as at 31st December)	US$M	1,761.7	2,851.0

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 2006 & 2007.
3. Excluded profit from discontinued operation of COSCO Logistics of US$84,710,000 and US$25,627,000 respectively in 2010 & 2009.
4. The comparative figures from 2002 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".

2004	2005	2006	2007	2008	2009	2010	2011
11.1	12.5	20.9	43.3	78.7	114.9	190.8	**320.1**
281.8	299.0	269.0	247.9	252.6	229.8	250.9	**276.5**
7.2	6.8	7.6	7.7	6.7	4.7	4.8	**3.3**
—	—	—	—	—	—	—	**(0.7)**
300.1	318.3	297.5	298.9	338.0	349.4	446.5	**599.2**
351.1	499.3	462.6	574.2	413.6	321.4	516.6	**621.9**
(102.5)	(107.7)	(88.1)	(84.0)	(92.6)	(98.3)	(111.8)	**(142.2)**
248.6	391.6	374.5	490.2	321.0	223.1	404.8	**479.7**
(24.8)	(35.6)	(43.4)	(49.9)	(52.7)	(39.8)	(29.4)	**(58.4)**
3.3	4.4	12.6	10.5	6.9	6.0	6.5	**5.1**
227.1	360.4	343.7	450.8	275.2	189.3	381.9	**426.4**
133.4	205.1	169.5	172.8	120.0	66.1	90.4	**126.1**
206.6	334.9	291.1	427.8	274.7	172.5	361.3	**388.8**
98.2	161.0	100.6	120.6	120.6	83.5	119.9	**184.9**
104.9	114.8	166.4	92.3	115.0	71.4	96.3	**116.5**
3.5	58.7	16.9 [Note 1]	123.5 [Note 1]	39.3	30.9	91.9	**119.8**
11.8	15.1	18.4	19.7	25.0	25.6	84.7	**—**
9.8	10.3	12.8	98.4	—	—	—	**—**
(15.5)	(15.8)	(13.3)	(14.5)	(9.7)	(9.6)	(1.9)	**(0.6)**
(6.1)	(9.2)	(10.7)	(12.2)	(15.5)	(29.3)	(29.6)	**(31.8)**
206.6	334.9	291.1	427.8	274.7	172.5	361.3	**388.8**
2,243.0	2,855.1	2,987.2	3,871.6	4,213.2	4,635.3	5,251.9	**6,472.2**
757.4	964.8	779.0	1,096.9	1,566.9	1,776.9	1,758.0	**2,592.0**
1,485.6	1,890.3	2,208.2	2,774.7	2,646.3	2,858.4	3,493.9	**3,880.2**
653.3	835.6	531.6	914.0	1,424.3	1,604.3	1,558.8	**2,168.0**
100.6	179.3	224.7	387.4	429.0	405.8	524.3	**581.1**
552.7	656.3	306.9	526.6	995.3	1,198.5	1,034.5	**1,586.9**
0.67	0.85	0.97	1.21	1.14	1.21	1.23	**1.34**
9.57	15.28	13.14	19.09	12.24	7.66	14.17	**14.34**
5.396	8.650	8.847	9.406	4.896	3.061	5.668	**5.736**
0.68	0.86	0.99	1.24	1.18	1.26	1.29	**1.43**
5.307	6.666	7.704	9.637	9.135	9.796	10.015	**11.115**
2.064	1.830	2.349	2.668	1.021	1.281	1.742	**1.167**
16.10	14.20	18.26	20.80	7.91	9.93	13.54	**9.07**
21.7	11.9	17.9	14.0	8.3	16.7	12.3	**8.1**
56.4	56.6	56.6 [Note 2]	56.6 [Note 2]	40.0	40.0	40.0	**40.0**
10.0	13.1	10.0	12.5	6.8	3.9	7.3	**6.6**
14.7	19.8	14.2	17.2	10.1	6.3	11.4	**10.5**
14.7	20.0	14.4	17.5	10.4	6.5	11.9	**11.1**
37.2	34.7	13.9	19.0	37.6	41.9	29.6	**40.9**
10.1	11.1	8.8	10.0	6.2	5.1 [Note 3]	11.1 [Note 3]	**8.3**
2,183.6	2,199.0	2,228.7	2,244.9	2,245.0	2,262.5	2,711.5	**2,711.8**
2,160.0	2,192.1	2,214.7	2,240.3	2,245.0	2,252.9	2,550.4	**2,711.8**
4,507.2	4,024.2	5,234.1	5,988.4	2,291.3	2,897.3	4,723.5	**3,166.4**

HISTORICAL STATISTICS SUMMARY

Operating statistics		2002	2003
Container leasing, management and sale			
Breakdown of rental income			
– COSCON		136.1	130.6
– International customers (long term lease)		49.1	64.9
– International customers (master lease)		39.2	43.6
Total		224.4	239.1
Fleet capacity	TEUs	707,890	808,825
Breakdown of fleet capacity by customers			
– COSCON (included owned, sale-and-leaseback containers)	TEUs	329,028	310,444
– International customers			
Owned containers	TEUs	373,644	481,701
Managed containers	TEUs	5,218	16,680
– COSCON (included owned, sale-and-leaseback containers)	%	46.5	38.4
– International customers			
Owned containers	%	52.8	59.5
Managed containers	%	0.7	2.1
Breakdown of fleet capacity			
– Dry	TEUs	657,466	758,783
– Reefer	TEUs	36,962	37,400
– Special	TEUs	13,462	12,642
– Dry	%	92.9	93.8
– Reefer	%	5.2	4.6
– Special	%	1.9	1.6
Capital expenditure on containers	US$M	153.7	195.6
Purchase of containers	TEUs	119,466	142,218
Disposal of returned containers	TEUs	15,822	23,714
Fleet age	Year	4.4	4.3
Utilisation rate			
– COSCO Pacific (Florens)	%	93.4	95.2
– Industry average	%	83.0	89.0
Number of customers		176	202
Container throughput	TEUs		
COSCO-HIT Terminal		1,526,074	1,513,559
Yantian Terminal		4,181,478	5,258,106
Shanghai Terminal		3,049,080	3,400,963
Zhangjiagang Win Hanverky Terminal		202,348	247,306
Qingdao Cosport Terminal		454,528	244,159
Dalian Port Container Co., Ltd.		1,326,463	1,644,409
Shanghai Pudong Terminal		—	1,765,586
Qingdao Qianwan Terminal		—	1,332,746
COSCO-PSA Terminal		—	95,830
Yangzhou Yuanyang Terminal		—	—
Yingkou Terminal		—	—
Nanjing Longtan Terminal		—	—
Dalian Port Terminal		—	—
Tianjin Five Continents Terminal		—	—
Antwerp Terminal		—	—
Quan Zhou Pacific Terminal		—	—
Guangzhou South China Oceangate Terminal		—	—
Ningbo Yuan Dong Terminal		—	—
Suez Canal Terminal		—	—
Jinjiang Pacific Terminal		—	—
Piraeus Terminal		—	—
Tianjin Euroasia Terminal		—	—
Total		10,739,971	15,502,664

2004	2005	2006	2007	2008	2009	2010	2011
120.8	126.4	136.9	140.1	142.4	134.3	123.3	**131.5**
88.0	104.3	60.9	32.7	44.3	50.3	68.9	**100.1**
47.1	43.8	21.8	8.5	15.7	13.5	15.0	**15.2**
255.9	274.5	219.6	181.3	202.4	198.1	207.2	**246.8**
919,128	1,042,852	1,250,609	1,519,671	1,621,222	1,582,614	1,631,783	**1,777,792**
327,845	377,324	456,877	517,311	551,219	527,891	499,106	**547,077**
567,644	630,925	163,851	239,742	314,077	332,591	432,613	**556,366**
23,639	34,603	629,881	762,618	755,926	722,132	700,064	**674,349**
35.7	36.2	36.5	34.0	34.0	33.4	30.6	**30.8**
61.7	60.5	13.1	15.8	19.4	21.0	26.5	**31.3**
2.6	3.3	50.4	50.2	46.6	45.6	42.9	**37.9**
870,789	993,988	1,198,770	1,470,832	1,570,462	1,532,723	1,587,775	**1,731,530**
36,639	38,020	41,456	38,745	41,183	39,860	35,616	**38,658**
11,700	10,844	10,383	10,094	9,577	10,031	8,392	**7,604**
94.7	95.3	95.9	96.8	96.9	96.9	97.3	**97.4**
4.0	3.6	3.3	2.5	2.5	2.5	2.2	**2.2**
1.3	1.1	0.8	0.7	0.6	0.6	0.5	**0.4**
270.9	333.6	480.6	586.3	348.0	61.9	250.4	**432.9**
155,526	168,592	268,236	326,715	152,752	15,000	111,625	**185,231**
39,517	27,288	48,071	56,759	34,043	22,863	28,674	**9,826**
4.3	4.3	4.0	3.8	4.2	5.0	5.4	**5.9**
97.0	95.5	96.2	94.5	94.6	90.6	97.3	**96.1**
92.0	90.9	91.8	93.0	94.0	86.0	95.0	**95.0**
218	256	270	280	300	306	300	**287**
1,697,212	1,841,193	1,688,697	1,846,559	1,752,251	1,360,945	1,535,923	**1,625,819**
6,259,515	7,355,459	8,470,919	9,368,696	9,683,493	8,579,013	10,133,967	**10,264,440**
3,650,319	3,646,732	3,703,460	3,446,135	3,681,785	2,979,849	3,197,244	**—**
328,199	377,121	455,946	601,801	710,831	715,413	889,515	**1,065,382**
385,856	605,791	744,276	1,005,439	1,099,937	1,145,352	1,284,903	**—**
2,172,252	2,334,481	2,464,208	2,873,474	2,742,503	2,906,768	—	**—**
2,339,479	2,471,840	2,650,007	2,723,722	2,779,109	2,291,281	2,450,176	**2,388,156**
4,532,769	5,443,086	6,770,003	8,237,501	8,715,098	8,961,785	10,568,065	**12,426,090**
571,863	611,013	627,894	833,892	1,247,283	904,829	1,091,639	**1,106,262**
118,079	157,123	222,912	253,772	267,970	221,046	302,617	**400,224**
393,097	633,573	837,574	1,125,557	950,801	1,023,107	1,196,932	**1,303,068**
—	178,686	700,098	950,289	1,160,261	1,058,499	1,245,559	**1,600,523**
—	132,984	421,068	850,359	1,656,968	1,509,401	1,668,418	**1,900,204**
—	87,462	1,773,141	1,988,456	1,938,580	1,940,933	1,917,873	**2,100,321**
—	70,084	599,170	792,459	1,091,657	639,957	795,534	**1,168,930**
—	—	241,272	856,784	910,058	936,136	1,050,710	**1,186,799**
—	—	—	577,196	2,000,130	2,158,291	3,060,591	**3,914,348**
—	—	—	331,361	903,865	1,117,169	1,704,588	**2,145,653**
—	—	—	319,153	2,392,516	2,659,584	2,856,854	**3,246,467**
—	—	—	—	193,779	274,390	313,585	**314,101**
—	—	—	—	—	166,062	684,881	**1,188,148**
—	—	—	—	—	—	574,296	**1,350,962**
22,448,640	25,946,628	32,370,645	38,982,605	45,878,875	43,549,810	48,523,870	**50,695,897**

CORPORATE INFORMATION

Board of Directors

Mr. LI Yunpeng[2] (Chairman)
Dr. WANG Xingru[1] (Vice Chairman and Managing Director)
Mr. WAN Min[2]
Mr. HE Jiale[1]
Mr. FENG Bo[1]
Mr. FENG Jinhua[1]
Mr. WANG Haimin[2]
Mr. WANG Wei[2]
Dr. WONG Tin Yau, Kelvin[1]
Mr. YIN Weiyu[1]
Dr. LI Kwok Po, David[3]
Mr. CHOW Kwong Fai, Edward[3]
Mr. Timothy George FRESHWATER[3]
Dr. FAN HSU Lai Tai, Rita[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

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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183 Queen's Road Central
Hong Kong
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Fax: +852 2907 6088
Website: www.coscopac.com.hk

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Hong Kong

Solicitors

Holman Fenwick Willan
Linklaters
Norton Rose
Orrick, Herrington & Sutcliffe
Woo, Kwan, Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
China Development Bank
Commonwealth Bank of Australia
DBS Bank Ltd.
ING Bank N.V.
The Hongkong and Shanghai Banking Corporation Limited

Principal Registrar and Transfer Office in Bermuda

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

Branch Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Listing Information/Stock Code

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199 HK
Reuters: 1199.HK

Concept & Design: YELLOW CREATIVE (HK) LIMITED www.yellowcreative.com

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